

# PPA Festival 2017

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

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## **Publishing**

Archant, Cedar, Centaur, DC Thomson, DMGT, Dow Jones, ESI Media, Financial Times, Future, Guardian Media Group, Haymarket, Hearst, Holtzbrinck, Immediate Media, Johnston Press, Magnetic, News UK, Newsworks, NLA Media Access, Penguin Random House, Telegraph Media Group, Time Inc, Trinity Mirror, Which?

## **Agencies**

Acceleration, Blue State Digital, Dentsu Aegis Network, Engine, Finsbury, Geometry, Grey, GroupM, GTB, Hill & Knowlton, Hogarth & Ogilvy & Mather, J. Walter Thompson, Kantar, Karmarama, Kinetic, MEC, M/Six, Maxus, Mediacom, Mindshare, Possible, Prism, RadiumOne, Starcom, Tenth Avenue, WPP, Wunderman, Xaxis, Young & Rubicam

## **Tech**

AutoTrader, DAZN, Facebook, Google, Jobsite, Microsoft, NTT Data, RadiumOne, Yahoo!

## **Film/Television**

21st Century Fox, Arqiva, BBC, BBC Worldwide, Bein Sports, Bertelsmann, Box Plus, Channel 4, Digital UK, Discovery Communications Europe, Endemol Shine Group, Fox Networks Group, Freeview, IMG Media, ITV, Ludorum, Miramax, NBCUniversal, ProSiebenSat.1, Scripps Networks Interactive, SevenOne Media, Sky, Sony Pictures Entertainment, STV Group, Turner Broadcasting, UKTV, Viacom, Virgin Media, Vivendi, Walt Disney Company, Warner Bros Entertainment UK, Wireless Group, YouView

## **Telecoms**

BT, EE, H3G, Liberty Global, Openreach, Post Office, Samsung, TalkTalk Group, Telefónica, Tesco Telecoms, Utility Warehouse, Vodafone, Vonage UK

## **Music/Radio**

Bauer Radio, BMG Rights Management, Communicorp, EMI Music Publishing, Pandora, PRS for Music, Sony Music Entertainment, Spotify, Universal Music Group

## **Professional Services**

Accenture, Afiniti, Allen & Overy, Baringa Partners, Bain & Company, Deloitte Consulting, Edelman, Ernst & Young, KPMG, Linklaters, McKinsey, Miles 33, OC&C Strategy Consultants, Oliver & Ohlbaum, PWC, Russell Reynolds, Tata Consultancy Services, Venture Consulting, XIX Entertainment

## **Public Sector**

Dept Culture Media & Sport, European Broadcasting Union, European Commission, Ofcom, National Audit Office

## **Funds**

Aberdeen Asset Management, Baillie Gifford, Cedar Rock Capital, Cenkos Securities plc, Highfields Capital Management, LionTree, Morgan Stanley Investment Management, Veritas Investment Management, CapeView Capital LLP

## **Investment Banks**

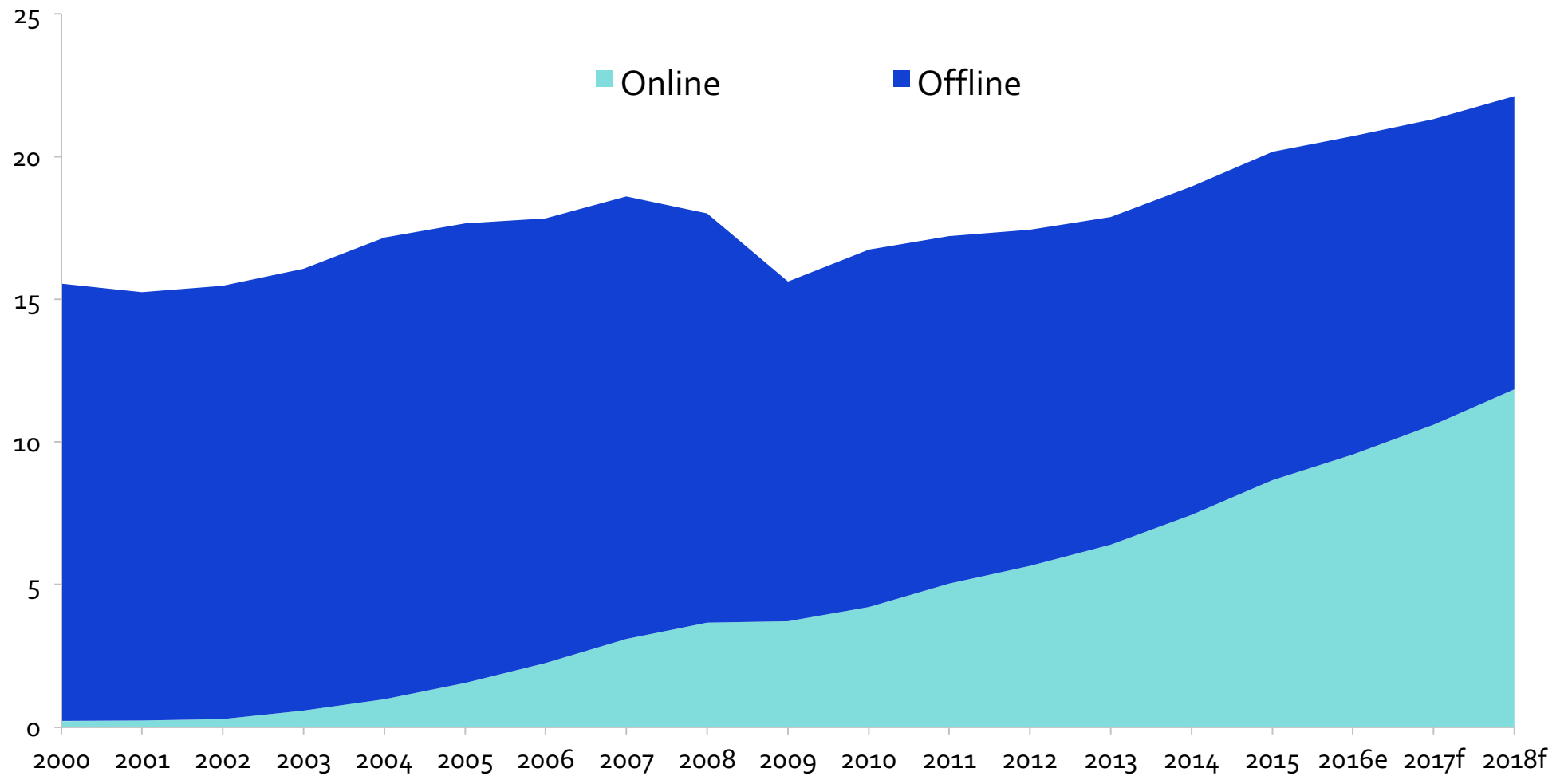
Allen & Co, Barclays Capital, BNP Paribas, Citigroup, Lepe Partners, Moelis & Co, NM Rothschild, Raine Group

