MEDIACOM

BLOG

Market Update Q3 2019

INSIGHT MEDIA UK

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Welcome to the third MediaCom Market Update of 2019. In this edition, we explore the widely reported possibility of more ads coming to linear TV, the evolution of published newsbrands' subscription models, the latest on viewability and automation for digital channels; how Route is changing the way we plan on OOH and a closer look at Snapchat's Augmented Reality solution.

Cinema Update – By Will Alner

A snapshot of what's to come

Although the end of the year is closing in on us, there are still several blockbusters which are yet to be released, including the *Joker*, *Cats*, and *Star Wars: The Rise of Skywalker*. The final entry in the latest Star Wars Trilogy: *Star Wars: Episode XI* is expected to deliver

£85m at the box office when it is released on 19th December, which will earn them the title of a super blockbuster (if all goes well!). We will also see the return of our favourite ice queen in *Frozen 2*, which is expected to perform exceptionally well against family cinemagoers.

MediaCom wins Cinema Award

The fifth annual Digital Cinema Media Awards, held in partnership with Campaign, took place on 18th September 2019. The DCM Awards celebrate and reward the best cinema advertising launched in the past 12 months and prizes were handed out in six categories this year. MediaCom's client, British Gas was awarded *Best Marketing for Good Campaign* for 'British Gas & Carers UK – Two Sides of the Story'. With over 6.5m carers in Britain, British Gas wanted to support the charity Carers UK, raising awareness of the impact of unpaid caring across Britain. There are a lot of contributors to this campaign so thanks to everyone involved. Special thanks must go to Tom Hart, Sophie Pearce, Alex Traies, Freddie Jackson and Lauren Gore. This was a fully connected campaign with synced offline and online activity to drive fantastic results – the film became the most successful shared content ever for British Gas.

In total six of our clients were nominated, including PSA Groupe for *Best use of cinema (large)* and *Best cinema launch campaign*, Sky's Riviera for *Best cinema launch*, and PlayStation *for Best bespoke for cinema campaign*. Our client, Halifax (Lloyds Banking Group) received a highly commended certificate for leading the future of cinema advertising with the first ever ScreenX campaign (Best innovation in cinema).

Programmatic & Digital Display Update – By Grace Johnson

Display viewability on the rise

For the first time in the UK market, desktop viewability has broken the 70% mark, and increased by 7.5% YoY. The focus on viewability has been prevalent for several years now, with more and more brands rightly demanding that the impressions they are buying hit viewability guarantees and are in fact seen. The advertising industry has worked hard to respond, and this breakthrough in the UK market has been driven by several factors, including the evolution of formats, publishers working to improve their sites, and the introduction of new buying metrics such as trading on a viewable CPM.

The first display ads were ‘banner ads’ – hyperlinked, image-based ads shaped as a strip, and usually located at the top of a web page. However, over the years, display ads have matured hugely from a creative perspective, through the inclusion of video, interactive elements, expandables and more. Arguably, there has never been a more important time to be viewable, with brands and publishers spending increased time and budgets creating bespoke, engaging formats which are there to be seen. A large consideration for publishers when designing a new format to take to market, as well as the visual design, is now the viewability that format can achieve.

Many publishers have started to offer 100% viewable formats, which guarantee the ad will be in view based on IAB standard requirements. The question now lies around tracking, as generally bespoke formats prove more difficult to track with third party ad verification vendors. The likes of IAS, Moat, and Double Verify are now tasked with working with brands and agencies to provide a solution to allow accurate tracking across all digital display activity.

Whilst positive improvements have been made across desktop, mobile display ads are seen much less, with a 60.4% global average and a wider variance between markets according to Integral Ad Science. Generally, mobile devices are accessed on slower bandwidth speeds compared to desktop (3G and 4G) and sites are not as well optimised as desktop with higher load times, leading to less ads loading fully on the page. This is a known issue within the industry, with measures being made to improve viewability across mobile, including the introduction of new formats such as sticky banners, and publishers working on optimising their mobile sites. With the introduction of 5G in various markets, we would expect the global average to rise over time.

The focus on viewability has been a very positive movement within the industry. However, it is now time to start considering high viewability as a hygiene factor, rather than a campaign KPI. Whilst it is important that display ads are viewable to their target audience, viewability measures do not give us an indication of how much attention a person is giving to the messaging. We are moving gradually towards the market of attention, and the impact attention has on campaign performance and ultimately how it can shift user behaviour.

