The Future of Media

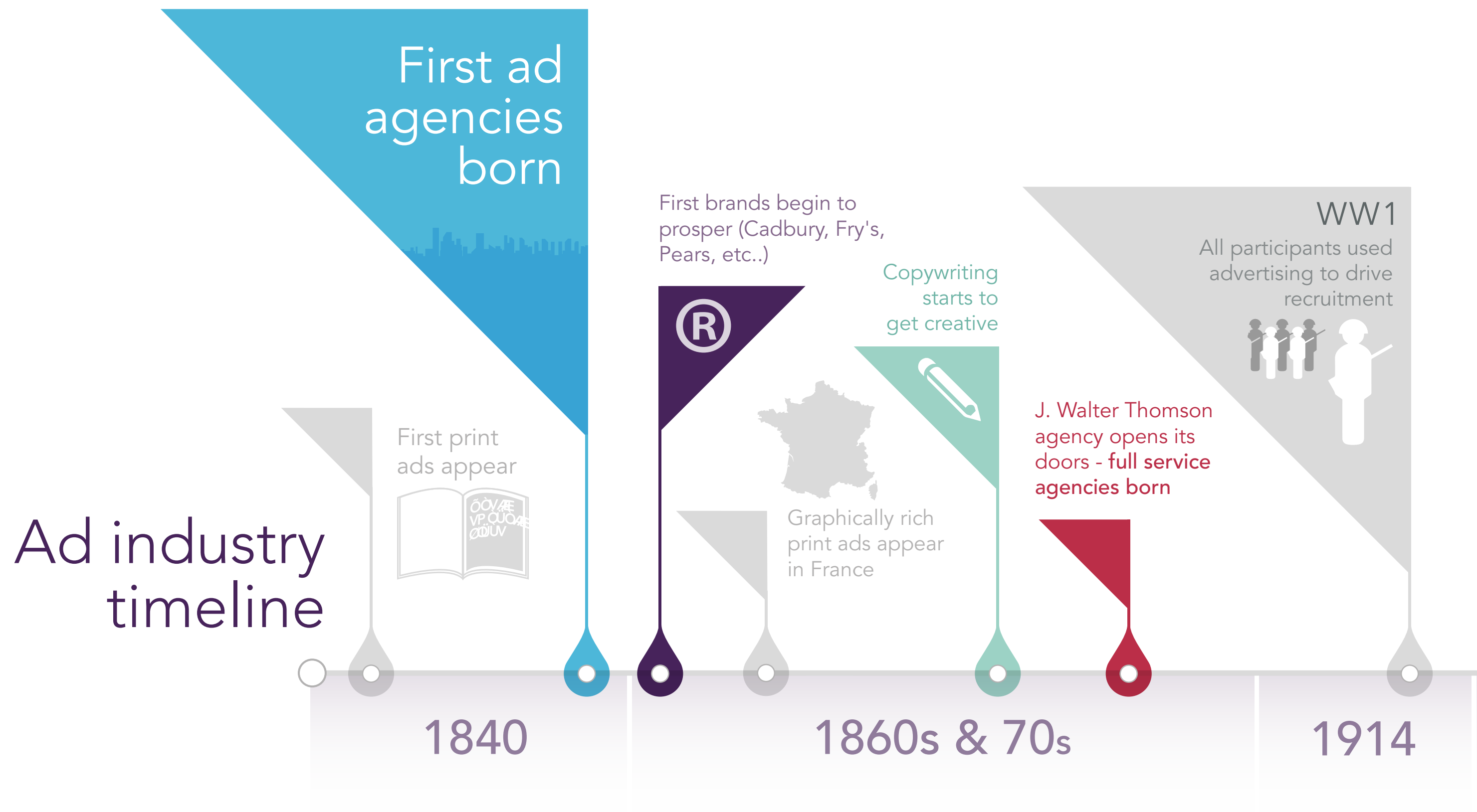
White Paper Series

#1

December 2015

Now is different...

