

PPA Festival 2017

Marketing short-termism: *is an effectiveness crisis looming?*

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Publishing

Archant, Cedar, Centaur, DC Thomson, DMGT, Dow Jones, ESI Media, Financial Times, Future, Guardian Media Group, Haymarket, Hearst, Holtzbrinck, Immediate Media, Johnston Press, Magnetic, News UK, Newsworks, NLA Media Access, Penguin Random House, Telegraph Media Group, Time Inc, Trinity Mirror, Which?

Agencies

Acceleration, Blue State Digital, Dentsu Aegis Network, Engine, Finsbury, Geometry, Grey, GroupM, GTB, Hill & Knowlton, Hogarth & Ogilvy & Mather, J. Walter Thompson, Kantar, Karmarama, Kinetic, MEC, M/Six, Maxus, Mediacom, Mindshare, Possible, Prism, RadiumOne, Starcom, Tenth Avenue, WPP, Wunderman, Xaxis, Young & Rubicam

Tech

AutoTrader, DAZN, Facebook, Google, Jobsite, Microsoft, NTT Data, RadiumOne, Yahoo!

Film/Television

21st Century Fox, Arqiva, BBC, BBC Worldwide, Bein Sports, Bertelsmann, Box Plus, Channel 4, Digital UK, Discovery Communications Europe, Endemol Shine Group, Fox Networks Group, Freeview, IMG Media, ITV, Ludorum, Miramax, NBCUniversal, ProSiebenSat.1, Scripps Networks Interactive, SevenOne Media, Sky, Sony Pictures Entertainment, STV Group, Turner Broadcasting, UKTV, Viacom, Virgin Media, Vivendi, Walt Disney Company, Warner Bros Entertainment UK, Wireless Group, YouView

Telecoms

BT, EE, H3G, Liberty Global, Openreach, Post Office, Samsung, TalkTalk Group, Telefónica, Tesco Telecoms, Utility Warehouse, Vodafone, Vonage UK

Music/Radio

Bauer Radio, BMG Rights Management, Communicorp, EMI Music Publishing, Pandora, PRS for Music, Sony Music Entertainment, Spotify, Universal Music Group

Professional Services

Accenture, Afiniti, Allen & Overy, Baringa Partners, Bain & Company, Deloitte Consulting, Edelman, Ernst & Young, KPMG, Linklaters, McKinsey, Miles 33, OC&C Strategy Consultants, Oliver & Ohlbaum, PWC, Russell Reynolds, Tata Consultancy Services, Venture Consulting, XIX Entertainment

Public Sector

Dept Culture Media & Sport, European Broadcasting Union, European Commission, Ofcom, National Audit Office

Funds

Aberdeen Asset Management, Baillie Gifford, Cedar Rock Capital, Cenkos Securities plc, Highfields Capital Management, LionTree, Morgan Stanley Investment Management, Veritas Investment Management, CapeView Capital LLP

Investment Banks

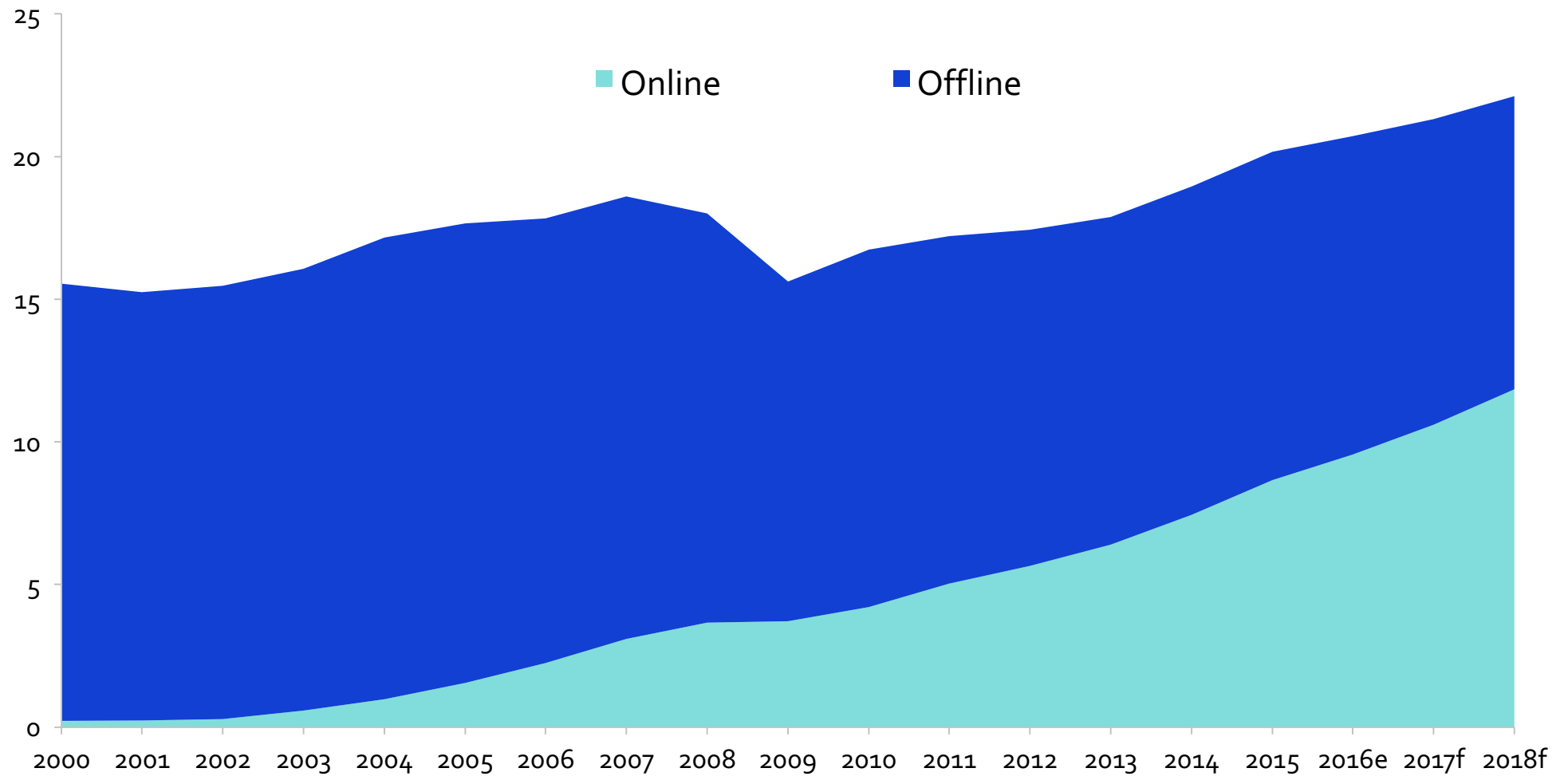
Allen & Co, Barclays Capital, BNP Paribas, Citigroup, Lepe Partners, Moelis & Co, NM Rothschild, Raine Group

Private Equity/Venture Capital

Apax, Cinven, Gloop Networks, Permira Advisors, Providence Equity, Taconic Capital Advisors, Usaha Tegas

