

Investment Update – Dec 2018

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Paid Social

Facebook reported their Q3 results on an earnings call at the end of October, with the headline being that Facebook's Q3 performance was underwhelming versus estimates. Despite daily active users seeing a global increase of 9% year-on-year (YoY), user growth is slowing and despite a 33% increase in advertising revenue YoY, they fell short of expectations.

Shares whipsawed in the aftermath, fluctuating from 6% down to 5% up within hours.

Potential media implications:

The earnings presentation can be found [here](#), but the salient figures and key media take

outs from a media perspective are summarised below:

Global daily active users (DAUs) were 1.49 billion on average for September 2018, an increase of 9% year-over-year.

- **Media Consideration:** With daily usage slowing in Facebook's key revenue driving markets, the US remaining flat and Europe decreasing 1% YoY, the Facebook platform is unlikely to remain the company's flagship channel in the future. Facebook will remain the foundation of campaigns as they grow their other offerings, but declining usage partnered with the diversification of social consumption means it is paramount we keep a wary eye on where our target audiences are going forward.

It's estimated that more than 2 billion users use at least one of Facebook's family of products on a daily basis (Instagram, Whatsapp, Messenger etc.).

- **Media Consideration:** By Zuckerberg's own admission community growth on stories exceeded ad development, and this lost revenue is something they will quickly look to rectify. We can expect to see inventory across the family of products increase, whether this is in the form of new advertising opportunities or increased caps on frequency of exposure.
- **Media Consideration:** With messaging and stories making up the majority of growth Facebook are seeing, ad offerings are going to improve in these areas and there are potential opportunities to work with Facebook on alphas and betas as they test and learn.
- **Media Consideration:** Based on the above we anticipate an increased push from Facebook to auto-optimize activity across all of their products, with the inclusion of Whatsapp inevitable at some point; the significant improvements they've made to the brand safety of their audience network is a clear sign of intent here, although there are still questions around

transparency. This will likely increasing performances at reduced costs, but will brand safety and the user experience be compromised as a trade-off?

Mobile advertising revenue represented approximately 92% of advertising revenue for Q3 2018, up from approximately 88% of advertising revenue in Q3 2017.

- **Media Consideration:** It is more crucial than ever for brands to be thinking mobile first when producing creative, and creating fit-for-platform content. The % of advertising revenue on mobile mirrors platform user behaviour, which continues to become increasingly mobile.

Whilst none of the above is surprising, it compounds the need for us to ensure we are diversify our channel mix where appropriate to mirror user behaviour, and ensure we are thinking digitally first.

Digital

One of the biggest headlines from the last month was Amazon's announcement that they would be allowing advertisers to access their first party search data to retarget users across the web rather than just on the Amazon platform. Amazon haven't yet commented, however the early learnings from this recent development is that the data would only be readily available through Amazon's owned and operated DSP, Amazon Advertising Platform (AAP).

As a supplier, Amazon has always kept their cards close to their chest so the move to allow this data to be accessed beyond their own site is unprecedented. Many clients across the globe have specific, direct deals with Amazon and have only been able to retarget users when their own brand has been specifically searched for on, however this new development will open many opportunities for advertisers to grow their brands.

Having this data available will allow clients to get more of an idea of the users who are

directly in-market for their specific products, this will then open up many more avenues for growth as this data can then be used to build lookalike pools for digital advertisers.

Currently there are a few suppliers who have similar targeting strands such as Captify and Quantcast, however the data that these suppliers have access to is used from websites and may not mean that the user is directly searching for specific products which could give Amazon the upper hand here.

Alternatively, this release could be down to trying to grow the Amazon Advertising Platform product, as we are beginning to see more clients shift to using DSPs such as AppNexus & DBM, and this could offer them a USP to drive more clients back into spending more budget with the Ecommerce giant.

As the product is still in the testing phase we don't expect to see too much change in the digital space over the next few months, however it's something to keep an eye on as this could give Amazon a bigger foothold in the market than they already have.