We all know that the media landscape has changed. But the rate of change is accelerating faster than ever before. This paper will help stakeholders across the ecosystem – advertisers, agencies, media companies and content owners – understand what's happening NOW and how to capitalize on the key trends.



From the birth of broadcast media, sponsorship and ad revenues have played a critical part in bankrolling most of the world's TV channels, programs and developments in TV technology. At the same time, TV played a crucial role in the growth of the advertising industry in the 1950s.

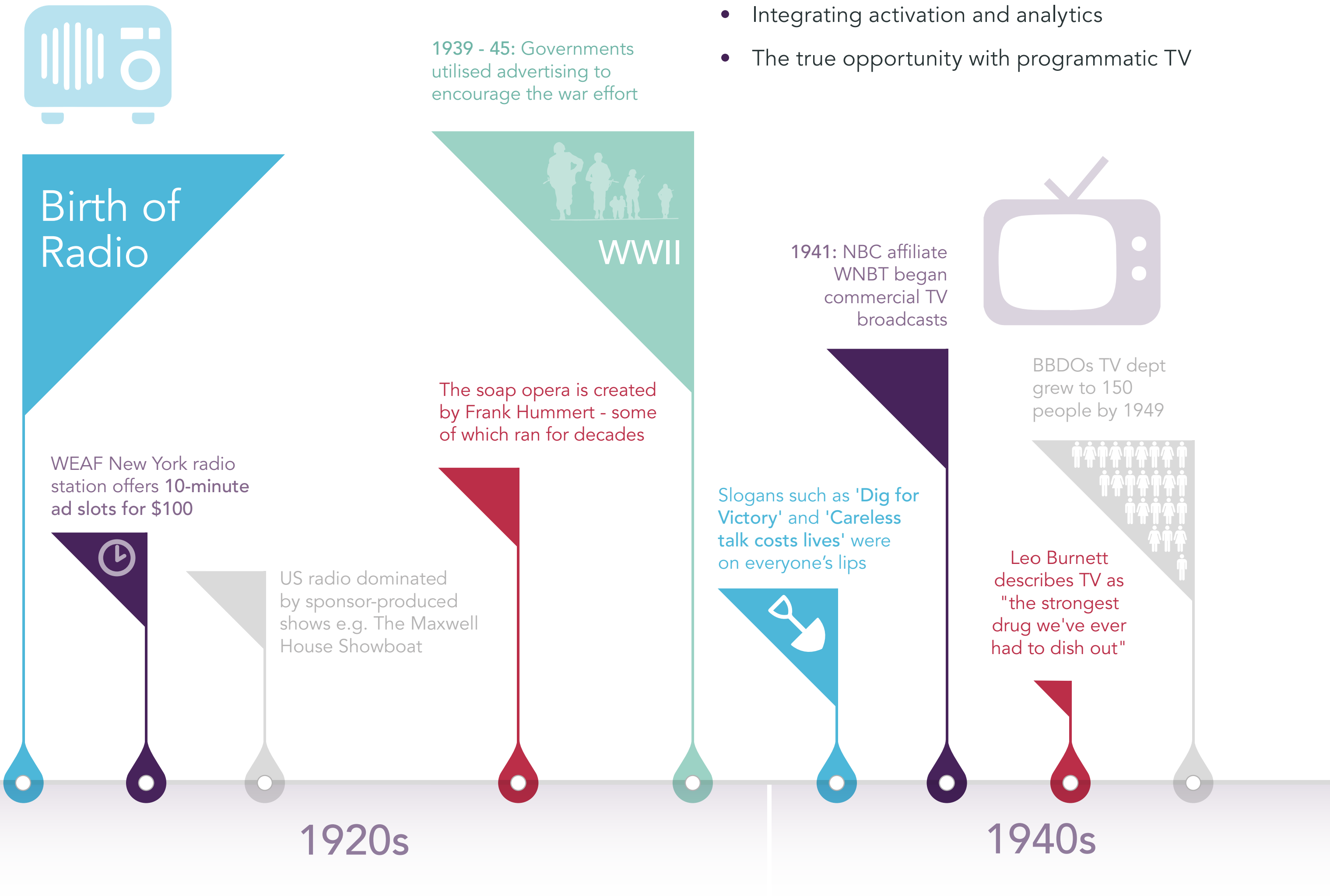
Before the TV age, it was radio, for which soap operas were invented, that ruled the advertising roost. TV advertising really hit its stride in the US during the 1950s, when the 30-second TV ad slot was born and TV ad revenues went from $128 million in 1951 to over $1 billion by 1955.

