

Outlook special

The maze of digital advertising

September 2015

*‘Are you at risk
of getting lost
in the maze?’*





The maze of digital advertising

Five building blocks for successful digital advertising strategies

Introduction

Affordable internet access across the globe has kick-started the digital transformation of media and entertainment, but its ability to continue disrupting the market in new and radical ways should not be underestimated. By 2017, more than half of the world's population will be mobile internet subscribers. Consumer adoption of new devices and changing patterns of media consumption demand a response from the advertising industry to ensure that messages are relevant and aligned with consumers' expectations. The ability to deliver targeted advertising – using data analysis to better understand an ad's ultimate consumer – remains a priority. Search, display, digital out-of-home, video, as well as Pinterest, Facebook, Twitter, LinkedIn and Google+ are just a few contexts in which advertisers can persuade customers. But the growing use of mobile devices, smartphones in particular, is shaping the evolution of digital advertising. Mobile and video are now gradually replacing classifieds and challenging display advertising, revealing the fluidity of the market. The arrival of wearable technology is also likely to open up new opportunities.

Advertisers face many challenges and choices within this vast and fast-evolving landscape. Which strategy is best suited to a particular situation? On

which platforms do customers spend their time? And is this also the best place to reach them? Where should you invest your advertising euros to get the biggest results and a net return on marketing investment? Digital advertising seems like a gigantic maze with a high risk of getting lost.

Lost in the maze

The brave new world of digital advertising is turning out to be more complex than expected. What happens if advertisers get lost in the maze? In the worst case, they will spend a lot of money reaching out to the wrong audience through the wrong channels, communicating an irrelevant message on the wrong device at a moment that's frustratingly inconvenient for their customers. All this obstructs a customer experience that's worth remembering. Just because people love their smartphones doesn't mean they like receiving ads on them – even if the ads are relevant to them individually and/or geographically.

Back in the old days, let's say until about the year 2000, it was relatively easy. All you needed were pre-defined target groups, a media plan, a select number of media and the help of a traditional media agency to push your messages around. As the landscape evolves, it's easy to assume that traditional and digital advertising are locked

in competition, but the reality is that both form part of the emerging mix of advertising options and revenue streams being targeted across the industry. At the same time, the division between online and mobile is evaporating rapidly. In fact, consumers make no distinction between channels.

The latest trends driving the evolving advertising landscape



Source:
PwC Global entertainment & media outlook 2015-2019



They communicate with brands, not with digital or “offline” departments. Consumers’ attitudes to mobile advertising are evolving and the digital advertising landscape is being reshaped by four unmistakable forces: mobile, video, native and programmatic.

These forces are interrelated. Mobile and video are being driven by changing consumer behaviours, i.e. increased use (**mobile**) and digital content consumption (**video**), expanding the size of the advertising market that can be accessed through these platforms.

Advertisers want to deliver the most relevant experiences to those consumers who are most likely to be interested in buying their products. To help achieve these goals, advertisers are turning to **native advertising** – online ads that match the form and function of the platform on which they appear, for example an advertorial that utilises the same format as an editorial.

At the same time, both advertisers and publishers are looking for better ways to reach the right audience on the right device at the right (i.e. lowest possible) price. **Programmatic advertising** can be targeted, priced and delivered based on audience data analytics and largely automated platforms. It turns out that data-driven systems generate much better results at a lower cost (compared to “gut feeling”), with improvement percentages running to double digits.

Five Building Blocks

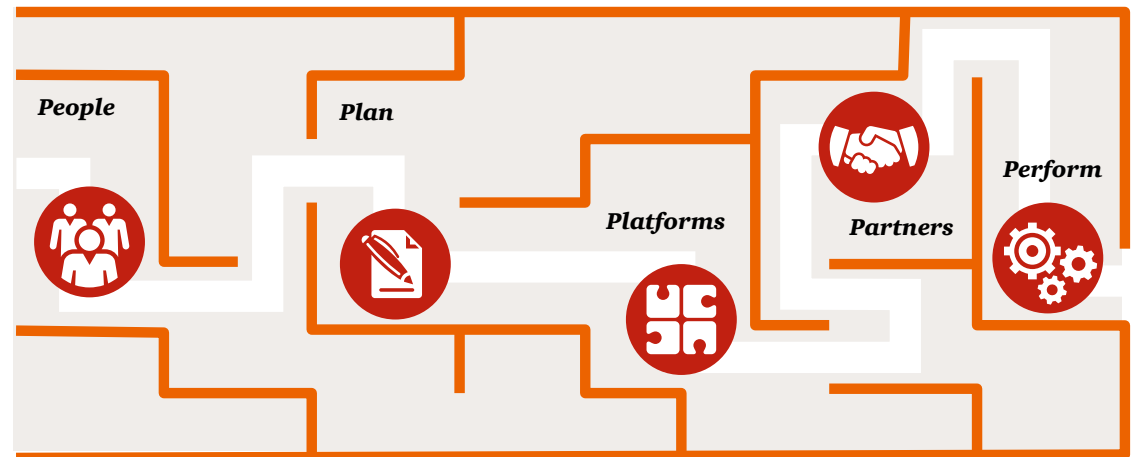
The digital advertising landscape is highly fragmented. The various types of digital advertising operate according to different timescales and require different skillsets, and that means that each one needs to be managed differently, with management expectations set accordingly. We have defined five building blocks for successful digital advertising strategies. These will help advertisers escape the maze and start building a solid basis for the future.