## **Private Equity/Venture Capital**

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

# We are at a tipping point: online is more than 50% of all advertising spend

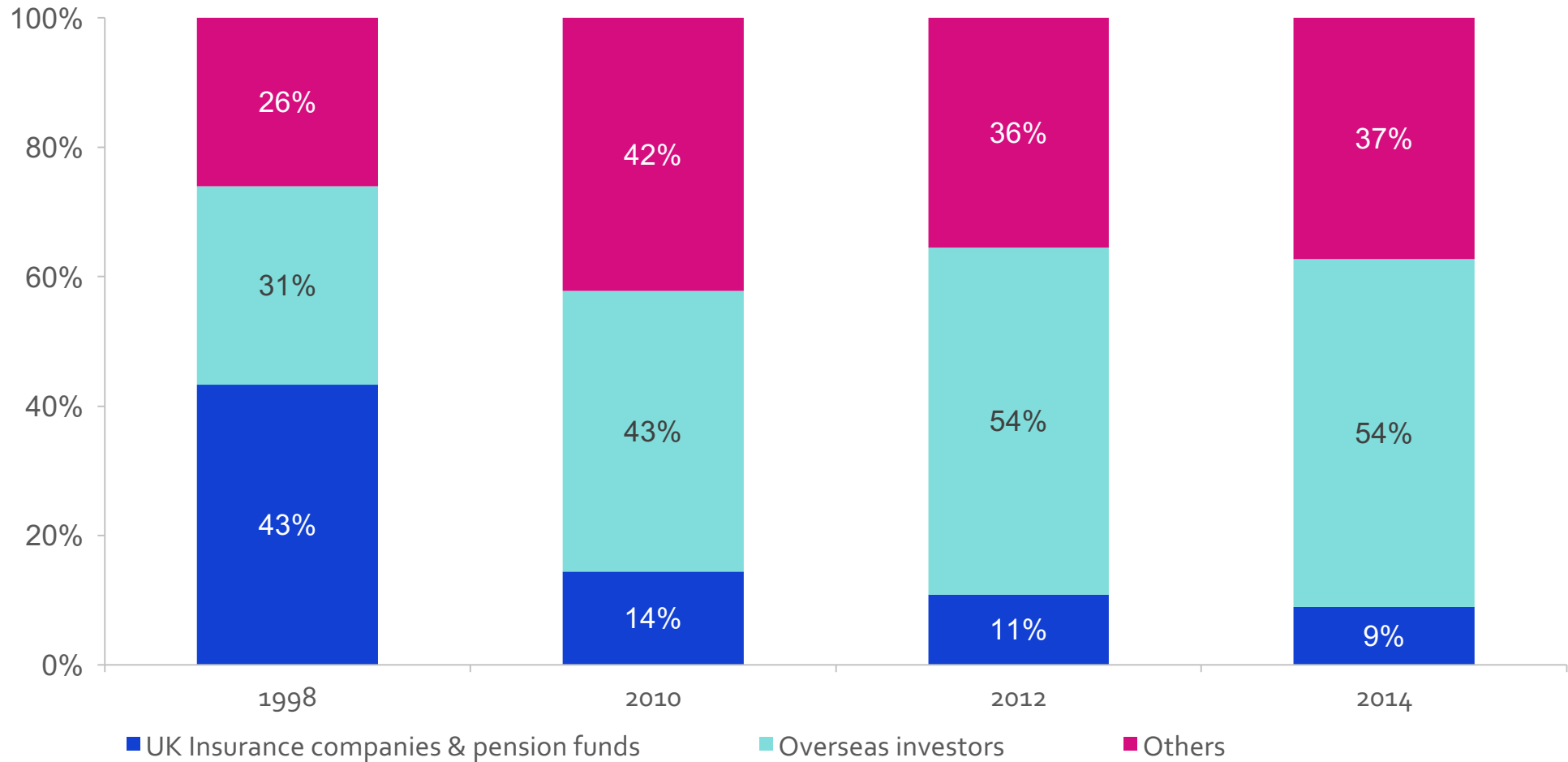
UK advertising spend (£m)



[Source: Enders Analysis based on AA/Warc]

# Corporate and investor **short-termism** is rising

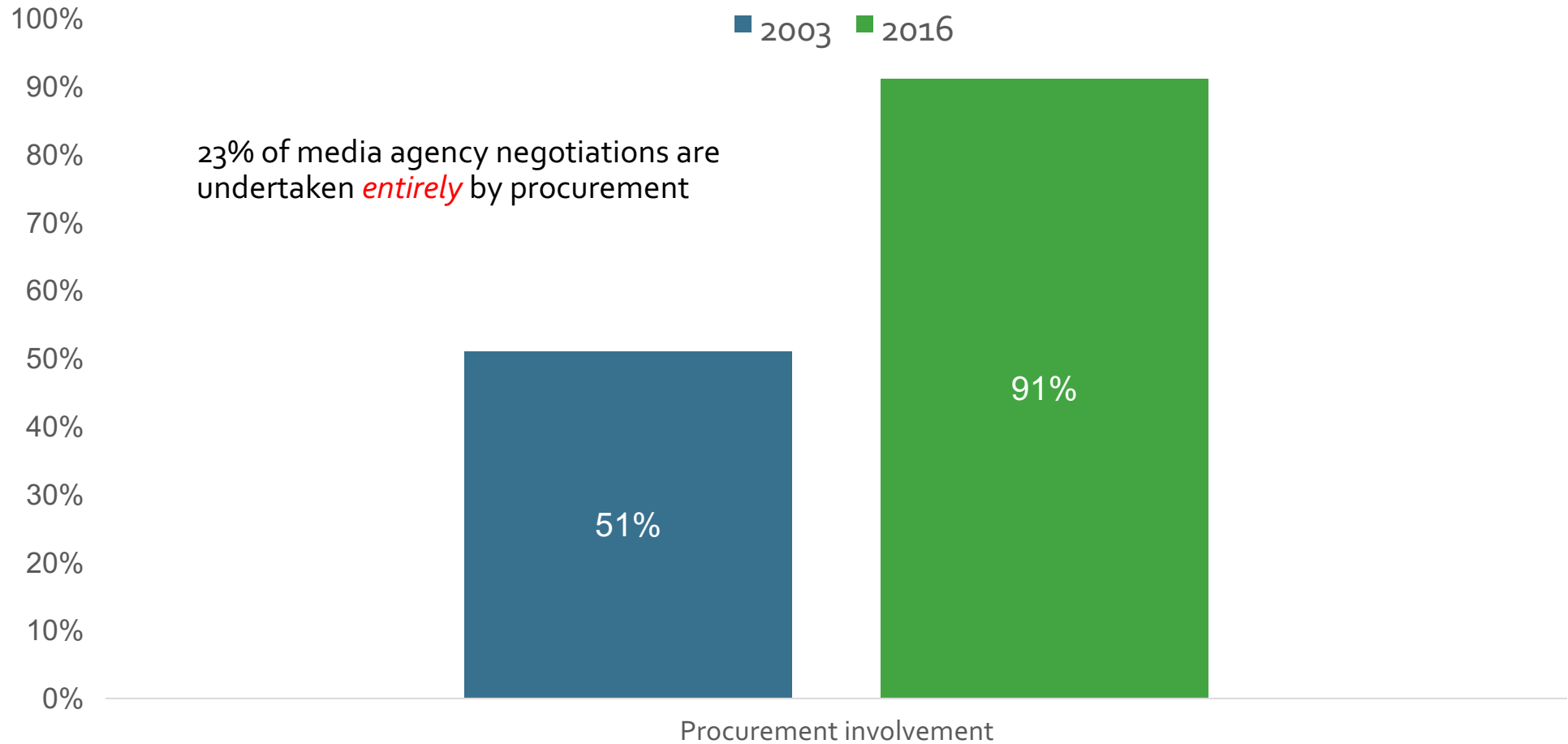
## Ownership of UK quoted shares



[Source: ONS, Enders Analysis]

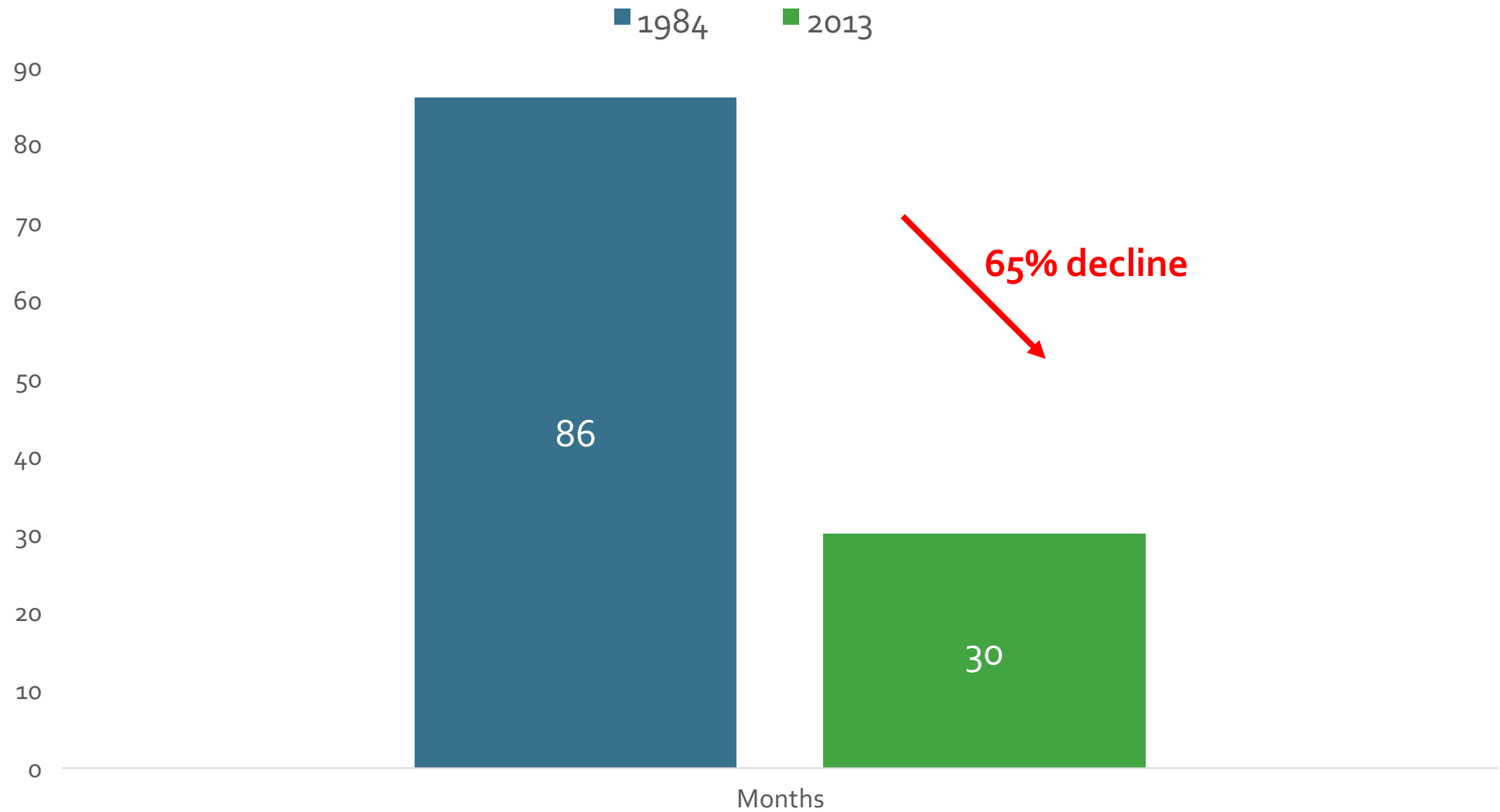
# Procurement is driving media agency deals