<u>OOH Update</u> – By Hannah Cooper

The Evolution Outdoor Measurement – How to improve your OOH Planning

Most of the industry is aware of the out-of-home (OOH) advertising audience measurement system, Route Outdoor Media Analytics or 'Route' for short. This is the OOH industry's audience measurement system in the UK. Before you skip this article in favour of something which seems more sensational, stay right there! We are going to tell you about some exciting, or at least new, developments in the world of OOH measurement.

The introduction of Route in 2013 revolutionised the measurement of OOH. This differed from previous OOH measurement systems (and there were many) that took advertising locations as their starting point, instead allowing for a people-focused measurement system. Route incorporated the largest GPS travel data of its kind, spanning 28,000 people, each of whom carried a GPS meter to shed new insights on how people move around as they live day to day. The published data tells us how many and what type of people see an advertising campaign, and the frequency of their views. This information is then used as the currency for planning, trading and valuing advertising investment in the medium. Sounds good so far.

Recent data released by Route shows the continued growth of digital screens, fuelled by investment in new inventory. For example, currently 69% of the adult GB population will see a digital screen each week, up from 63% 12 months ago. Over this same period, the number of screens measured by Route has jumped by 40%. However, how we measure DOOH on Route hasn't advanced at the same pace as how we buy it. There is good news though, as an industry we're addressing this discrepancy. From December onwards DOOH will deliver spot-level accuracy, accounting for multiple exposures to digital ads and each spot seen., whereas previously it was measured based on the share of time that an ad was seen on a screen per week. This will ensure that the data reflects real life in terms of the number of individual ads that people see, also helping to facilitate audience-based trading and planning.

Whilst DOOH measurement will see the most striking changes in December, Route will also become more robust across the board. Individual frame analysis will become possible, whereas currently it is statistically accurate only down to groups of frames, seasonality by month will also be introduced to take account of changes in audience in rail/malls/airports.

Further changes in 2020 will also improve audience measurement accuracy even further. These include the sample changing from every 5 years to every 3 years, a new traffic intensity model, a new eye tracking study and indoor environments – specifically underground and malls – moving from modelled data to real pathways.

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In the MediaCom Outdoor team we're pumped (yes, we are!) about these new changes, believing that not only will they bring even more accuracy to our outdoor measurement, but we will also be able to take learnings to improve our planning by knowing which sites and what time of day perform best for our target audiences. These changes will future proof the industry, assisting the development of audience centered trading.

Thanks for staying with me during this article and for any further questions just reach out to a member of the OOH team.

Publishing Update – By Silvia Correia

News brands begin to offer specialist subscription packages

With the arrival of the online-only sport subscription 'The Athletic' to the UK market, aiming to extensively and exclusively cover the English Premier League with sports journalists of the highest calibre, there is a fear that traditional news brands containing strong sports coverage will lose audience. It remains to be seen whether established publishers will have to sacrifice their existing business models in favour of a more targeted option, bringing with it additional revenue opportunities for existing publishers.

This is already being put into practice via targeted subscriptions, with news brands such as the Telegraph (in the UK) offering readers a sports-only subscription; or the New York Times (NYT) in the US offering cooking and crossword -only subscriptions. So far, these packages are proving popular within the NYT, with their Crosswords subscription, priced at $6.95 a month, racking up 500,000 subscribers as well as 200,000 subscribers across the Cooking package.

From a reader's point of view, it is easy to see the appeal of being able to handpick their favourite sections from each news brand. As targeted content is becoming more and more sought-after, readers look like are prepared to pay for exclusive content they are interested in. For example, providing users with the ability to subscribe to Fashion in the Times and Sport within the Daily Telegraph; giving the best of both worlds without having to fully subscribe to both titles, essentially stopping payment of unwanted content.

However, from a newsbrand point of view, although publishers will be looking to gain new avid readers following a specific section or journalist that consequently could lead to a subscription of the full product, there is also the long-term risk that there will be a corrosion of the brand. By going after speciality areas there is potential to diminish the product, which is likely to remain as the main revenue driver for the brands. From an advertising point of view there is cause for concern as it is likely that such a model would be unable to build enough reach on major campaigns, only targeting readers on a granular level.