1. People

Although we are talking about digital platforms and data, it’s people who make the difference, now and in the future. Each of the digital advertising platforms requires its own distinct skillset. The challenge lies in coordinating the constituent

skills without diminishing diversity or unique experience. The key is to assemble multi-skilled teams that combine creative talent with digital savvy. Native advertising requires creative people who can work closely with editorial teams to plan and execute campaigns over time, while technologists are required for the analytics and programmatic advertising.

These professionals may have little in common with each other, so the teams need to be organised and managed in different ways while staying focused on their shared business objectives. Crucially, the mindset of both groups should drive them to stay up-to-date, keep learning, and be willing to cooperate with “the other side”.





‘Monitor the results right through to engagement.’

2. Plan

An agile approach to building and operating capabilities does not imply that advertisers don't need a solid digital advertising plan. We have identified four key pillars for the digital advertising section of the overall marketing plan:

A. Insights are the starting point, the following questions need to be answered: Who are the prospects and customers? Where can they be found and on what devices? What are their needs and interests? What products and services are they looking for, online and offline? How do they respond to stimuli and what are typical customer journeys? How can you truly engage with them? Based on combined data from different sources (owned, paid, earned media), the challenge is to generate specific insights



that can be used in your digital advertising strategy. Input should not be limited to customer data, however. Market and competitor data also provide valuable input for generating the insights that advertisers ought to act on.

B. Target the right prospects and customers, based on your insights, with the right offer or content, at the right time, through the right channel, and in the most suitable and (if appropriate) personalised way. Don't limit yourself to a single-dose advertisement but see it as an uninterrupted journey that is part of the greater customer journey (user experience). Advertisers should plan the tests they may want to carry out and prepare to adjust their digital advertising strategy if circumstances so require.

C. Execution is the next step. That means turning your insights and target into reality. It's about continuing to monitor results, and not only in the beginning, but from impressions and clicks right through to engagement. Advertisers should decide which adjustments and improvements to make in real time, on the fly, and implement them immediately.

D. Learning is the pillar most organisations overlook, by continuously generating new insights, targeting audiences, and plunging straight into execution. Learning from your mistakes, knowing why your advertising was successful and understanding how you can improve it, must be part of the digital advertising component of your marketing plan.





Together these pillars form a cycle that should be ongoing, with one cycle ideally following another after a certain interval. This approach is virtually certain to lead to continuous improvement.

Digital advertising is not a stand-alone. It should be integrated and coordinated with all the other forms of advertising. Relevance and personalisation can only be maximised if your strategy covers all customer touchpoints in every area of marketing, sales and service. This means setting the bar high and maybe even transforming your business to achieve long-term success.

3. Platforms

Digital advertising relies on platforms and tools to carry out all the tasks related to Insights, Target,

Execution and Learning. Tools are essential to digital advertising success, and so are people who know how to use and operate them.

At a minimum, the following key platforms should be involved:

A. Data Management Platform is software that collects, structures and saves information so that it is useful for digital advertising. In an ideal world, the data management platform plays a crucial role in creating a single view of the customer.

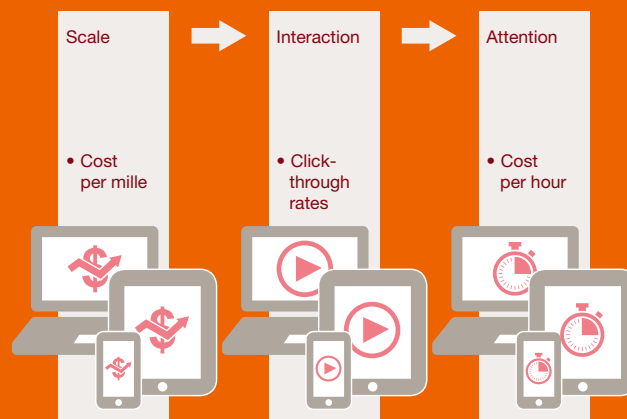
B. Tag Management Software is crucial for managing all tags (identifiers) across all digital touchpoints. Depending on the maturity of the

organisation's digital advertising, advertisers could consider it part of the data management platform or a stand-alone function.

C. Customer Analytics & Business Intelligence tools enable analysts and data scientists to create actionable insights from large data sets. Ideally this software has access to the data in the data management platform.

D. Ad Networks connect advertisers to websites where advertisements can target audiences. The networks enable tracking and reporting to allow granular measurement of a campaign's effectiveness (to be used in the Learning pillar).

The evolution of internet advertising measurement



Advertisers and publishers today are much better equipped to capture, store and process data that allows them to build a more comprehensive picture of how consumers interact with them across devices. Metrics are now being adopted that reflect the quality of impressions rather than the quantity. Despite this progress, effective measurement of media consumption, especially across multiple devices and platforms, will remain a significant challenge.