Proportion of media agency deals which involve procurement (%)



[Source: ISBA, 2016]

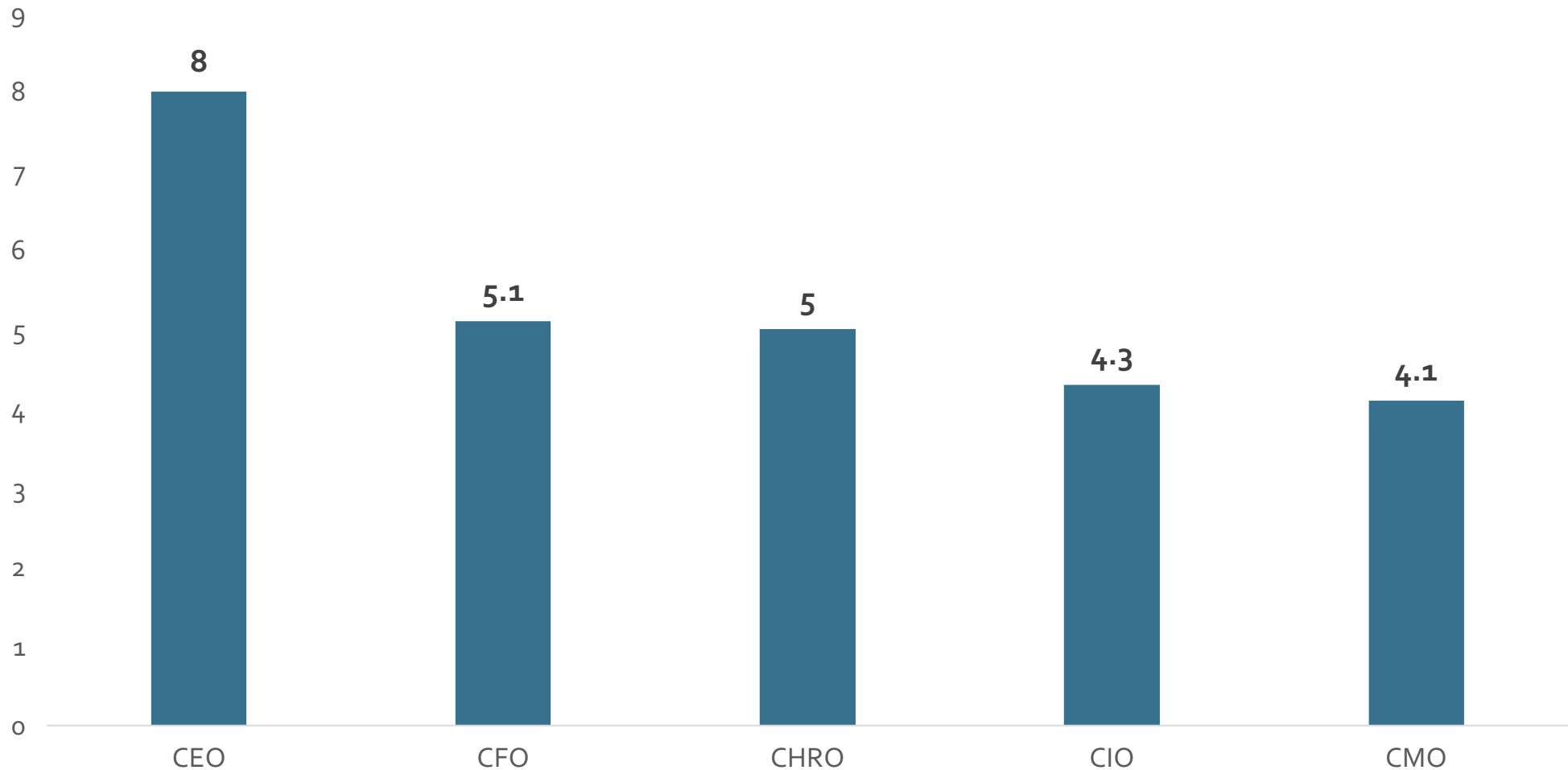
# Agency–client tenures have fallen substantially



[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%**

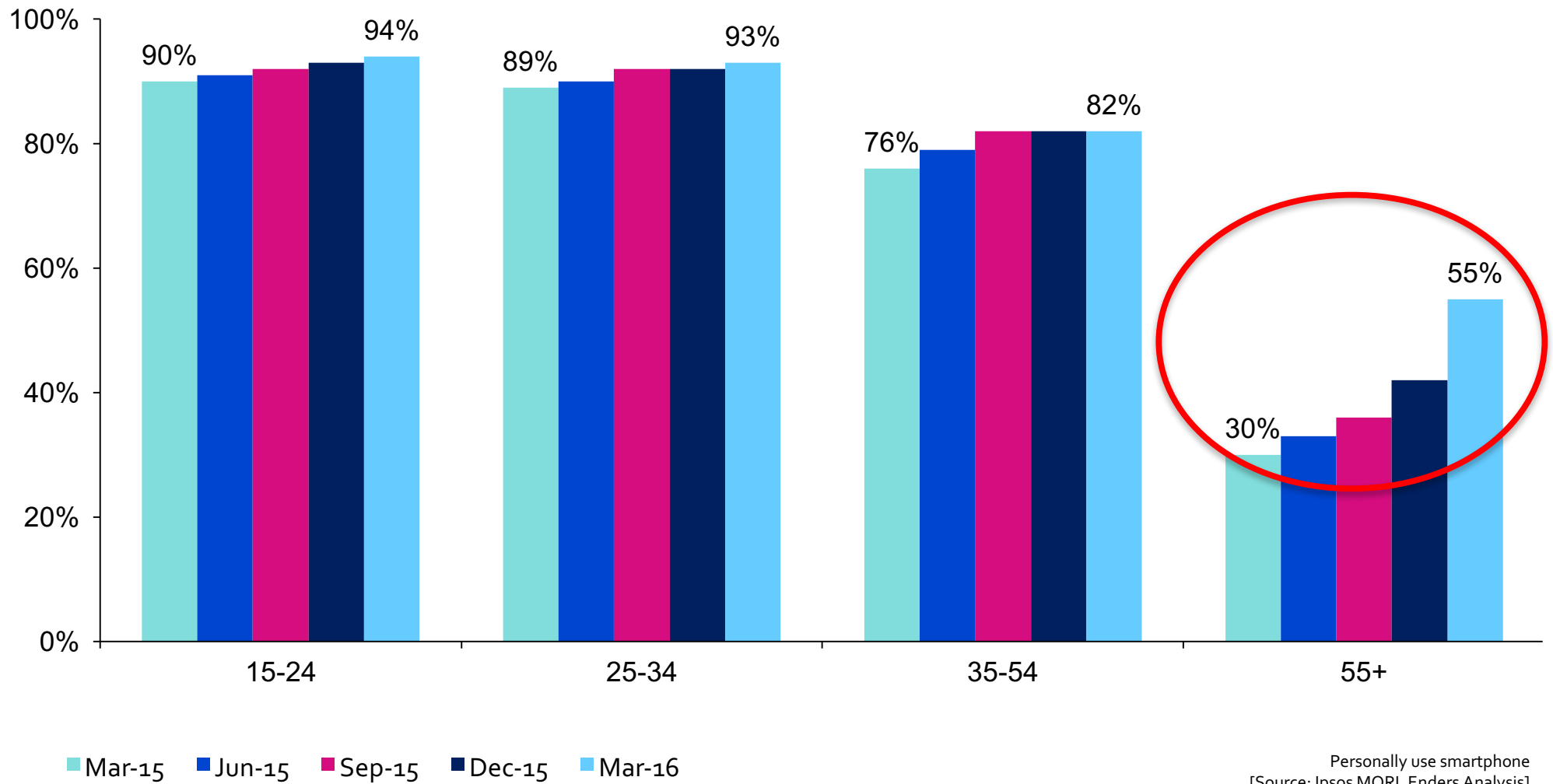
Proportion of S&P-1,500 directors with marketing experience, measured over a 6-year period (65,000 directors)

