MEDIACOM

REPORTS

Market Update – April 2019

DIGITAL SOCIAL TELEVISION

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Welcome to the first of our MediaCom Market Updates of 2019. A few highlights include the introduction of News UK's influencer marketing agency; BBC and ITV's launch of BritBox in the UK and the new HFSS policy across TFL's estate.

Publishing

News UK launches full-service influencer marketing agency The Fifth

News UK recently announced they were launching their very own influencer marketing agency, The Fifth, offering a different approach to the variety of other influencer agencies in the market by focusing on an influencer's editorial tone and format rather than their reach. The agency will also aim to identify talent and provide representation, storytelling strategy, creative production, cross-media amplification and events for both brands and influencers.

The launch of The Fifth is an incredibly exciting entry from News UK into the area of Influencer marketing, which continues to grow at a rapid pace and which shows no signs of stopping. Having said that, the field is still very much in its infancy and a few bumps in the road are to be expected. Managing Director Oliver Lewis says, “Brands require more support identifying the right talent, building longer-term partnerships, authenticating their background, proving meaningful ROI and delivering authentic and diverse stories.”

With their human first approach, The Fifth represents a measured response to challenges in the market (namely surrounding authenticity) and aims to provide a variety of opportunities for media agencies to strengthen partnerships for their clients. From an overall market view, this proposition is incredibly exciting as it adds another string to the News UK portfolio, already boasting a successful publishing and audio products. This in turn means the group will be able to offer a credible influencer proposition to their cross-platform response to briefs which will be beneficial to a publisher who are growing in a market that is diversifying at a rapid pace. Having a credible and established sales house like News UK representing influencers rather than the current small-scale providers will also add credibility and reassurance to the medium for reluctant advertisers.

Pay Attention – Magazines join forces for new ad campaign

In February this year, the marketing body for consumer magazines, Magnetic, launched a cross publisher industry wide campaign to highlight how magazines provide quality attention for brands. This campaign included a ‘Pay Attention Roadshow’ and was the first time a variety of different magazine publishers had collaborated in this way, aiming to promote the industry. The ads featured senior client and agency personnel and appeared across various publications, including Cosmopolitan and Time Out.

The advertising campaign follows a 2017 survey by Radiocentre and Ebiquity, which demonstrated there was an ‘increasing disconnect’ between the perceived success of individual media channels in delivering ROI vs the reality. Out of the ten tested media channels, newspapers and magazines came in at number 3 in the ‘increasing campaign ROI vs client’ category. In contrast agency perception placed the channel at 8th and 9th place

respectively.

This reinforces the need for campaigns like this to highlight differences in perspectives across the industry which may not be as obvious as they seem, to improve planning capabilities and continue to provide clients with best-in-class campaigns delivering on tangible objectives.

Digital

How valid is viewability?

In today's consumer landscape information is abundant, but attention is a scarce resource and therefore a prized commodity. We've moved from wanting to know if ads were served to if they were seen; but being 'viewable' isn't a proxy for attention. Just because people can see something, or it is deemed viewable, does not mean that this particular ad has actually been seen. This is the attention economy.

In a connected world of social media, smartphones & tablets, the theory goes that our attentions spans are becoming ever shorter. However, many theories debunk this myth suggesting that our attention is task dependant. Do we consider a digital ad a task? Are people really looking at our ads?

We put this question to David Bassett at Lumen, a tech company that measure attention levels using eye tracking technology. "Advertising is mostly something that is pretty secondary in most people's lives. It means you have to work hard to 'earn' people's attention, through engaging creative that is rewarding, pleasing on the eye, or valuable because it communicates something entertaining or interesting. This doesn't mean the media environment isn't an important part of this. We find that what people are doing when they are shown an ad makes a big difference in how likely they are to view and engage with it."

Lumen also indicate that only 12% of served digital ads ever attract the user's attention, if they are viewable or not. They estimate that for every 1,000 served display ad

impressions, users pay only ~2.6 minutes of aggregated attention (that's just 0.16 seconds per ad).

So, what does this mean for us? Do we negate viewability and only focus on driving towards higher attention rates? Or, are both as important as the other? What this does show is that by driving a high viewability we do not necessarily serve quality impressions, meaning that there is more that we can do to reach users in the fashion they wish to be exposed to digital ads, giving more credence to reaching users on the right device, with the right message at the right time.

Increased attention can be achieved by running higher impact formats, as a Lumen case study showed that users who were exposed to a page skin before being served an MPU were 27% more likely to have seen it. This led to massive uplifts in brand metrics such as ad recall and purchase intent and showed that ads viewed for 5 seconds or more achieve 2x as many clicks compared to ads viewed for 1-2 seconds.