In recent years digital advertising has focused on objectives that measure performance against the volume of impressions delivered over the course of a campaign. For publishers, this dynamic has resulted in a rush to create more inventory and the rise of "click-bait". Advertisers

have seen the quality of impressions drop – witness falling click-throughs and the increase in ad fraud.

The trend over the coming years will be to focus more on quality audiences rather than number of views. Publishers such as the *Financial Times* and *The Economist* are already shifting their internet advertising towards this model – charging advertisers on a "cost per hour" basis (measuring the time an individual user spends with the content). The benefits are clear for high-quality publishers who can be sure that their audience will engage with the content. Rebalancing the equation towards a scarce resource (time) rather than what is essentially a limitless one (space) online is likely to become more prevalent in the years ahead.



E. Real Time Bidding (RTB) consists of platforms where supply and demand meet in real time. In fact, real-time bidding spans various ad networks, optimising advertisers' ability to execute digital campaigns. This is also referred to as programmatic buying, given its very programmatic nature. However, real-time bidding is not the same as programmatic advertising. RTB is about trading online advertising in an auction-based environment, whereas programmatic advertising is automated buying that spans a broad variety of media to optimise content and advertising for each individual customer. Programmatic advertising encompasses much more than RTB alone.

F. Marketing Resource Management (MRM) manages the processes involved in digital advertising (planning, people, partners, creative or other marketing collateral and so on). MRM's functionality goes beyond digital advertising. It is very effective when you're trying to keep track of all your digital advertising-related actions and stay focused on improving performance.

4. Partners

Very few organisations can embark on a digital advertising campaign on their own. The maze is changing continuously and it requires a mix of up-to-date (1) business, (2) analytical

and (3) digital (advertising) skills and know-how. Most organisations will find it very difficult, if not impossible, to maintain expertise continuously in all three skill areas. One way to cope with these specific challenges is to ally yourself with specialist agencies.

Before selecting one or more partners, advertisers should decide on what they can do themselves and what areas require external expertise. Once that's clear, the following main considerations are important when selecting digital advertising agencies: Does the potential partner really understand your business? Results in the past are no guarantee for the future, but candidates must be able to show you evidence of prior results. You want your partner to act like an owner: are they willing to do that for a (partly) performance based fee?

5. Perform

At a certain point, even the best plans, transformed into appealing and engaging campaigns across the best platforms by the best team, must be put into practice. In the end, it comes down to the art of execution. In other words: the organisation has to perform. It needs to have the discipline to follow the path from insights to learning by way of execution. Combine that with a culture of continuous learning, failing fast, agile adjustment and growth hacking, and you have a recipe for achieving maximum performance.

In reality, performing is hard and requires continuous support and attention from senior management. The governance structure should be crystal-clear. An advertiser can only achieve the maximum return on marketing investment when all the various capabilities work together, preferably as seamlessly as possible. That is why KPIs have to be unified across silos. To achieve this stage, you may need to transform your back office capabilities (e.g. your analytics and CRM) and your customer facing departments (e.g. marketing, sales, service, online, CRM). The Chief Marketing Officer, Chief Technology Officer and Chief Information Officer need to be on the forefront of these developments. Given the impact on the organisation as a whole the CMO, CTO and CIO should be members of the board so that they can ensure organisational alignment.

Conclusion

There is no one-size-fits-all approach to navigating the maze of digital advertising, but the five generic building blocks will help advertisers find their way out. And one thing is certain: the years ahead will be more challenging than ever before. What will the rise of ad blockers mean? How will organisations manage extremely relevant digital advertising while respecting privacy? And will privacy itself become the sixth pillar, or has it perhaps already done so...? ■

There is no one-size-fits-all approach to navigating the maze of digital advertising



How to get started on improving digital advertising

How can advertisers that are already involved in digital advertising start optimising and improving it? In our experience, the best way to begin is to perform a quickscan or (time permitting) a more thorough maturity assessment. The five building blocks (People, Plan, Platforms, Partners and Perform) can be used to cover the different angles of the quickscan/assessment, generating fact-based and data-driven insights about the status quo.

Once the current situation is clear, advertisers should define their ambitions, business goals and challenges. They should be aware that a digital advertising

strategy is not only about creating monetary value; customer experience and satisfaction account for at least as much of the pie and need to be reflected in their strategy.

The following steps may vary per organisation, depending on its maturity and goals. At the very least, advertisers need a (high-level) blueprint and an accompanying roadmap that can be dynamically adjusted along the way. A dedicated team of analysts, marketers, technologists and insourced subject-matter experts can then start implementing. To maintain flexibility and agility in the dynamic world

of digital advertising, advertisers are advised to work with multidisciplinary teams based on rapid prototyping, failing fast, continuous learning and other principles.

To briefly review how advertisers can get started on digital advertising: although the first steps may seem to follow a traditional route, implementation does not have to be about radical changes. Adjusting the route along the way will definitely help you stay focused on the customer and on achieving business results.

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