Publishing

Shortlist Media Rebrand

Last month Shortlist Media announced they were rebranding themselves as *The Stylist Group*, a transformation that sees focus shift to their female 'power brand', Stylist. This restructure comes as a measured response to an ever-changing market. Stylist have recognised the shift in consumer interests; as print advertising remains challenging for the male sector, opportunities have arisen to strengthen their contemporary women's brand. This restructure will see Shortlist, currently the biggest men's magazine in the UK by circulation, moving to become a solely digital brand focusing on affiliate links and product recommendations whilst The Stylist Group plan cross platform expansion.

Within the restructure, *The Stylist Group's* prominent focus is to be market leader within women's brands. The group said that "*The Stylist Group* is investing in building a power brand at a time when feminism and the united force of women has never been more

relevant,” indicating the strong vision for long-term growth. Key drivers of this expansion will be through their launch of a fitness brand, franchised events such as ‘*Stylist Live*’– with additional venues already being added to their listings within the UK. As well as continued use of female-targeted creative partnerships, these provided notable growth of 40% uplift YOY in against the same period last year. Not to mention the brand’s plan to venture into the US market, enhancing their opportunity to expand their following and fulfil their aspiration as market lead.

This rebranding provides many opportunities for media agencies to link relevant female brands with the expansive *Stylists* audiences in innovative and more consumer-focused methods, enabling brands to remain present and within consumer interest. From an overall market view, this reiterates the importance of audience insight to ensure that comms are executed in the most relevant way, maximising reach.

Introduction of Reach Solutions

Another prominent transformation in the publishing world is the recent acquisition of Northern & Shell titles by Trinity Mirror; a merge of national advertising teams to create *Reach Solutions*. Within the portfolio are over 100 regional titles, expanding the demographic reach and generating an estimated £240m a year in ad sales (not splitting out national and regional revenues).

The creation of *Reach Solutions* will massively expand the title’s share in the market to an estimated reach of 46 million Britons a month. However, Andy Atkinson, Reach’s chief revenue officer, suggests that the merger will add much more than just scale – citing the three key benefits of ‘identity, influence and integrity’. Titles such as the *Daily Express* will be softening their editorial tone through the addition of more positive content and varied front pages.

As mentioned earlier, within the current client it is vital that publishers are more attentive to the needs and progression of the market, adapting to remain relevant and in line with audience. *Reach Solutions* have established this new sales house to resonate more

effectively with the masses through combining the identities of the individual titles into a more succinct package.

Affiliates

Black Friday

Black Friday has greatly grown in significance over the past few years, and is now one of the key shopping periods of the year in the UK. Brands offer a wide range of discounted products and everyone wants to win the fight to capture consumers' attention in an increasingly cluttered marketplace. Clients often have huge targets to hit in terms of traffic and, ultimately, sales and consumers are itching to get the very best deals they can – this is truly the time that affiliates comes into its own and can do what it does best.

The day itself is primarily regarded as discount and promotion focused. Whilst there's no denying this is the case, data which comes out of it is often more nuanced with other important metrics coming into play.

Many brands have made new customer acquisition a key focus and Black Friday is often particularly good at capitalising on the increase in traffic and casual browsing to try and entice new consumers. With the opportunity to expand customer base, looking at lifetime value rather than just the short-term margin is essential. Cashback sites are particularly good in this manner. Another area where affiliates can help clients is around increasing revenue by pushing % discounts which encourage consumers to purchase additional basket items and increase AOV. Small incremental values here can really help drive great results across the wider Black Friday and Cyber Week period. In fact, affiliate marketing as a whole is a great way to delve into the deeper client issues and deliver strategically on their KPIs. Whether that's focusing on pushing certain product lines to avoid issues with margins, concentrating on a segment of the audience such as new customers, or simply just driving substantial amounts of revenue, affiliates is a key tactic that can help deliver on these.