[Source: Kimberley A Whitley et al, *When and How Does Board-Level Marketing Experience Impact Firm Performance?*, Marketing Science Institute]



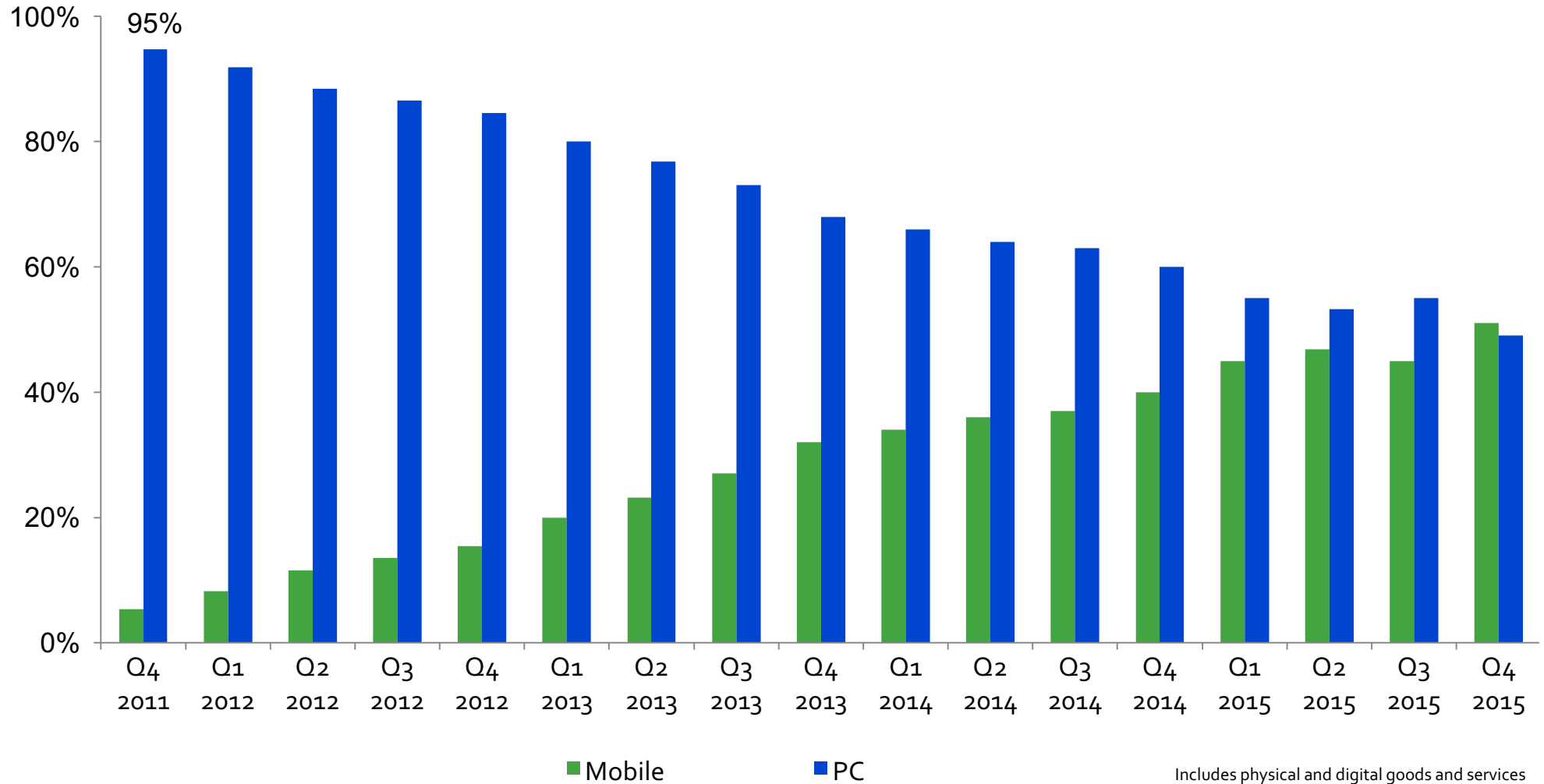
# Mobile is becoming universal

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



# And ecommerce is going mobile....

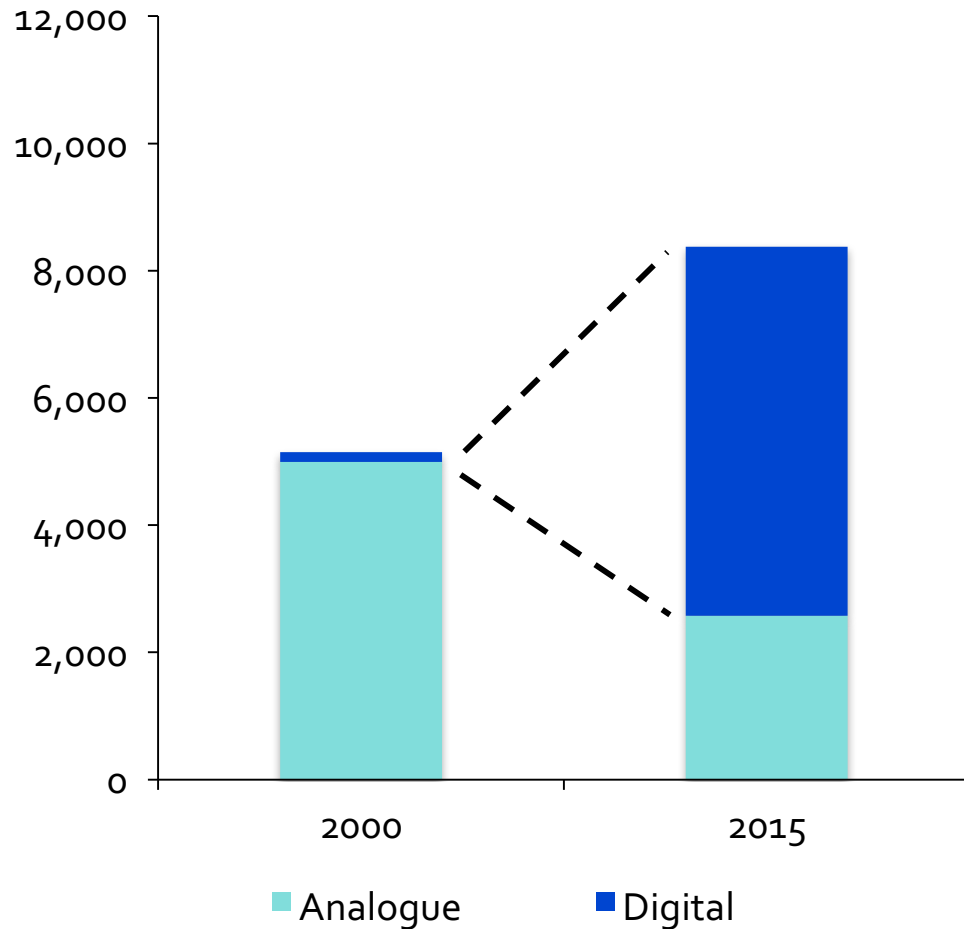
## Share of ecommerce transactions via mobile devices (%)