Although television technology has made huge advances since the 1950s, the way that TV advertising is bought and sold is pretty much the same as it's always been – a process that has as its currency ratings measured by a relatively small sample of the viewing public. Of course there have been developments over the decades, but deep down TV advertising is still bought and sold through an increasingly nuanced dance between brand managers, agencies (media planners, buyers and sellers) and the broadcaster / TV operator.

Meanwhile, the rise of advertising through digital and social on PCs, smartphones, tablets and other connected screens has grown exponentially over the last 20 years. In that short time, an entire ad tech industry has developed to ensure that digital ads can be efficiently sold, targeted, delivered and measured through new techniques such as real-time bidding.

Many commentators look at how the digital ad tech space has developed and think the way that TV ads are bought, sold and distributed is now ready for a similar revolution. Subjects that we'll look at in closer detail in this series of white papers includes:

- How TV and social media act as mutual accelerants
- Measuring media value versus sales impact
- Integrating activation and analytics
- The true opportunity with programmatic TV

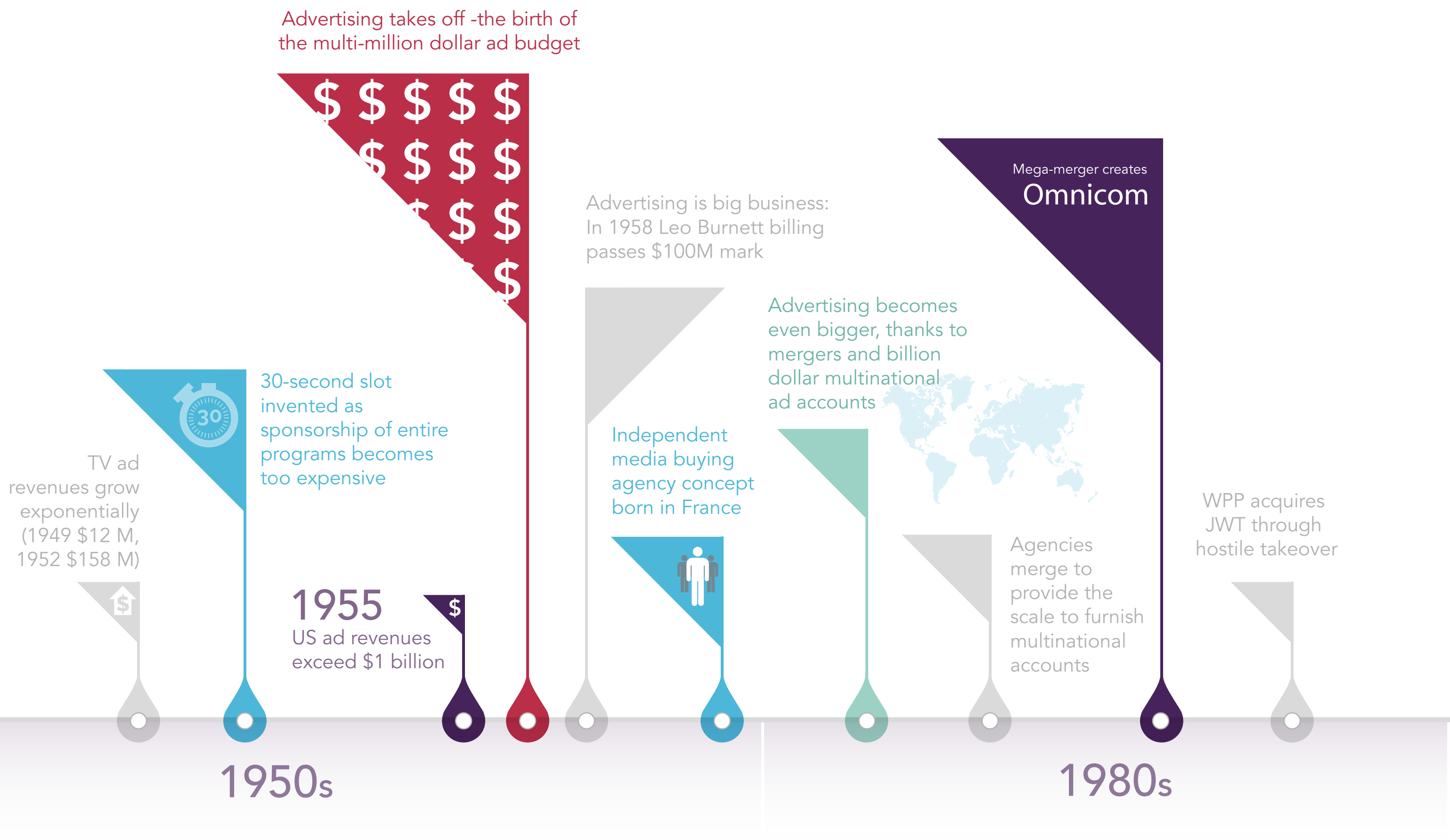


Online advertising

While TV advertising has seen relatively little change to the fundamentals of how it's bought and sold, online advertising has developed at Internet speed and has grown from a tiny base to rival TV advertising revenues in around 20 years.

Online advertising (including mobile and social media) may be just two decades old, yet it's packed an incredible amount of innovation into this short period. This is primarily because the technological processes behind the way that online media is requested, delivered, monitored and interacted have all been digitized and automated. Automation would be powerful if it happened to one or two of these processes… but when it happens to all of them in a short period, it's simply revolutionary.

And that's what we've seen since the first supply side platform, ad exchanges and demand side platforms launched around 2010. Now, just a few years later, programmatic online advertising has stormed the online ad castle. 2013 saw programmatic account for more than 50% of online ad revenues and it's set to be greater than 90% by 2020. In the USA, online advertising is set to exceed total TV advertising before 2020.



So, what can TV learn from digital?

Most advertising experts and commentators think that TV advertising needs to adopt tactics from the online advertising playbook. In addition, TV can go further by working with digital, utilizing tactics such as linking the TV with the second screen through synced ads.

Before we get too carried away, let's remember that TV advertising still has a great hand, holding the following aces:

- TV is #1 when it comes to delivering scale
- It delivers impact better than any other medium
- It normally reaches you at your most receptive
- You may even enjoy it

But as we all know, there are issues:

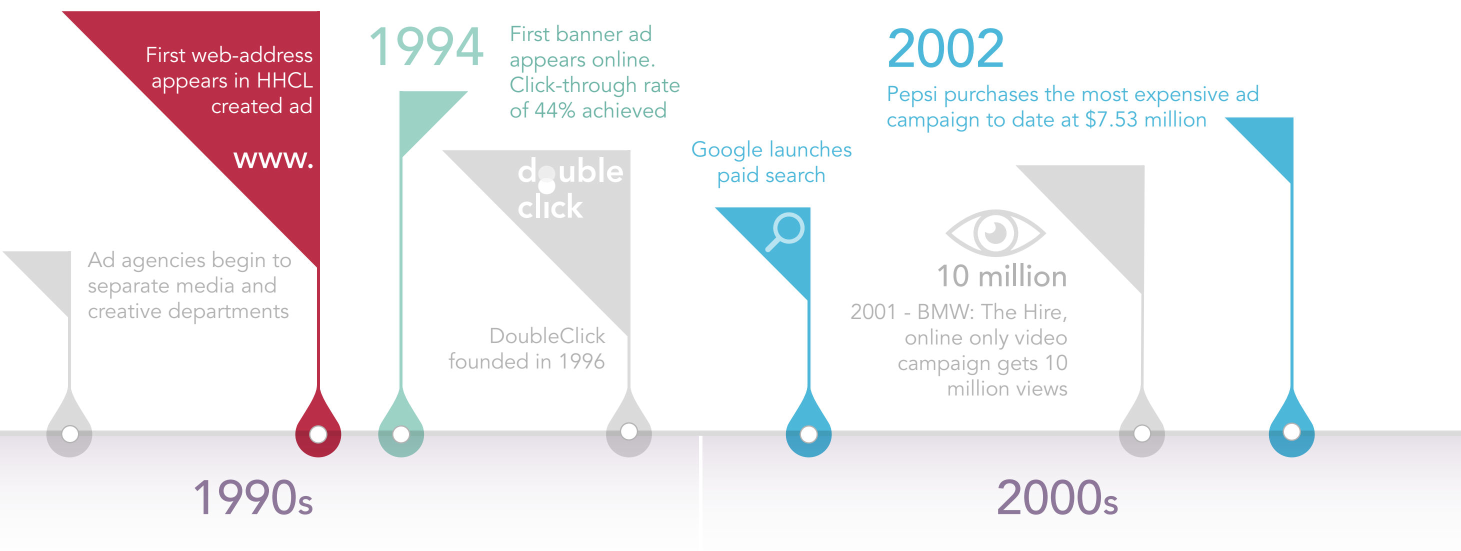
- TV targeting isn't amazing
- It doesn't cater that well for smaller marketing budgets
- It can be slow to activate and difficult to optimize
- Reporting isn't great
- Calls to action aren't very effective

And every year advertising budgets keep on moving from TV to digital. Let's look at that online advertising playbook and see why programmatic online advertising has been so successful:

- When devised carefully, online programmatic campaigns can optimize ad budgets through careful targeting and addressability
- Real-time monitoring enables faster viewership and performance reports so campaigns can be tweaked in almost real-time
- Through automation, programmatic can be highly efficient and reduce many frictional operation charges
- Programmatic can work for all sizes of budgets

In our upcoming white paper on programmatic TV advertising, we'll take a more in-depth look at how TV advertising can utilize programmatic tools as well as when and how this will take off. Spoiler alert: we don't see programmatic TV taking on the early characteristics of digital display ads when it comes to remnant inventory liquidation. Indeed, private marketplaces for premium inventory will carry the day.

This is also a good time to raise an issue that we're passionate about at 4C: it's very easy when thinking about advertising to see TV and digital as adversaries. All the talk has been around cord v cord-cutting and delivery of content through cable v over-the-top (OTT). We understand why this way of thinking has framed the discussion over the last five years or so, but we think it's now time to think more about how TV can work with digital to provide benefits to everyone in the advertising chain. (See our future white paper TV + Social: 1+1=3.) Further, we think it's important to focus on when the content is being consumed and who is consuming it, not just how it's being consumed.



The perils of measurement

The reporting of TV audience figures is still pretty much based upon techniques devised decades ago. In the US, the largest TV advertising market, Nielsen provides the ratings data that are used to set ad costs, based upon paper-based viewing diaries and electronic meters.