Following these insights, we conducted a test to target environments and placements (specified by Lumen) that drive high attention levels. We discovered that users who were exposed to this bespoke whitelist drove 2.4x more conversions and 2.7x more clicks. Following this we partnered with Avocet, who are a DSP technology that's AI is built around driving towards attention. Powered with custom Lumen data, this has proved to work to a high degree of efficiency and is now a permeant fixture on our plans.

The question that remains is how can we do this at scale? We have not currently seen huge adoption in this area, with Avocet being one of the first DSPs in the UK to operate in this fashion. However, with the results that we are currently seeing, and the market shifting to wanting to know actual eyes-on attention, I would expect this to become more of a focus in 2019.

Paid Social

The hot topic – are tech companies failing in their duty of care?

In the past few months spotlights have been focused on some of the world's largest tech companies. Instagram were forced to address limitations in their policing of organic content after the BBC published *Instagram "helped kill my daughter"* about 14 year old Molly Russell's tragic death, YouTube have introduced new initiatives following a scandal surrounding paedophilic comments on content featuring children; and the Digital, Culture, Media and Sport Committee (DCMS) published its final report on Disinformation and 'fake news' in which tech companies were described as behaving like "digital gangsters". Two questions have been posed: is enough being done by tech companies? And what should be done?

UK House of Commons' Digital, Culture, Media and Sport Committee Report

Whilst we should not overlook platform specific challenges or issues, the DCMS report called for independent regulation which would hopefully help prevent similar scandals occurring moving forward. A summary of the requests is below:

- A compulsory Code of Ethics for tech companies overseen by an independent regulator
- Regulators given powers to launch legal action against companies breaching code
- Social media companies obliged to take down known sources of harmful content, including proven sources of disinformation
- Tech companies operating in the UK to be taxed to help fund the work for the Information Commissioner's Office and any new regulator set up to oversee them.

It further finds that electoral law is 'not fit for purpose', and more needs to be done to hold tech companies accountable in a court of law, not self-regulation.

Media Implications

We welcome the pressure on social platforms to improve protection of consumers and to

take responsibility for removing/blocking harmful and false content from their respective platforms. Where broadcast channels are regulated by Ofcom and print by IPSO, we encourage digital channels to be held to a similar standard.

Whilst nothing outlined in the report is necessarily a new dialogue, or will have any immediate impact, there are potential implications for paid social communications:

- In the short-term, public perceptions of Facebook in particular are likely to worsen with the damning findings. Whilst the Q4 earnings call didn't suggest growth is suffering despite constant scandals, the spotlight has arguably never been as focused on them in the UK, and we may see usage decline in response.
- Longer-term, if the right actions are taken or mandated, brand safety and suitability on Facebook will be better than ever before, but user confidence may have declined to the point that advertising impact is permanently limited.
- One of the most relevant recommendations of the report was that inferred data (i.e. lookalike audiences), should be set out under the law as personal information. If the law be extended to include models used to make references about an individual, the targeting capabilities on social media channels will be more limited than they currently are.

TV

The Millennial Video Migration

'The number of linear TV ads seen by 16- to 34-year-old viewers had fallen by a fifth compared with a year ago', (Campaign 2019)

16-34-year olds have always proven a difficult audience to target, The Guardian reported that 'Viewing of broadcast TV by 16- to 24-year-olds fell 33% between 2010 and last year.'

But what does this mean for broadcasters and advertisers trying to reach this elusive audience? ITV's top weekend entertainment programming, historically attracting high viewing figures has seen a sharp decline over the last 4 years, for X Factor alone 1634 ads viewing has dropped by 45% in 5 years. Channel 4 is a similar story with all viewing against 1634 ads dropping by 36% since 2014.

Lindsey Clay, Chief Executive at Thinkbox, states 'Broadcasters are working hard to engage young audiences across their services, with huge successes. But it requires clever planning and enlightened self-interest from advertisers too. However, amid change, let's not lose sight of the fact that nearly three quarters of all the video advertising 16-34s actually see is thanks to live TV.'

As Clay highlights, there are opportunities for broadcasters and advertisers alike to reach the younger demographic. ITV saw huge growth in 2018 in with its hit ITV2 show Love Island saw that 'an average of 3.6 million people watched the final – ITV2's biggest audience ever.'

Superdrug were the main sponsors of the show across all linear content and online viewing platforms. The sponsorship package allowed the brand to align with all content ensuring they were front of mind for Love Island viewers, and a central part of their experience whilst watching the show. Superdrug overall saw positive results from the sponsorship including key performance metrics such as brand awareness and purchase intent.

Despite the rapidly evolving AV landscape and the emergence of new platforms and content, it's an exciting time for the industry; advertisers will be given new opportunities to differentiate themselves from competitors and reach young light TV viewers through immersive and engaging strategies.

