PPA Festival 2017

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

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PPA conference, 10th May 2017
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

- **1998**: 26% UK Insurance companies & pension funds, 31% Overseas investors, 43% Others
- **2010**: 42% UK Insurance companies & pension funds, 43% Overseas investors, 14% Others
- **2012**: 36% UK Insurance companies & pension funds, 54% Overseas investors, 11% Others
- **2014**: 37% UK Insurance companies & pension funds, 54% Overseas investors, 9% Others

[Source: ONS, Enders Analysis]
Procurement is driving media agency deals

Proportion of media agency deals which involve procurement (%)

23% of media agency negotiations are undertaken entirely by procurement

[Source: ISBA, 2016]
Agency–client tenures have fallen substantially

- 65% decline

[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. Whitler 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)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Mar-15</th>
<th>Jun-15</th>
<th>Sep-15</th>
<th>Dec-15</th>
<th>Mar-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>90%</td>
<td>94%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25-34</td>
<td>93%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35-54</td>
<td>82%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55+</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>55%</td>
</tr>
</tbody>
</table>

Personally use smartphone
[Source: Ipsos MORI, Enders Analysis]
And ecommerce is going mobile….

Share of ecommerce transactions via mobile devices (%)

Includes physical and digital goods and services
[Source: IMRG/Capgemini, Enders Analysis]
It’s direct response – or activation – advertising that’s growing

Direct response ad expenditure (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Analogue</th>
<th>Digital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Display ad expenditure (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Analogue</th>
<th>Digital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
We have gone from 40:60 activation/brand to 50:50

Adspend by campaign goal, 2000

- 39% direct response
- 61% Brand display

Adspend by campaign goal, 2016

- 12% Digital DR
d- 9% Digital DR display
- 9% Analogue DR
- 28% Analogue brand display
- 43% Digital brand display
- 52% Brand display

[Source: Enders Analysis estimates based on Warc/AA]
A vicious circle of short-termist marketing

- Media and context become commoditised
- Automated trading grows in scale and influence
- Advertisers deploy vigorous procurement practices, and CMOs become most volatile role on boards
- Automated short-term trading measures become more important
- Long-term and reputational measures and outcomes diminish

PPA conference, 10th May 2017
Digital marketing hugely overstates conversion

Marketing objective

- Awareness: display, video
- Interest: social
- Consideration: email
- Conversion: search

Digital ad unit

- Visits: $0.01/visit
- Audience: $0.05/profile
- Signups: $0.25/lead
- Purchase: $1.00/click

[Source: based on blinkx, illustrative only]
Disruption is not just in media, it’s in commercial categories

- **Severe**: Finance, entertainment & leisure, telecoms, travel & transport, government, social & political orgs, mail order, media, business & industrial, online retail, property

- **Early stage**: Motors, retail, household equipment & DIY, pharmaceuticals, computers, clothing & accessories, electronics & household appliances, leisure equipment, gardening & agriculture, office equipment & stationery, tobacco & accessories

- **Limited**: Food, cosmetics & personal care, drink, household FMCG

[Source: Enders Analysis]
Digital growth = Google and Facebook growth

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

<table>
<thead>
<tr>
<th></th>
<th>Display</th>
<th>Mobile</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Google</td>
<td>1.6</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Facebook</td>
<td>1.1</td>
<td>2.0</td>
<td>3.6</td>
</tr>
<tr>
<td>Others</td>
<td>1.0</td>
<td>4.2</td>
<td>9.9</td>
</tr>
</tbody>
</table>

### Google & Facebook shares of digital ad growth (%)

<table>
<thead>
<tr>
<th></th>
<th>Display</th>
<th>Mobile</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Google</td>
<td>27%</td>
<td>54%</td>
<td>20%</td>
</tr>
<tr>
<td>Facebook</td>
<td>8%</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>Others</td>
<td>11%</td>
<td>53%</td>
<td>42%</td>
</tr>
</tbody>
</table>

[Source: Enders Analysis]
Context and value do matter

Direct-sold broadcaster OTT
Top premium video marketplace (programmatic direct)*
“Premium” YouTube (Google Preferred)*
The best managed, most transparent agency buys on open exchanges (incl. YouTube on AdX)*
YouTube on AdWords (default settings)*
Least managed, broadest agency buys on open exchanges (incl. YouTube on AdX)*
Run-of-network buys on exchanges*

*Programmatic

[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

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognise limits of attribution – and structural biases</td>
<td></td>
</tr>
<tr>
<td>Procurement</td>
<td>is too frequently applied as a blunt price instrument</td>
</tr>
<tr>
<td>Planning and creative</td>
<td>need to be valued again, and integrated where possible</td>
</tr>
<tr>
<td>Transparent contracts</td>
<td>– be clear about where money is made, and accept value chains need</td>
</tr>
<tr>
<td></td>
<td>profits</td>
</tr>
<tr>
<td>Experienced judgement</td>
<td>is NOT the enemy of data and evidence</td>
</tr>
<tr>
<td>Context and environment</td>
<td>– the industry needs to size the benefits and risks</td>
</tr>
<tr>
<td>Quality response signals</td>
<td>It is not enough to record response rates, and to assume response</td>
</tr>
<tr>
<td></td>
<td>failures are “neutral”</td>
</tr>
<tr>
<td>Short-term and long-term measurement integration</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Enders Analysis)
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