Ebiquity Media Report 2018

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Media predictions

UK's Media Landscape in

2019

Ebiquity forecasts for UK's media in the year ahead

Executive summary

This new report from Ebiquity gives our predictions for media and media pricing in the UK in 2019. It covers: Digital Media, TV, National Press, Out-of-Home, and Radio.

The biggest single factor on the demand side in 2019 will be Brexit, and the terms and timescale of the UK's departure from the European Union.

In **Digital**, we predict three major trends:

› Changing auction dynamics and continued consolidation in adtech

› More evidence of – and action on – ad fraud

› Further fall-out from GDPR

Additionally, Amazon will continue to challenge Google and Facebook – as well as in-store retail spend – as its advertising might propels it to number three in the digital advertising market.

In **TV**, we believe that the elusive 16-34-year-old and housewives with kids' demographics will become increasingly difficult to reach, driving up cost-per-thousand prices. It will also start to cost more to reach older, more affluent consumers.

In **National Press**, ad revenue will fall in 2019 as will the cost of ad space. The circulations of paid-for papers will continue to fall, though not for freesheets.

In **Out-of-Home**, as established and new players drive the pace of digitisation, prices for sites will fall a little while prices for audiences will actually grow a little.

And in **Radio**, a medium in revival, prices will show modest increases.

Note: in this report we give our predictions of trends in media and media pricing, but not specific percentage or rate increases. For more detail on predicted trends in specific channels, please contact enquiries@ebiquity.com

Introduction

Welcome to Ebiquity's media forecasts for 2019. In this report, we make our predictions for trends in UK media and media pricing in 2019. Our predictions cover the Digital media, TV, National Press, Out-of-Home, and Radio markets. We're also including some watch-outs for marketers and procurement professionals, struggling with the fast-moving and ever more complex media ecosystem.

We believe the single biggest factor on the demand side in the 2019 market will be Brexit, and the terms and timescale of the UK's departure from the European Union. Consider the case of TV. Before the referendum result in June 2016, 17 of the previous 18 months had shown year-on-year revenue increases in the medium.[1] Since then, 12 of 14 months have been down year-on-year.[2] Brexit won't necessarily condemn TV to long-term decline. But it does appear that prolonged and ongoing uncertainty over the process and likely outcome of Brexit is hobbling the marketing industry.

Digital advertising continues to grow quickly and steal share from traditional media, which are trying to prove their enduring value to brands. The Internet Advertising Bureau (IAB) suggest that online advertising grew by 15% in the first half of 2018. This figure includes paid search, which represents about half of the total. The IAB says online video grew by 40% in the same period.[3]

Transparency is an issue that just won't go away, at both macro and day-to-day levels. At a macro level, the FBI has recently launched a formal investigation into the media buying market in USA.[4] Meanwhile, the ICAEW – the governing body of chartered accountants – has written to media agencies and agency groups warning them not to insist on 'Big Four' clauses in contracts.[5] These are balanced by significant day-to-day headaches, such as brand safety and viewability. For some of these, the challenge is that they only hit the headlines when something goes seriously wrong.

If you'd like to have more detail on any of our predictions or the issues about media in 2019 we raise in this report, please do get in touch with your key Ebiquity contact or via enquiries@ebiquity.com.

Digital

Overall trends and predictions

As we've gone on record as saying before, the notion of inflation or deflation in digital media is a red herring, so we'll continue to resist the temptation to predict growth numbers for digital in 2019. Instead, we'll pick out three key trends for the year.

