PPA Festival 2017

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

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

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**

<table>
<thead>
<tr>
<th>Year</th>
<th>UK Insurance companies &amp; pension funds</th>
<th>Overseas investors</th>
<th>Others</th>
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<tbody>
<tr>
<td>1998</td>
<td>43%</td>
<td>31%</td>
<td>26%</td>
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<tr>
<td>2010</td>
<td>14%</td>
<td>42%</td>
<td>43%</td>
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<tr>
<td>2012</td>
<td>11%</td>
<td>54%</td>
<td>36%</td>
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<tr>
<td>2014</td>
<td>9%</td>
<td>54%</td>
<td>37%</td>
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[Source: ONS, Enders Analysis]
Procurement is driving media agency deals

Proportion of media agency deals which involve procurement (%)

![Bar chart showing procurement involvement in 2003 and 2016.](chart)

- 2003: 51%
- 2016: 91%

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)

- CEO: 8 years
- CFO: 5.1 years
- CHRO: 5 years
- CIO: 4.3 years
- CMO: 4.1 years

(Source: Korn Ferry, 2017)
And, anyway, marketing chiefs are not on the board

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

[2.6%]

**Mobile is becoming universal**

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

![Chart showing smartphone adoption by age](chart.png)


Personally use smartphone
[Source: Ipsos MORI, Enders Analysis]

PPA conference, 10th May 2017
And ecommerce is going mobile…

Share of ecommerce transactions via mobile devices (%)

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<tbody>
<tr>
<td>Q4</td>
<td>100%</td>
<td>95%</td>
<td>95%</td>
<td>90%</td>
<td>85%</td>
<td>80%</td>
<td>75%</td>
<td>70%</td>
<td>65%</td>
<td>60%</td>
<td>55%</td>
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<td>45%</td>
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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)**

- 2000: Analogue 5,000, Digital 2,000
- 2015: Analogue 4,000, Digital 6,000

**Display ad expenditure (£m)**

- 2000: Analogue 10,000, Digital 2,000
- 2015: Analogue 8,000, Digital 12,000

PPA conference, 10th May 2017
We have gone from 40:60 activation/brand to 50:50

Adspend by campaign goal, 2000

Adspend by campaign goal, 2016

[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
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>Google</th>
<th>Facebook</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Display</td>
<td>3.7</td>
<td>1.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Mobile</td>
<td>4.2</td>
<td>2.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>9.9</td>
<td>3.6</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Google & Facebook shares of digital ad growth (%)

<table>
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</tr>
<tr>
<td>Mobile</td>
<td>54%</td>
<td>38%</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>53%</td>
<td>36%</td>
<td>11%</td>
</tr>
</tbody>
</table>
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

![Chart showing estimated ROI impact for branding media and performance/tactical media over 52 weeks. The chart includes bars for Week 1, Week 1-4, Week 1-13, Week 1-26, and Week 1-52.]

[Source: Enders Analysis based on an illustrative case]
### Some recommendations

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

(Source: Enders Analysis)
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