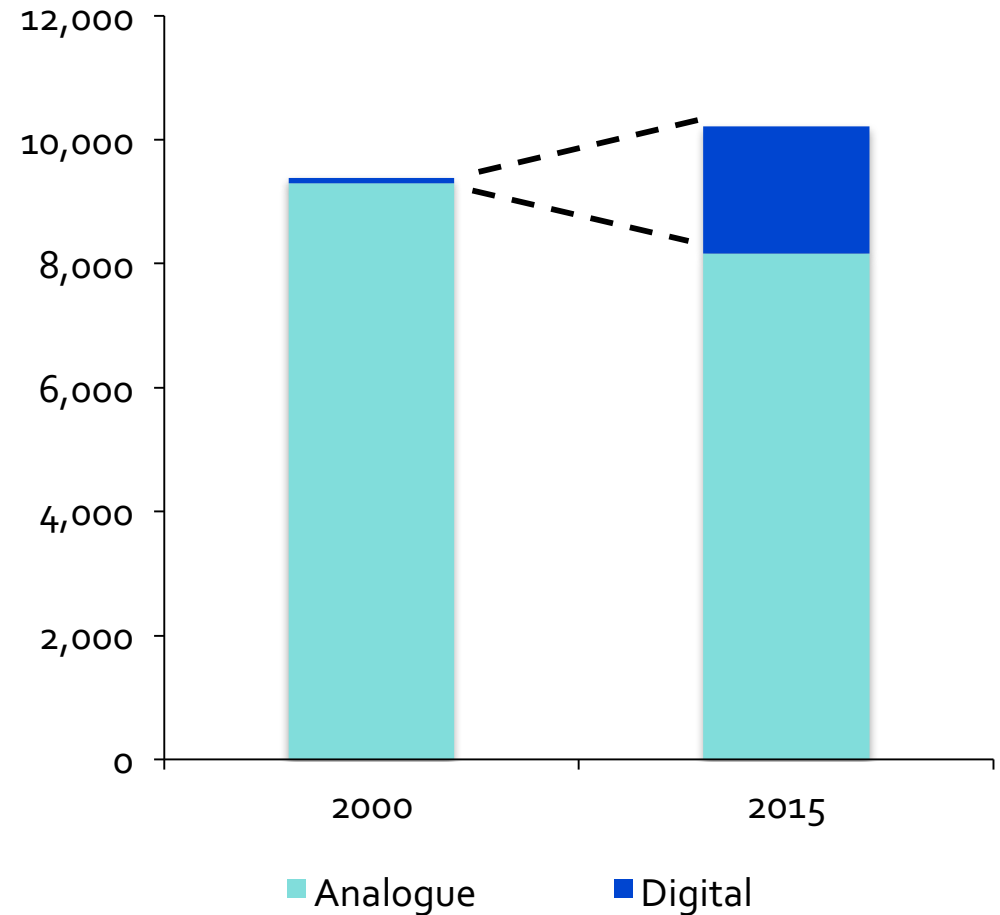
Includes physical and digital goods and services  
[Source: IMRG/Cappgemini, Enders Analysis]

# It's direct response – or activation – advertising that's growing

**Direct response** ad expenditure (£m)



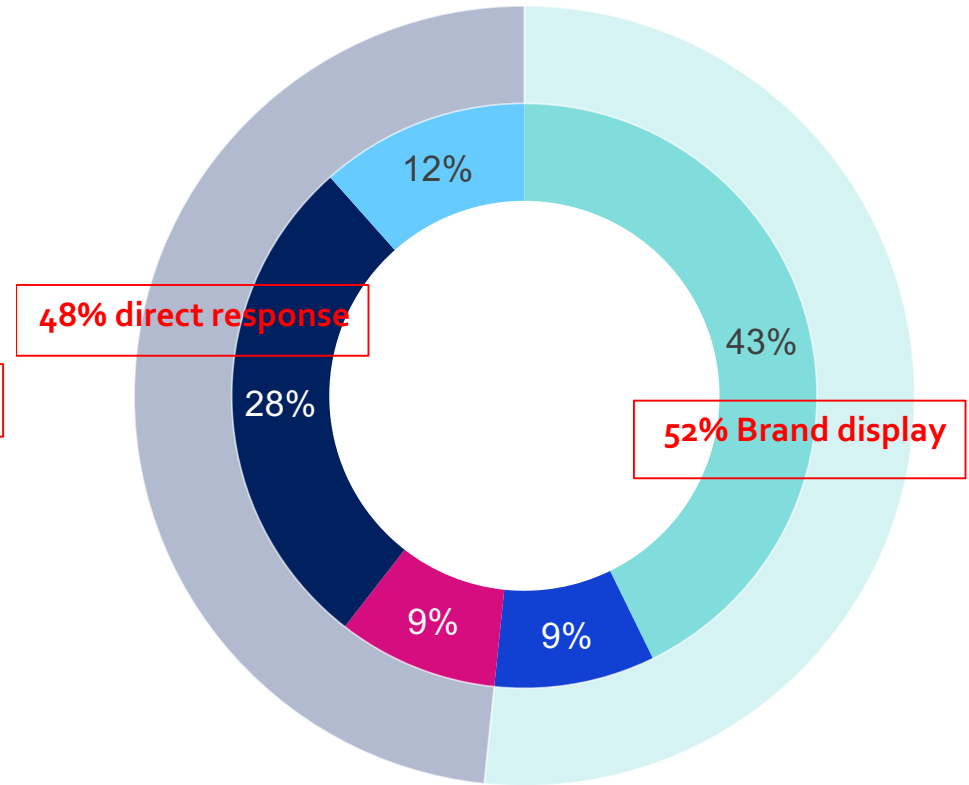
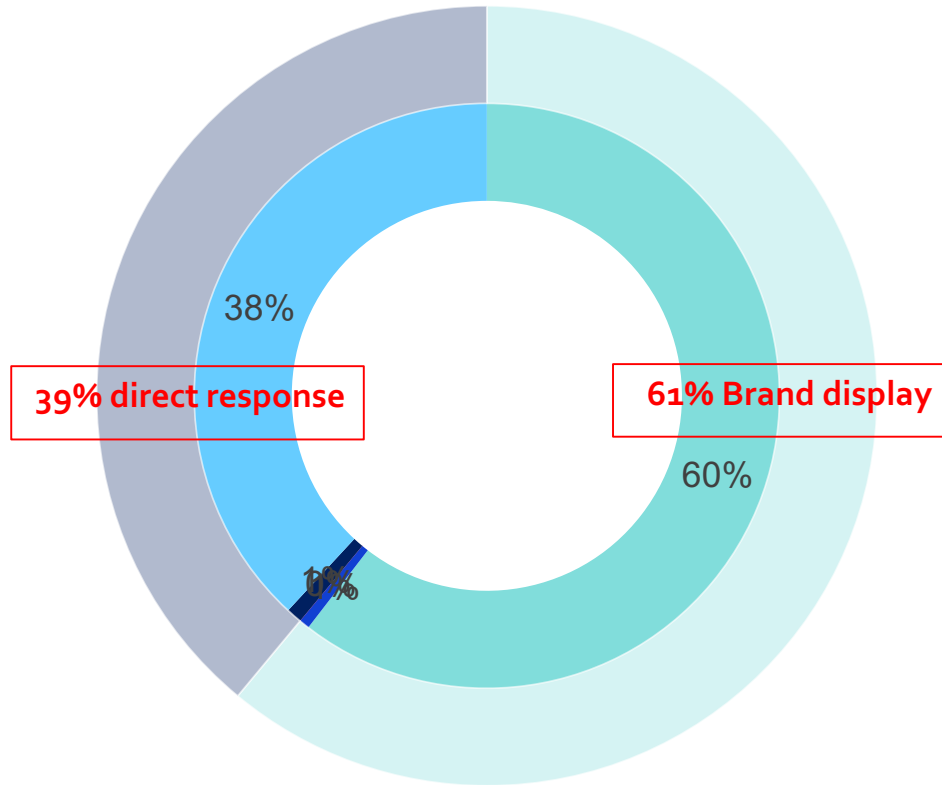
**Display** ad expenditure (£m)