Such a model would indicate a sacrifice of advertiser revenue by newsbrands in favour of generating revenue through subscription channels, a model which has proved successful for the Times and Financial Times. However, it did not work particularly well (and was subsequently reversed quickly) when applied to The Sun. This balance will need to be fully understood before any major decisions are made by publishers.

In conclusion, The Athletic could be seen to be paving the way for publishers to diversify in some way or another, which in turn is changing the way that readers are consuming content digitally. From creating subscriptions for specialist verticals such as Politics, Arts and Sports, the next step could be for publishers to build “pick & mix” subscription services where their audiences can select the content they’re interested in and pay per section. These specific sections could then be combined with additional services such as magazines or events to create subscription bundles, in turn solving the issue of diminished reach. There is the potential for these packages to create a very profitable new business model, but equally we must be aware of the future implications for the publishers themselves.

Radio Update – By Tom Denman

Latest Rajar results and the launch of new radio stations

There were some big movers in the latest RAJAR update for Q2 2019. Classic FM is up 6.4%, Virgin continues to gain listeners (+18%) and Radio X has grown 5.4%. Since the Q1 RAJAR results we have seen two new stations launch on Bauer – Scala and Country – both of which are reaching over 200,000 listeners, which is on par with predictions.

Digital stations are continuing to increase in popularity especially with younger audiences, with Kisstory seeing growth in both reach and hours across the network; and Capital Xtra gaining 171,000 listeners, up 10% since last quarter to hit nearly 2 million on a weekly basis.

Global have also recently announced the launch of a wave of new national radio across the UK. Launched in August, Heart 90s brings some feel good 90s tunes to UK listeners, sitting alongside Heart 70s, Capital Xtra Reloaded, Smooth Country and Smooth Chill which Global have also recently released in a bid to develop their audio portfolio.

Digital audio continues to see a rapid increase in reach within the audio market. 53% of the UK now listen to digital audio, taking the overall listening figure to a significant 28.8 million listeners every week. Kisstory has now over taken BBC 6 Music and is now the largest digital-only station in the UK with 2.3m listeners. With other digital-only stations remaining strong this RAJAR, we're keen to see how Heart's newest station 'Heart Dance' performs.

We have seen the weekly hours spent listening to digital radio increase quarter-on-quarter from 12.9 to 13.6 hours per week this year. Similarly, podcast listening has more than doubled in the last 3 years, and listening has rocketed from 7.6m to 9m in the last quarter alone. This is largely due to the increasing number of smart devices and smartphones owned, aiding accessibility and making it easier than ever to tune in.

Paid Search Update – By Rohan Nonkoo

How the rise in automation in Paid Search is giving agencies back more time to be strategic drivers for our clients.

Automation, Machine Learning, Artificial Intelligence – buzzwords at the moment. In Search, it is helping practitioners to deliver not only outstanding performance results, but giving us back time to drive the strategic input to grow our clients' business.

Within recent years, the major search engines have invested an incredible amount of money developing their platforms and tech offerings, making it more accessible than ever before to serve an ad on the SERP (Search Engine Results Page). From Google's new user interface through to personalised optimisation recommendations that appear in every account, day to day tasks are much easier to manage. However, one development in particular has completely transformed the industry for the better, and that is automation.

Everything from scripts-led account checks to updated performance data is readily available at the touch of a button, removing the need for manual execution of certain repetitive tasks while still allowing us to intervene where needed. Automated bid management in particular has evolved over time to now often taking the lead of achieving a target ROAS/CPA we agreed with our clients. Whilst the machine needs to learn from our (manual) input to be able to perform, it is giving us greater freedom to focus on complex and strategic matters for our clients as the computer (or robot as some call it) is doing some of the leg work for us. We are therefore in a position to reach performance targets and at the same time support sustained growth for our clients with our expertise.

More importantly, it has given us the ability to service clients in a more versatile way than ever before, opening the door to a continued productive partnership. Giving us specialists some time back to spend with clients, allowing us to get a better understanding of how their business operates and some of the challenges they are currently facing. Ultimately, you cannot put a price on this as strong professional relationships have an untold amount of potential – not only in media but any industry.