FAANG dominates the scene: Facebook and Google have an estimated 59% share of the digital market.[6] In the UK, Amazon is rising fast, up to fifth in the rankings by volume and eyeing third spot behind Google and Facebook.[7] Amazon brings with it a focus on brands linking advertising directly to sales impact, rich data capabilities, unrivalled ecommerce infrastructure, and programmatic ad technology. This type of ecommerce advertising is more prevalent in some markets than others, but with an estimated 21% of UK retail sales online (more than double the 10% in the USA), this is bound to be a growth area.[8] If Alibaba in China is a template – with ecommerce penetration set to be 56% by 2022[9] – then **growth for the UK ecommerce leader Amazon is likely to be significant.**

We are seeing increased consolidation in adtech, with a handful of players acquiring the pieces they need to build their 'full-stack' solutions as alternatives to Google and Adobe. Singaporean-owned Amobee recently purchased the financially-distressed video specialist Videology along with Turn, to integrate their DSP and DMP technologies.[10] Salesforce is also rapidly expanding its offering to marketers having acquired martech such as the Krux DMP and Exact Target email marketing.[11] [12]

Google continues to provide the analytics and programmatic buying platform of choice across agencies and brands, while Adobe embeds itself as the enterprise solution for big brands. The roll-out of GDPR and restrictions to the level of data that Google will now share has made the Google offering much more compelling for those seeking a single customer view since GDPR became law back in May 2018.

Three major trends and predictions for trading

1.

Changing Auction Dynamics

2018 has seen a major increase in the number of programmatic auctions run on a 'first price' vs a 'second price' auction, which has been the method of choice until now. The latter is where the auction is won and the price paid is calculated as £0.01 more than the next highest bid; think eBay. In 'first price' auctions, the winner pays what they bid, even if their bid is much higher than the next-highest. Getinent reported that the percentage of impacts on its platform sold in 'first price' auctions increased from 6% in December 2017 to 43% in March 2018.[13]

This shift is being driven by media owners – for obvious reasons – but also by the technology middle men, who typically take a share of the winning bid, too. In one study, agency Hearts & Science ran a test in which it purchased inventory across 15 different publishers' websites using first- and second-price auctions for three weeks in Q2 2018.[14] It found that costs-per-thousands were 59% higher in first-price than second-price auctions. **Buyers need to become more involved and vigilant of trades to ensure prices don't increase significantly.**

Market forces may well drive investment away from media owners who go down this route, but that will make ad spend flow towards Facebook and Google who are still trading on the second price auction model. Alternatively, it may further benefit TV, where ROI remains still strong.

2.

More evidence of, and action on, ad fraud

This is not new. There have been initiatives to improve the quality of the digital supply chain such as Ads.txt, Ads.cert, and a spate of announcements from agency groups on the topic. However, at the same time stories continue to emerge about sophisticated ad fraud on a massive scale. This includes the recent Buzzfeed investigation of a network of Android apps defrauding advertisers of an estimated $750m.[15] Adobe estimates that 28% of online inventory could be questionable.[16] And a study by brand safety experts Zulu5 – commissioned by Ebiquity's Media practice in Germany – found that more than three quarters of the top 100 brands in Germany, Austria, and Switzerland, the so-called DACH cluster of countries, appeared in non-brand-safe environments on YouTube during the first half of 2018.[17] This is despite the global news made by the ad misplacement scandal in 2017 and major platforms – including YouTube – claiming to have addressed the issue. Clearly this area needs continued focus. **Advertisers need to make ad viewability and brand safety non-negotiable KPIs in briefs to agency partners.**

> We are seeing increased consolidation in adtech, with a handful of players acquiring the pieces they need to build their 'full-stack' solutions as alternatives to Google and Adobe.

3.

The GDPR ad-block

The new General Data Protection Regulation from the European Union has prompted all major businesses to reassess their use of data and related policies. Those players controlling or processing personal data face enormous fines for breaches. This has an impact for advertisers on the sort of data that is available to add value to digital inventory.

Use of third-party data suppliers has been cut, and major players like Google have simply turned off the taps on some valuable data which the company shared previously. Google has updated Chrome with a 'Do Not Track' setting by default[18].