According to *Springboard* (shopper monitoring firm), in-store retail spending over Black

Friday dropped this year with footfall in town centres and shopping centres down by 6%. However many sources cite a significant rise in overall spending. Online retailers are therefore benefitting the most and, by implementing a robust affiliate strategy, clients can capitalise on this. Results are still coming in from the period however TopCashback, one of the UK's leading cashback sites, expected members to spend around £16 million on Black Friday alone, demonstrating the scope and rising popularity of the channel. It also shows the significance of affiliates as more than simply "discounts" with potential consequences of brand perception damage. When an affiliate strategy is implemented in the correct way, it can help brands reap the rewards at an incredibly good ROAS, and the initial results coming in from our brands clearly shows this. Whilst some may remain cynical about BF and the quality of the discounts on offer, it's clear that there is a huge demand for lower prices and savings and there is no sign that the consumer popularity of Black Friday will dissipate any time soon.

TV

Sky – Comcast Auction Win

The result is finally in – Comcast Corp. have won a bidding war for Sky Plc with a \$39 billion offer for Europe's largest satellite broadcaster, staving off the competition from 21st Century Fox Inc. and Walt Disney Co. to extend the U.S. cable giant's empire abroad.

In a rare auction overseen by U.K. regulators, Comcast bid 10 percent more than Fox, all but assuring that investors in London-based Sky will tender their shares to the Philadelphia-based cable carrier. Fox, which is selling its 39 percent stake to Disney as part of a deal struck last year, is considering pledging the Sky shares to Comcast if Disney supports the move.

Should Comcast complete the transaction, Chief Executive Officer Brian Roberts will lead a global television and internet giant, helping contend with the rising threat from Netflix Inc.

But now that Comcast Corp. has won the battle for Sky Plc, Chief Executive Officer Brian

Roberts faces a pressing question: What does he do with Europe's biggest satellite pay-TV company?

Christmas is nearly here... I'm a Celebrity has returned to ITV with 11.9m audience peak without Ant

ITV achieved its biggest viewing figures this year outside the World Cup as I'm a Celebrity... Get Me Out of Here! returned for its 18th series. The game show attracted a 51% viewing share on 18 November as viewers tuned in to watch Holly Willoughby's debut as Declan Donnelly's co-presenter.

Willoughby has replaced Ant McPartlin, who is taking time out to focus on his health after being admitted to rehabilitation in March. *I'm a Celebrity...* yielded an 11.9 million audience peak, the highest-rating launch episode since 2013, and averaged 11 million – up from 10.3 million last year. Against 16-34-year olds, the first episode pulled in 3.8m viewers, the second biggest audience for this demographic after the England vs. Croatia WC semi-finals earlier this year.

Will I'm a Celeb continue to take the lead of the ratings as we get closer to Christmas?

VoD

Vice is now on All4

VICE is the world's leading youth media brand and its award-winning long-form content is now available on All 4. Over 200 hours of new programming and more than 700 hours of content from VICE's existing library, including lifestyle and cultural programming, is available to view on-demand on All 4 in a VICE branded hub.

The deal marks the first time Channel 4 has worked with a third-party brand in this way to bring programming to its on-demand service. The partners tested the waters earlier this year by launching four Vice titles on All 4 for a limited time.

Netflix looking at an ad-funded model?

Netflix has aroused speculation that it could be gearing up to introduce ads after it emerged some viewers have been seeing promos for other content in between episodes. The news prompted an inevitable backlash from many of Netflix's 100 million-plus subscribers, who are used to an uninterrupted viewing experience.

But is it time for Netflix to go the whole hog and let advertisers in? Netflix does need to find more income, which it can only do by increasing prices or taking ads and offering subscribers the choice. Both options will be challenging for Netflix but is the provider ready to make the jump?

Radio

Global completes acquisition of Exterior Media

Radio giant Global has completed its acquisition of Exterior Media, which holds the London Underground advertising contract.

Global made a binding offer to buy Exterior Media, which has an estimated 22% share of the OOH market in the UK. The acquisition followed hot on the heels of Global's purchase of Primesight and Outdoor Plus in an estimated near-£30m double deal in September, giving the radio group a combined share of 32% in OOH.

That makes it a strong number two to France's JCDecaux, the world's biggest ad group, which has about 36% share in the UK.