We are at a tipping point: online is more than 50% of all advertising spend

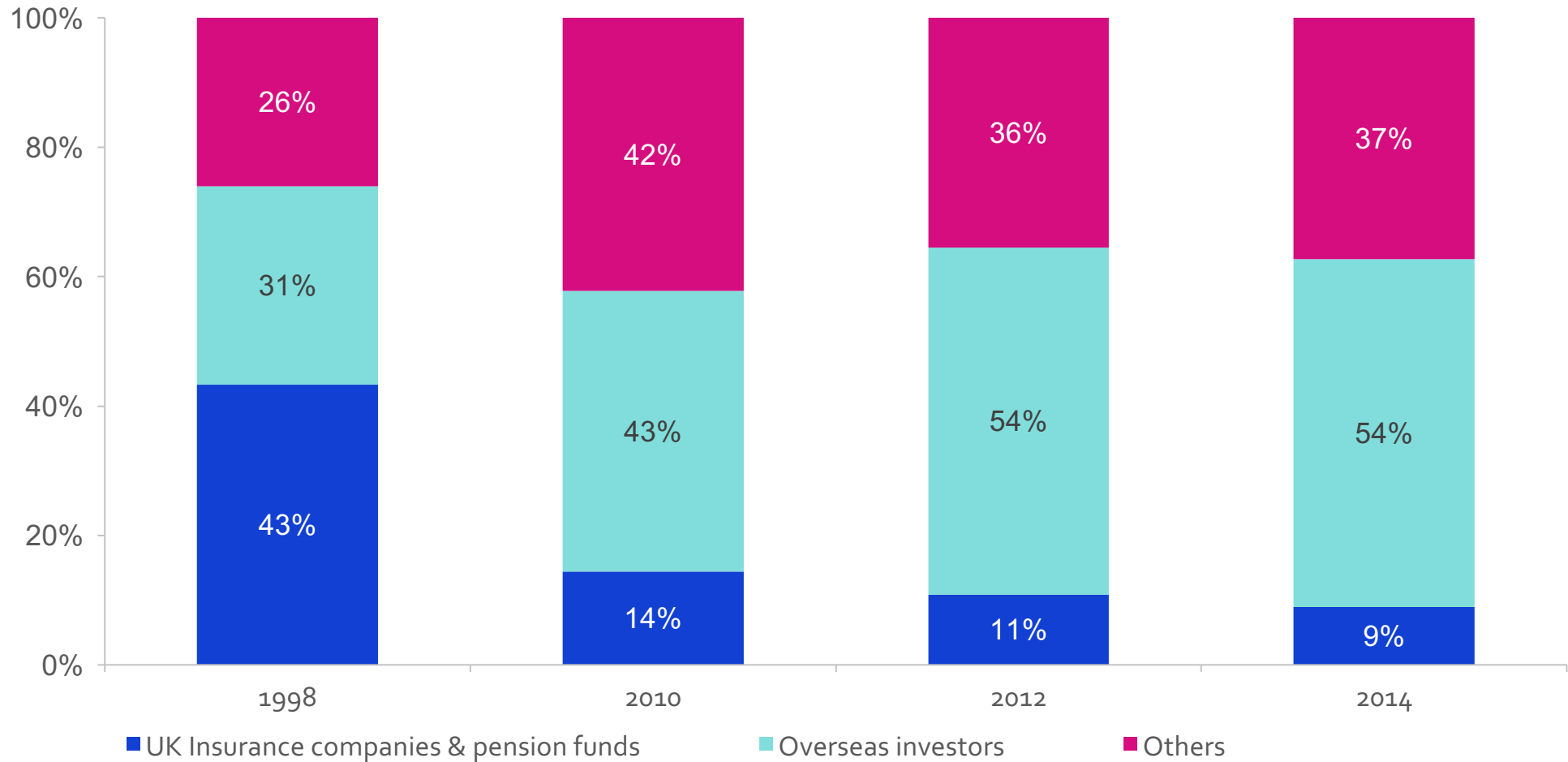
UK advertising spend (£m)



[Source: Enders Analysis based on AA/Warc]

Corporate and investor **short-termism** is rising

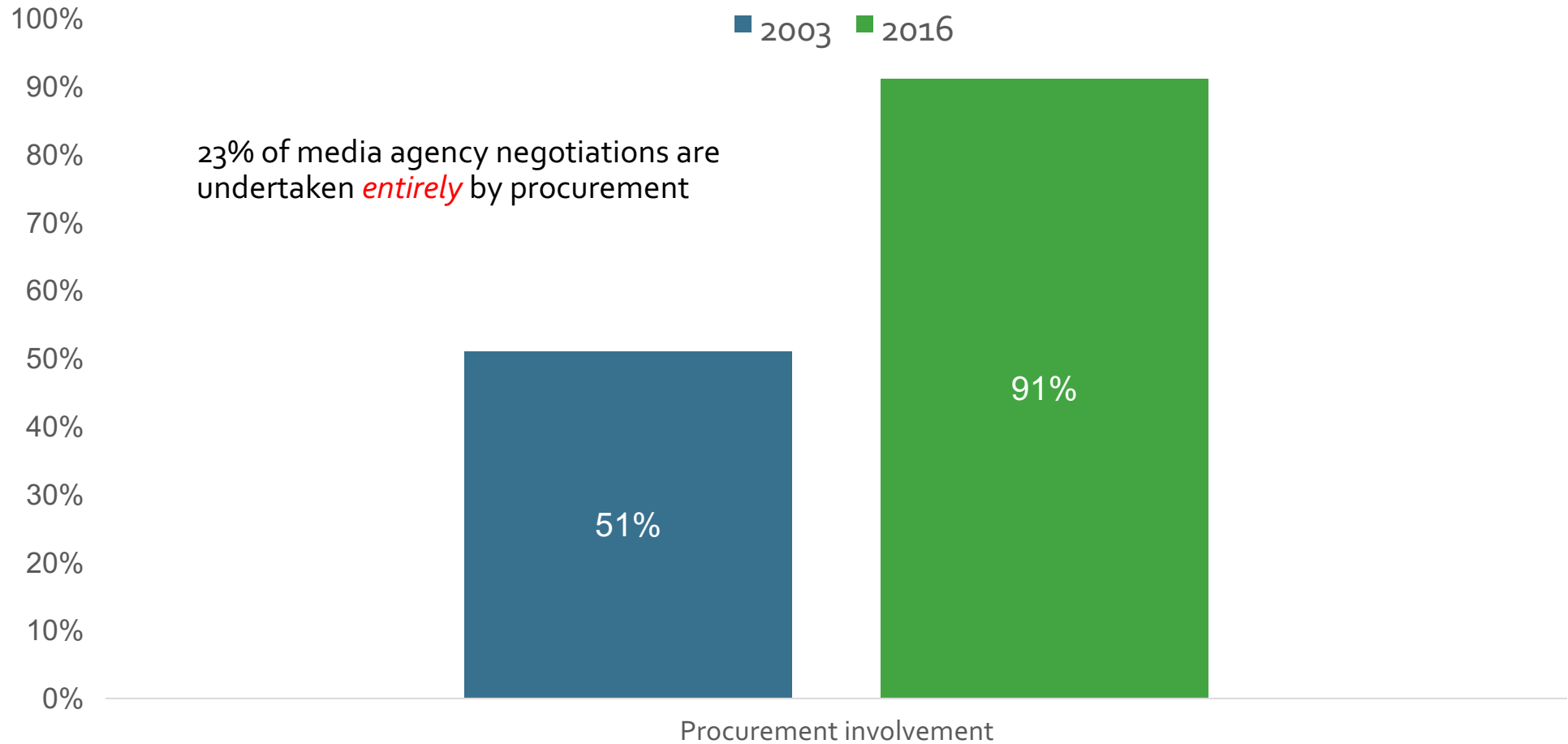
Ownership of UK quoted shares



[Source: ONS, Enders Analysis]

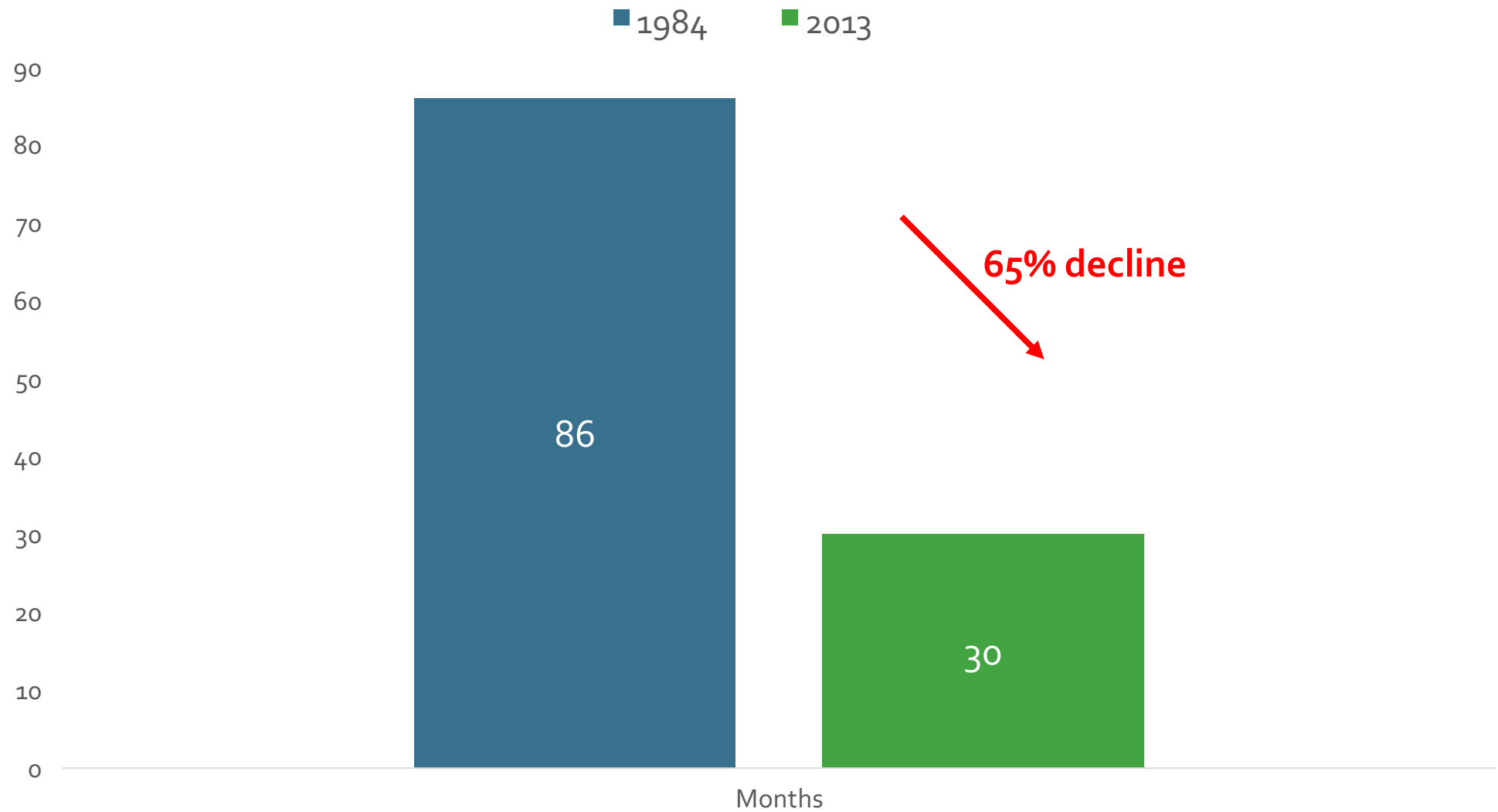
Procurement is driving media agency deals