VOD

BritBox is coming to the UK

The announcement of BritBox poses an interesting question to UK broadcasters across

both linear TV and VOD channels. The joint venture between the UK's lead broadcasters BBC and ITV will see their content housed on their own joint subscription-funded platform. This will purely house their archive content with the catch-up of first-run shows still being housed within individual players.

BritBox is not a new company, it is already operating in the US where it delivers British TV to an expat and enthusiastic captive audience. It is a relatively small but highly profitable way of broadcasters selling their otherwise dormant productions in other markets and now it is being planned to be rolled out to the UK. As it stands, BritBox will be an ad free model in the UK when it launches, and it is likely this will be a strong, profitable but smaller scale product that will drive additional revenues for the two broadcasters allowing for new ways to build technology and possibly sell content to EU residents outside the UK.

This is something that ITV have been looking at for a while and are continuing to probe on their own. The new ITV CEO Carolyn McCall has been consistently looking at new ways to grow additional revenue streams and BritBox looks like a continuation of this. Within this year's Love Island, messaging ran throughout pointing viewers towards ITVHub+. Their latest offering gives users access to ad-free experiences and also works in other EU countries where the regular player does not.

The introduction of Britbox alongside ITVHub+ is likely to have only a small effect on ITV's overall VOD advertising revenues but helps open them up to emerging markets elsewhere and generate extra revenue at low capital cost.

To give an idea of the potential impact, so far the most recent results (in June 2018) say 286,000 are now paid subscribers of ITVHub+, making up between 1%-2% of their total numbers and at £3.99-a-month without contracts it could generate an additional £13m with very few overheads. C4 have been testing a similar product for themselves. Similar predictions would see them net £17.3m (2% of £18m signed up for the entire year at £4 a month) with little impact on their advertising model.

BritBox would hope to develop these subscription numbers further but it won't replace ITV's

current ad-fund model and the joint venture won't be a large-scale assault on Netflix, as ITV themselves said in Campaign earlier this year.

Despite the minimal impact this will have on linear TV and current catch up services, the move shows a recognition from broadcasters of the change in viewing habits and the ways that people consume video content. However, if we take the examples of the uptake of the recent subscription offerings from All4 and ITVHub, it appears that audiences are still happy to be served advertising to watch their content than pay for an ad-free subscription service.

OOH

TFL's HFSS policy introduction

Even if you're not a food or drink advertiser, the new HFSS policy will still have an impact on your creative, as 'incidental' images of food and drink which might appear in part of a bigger ad are also covered by the ban. This means if your copy includes a depiction, reference or a logo of food/drink and drink brand/suppliers, then it will fall under the new HFSS policy – and you will still be liable to pay for the campaign.

As media experts, we look at how AV is tackling the same issue, looking to be more targeted by implementing a watershed, and in comparison, this outright ban does feel like an incredibly blunt instrument. The new regulations came straight from the Mayor's office and the speed and severity of its implementation caught everyone by surprise – including key partners like Exterion Media (who hold the advertising contract) and even TfL (who now have to manage a projected £13M loss from advertising revenue on top of existing budgetary challenges). There's been some pro forma consultation with the industry and relevant advertisers but ultimately this is a political decision that has been imposed upon everyone, regardless of the wider consequences.

While it's obvious who the Mayor's office is targeting with this, they can't be seen to 'go after' certain brands and so this has had to be applied across the board, despite the unintended consequences; under the new regulations things like Marmite and even

avocados are banned – despite them counting towards your five-a-day!

And if the goal is to ban HFSS products across London, it's not even particularly effective! London remains open for HFSS campaigns on OOH, as the ban only applies to sites on TfL property. For example, there are nearly 5,000 BT and independent phone kiosks in Greater London, all of which can be used to deliver a London-wide cover campaign for any HFSS products without having to use the TfL estate. Although their loss will be other media owners' gain, it will ultimately be Londoners who pay the price in increased ticket fares and further deterioration of the tube network (TfL have already announced they are deferring key projects such as signalling upgrades on the Piccadilly line and the rebuilding of Camden Town station.

As an industry, we strongly support efforts to tackle childhood obesity but in this case, we question the Mayor's approach – OOH in particular has a strong track record of proactively implementing restrictions on what messages children are likely to be exposed to and a less draconian and more collaborative approach could perhaps have led to an outcome that benefits everybody. However, once the rules have bedded in and there is a bit less public attention, we would expect to see a quiet rowing back of some of the most ridiculous cases as pragmatism wins through. Ultimately, the TfL estate has always had some of the most restrictive copy rules in OOH (e.g. guns cannot be pointing out of the poster but must point down) and this should eventually settle down into just another 'cannot'. In the meantime, there are plenty of other alternatives for affected brands to reach that important Londoner audience.