Despite all of the benefits that automation gives us, some would argue that it brings an entirely new set of challenges that may be just as time-consuming as the manual task completion these tools are attempting to replace. With digital ad spend predicted to reach £17b in the UK by the time we reach 2022 (Source: eMarketer), Google and other tech giants will enhance their capabilities to new heights which could result in more resource required to set up and maintain these automated systems and features. Machine learning has afforded the opportunity to learn more and execute faster though. Now or in the future, machines cannot do what humans can, to translate all the data insights derived from Search and turn it into coherent growth or efficiency strategies.

Paid Social Update – By Josh Gornell

Is Augmented Reality a gimmick or the future?

Augmented reality (AR) is a term which increasingly features in day-to-day marketing conversations and has become synonymous with Snapchat and their lens solution. But is there actually a scalable market for augmented reality? And is it a worthwhile investment in the Paid Social marketing mix?

According to various sources, together with ComScore and Snap’s internal research, the answer is a resounding yes. Seventy percent of Snapchatters use AR for an average of 3 minutes a day. To put this into context, the nine million UK adults who use Snapchat on a daily basis are playing with AR on the platform for approximately 27 million minutes every single day – a huge opportunity for brands. Not only is the audience available and engaging with AR on Snapchat, our clients have seen significant impact on business outcomes with Recall shifted by upwards of 20+ points and Association shifted by upwards of 40+ points.

Augmented reality offers an opportunity to all brands and advertisers, and if a brand wants to use AR as a scalable marketing channel, Snapchat is currently the place to do it. With an estimated £14.7 billion digital advertising spend forecast in 2019 in the UK, driving saliency, differentiation or meaning is becoming increasingly difficult in a competitive landscape. The average user is exposed to more than 2000 messages a day and positively remembers just four, so cutting through is a daily challenge for marketers.

AR offers a unique opportunity for brands to be present and engage with consumers on a deeper level in a brand-safe, “pull” environment. Users are actively seeking to interact directly with brands through AR, helping overcome the challenge of standing out, as neuro-insight studies show attention levels are 45% higher in these moments than they are for general online browsing. Marketing is about understanding user behaviours and serving messages to the correct audience, on the correct channel, in the right context. Context is key, and AR allows us to speak to consumers in a relaxed, playful mindset when they are willing to actively interact with it.

Snap lenses, and world lenses, come with an upfront media commitment for the build – approximately £50k and £80K respectively. For a number of campaigns, this is already an unrealistic level of investment for a new and relatively untested medium. We need to ensure that the campaign and audience are correct when introducing lenses to the media mix.

Whilst we have seen strong results to-date across a number of clients, we should always be mindful of how many users we are actually impacting and turn these percentage point shifts into people. Nine million adults use Snapchat every day, and twenty-three million on a monthly basis, but this still doesn’t compare to the combined potential penetration of

Facebook and Instagram. It comes down to the age-old debate of uplift versus impact, and we need to ensure our media mix only includes channels and solutions which are doing both, and budget is apportioned agnostically to which is driving business outcomes.

TV Update – By Christian Butler

Could we see more Ads on TV?

It's been widely reported that ITV and Channel 4 are lobbying with the Government to increase the number of adverts that can be broadcast across an hour. Currently, public service broadcasters are limited to eight minutes of adverts per hour during primetime, and up to seven minutes per hour at other times of the day. Comparatively, non-public service broadcasters can broadcast up to nine minutes of adverts per hour. ITV and Channel 4 are seeking an additional minute of adverts in peak and an extra two in daytime.

The TV advertising limit is currently under the consideration of the Government's Department for Digital, Culture, Media & Sport (DCMS), who have stated that their proposed approach 'is to ask the industry to provide evidence relating to advertising minutage to consider if such a review can be justified'. If the department feels broadcasters have shown satisfactory evidence for a change in regulations, then Ofcom (the regulator and competition authority for the UK communications industries), would be asked to carry out a market review which could lead to changes being implemented. There has not been a review since 2011, when the suggested changes were rejected.

Extended advert breaks are already in place in Europe, where commercial operators can broadcast twelve minutes of advertising within an hour. There are plans to further increase this duration to 20 minutes an hour next year. However, there are also notable cases of advert breaks being reduced in the US, where NBC Universal reduced the number of ads per hour by ten percent in primetime. They recently announced they will reduce adverts by another ten percent, citing this as 'an effort to bring audiences a better viewing experience and provide marketers more engaging advertising opportunities.'