Proportion of media agency deals which involve procurement (%)



[Source: ISBA, 2016]

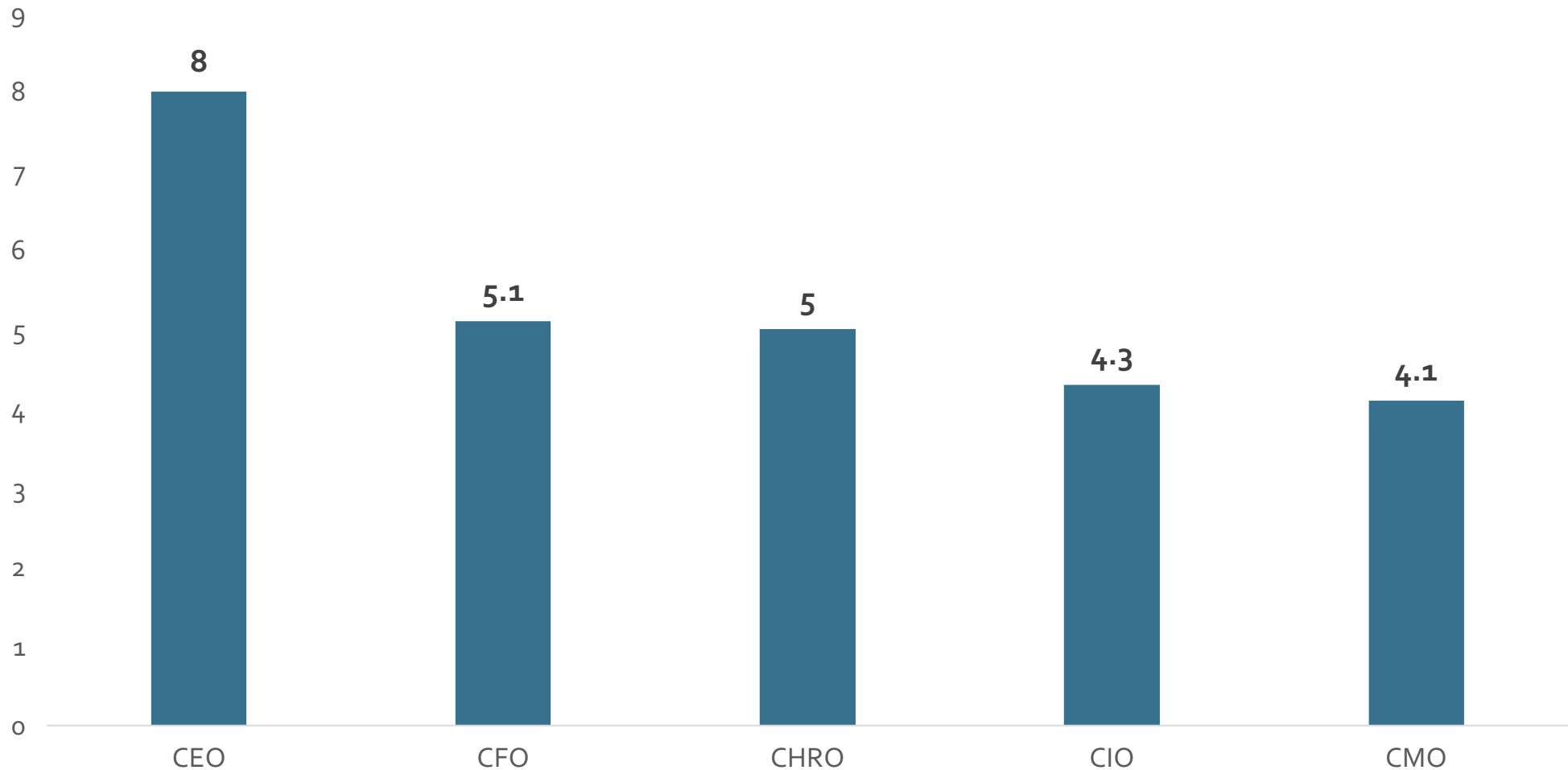
Agency–client tenures have fallen substantially



[Source: Emma Harris, IPA breakfast]

With particular implications for marketing: CMOs last half as long as CEOs

Average tenure (years)



[Source: Korn Ferry, 2017]

And, anyway, marketing chiefs are not on the board

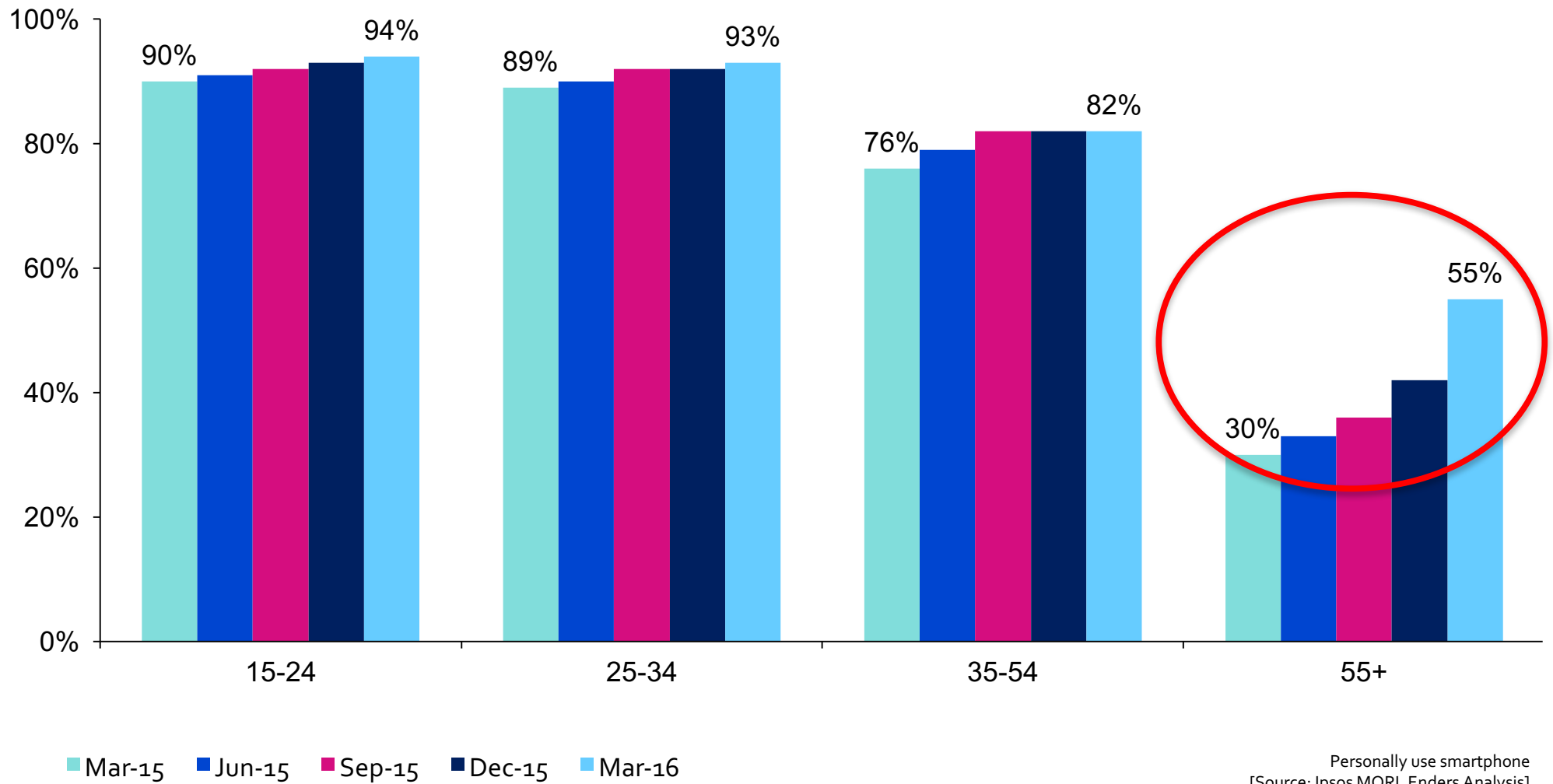
2.6%

Proportion of S&P-1,500 directors with marketing experience, measured over a 6-year period (65,000 directors)