Radio

Bauer Bite Back

After the recent power move from Global, buying their way into the OOH market, fellow radio giant Bauer have made their own statement through the acquisition of four radio groups – Celador Radio, Wireless Local, Lincs FM group and UKRD, adding an extra 124 stations to their portfolio. These impressive acquisitions have boosted Bauer's share of all

commercial hours from 33.5% to 39%. Having effectively bought out First Radio with these purchases, this is likely to lead to further market consolidation – with two sales houses each having a 40%+ share and News UK(Wireless) offering a unique audience via Talksport. Bauer are tying up the final terms with the CMA before these new stations are available for trading, but no issues are foreseen with this and is merely standard procedure.

On top of this, Bauer are also launching a new station 'Scala' a classical music station set to rival Classic FM and BBC Radio 3. With Simon Mayo making the switch from BBC Radio 2 to host a mid-morning show – accompanied by many other household names such as Anthea Turner, Mark Kermode and Goldie to name but a few – we are expecting a strong listenership in what is quite an untapped market compared to other genres in the audio market. This station will be available for trading in RAJAR Wave 2.

Finally, Bauer not stopping there, are launching a new station to be part of their Hits and Greatest Hits Network – Country Hits Radio – going live on the 5th April – they are looking to create a national home for country music, bringing along presenters such as Baylen Leonard and Una Healey.

Streaming

MIDiA Research has released an executive summary of its subscriber report with a forecast for the global music industry from 2018 through 2026, and the analysis shows that streaming will continue to be critical to the sector's success. By 2022, the report anticipates that streaming revenue is set to exceed the music industry's total revenue from 2018.

Source: Rain News; MIDiA Report

With the digital audio world booming, DAX part of the Global Radio remit have made a move to strengthen and broaden their offerings – The biggest recent publisher announcement is that Wireless has joined DAX, meaning you can now extend your DAX campaign onto Talksport. This is a significant moment as it now means DAX boasts all three of the UK's major radio broadcasters. Their podcast portfolio has also grown to include Sky News and Politics Podcasts as well as over 25 Sky Sports Podcasts. Sky

produces hugely popular podcasts across a range of categories covering news and sport. The deal includes podcasts such as Sky News Daily, Will Greenwood's Rugby Podcast and Sky Sports Cricket Podcast.

Off the back of the recent growth of their podcast portfolio, we have agreed a deal to include Podcast inventory on all DAX campaigns, served at their discretion and where appropriate (i.e. the message is not time-sensitive, and the audience targeting is limited to age/gender/social grade). With the Podcast market being one of the most sought-after areas in the audio market this a great way for clients to have presence in this space – at no extra cost to an ordinary digital audio buy.

Programmatic

Are whitelists restoring faith in programmatic?

Earlier this month a new study published by MediaRadar revealed that one third of digital advertisers had reduced their programmatic ad spend from 2017 – 2018. A surprising statistic, following several years of fast growth in programmatic trading. But as programmatic buying surged, so did concerns over brand safety. Whilst buying through the open marketplace delivers against scale and cost-effectiveness, the lack of control and transparency on where brands are appearing has proven to be a major drawback, with 10 brands tracking an $85 million decrease in programmatic spending between 2017 – 2018, according to MediaRadar.

However, the report details that this decrease is not as black and white as it may appear. Rather than moving away from programmatic buys altogether, a number of advertisers are instead shifting to a private marketplace method of buying, re-gaining some control and lowering the risks associated with brand safety. An eMarketer report released in October last year forecasts that more than half of programmatic buys will be traded through private marketplaces in 2020, a 6% rise compared to today.

Whilst private marketplace deals exist as a solution for brands who want to trade

programmatically with more confidence, where they lack against open marketplace buying is in scale. With fewer vendors in the inventory mix and the cherry picking of sites to appear on, advertisers are tasked with finding the balance between being brand safe, and ensuring their message reaches their target audience.

At MediaCom, extensive measures are put in place to protect our clients from non-safe environments, including across both programmatic and publisher direct buys. Across programmatic activity, using pre-bid technology with IAS allows us to pre-vet the online inventory based on data that 3rd party companies like IAS, and DoubleVerify collect. This technology prevents us from entering any kind of auction for inventory that has been deemed as inappropriate – a measure which allows advertisers to maintain the scale achieved through programmatic, whilst remaining brand safe.

GroupM has compiled lists of domains based on brand safe criteria. A whitelist of domains has been verified by GroupM which are considered brand safe following thorough checks, whilst the blacklist ensures we exclude sites which are not. These measures, alongside partnering with 3rd party ad verification and brand safety providers means we can deliver quality, brand safe campaigns at scale for our clients. Programmatic advertising is going no-where, but it is certainly evolving.

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