Apple's Tim Cook is a big advocate of 'privacy by design' and believes that a customer's data should belong to the customer and not be sold to the highest bidder[19]. One example of this in practice is Apple's web browser Safari, provided as the default browser on all Apple products. A recent update pushes back hard on ad-tracking through cookies and device fingerprinting, a tactic used to target users without explicit permission.[20]

Cook is a fan of GDPR and has called for a similar set of standards for the US.[21] He has also pointed at Facebook for their invasive tracking, and is putting steps in place to limit the Facebook Graph.[22] When you consider that Apple has over 50% of the UK smartphone and tablet markets, the implications for data targeting on iOS devices become clear.[23]

Furthermore, GDPR poses significant challenges for SAAS-based attribution solutions, and advertisers will increasingly have to consider alternative digital measurement solutions.

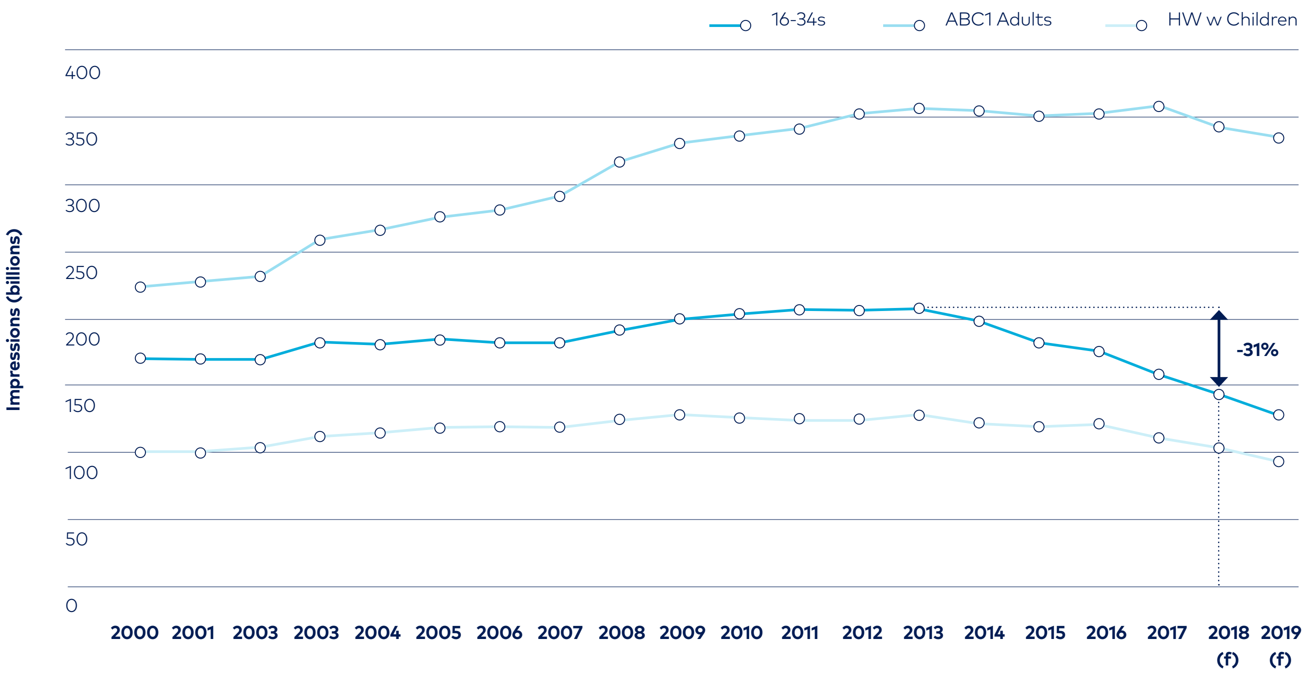
TV

In previous reports, we have considered that the declines observed in commercial TV audiences – especially among younger consumers – were not yet at the point of causing serious concern, but that the space was worth watching. It is impossible to ignore these changes now. In the past five years, commercial TV has now lost nearly a third of its 16-34-year-old audience, and a fifth of all Housewives with Children (HWK). **See Figure 1.**

> TV's ability to deliver mass reach at pace has always been its greatest asset. But it is true that reach has declined over time.