[Source: Kimberley A Whitley et al, *When and How Does Board-Level Marketing Experience Impact Firm Performance?*, Marketing Science Institute]

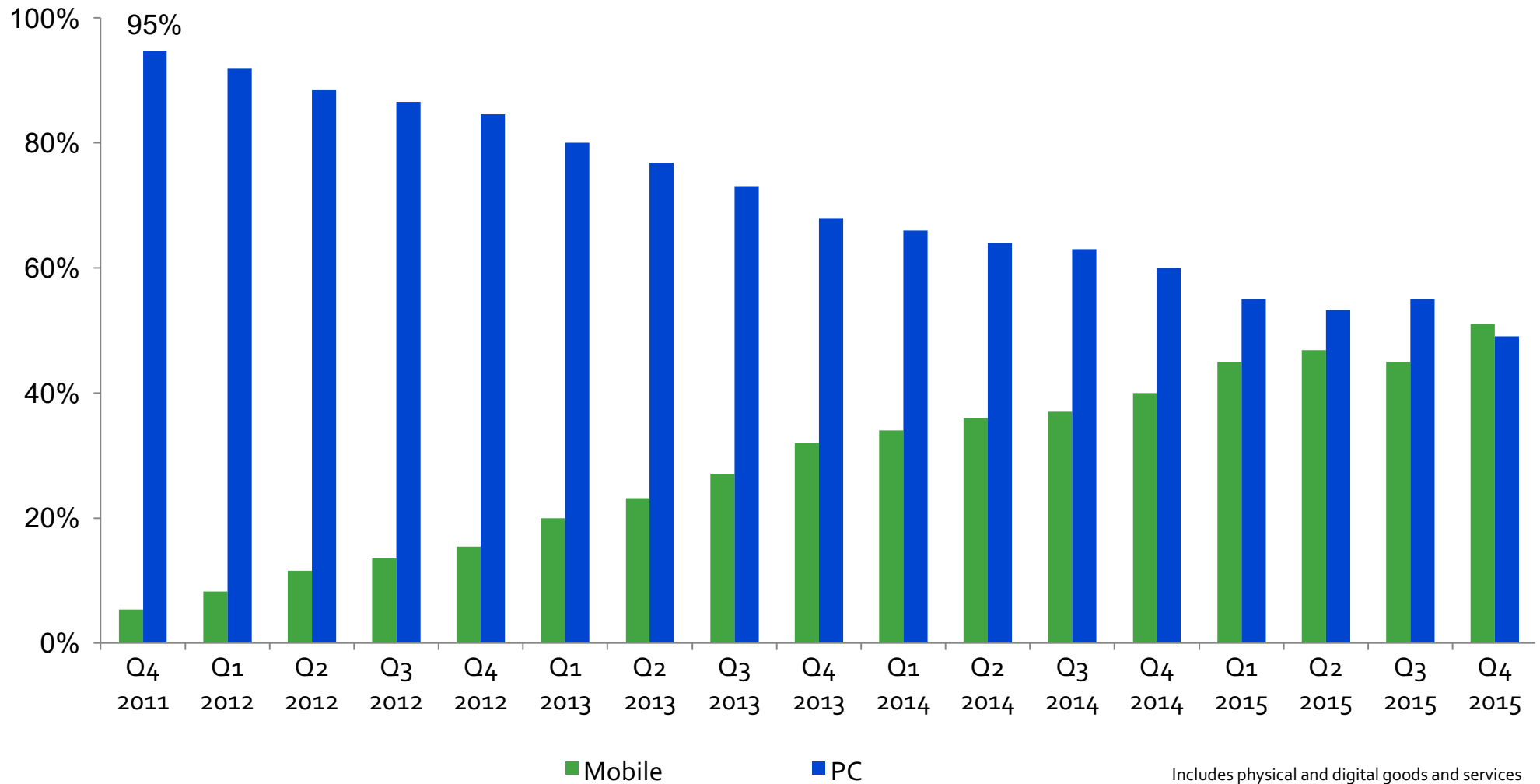
Mobile is becoming universal

Smartphone adoption by age (% of adults, average of last 4 quarters)



And ecommerce is going mobile....

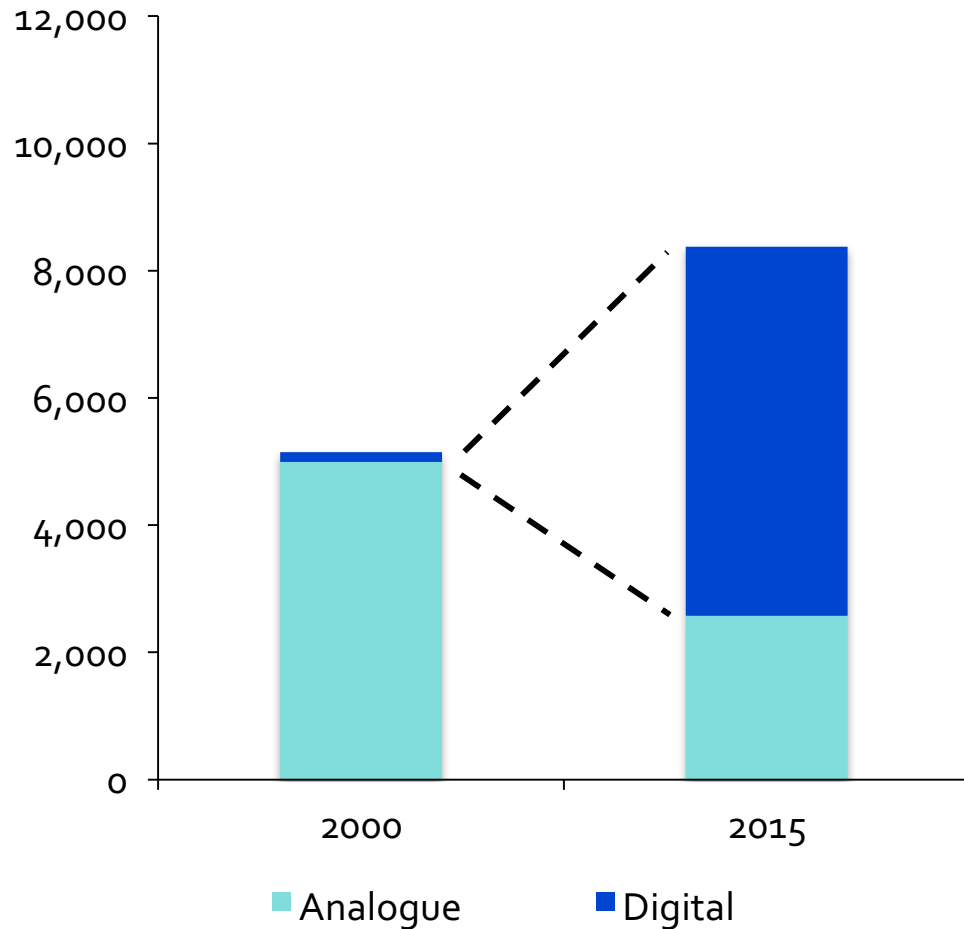
Share of ecommerce transactions via mobile devices (%)