With linear TV increasingly under fire from on demand services and subscription services such as Netflix and Amazon Prime, the proposed additional minutage is seen as a way to increase revenues and combat market inflation. It's been calculated that the extra minute per hour could increase impacts by fourteen percent. It has also been suggested that the reduced inflation could lead to increased investment, leading to more money spent on quality programming that would in turn bring in new and younger audiences.

On the other hand, others in the industry such as the IPA see this is a short-term solution that will have long-term consequences on how audiences view linear TV. The Advertising Association's claim that 'the decline of public trust in UK Advertising' suggests that both excessive ad bombardment and frequency are driving a decline in trust. The increased minutage could heighten this and encourage more usage of ad-free platforms.

Earlier this year Ofcom suggested a preferable method for public service broadcasters to compete with on-demand services without affecting the viewing experience. They suggested that laws should be passed for public service broadcasters to guarantee top billing within the streaming services of competitors like Sky and Virgin or on connected TV devices. Ofcom hold the power to enforce these as they hold licences with Ofcom and must adhere to their broadcasting regulations.

Ofcom's recommendation has some support within the Government, with nine cross-party politicians endorsing the regulation in a letter published by the Guardian. These changes would place public service broadcasters in a much stronger position to adapt to the new media landscape and compete with the on-demand giants.

Video on Demand Update – By Tom Latham

Far from posing a problem to the VOD market, the increase in Subscription VOD platforms means the Broadcast VOD market is healthier than ever!

News broke recently of the launch dates of Apple TV Plus and Disney + in the UK, in the first real challenge to the Subscription and Broadcast VOD market, since Amazon Prime came to these shores in 2014 taking on Netflix and the established British Broadcasters.

Not only are these VOD platforms an attempt to acquire subs from those currently subscribed to Netflix and Prime, but they also pose a risk to the wider VOD market. But how much of a threat will this actually cause?

Netflix has spent just over $15 billion on original content this year, with big productions such as the return of *Stranger Things* for the third season and the acquisition of the latest season of *Top Boy* from the BBC. Amazon Prime on the other hand, are on track to break the $7 billion mark for content across both Amazon Prime TV and Amazon Prime Music as they look to broaden their market beyond purely Subscription VOD.

These announcements by Apple and Disney respectfully are set to trigger a considerable increase in production spends: Apple have already announced the launches of *The Morning Show* with an all-star cast including Reese Witherspoon, Steve Carell and Jennifer Anniston, as well as *See* starring Jason Momoa of *Game of Thrones* fame. Disney on the other hand are planning to use Disney+ as a place to consolidate their portfolio which includes all Pixar, Marvel and Star Wars productions.

As a result, most would think the market for Broadcast VOD is bleak, but it is having quite the opposite effect. Investment from the likes of ITV, Channel 4 and Sky, into self-produced and acquired content, as well as the platforms they are served on, has seen an increase as they look to take on the relatively new kid on the block in Subscription VOD.

Among the family favourites on ITV, such as *Britain's Got Talent*, *X Factor*, *I'm a Celeb* and VOD sensation *Love Island*, the Hub has seen an increase in the viewing figures of their drama portfolio after the launch of big budget productions such as *Liar*, *Sanditon*, *The Confession* and *Deep Water*. In June and July, ITV saw a 9% increase in viewing YoY; an extremely positive story for Broadcast VOD.

Furthermore, All4 has seen a 25% increase YoY on their viewing with popular programming such as *GBBO*, *Hollyoaks, Celebs Go Dating* and *Made in Chelsea* performing well, alongside their archived content such as *The Inbetweeners* and *Shameless.* Meanwhile Sky have made a conscious effort to increase their Box Set and On Demand viewing with the acquisition of rights in the UK to air HBO content. The likes of *Game of Thrones* and *Billions* have seen Sky increase viewership. 98% of those that watched *Riviera* watched it on their VOD platform and the success that it is having has seen Sky launch new content after the first episode on Sky On Demand.

Therefore, this expansion of the Subscription VOD market has invigorated ITV, Channel 4 and Sky as they have been forced to recognise the shift in viewing habits made not only by millennials, but older audiences too. This has led to an expansion in available content to all audiences and all in all confirms that far Broadcast VOD is far from decline, with suppliers alive and kicking.

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