Figure 1.

Shrinking audiences in commercial linear TV



Source: BARB & Ebiquity; 30" ratecard equivalent impacts; all industry; 2000 to 2018 (Sep) actual; Oct 18 to Dec 19 Ebiquity Forecast

Repeated research has shown that TV is the most effective medium in terms of delivering return on investment. Our series of studies with Thinkbox (2011, 2014, 2017) found that this was the case across different categories and age groups.[24] But if you look only at brands whose target audiences are younger, the picture is much less clear-cut. For these brands, digital video and radio challenge TV strongly. Yet we cannot foresee the cost of digital display and radio increasing by double-digit percentages in 2019.

Despite TV's decreasing ability to reach 16-34s and HWKs, Upmarket Adults have been in plentiful supply for the past five years, as other audiences have declined (**see Figure 1**). This partially explains TV's continuing effectiveness: older, more affluent consumers have been loyal to it. These are the 'economic buyers', and influencing them can be lucrative. But look again at the projected trajectory of the curve. We expect ABC1 Adult impacts to be down both this year and next.

TV's ability to deliver mass reach at pace has always been its greatest asset. But it is true that reach has declined over time. A typical 400TVR campaign targeting 16-34s reaches 64% of the universe in 2018, whereas that figure was 74% in 2004; an All Adults campaign would only have lost half those percentage points over the same period.[25]

That said, there are worrying indicators emerging about reach. The way that TV is traded is supply- and demand-based: the scarcer the commodity, the more expensive it will be if demand is constant. How long before increasing price and decreasing reach starts to turn the ROI equation against TV, with consequent decrease in demand, and a destructive cycle? We are doing more research on this, and marketers need to start thinking about it.

Broadcasters desperately need Project Dovetail to prove that their content is still reaching viewers, and the reach gap is only on linear TV.[26]

- We know that 98% of an average show's viewing happens to the TV screen, rather than tablet or mobile
- We know that 97% of an average show's audience is accrued within seven days of the live broadcast, irrespective of the device type upon which it is viewed
- We know that about 60% of a show's 28-day audience is watched live at the time of broadcast

By comparison, we know next-to-nothing about Netflix or Amazon Video in macro viewing terms. We do know that subscription VOD services are in more than 40% of UK homes today, and that the number of UK Netflix subscribers could hit 10m by the end of the year.

But for now, it just about remains the case that, while other, traditional media are losing the ability to build reach, TV is hanging on to it.

National press

There are welcome signs that the newspaper market is stabilising, even if it isn't yet recovering.

If we look at the sectors spending in national newspapers, we find that there is a marked contraction in some. Automotive, in particular, seems to be deserting the medium; that sector is already down by up to 30% so far this year. National Press publishers are now heavily dependent on Travel and Retail for their offline revenues; our estimates suggest 40%.[27] With the Retail sector as cut-throat and hyper-competitive as it currently is, that can't be a comfortable place to be. That said, the core sectors that support National Press with ad revenue – Travel, Retail, Entertainment & Leisure, and Financial Services – seem to have stemmed their drift from the medium. Former Dentsu Aegis CEO Tracy De Groose recently became Executive Chair of Newsworks, the marketing body for the newspaper industry. **If she can leverage this trend, then press may well have turned a corner.**

> We predict that ad revenue will be down for National Press in 2019, but by a smaller percentage than in recent years.

We've observed this year that there's much less short-term space in the market. This could be because space is being used up as free or rebate inventory. Equally, it could be because publishers are tightening yield policies and managing their 'book' better. We envisage that this is unlikely to slow down during 2019, and **with Reach now selling both the Express and Mirror titles, we would expect a hardening there, too.**

We believe that online advertising is now critical to National Press titles. This is why, when the ABC reported a 19% decline in average daily unique browsers for Mail Online in September, it made news.[28] Owners Daily Mail & General Trust reported Mail Online ad revenues had grown by 5% to £61m in the first half of 2018, while print advertising revenue declined by 9% to £64m.[29] Online and offline are now almost at parity. How buyers will access that inventory in future is changing. **We believe that more will be sold programmatically than direct, which could increase prices for advertisers.**

In light of brand safety, viewability, ad fraud, and post-GDPR data cleanup, advertisers are returning to premium inventory. This may well benefit digital revenues for major press players.