# We have gone from 40:60 activation/brand to 50:50

Adspend by campaign goal, 2000

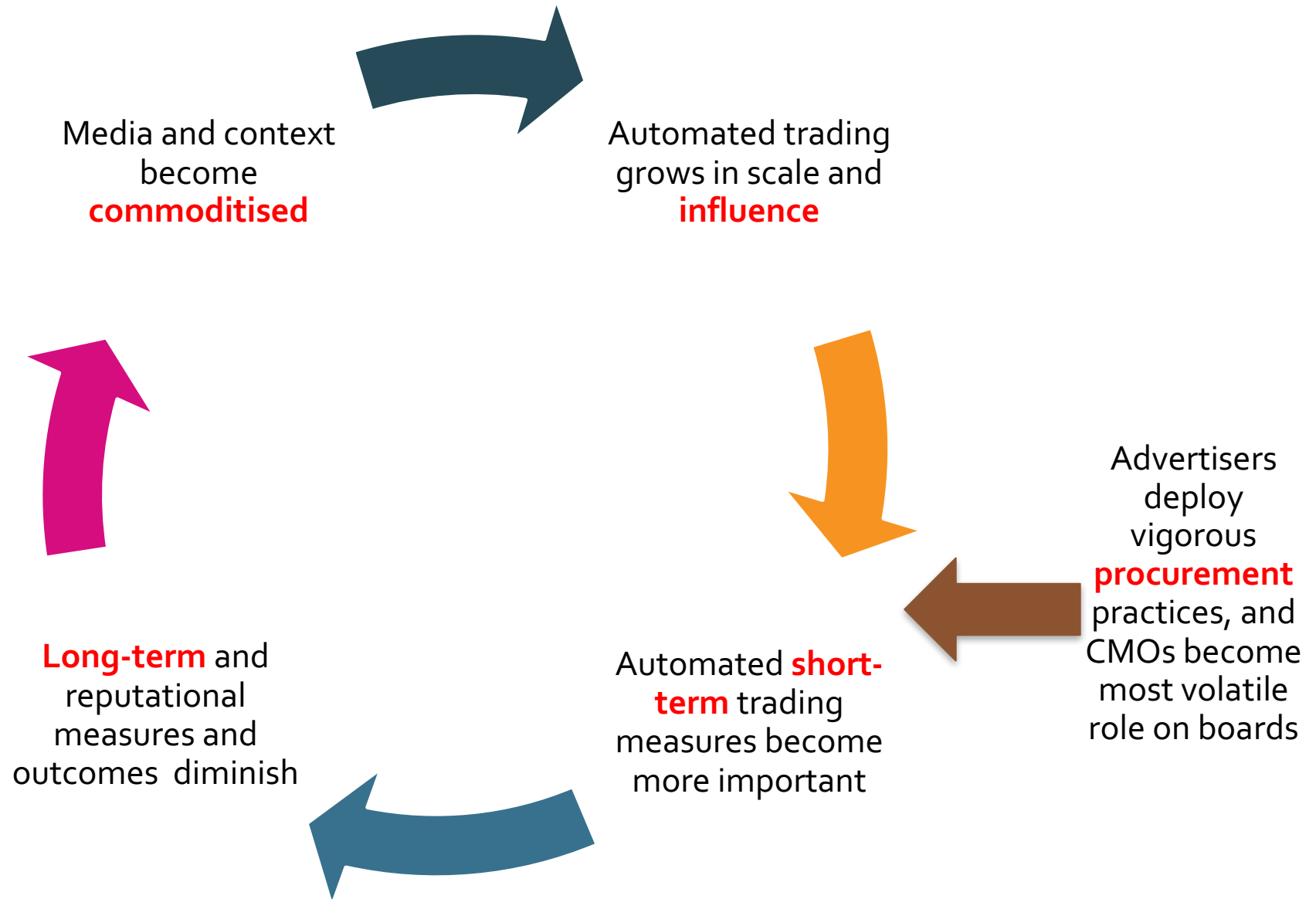
Adspend by campaign goal, 2016



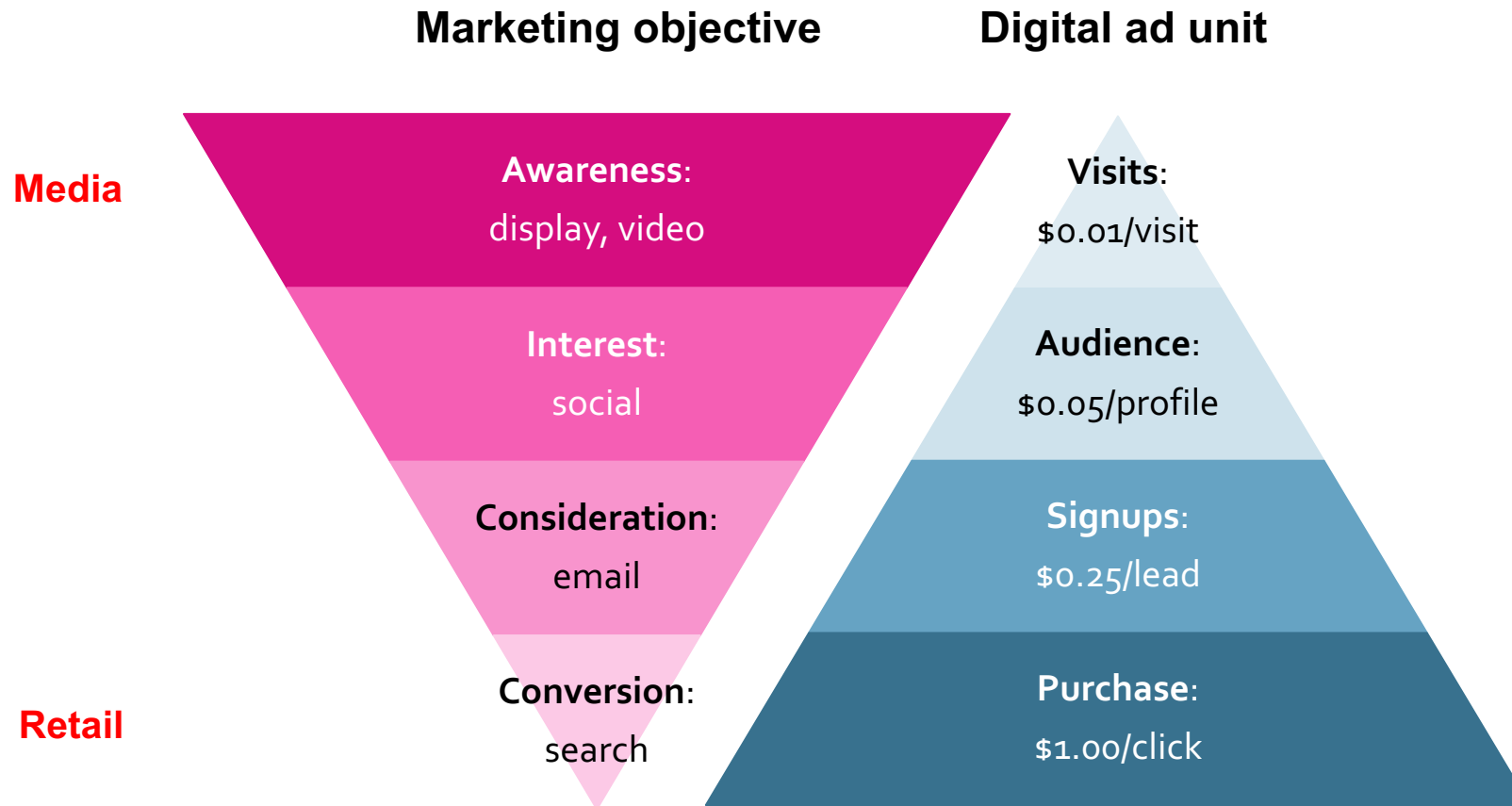
- Analogue brand display
  - Digital brand display
  - Digital DR display
  - Digital DR
  - Analogue DR
- [Source: Enders Analysis estimates based on Warc/AA]

- Analogue brand display
  - Digital brand display
  - Digital DR display
  - Digital DR
  - Analogue DR
- [Source: Enders Analysis estimates based on Warc/AA]