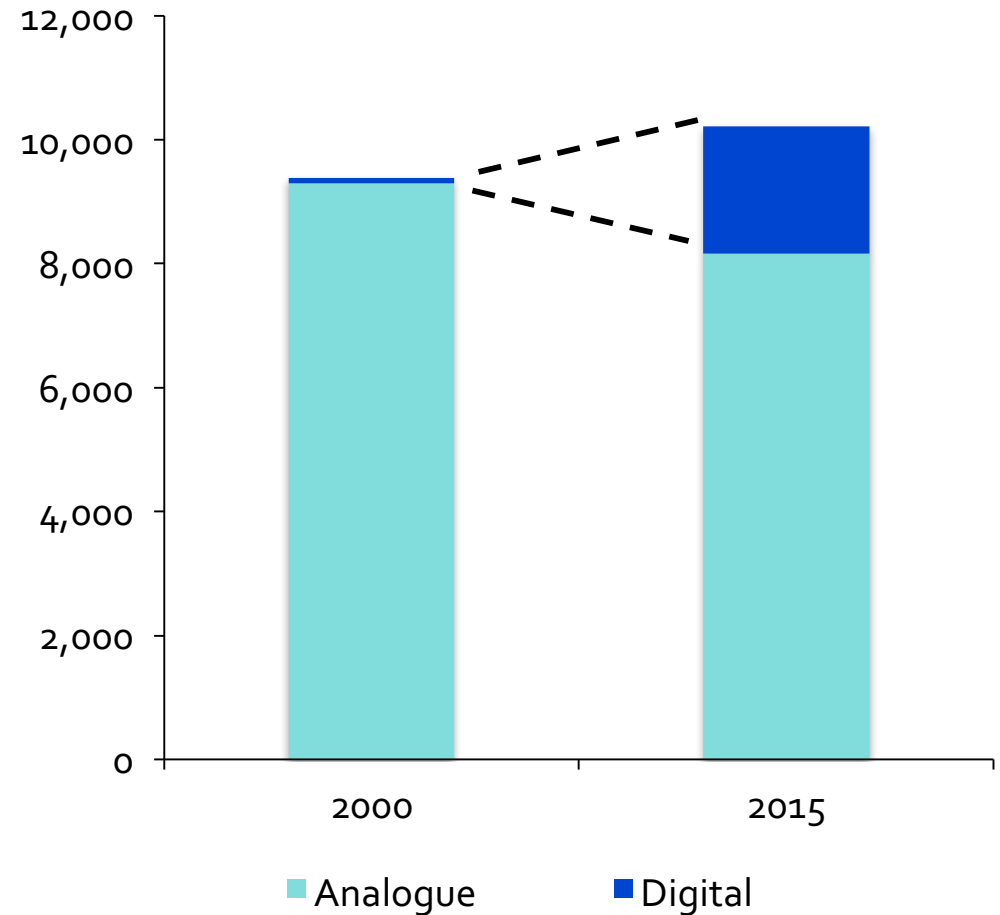
Includes physical and digital goods and services
[Source: IMRG/Cappgemini, Enders Analysis]

It's direct response – or activation – advertising that's growing

Direct response ad expenditure (£m)



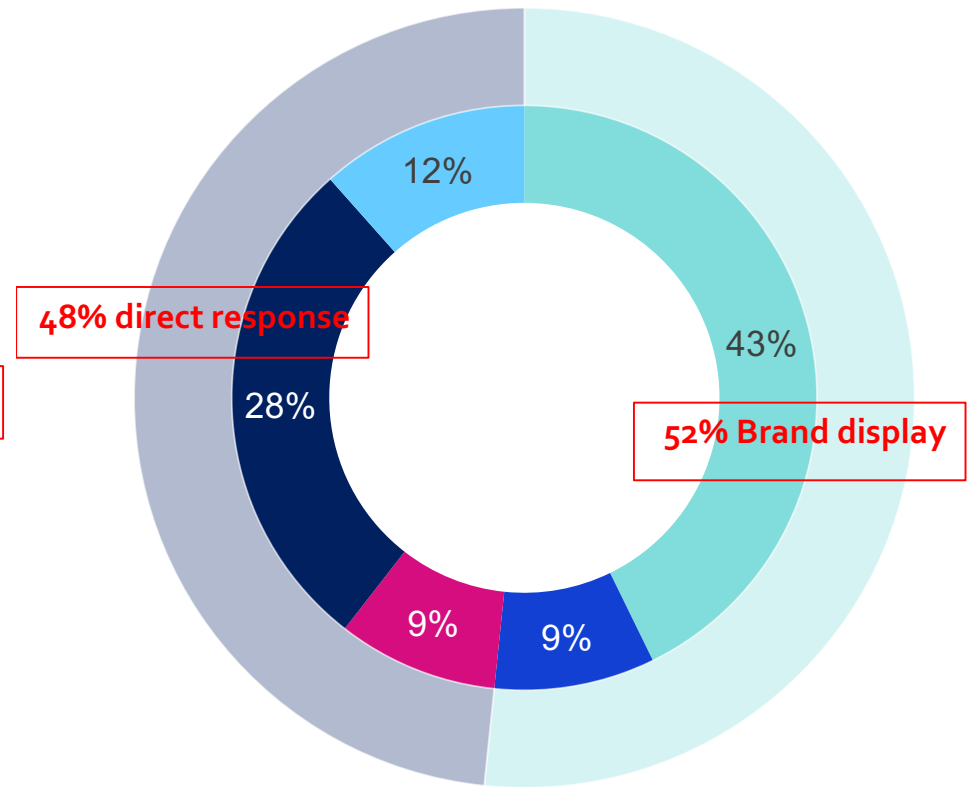
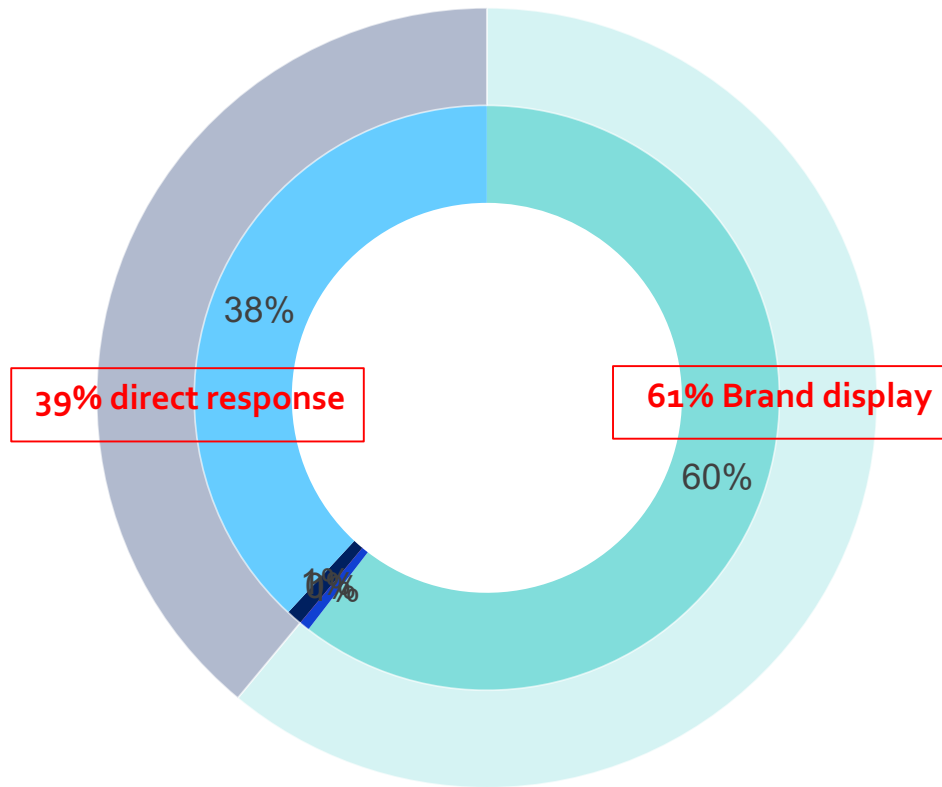
Display ad expenditure (£m)