Out-of-home

The big dynamic in Out-of-Home is commercial radio giant Global's takeover of Primesight, Outdoor Plus, and Exterion. The three acquisitions give Global close to 35% of UK market share in Out-of-Home. It will be fascinating to see what changes Global makes to the plant and the trading arrangements of its inventory over the course of 2019.

It seems safe to assume that digitisation will be high on Global's to-do list, as Primesight and Exterion inventory is less digitised than the rest of the market. Conversion to digital formats – which is understandable from the media-owner point of view – is causing some challenges for advertisers. As more of Out-of-Home becomes digital, so the cost of audiences increases. Taking our pool data for the first half of 2018, we found that costs-per-thousand adults for 'paper and paste' roadside 6-sheets was £1.41, while for digital 6s the price was £9.91. Conventional formats lead digital in terms of cost effectiveness for brand building, **see Figure 2.**

Figure 2.

Conventional Out-of-Home formats remain more cost-effective for brand building

Source: Ebiquity & Route – Based on 14-day occupancy and standard share of voice

Advertisers shouldn't expect Global's entry into this market to push prices down, though we do expect them to rationalise trading. Global is unlikely to tolerate the mish-mash that we see at present, with space trading, trading against Route audiences, and trading against media-owner estimates of audiences all in play. So, if you can lock in a good deal now, it makes sense to do so.

> We forecast prices for sites will decline in 2019, much as they have in 2018, though advertisers are unlikely to experience deflation.

Out-of-Home is in curious state. There has been a lot of coverage for the potential of programmatic trading in the medium recently. This makes sense from almost every perspective. But the issue currently being ignored is that Out-of-Home is in a period of transition, from a broadcast medium to a narrowcast one. The use of datasets and smartphone technology allow time-based – and soon personalised – targeting of digital sites. That is, you can serve a message to a site on the basis of who is near it. One person, not many.
One of the phrases we see increasingly in pitch documents is 'at scale', appended to online solutions. In a recent tender, we counted it 14 times. Is it there to convince the reader that what seems like a technologically-impressive – but fundamentally narrowcast – process is replicable to the same degree as a traditional medium would reach an audience? Effectiveness gurus Binet and Field, in their publication *The Long and The Short of It*, showed that – generally speaking – reach and 'fame' are more impactful than targeting.[32] Is digitised, personalised, narrowcast Out-of-Home making itself more effective? For some brands, perhaps, but for most the costs outweigh the benefits.

Advertisers use different types of media for specific purposes. The key is in how they mesh them together. You should examine closely how Out-of-Home is working, both on its own and in combination. Look at costs-per-thousand. Challenge solutions that don't generate significant reach.

Radio

Of all the offline media, we believe that radio seems to have the rosiest year ahead in 2019. With third-quarter 2018 RAJAR data showing increases in weekly reach for both Global and Bauer – though within that Capital and Classic have had slight hiccups – and shares of listening vs the BBC growing, the supply side of the medium is in good shape. The demand side mirrors that. Spot advertising revenues are up 3% year-to-date, with national sales up 5%, and digital up 24%.[33] Our Portfolio ad monitoring system suggests that savvy advertisers – including McDonald's, Direct Line, and Vodafone – are all increasing spend in radio currently.[34]

With supply plentiful, it looks to us as if late-booking premiums have also eased rather. The medium is capitalising on its traditional strength of being able to fulfil time-sensitive advertising later in the day than any other. This is helping minimise radio budgets moving online.

> "In UK radio, we expect prices to show a minor increase during 2019.