# A vicious circle of short-termist marketing

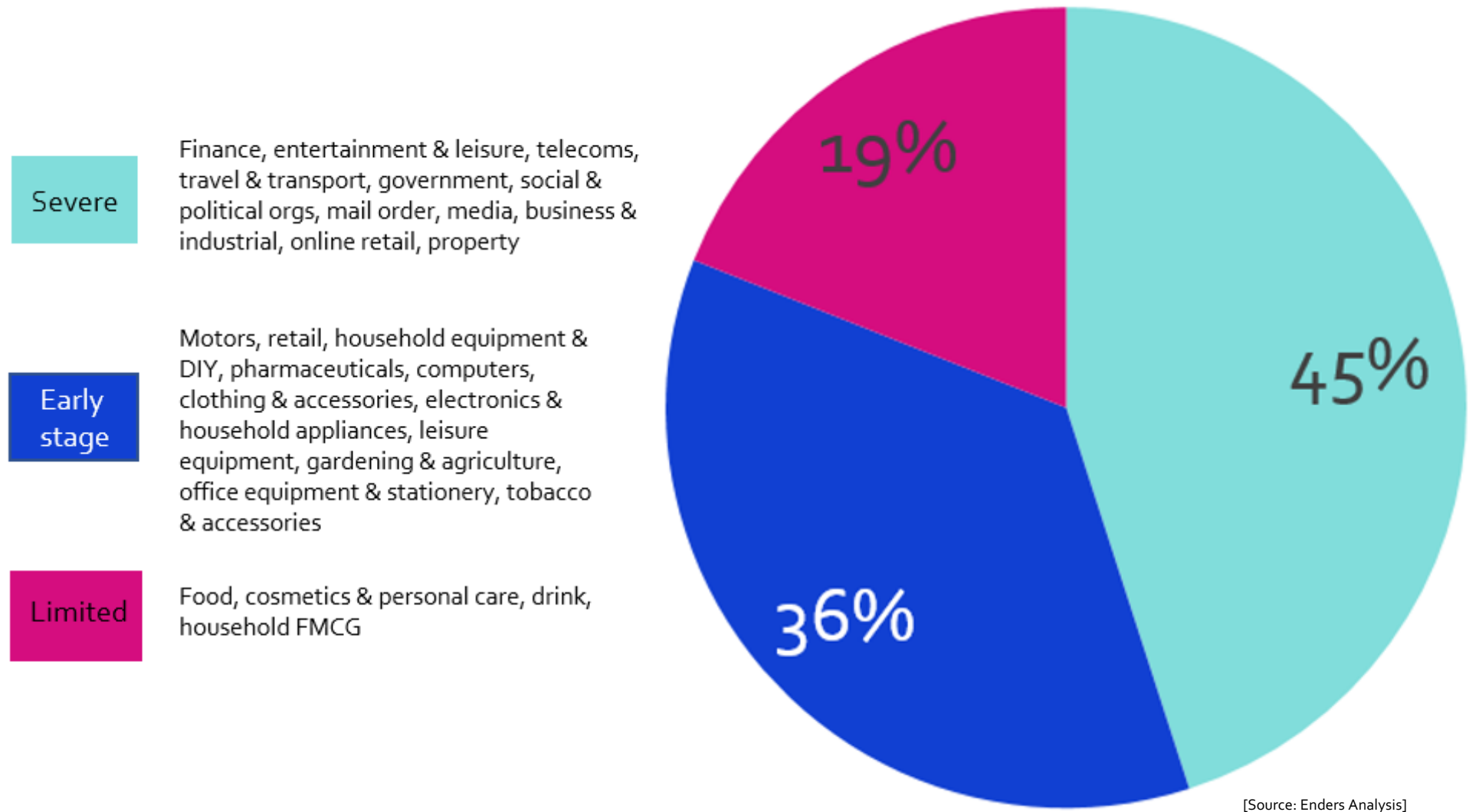


# Digital marketing hugely overstates conversion



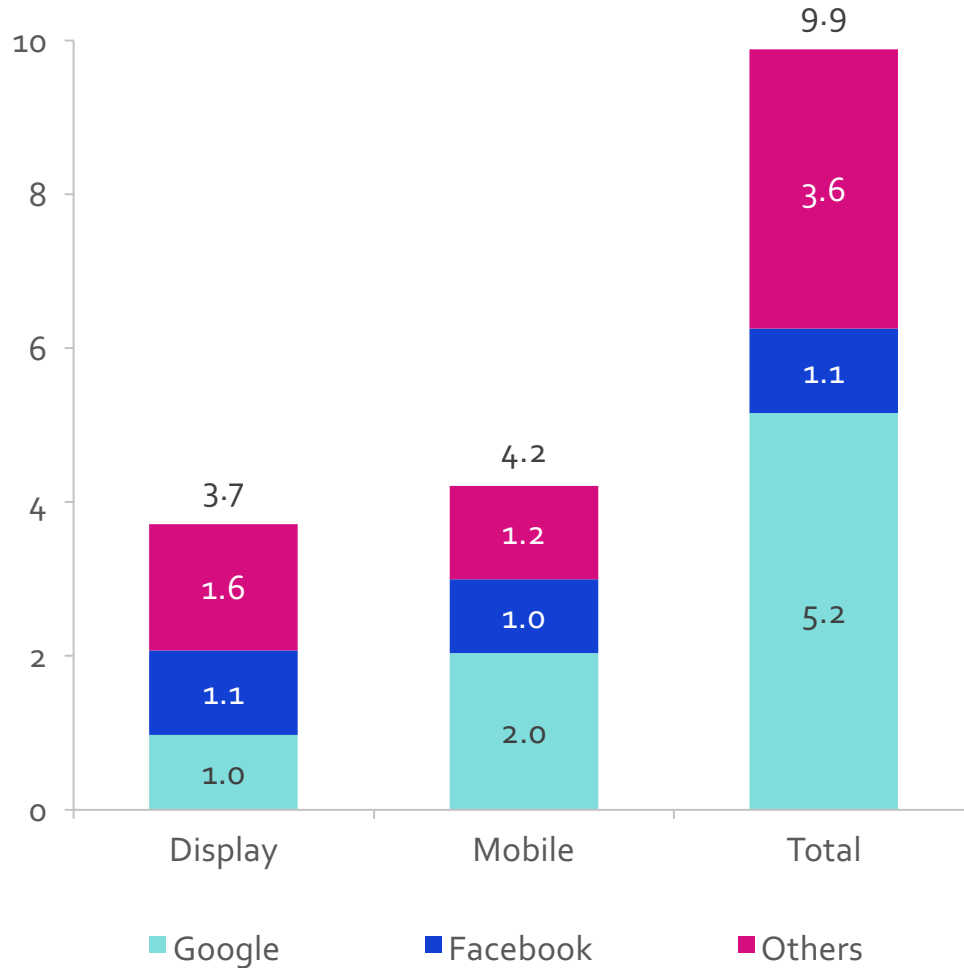
[Source: based on blinkx, illustrative only]

# Disruption is not just in media, it's in commercial categories



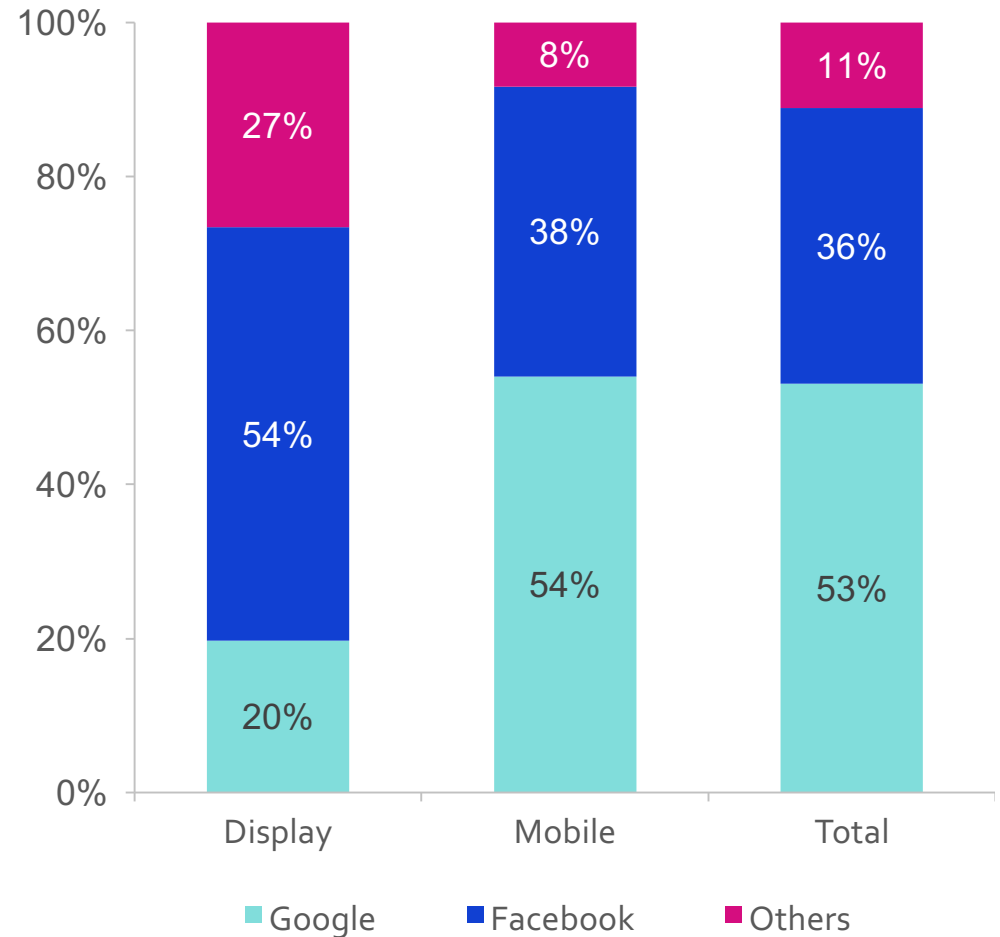
# Digital growth = Google and Facebook growth