We have gone from 40:60 activation/brand to 50:50

Adspend by campaign goal, 2000

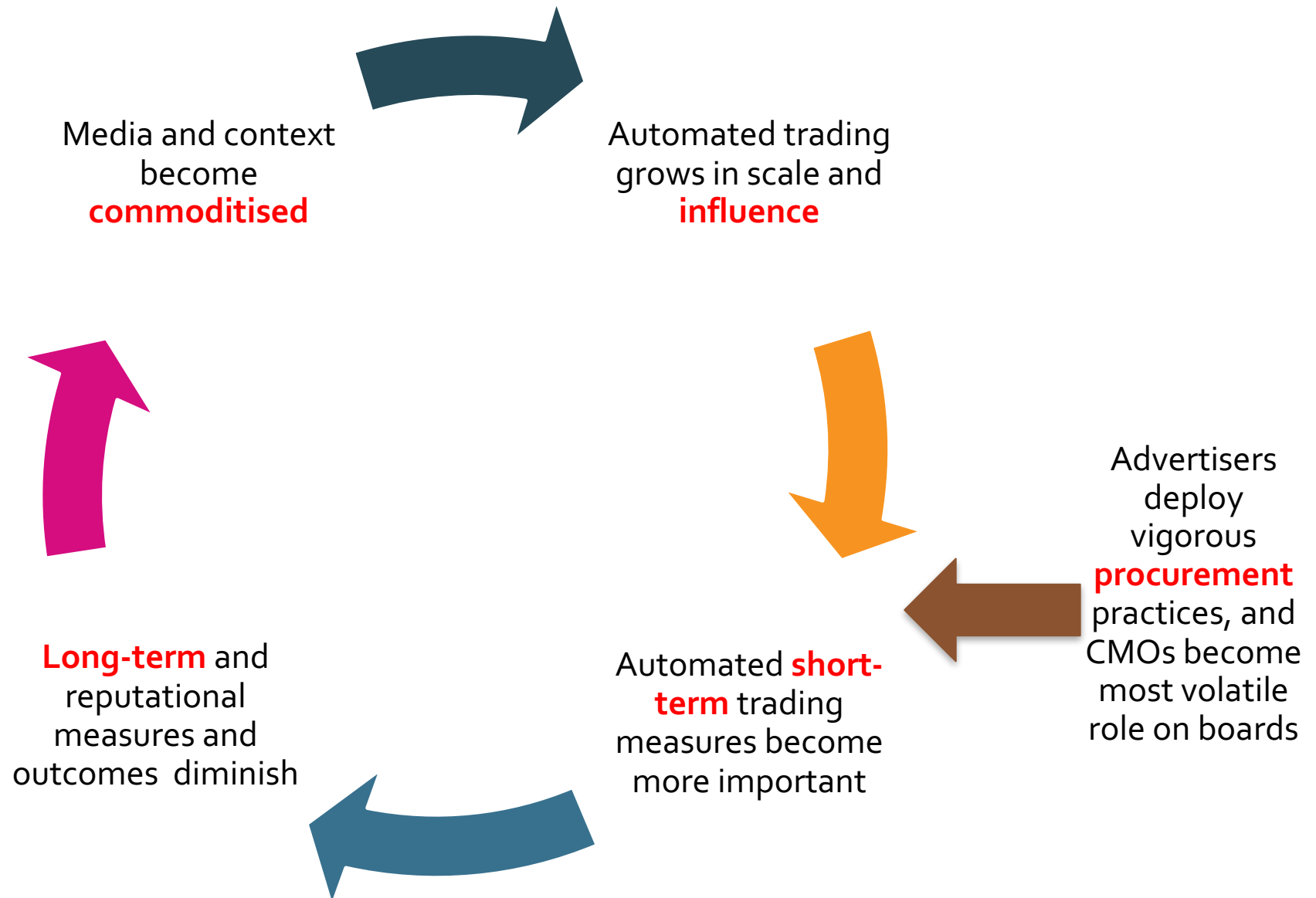
Adspend by campaign goal, 2016



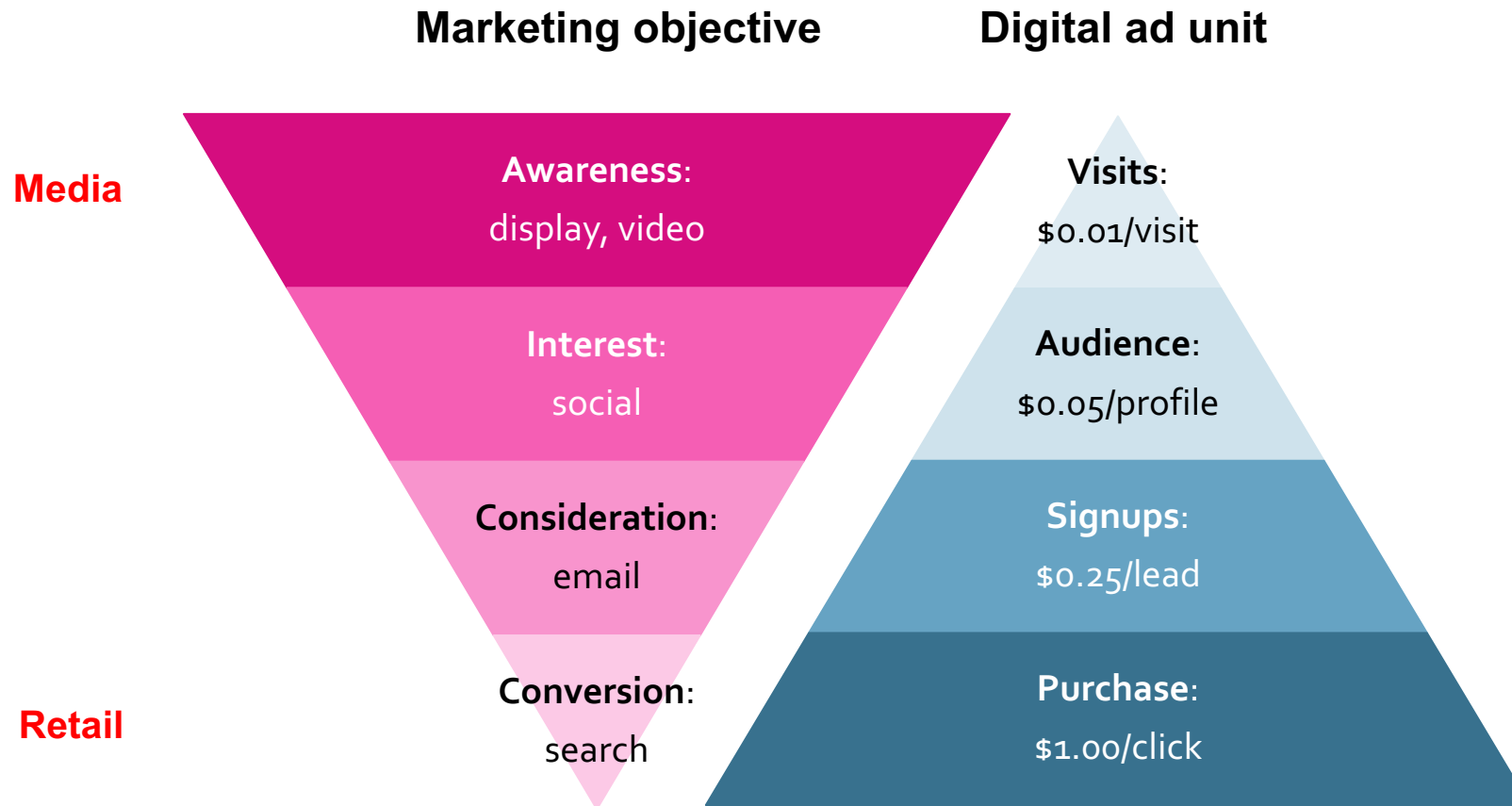
- Analogue brand display
 - Digital brand display
 - Digital DR display
 - Digital DR
 - Analogue DR
- [Source: Enders Analysis estimates based on Warc/AA]

- Analogue brand display
 - Digital brand display
 - Digital DR display
 - Digital DR
 - Analogue DR
- [Source: Enders Analysis estimates based on Warc/AA]