Earlier this year, we launched a major research study in partnership with Radiocentre, designed to contrast advertisers' perceptions of effectiveness of different media with the reality. *The Re-evaluating Media* report showed that radio suffers from a major perception gap.[35] Radio is empirically better at reaching people at the right place and time, not to mention delivering better campaign ROI. These are the qualities which agencies and brands value most, are yet many mistakenly believe that these are better delivered by digital advertising. Digital has had such a dominant share of the marketing discussion over the last five years that we shouldn't be surprised at this misperception. But, as marketing professor and columnist Mark Ritson frequently reminds us, the best marketers do things that can be proved to work – not perceived to work.

About the author

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Simon Cross is the technical lead for our media benchmarking service globally at Ebiquity. He has worked in the business since 1997 (then Billetts). He has been instrumental in developing media measurement tools that are recognised as the industry gold standard. Before joining the company, he spent ten years at Zenith, working in diverse roles including media buying, research and systems, and international management.

Footnotes

[1] Source: Ebiquity Portfolio Media Database

[2] Source: Ebiquity Portfolio Media Database

[3] Internet Advertising Bureau, H1 2018 Digital Adspend Results, 10 October 2018 [4] Wall Street Journal, Federal Investigators Probe Ad Industry's Media-Buying Practices, 27 September 2018

[5] Campaign Magazine, Agencies are warned: don't insist that clients use only a 'big four' auditor, 22 October 2018 [6] Google & Facebook – The Digital Advertising Duopoly

[7] Digiday UK, Inside Amazon's UK media and advertising growth ambitions, 5 February 2018

[8] Retail Gazette, Amazon now 5th largest retailer in UK, 16 April 2018

[9] Forbes, E-Commerce Set For Global Domination – But At Different Speeds, 14 August 2018

[10] Buzzfeed, Apps Installed On Millions Of Android Phones Tracked User Behavior To Execute A Multimillion-Dollar Ad Fraud Scheme, 23 October 2018

[11] Forbes, Reality Check: Is Ad Fraud Up Or Down, 26 July 2018

[12] Source: Ebiquity report on Brand Safety in association with zulu5

[13] Google will ditch Chrome's most controversial feature with its next update

[14] Techcrunch, Apple's CEO Tim Cook to flag trust and humanity in major privacy speech

[15] Wired, Apple just made safari the good privacy browser, 4 June 2018

[16] BBC News, Tim Cook blasts 'weaponisation' of personal data and praises GDPR

[17] South China Morning Post, New Apple tools to limit screen time, and stop Facebook tracking, revealed at developers' conference, 5 June 2018

[18] Google will ditch Chrome's most controversial feature with its next update

[19] Techcrunch, Apple's CEO Tim Cook to flag trust and humanity in major privacy speech, https://tcrn.ch/2B5u6Mv

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[22] South China Morning Post, New Apple tools to limit screen time, and stop Facebook tracking, revealed at developers' conference, 5 June 2018

[23] Statista, Market share of Apple iOS in the United Kingdom (UK) from December 2011 to May 2018

[24] Thinkbox & Ebiquity, Profit Ability: The Business Case for Advertising, March 2018

[25] Source: Ebiquity Portfolio Media Spend data

[26] barb.co.uk/project-dovetail/

[27] Source: Ebiquity Portfolio Media Spend data

[28] abc.org.uk/product/15127

[29] bit.ly/2FySz11

[30] Campaign, Global buys Primesight and Outdoor Plus in stunning double deal, 20 September 2018

[31] Source: Ebiquity Portfolio Media Spend data

[32] Les Binet & Peter Field (2013), The Long and the Short of it: Balancing Short and Long-Term Marketing Strategies, IPA

[33] All data in this paragraph to here from RAJAR Q3 2018: London and national brands update

[34] Source: Ebiquity Portfolio Media Spend data

[35] https://bit.ly/2yVuU4V

ebiquity

We are a leading independent marketing and media consultancy

Our focus is on helping brands make better informed marketing investment decisions

With 20 offices globally, we offer full coverage of the world's largest advertising markets:

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