Rapid Response

Deepseek R1

Marketing implications of short, low cost AI timelines

Better decisions, faster.

OMD

Disruption from Deepseek

A new player from China

A previously little-known AI lab called <u>Deepseek</u>, owned by the <u>High-Flyer</u> hedge fund, has made <u>headlines this week</u>.

Around Christmas 2024, Deepseek launched V3, a <u>GPT-4o grade model,</u> and has now followed up with the R1 reasoning model on January 20th.
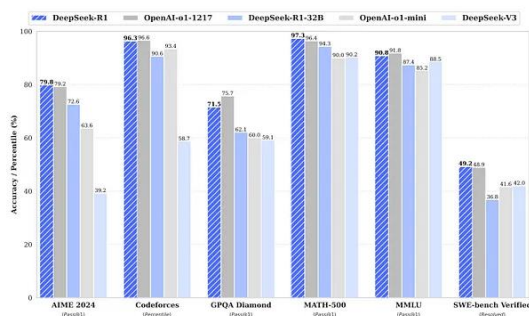

Figure 1 | Benchmark performance of DeepSeek-R1.

This model has proven highly disruptive because it matches and <u>sometimes exceeds Open AI's flagship o1</u> model with a far smaller resource footprint, delivering <u>a 95% reduction in token cost</u> to its customers.

This week, this has sent shockwaves around the <u>technology sector</u> and Wall St. with a record-breaking <u>one-day loss of USD 589bn in Nvidia's market capitalization</u>. It has <u>geo-political implications</u> as <u>perceived leads in technology</u> seemed to be wiped out.

Utilization across the enterprise will be slow due to <u>significant risks and exposures</u> around Deepseek, including:

- Concerns about <u>IP infringement</u> from OpenAI

- The model is subject to the laws of China and therefore <u>constrained</u> to a range of politically sensitive topics

- <u>Questions about hardware embargo</u> infringement

- Terms of use state identity data can be used outside the platform leading to <u>significant privacy risks</u>.

National governments are urging citizens to be <u>cautious</u>, Omnicom has **prohibited access to Deepseek** services on company systems.

Implications for technology and marketing

It is unlikely that brands and agencies will be directly using Deepseek, at least outside of China and in the short to medium term. However, the <u>algorithmic innovations</u> Deepseek represents, have profound implications for both consumer and enterprise use of AI, especially in <u>marketing contexts</u>.
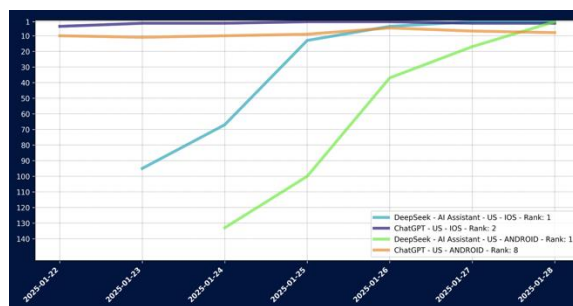
Already, Deepseek is the <u>number one free iOS app</u> in the US App Store and 51 other markets around the world. The lack of rate limits at the free price point will cause an increased amount of people to use AI for more reasons.

DeepseekR1 is <u>open-source</u> under an <u>MIT license</u> and, therefore, can be modified, inspected, and integrated. Hugging Face is <u>attempting to build</u> a <u>fully open reproduction of R1</u> to mitigate some of its risks.

Whilst some believe that this innovation is a <u>body blow for the existing leaders</u> in AI, the technological leaps made by Deepseek on low-cost hardware can also be <u>applied to the hyper-scalers</u>.

Leading to a 'Jevons Paradox' whereby lower prices are more than outweighed by increased demand, leading to overall sector growth.

It is very likely that R1 has <u>shortened AI timelines</u> as we can deliver the same capability with significantly less compute reprice, or more capability with current or planned resources.

McKinsey notes that <u>92% of companies</u> plan to increase investment in AI over the next three years, yet only 1% possess the organizational maturity to harness its full potential. Increasing resource requirements have been a drag, but these cost-lowering innovations will likely accelerate adoption.

Better decisions, faster.

Democratizing AI

Deepseek represents a package of algorithmic breakthroughs. Cutting-edge reasoning models will be available to more entities through lower token costs, local hosting, and open-source innovation.

This will shift the economics and incentives of marketing.

Metric	DeepSeek-R1	OpenAI-o1
Cost (per 1M output tokens)	$2.19	$60
Output Speed	2x faster	Baseline
Creativity Score	8.5/10	6/10
SEO Optimization	Built-in logic	Requires plugins
Personalization	50+ variants in 10min	20 variants in 15min

©thethinker   *Based on tests with 20+ marketing tasks

Open-source accessibility will allow advertisers to customize models for niche campaigns without licensing fees, democratizing advanced targeting and content generation.

This is true across the marketing value chain, for instance, influencers tune their own models to be able to sell anything in their distinctive style.

R1's "chain-of-thought" reasoning and multilingual proficiency enable more sophisticated ad personalization and cross-cultural media campaigns. This may be particularly impactful in markets like Asia, where Chinese-language AI tools were previously limited.

The first generation of reasoning models was deliberately opaque (in part in a now futile attempt to avoid being back-engineered).

Transparency in reasoning processes will allow advertisers to audit AI-generated content for biases or errors, improving trust in automated campaigns, whilst also discovering new performance hypotheses and insights.

There will be negatives as the cost to run AI content farms, MFA, and spam/slop will reduce drastically. Further stretching user attention.

Model Neutrality

The multiple announcements coming every few days in 2025 illustrate that model progress is not only accelerating but diversifying with innovation coming from new, and sometimes surprising sources.

Models will continue their upward trajectory enabling new capabilities by the week. Model neutrality in AI systems is key, delivering the ability to swap in the most capable model for the task.

Success in this environment comes from a focus on specific use cases, leveraging deep domain knowledge and proprietary first-party data within accessible environments.
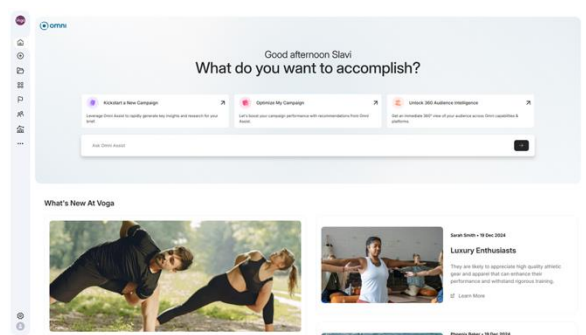
These have been the principles underlying Omni and will be especially so as more AI-enabled capabilities come on stream as Omni 3 delivers agentic intelligence through 2025.

Lower price points and open-source models will accelerate innovation in every domain of AI-powered marketing such as;

- Consumer-facing AI services from branded personas to buying agents

- Delivery of competitive advantage in AI powered media marketplaces

- Efficiency and effectiveness through AI-powered transformation of marketing process and capability.

In periods of accelerated change focus is more necessary than ever to achieve our objectives.

Jean-Paul Edwards
OMD Worldwide Managing Director, Product
jean-paul.edwards@omd.com

Better decisions, faster.