A vicious circle of short-termist marketing

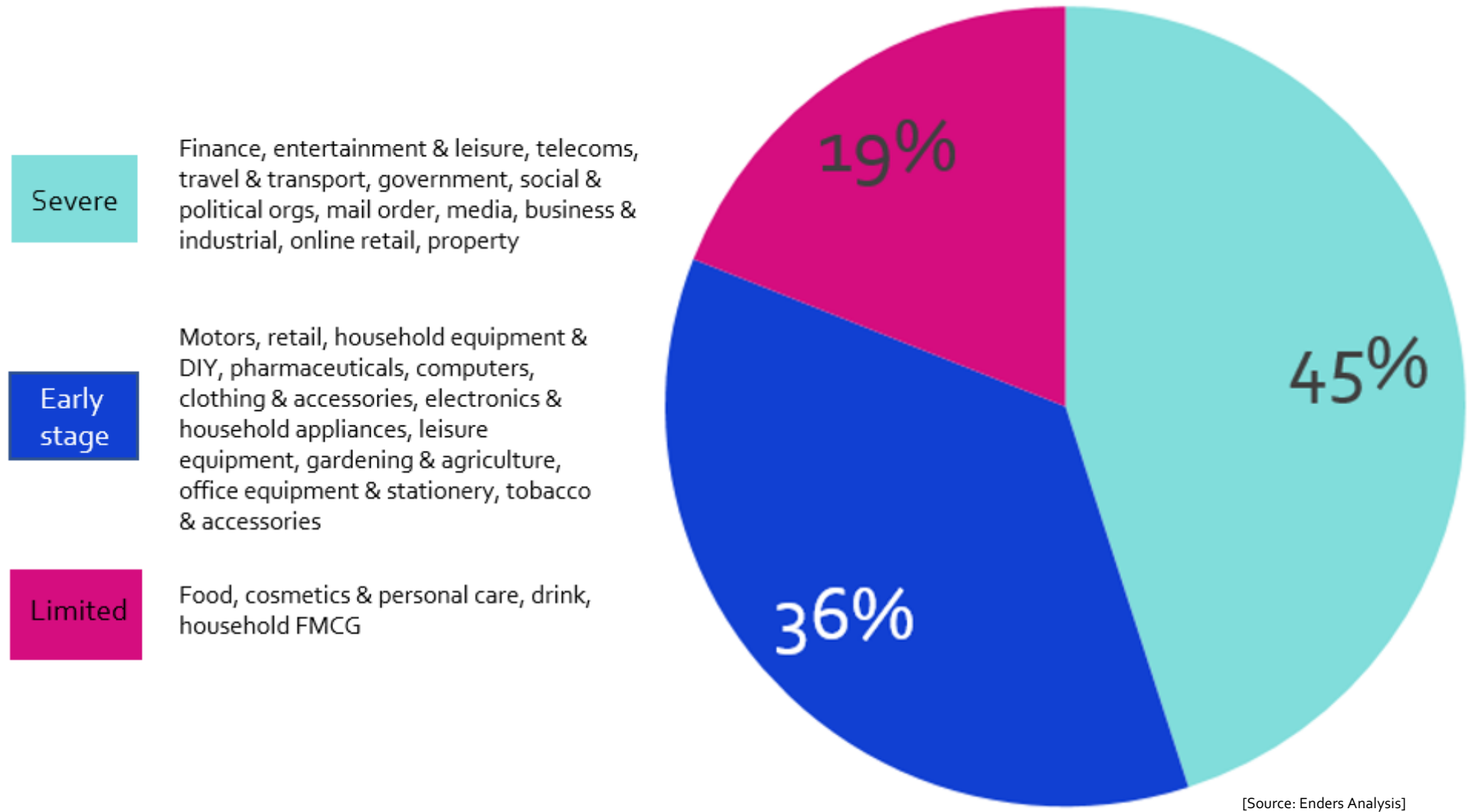


Digital marketing hugely overstates conversion



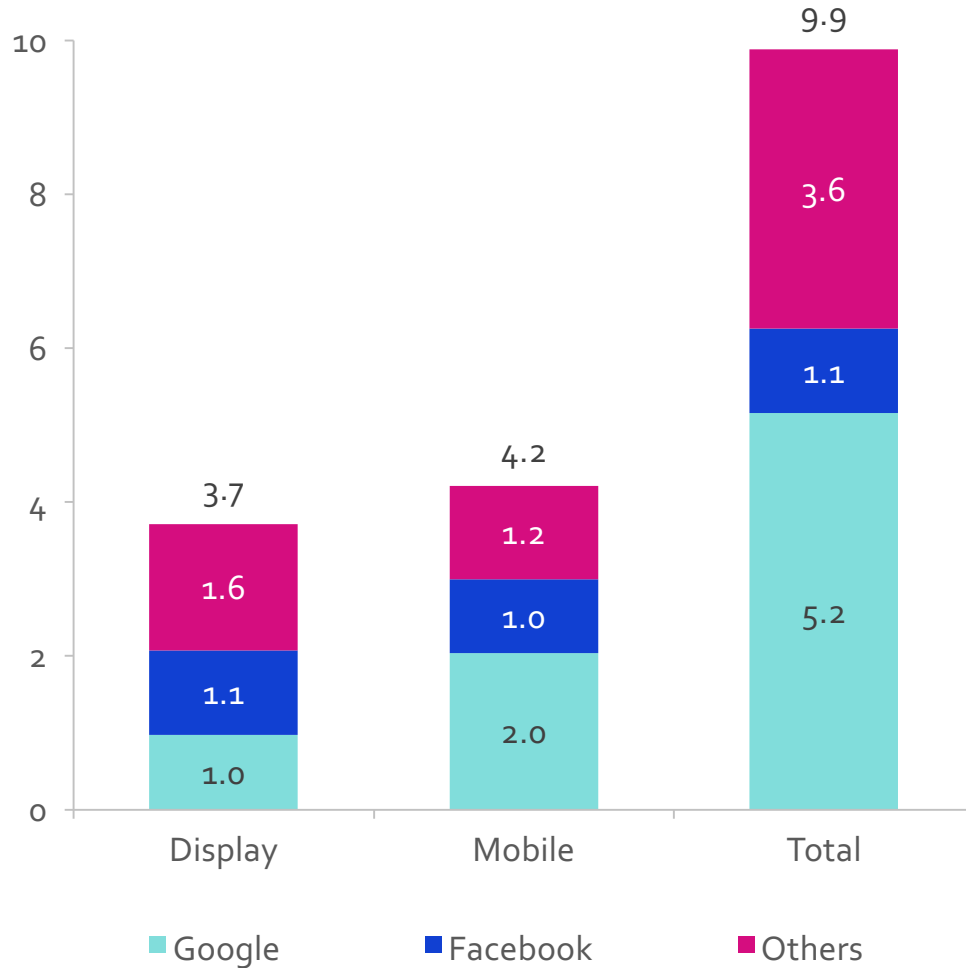
[Source: based on blinkx, illustrative only]

Disruption is not just in media, it's in commercial categories



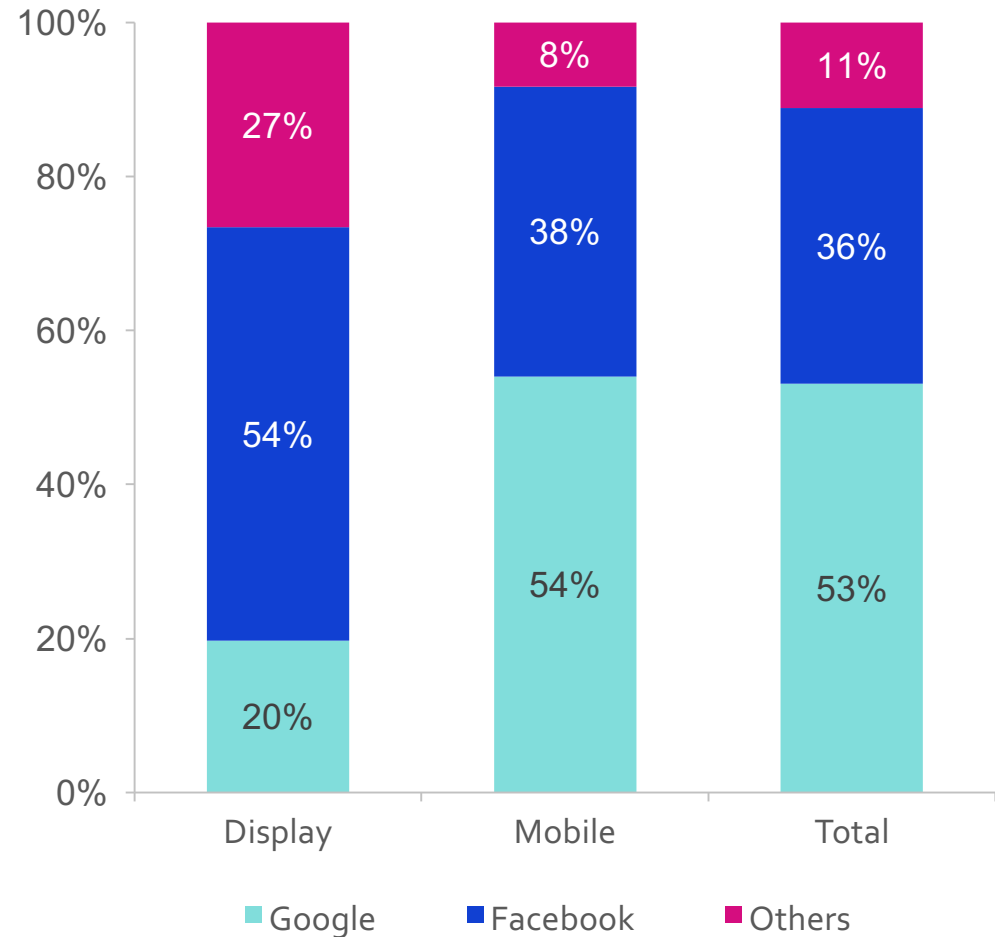
Digital growth = Google and Facebook growth