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



[Source: Enders Analysis]

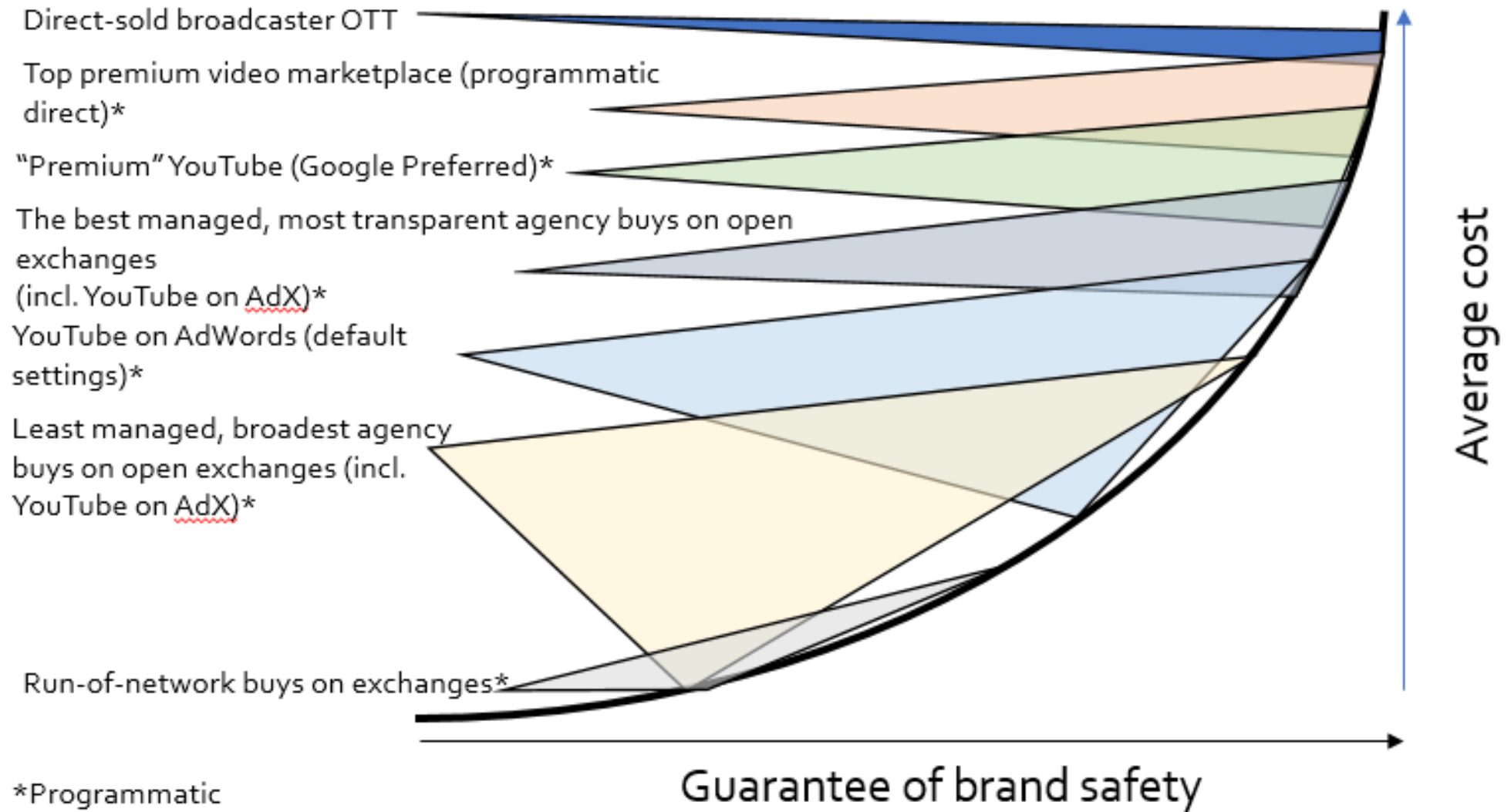
Google & Facebook shares of digital ad growth (%)



[Source: Enders Analysis]



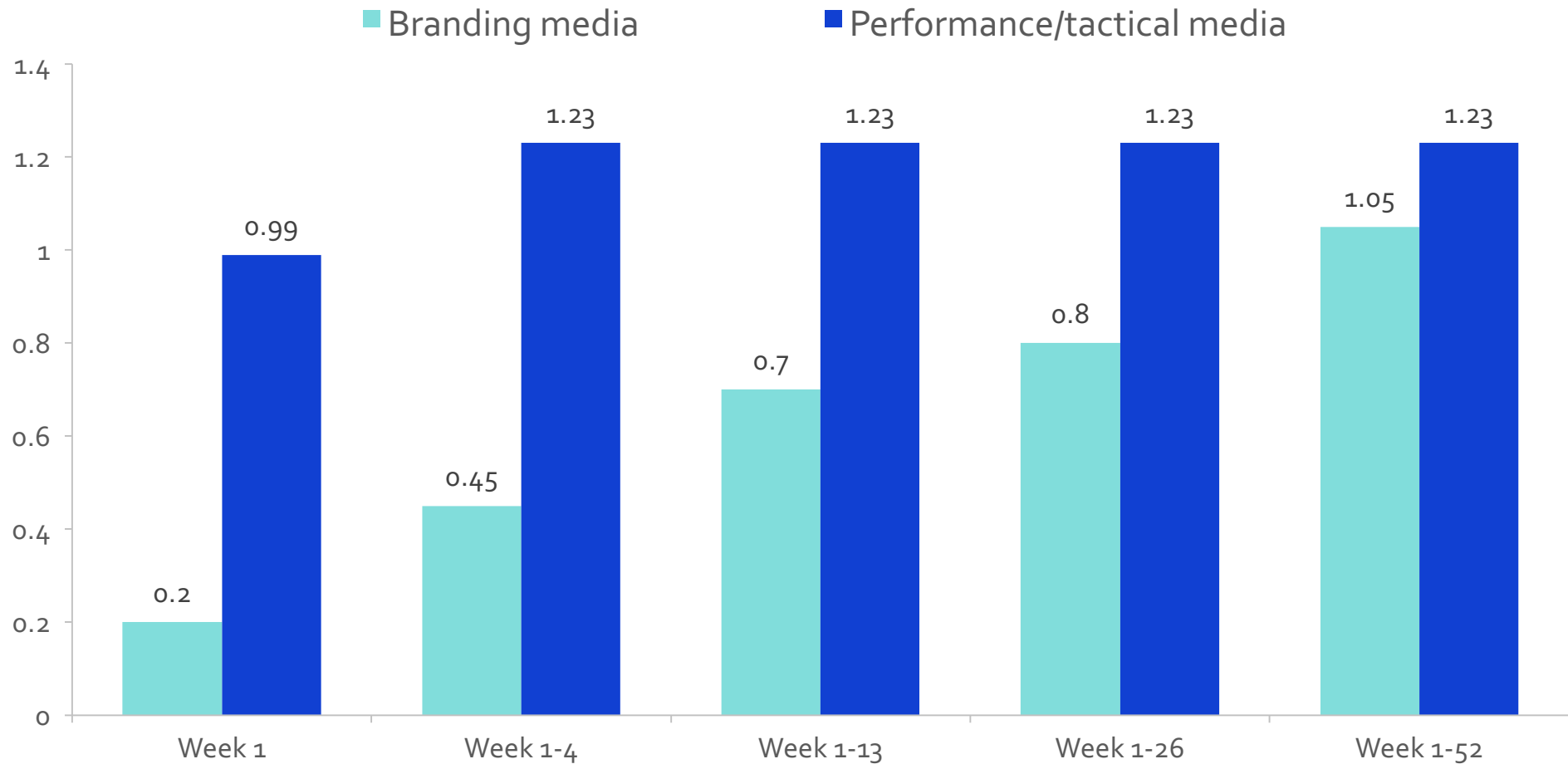
# Context and value do matter



[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

**Recognise limits of attribution** – and structural biases

**Procurement** is too frequently applied as a blunt price instrument

**Planning and creative** need to be valued again, and integrated where possible

**Transparent contracts** – be clear about where money is made, and accept value chains need profits

**Experienced judgement** is NOT the enemy of data and evidence

**Context and environment** – the industry needs to size the benefits and risks

**Quality response signals.** It is not enough to record response rates, and to assume response failures are “neutral”

**Short-term and long-term measurement integration**

[Source: Enders Analysis]

# Disclaimer

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