Acast podcasts now available for distribution on Spotify worldwide

Acast is now working with Spotify to create a new distribution channel for the 2,500+ podcasts hosted with Acast from around the world. Acast podcasters will now be able to distribute their shows to Spotify's 180 million listeners at the click of a button within Acast's

Create podcast management system. Podcasters will automatically submit their show while maintaining the ability to monetise on all tiers of the Spotify ecosystem through Acast's proprietary dynamic ad insertion technology.

Acast and Spotify collaborated to ensure that in addition to bringing the Acast podcasts into the Spotify ecosystem, podcasters will now also get to see crucial data and listening behaviour from the platform within Acast's Create dashboard alongside similar data from the Acast app and other leading podcasters.

Cinema

Cinema has had a bumper 2018, with forecasts for the year seeing revenue up 1% year on year and admissions once again coming in high at +3% YoY, showing the love of cinema, especially for the hard to reach 16-34 age group. The year is set to finish strongly, with JK Rowling's wizarding world of Harry Potter franchise 'Fantastic Beasts and Where to Find Them' already grossing £497m at the UK box office so far. This is being followed up with 'The Crimes Of Grindlewald', where Eddie Redmayne's Newt Scamander is joined by the latest actor to take on the role of Dumbledore, Jude Law, in what is set to be one of the biggest films of 2018. We have also seen advertisers making best use of their creatives in the lead up to Christmas, with John Lewis and Waitrose bringing to life their latest school play creative by placing it directly after trailers of the 'Bohemian Rhapsody' by accessing a series of gold spot placements. The connection between the two created the perfect brand stand out and an exciting talking point amongst audiences.

STEP INTO CHRISTMAS ON THE BIG SCREEN

Why cinema is the perfect home for Christmas campaigns



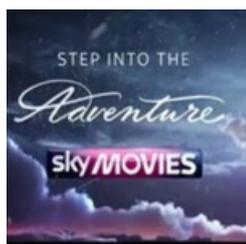
Christmas is also the perfect time for advertisers to spend on cinema, with the festive season seeing the most admissions compared to other times of the year. This is partly due

to fantastic films being shown at this time of year, with 2018 being no exception with *Mary Poppins Returns* coming out on the 21st December. Data (TGI) also shows that cinemagoers are more likely to start planning their Christmas purchases earlier than non-cinemagoers and are more likely to spend more. Furthermore, 97% of cinemas are within a one mile radius of a retail location, so perfect for retail brands. Christmas also remains an untapped opportunity at Christmas for many sectors, meaning brands can cut through and avoid the clutter found in other media.

Case Studies

Many brands have used cinema to great success for Christmas campaigns.

Sky Movies – Christmas



Sky Movies saw positive shifts across all brand tracking metrics of between 6% and 22%. Intent to purchase among cinemagoers increased by +13% vs. those not exposed to the cinema activity. New Sky subscriptions exceeded targets by 8%.

River Island – Christmas Party



By using cinema, River Island were able to benefit from a close association with a hit movie (*Twilight Saga: Breaking Dawn – Part 2*) and connect with their target audience.

The appeal of the advertising helped River Island to cut through and remind consumers of their suitability during a key retail period. This led to increased brand relevance and consideration for River Island.

Lidl – The Little Present



Cinema increased advertising awareness and recognition, demonstrating how the cinema works alongside TV in delivering additional reach and creative cut-through. The ability of cinema to engage viewers led to increases in brand interest and perception. Consideration of Lidl grew as a result of the cinema activity.

Search

Amazon has emerged as a search advertising powerhouse in 2018.

Already known for its dominance of the e-commerce market place Amazon has now set its sights on expanding into paid advertising. In fact, it's search business is on track to generate more than \$10 billion in revenue in the US over the next year – as reported in their third-quarter financial results.

In September, the global powerhouse unified its disparate Ad products and systems under one brand, Amazon Advertising. As a result we expect the search landscape to expand across all markets as new ad space becomes available, and advertisers look to diversify their digital strategy.

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