Google & Facebook shares of digital ad spend (£bn)



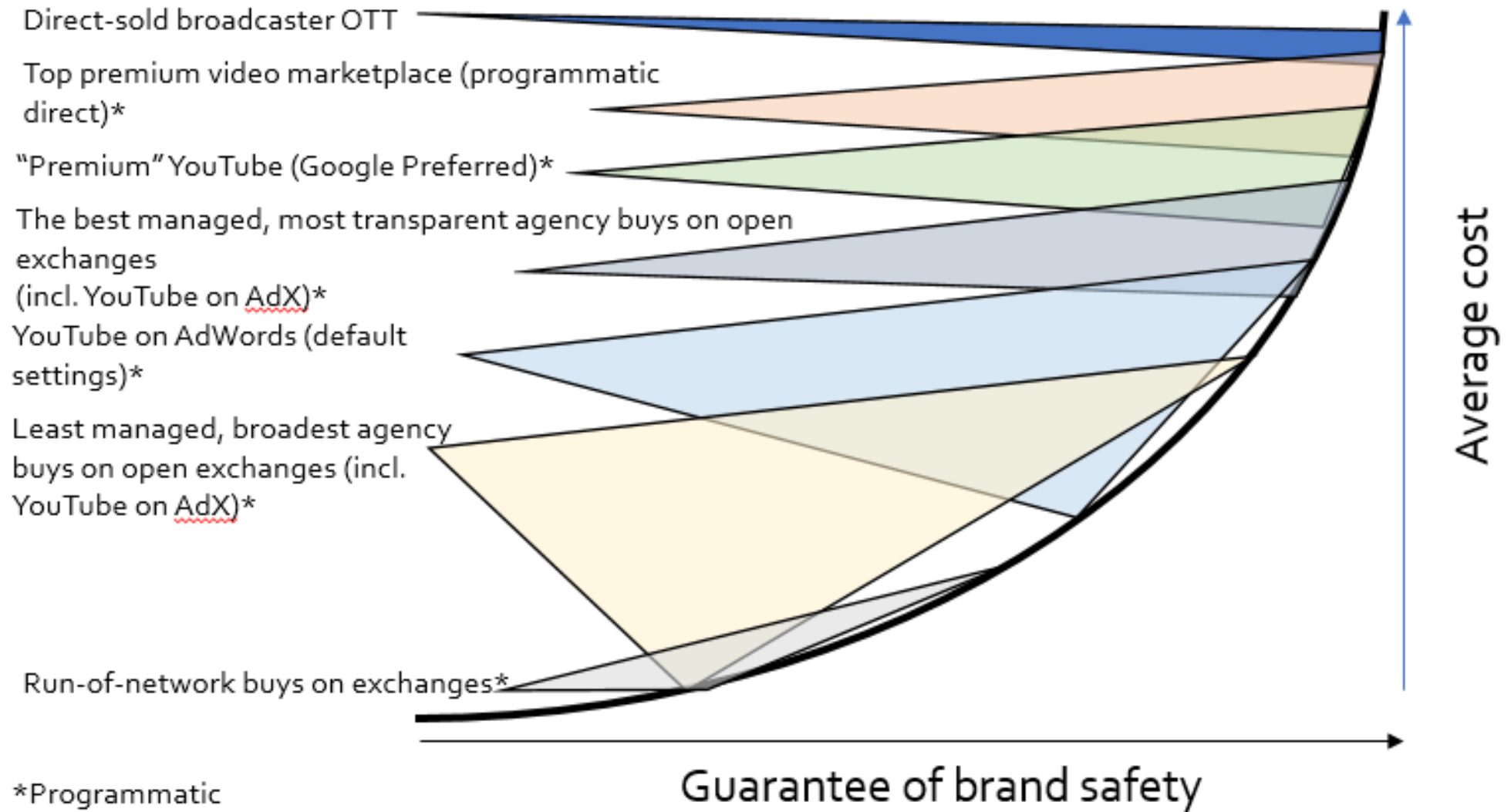
[Source: Enders Analysis]

Google & Facebook shares of digital ad growth (%)



[Source: Enders Analysis]

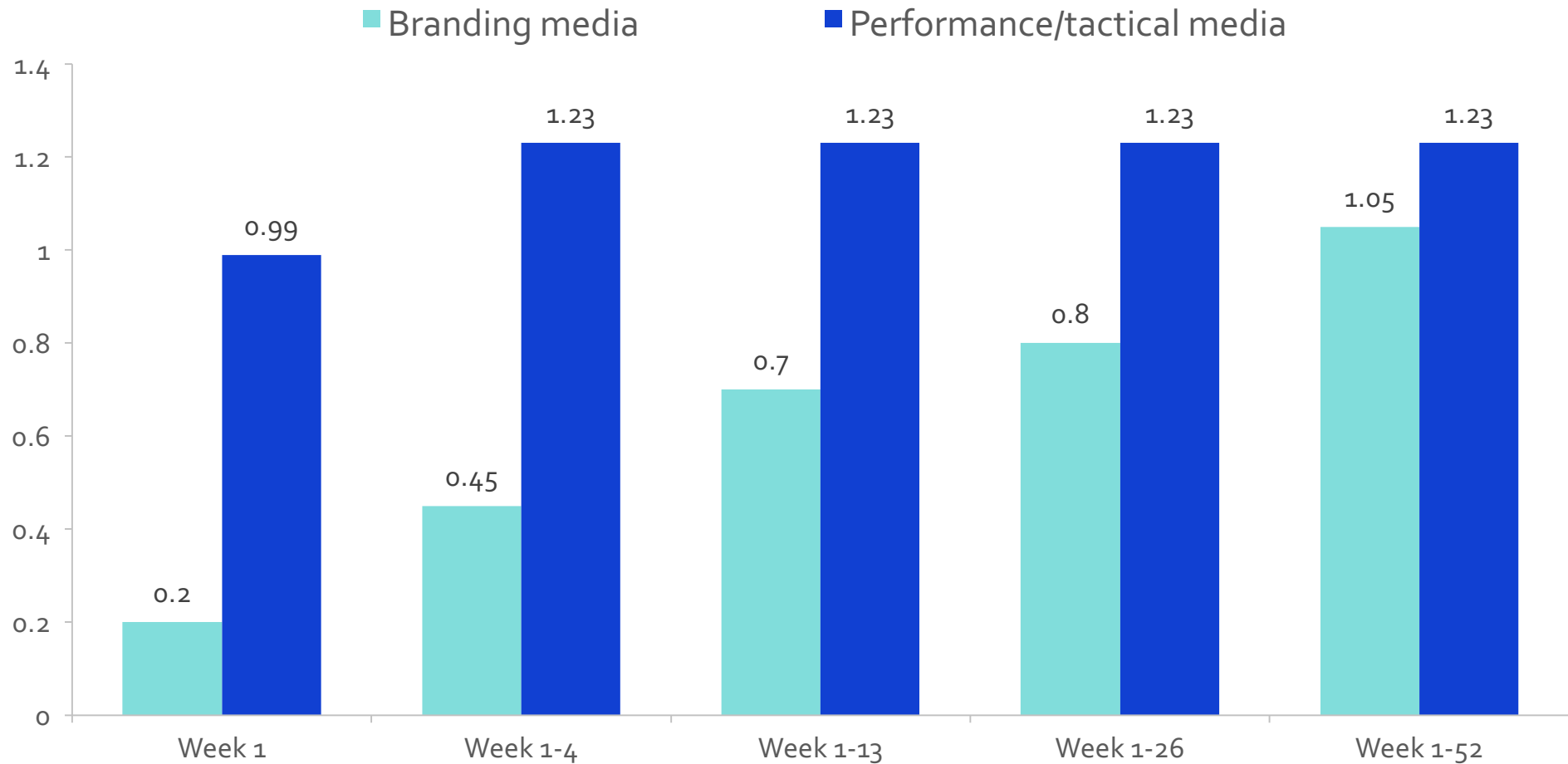
Context and value do matter



[Source: Enders Analysis, illustrative only]

Brand building takes investment, and time

Estimated ROI impact, 1 Week of spend



[Source: Enders Analysis based on an illustrative case]

Some recommendations

Recognise limits of attribution – and structural biases

Procurement is too frequently applied as a blunt price instrument

Planning and creative need to be valued again, and integrated where possible

Transparent contracts – be clear about where money is made, and accept value chains need profits

Experienced judgement is NOT the enemy of data and evidence

Context and environment – the industry needs to size the benefits and risks

Quality response signals. It is not enough to record response rates, and to assume response failures are “neutral”

Short-term and long-term measurement integration

[Source: Enders Analysis]

Disclaimer

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