There are common criticisms of rating measurement in all TV markets, including:

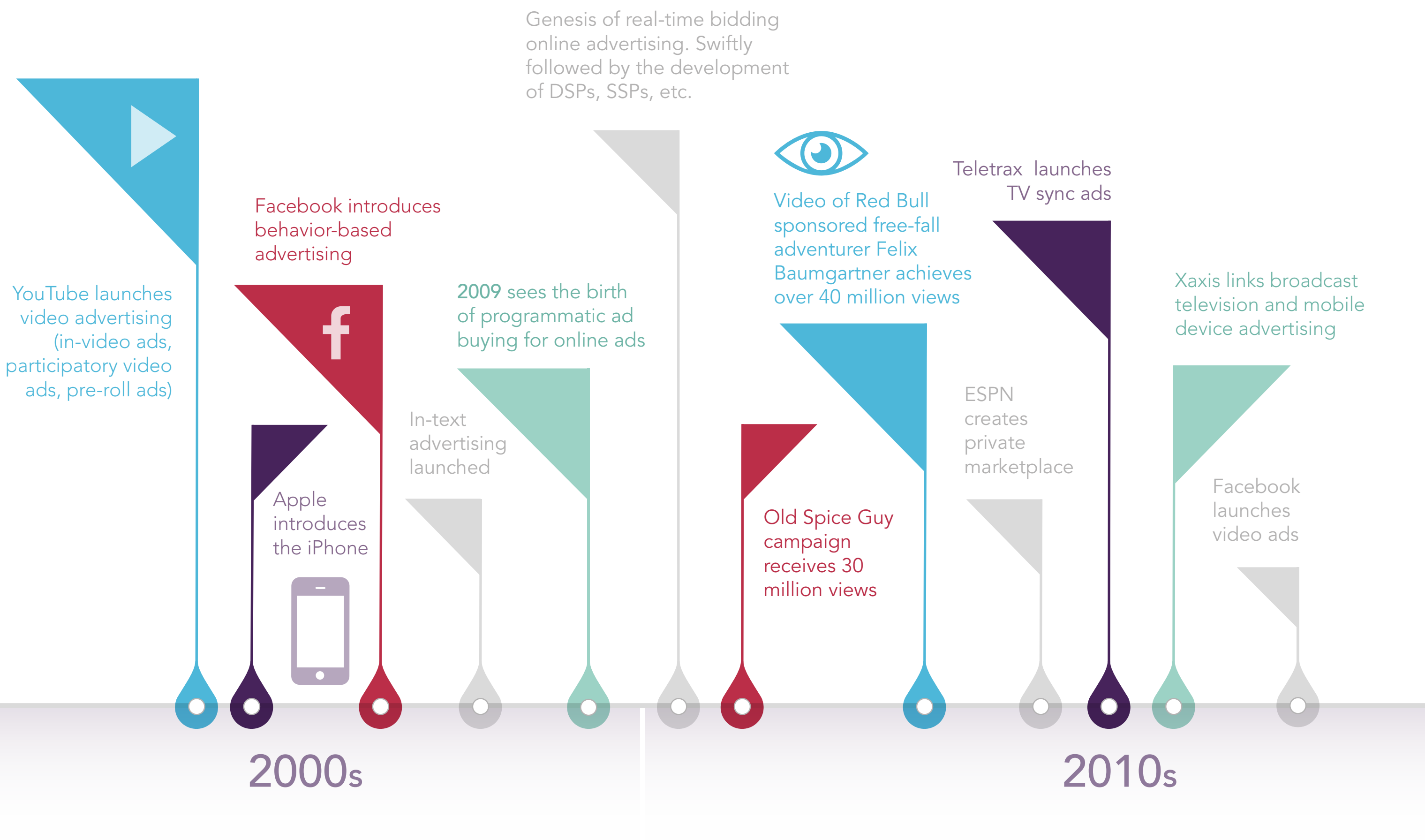
- Measurement techniques have not caught up with the TV everywhere reality
- Inaccuracy due to small sample sizes handicaps programs and channels with niche audiences
- Poor quality demographic data
- Difficulties measuring audiences outside the home

This matters because TV advertising costs are usually directly or indirectly related to the audience measurement of the program the TV ad is played within. As such, the measurement of TV viewing is of vital importance to broadcasters and advertisers alike.

That's not to say that measurement issues have all been solved online. For instance, there are viewability issues, with advertisers perhaps understandably unhappy at paying for online ads that are simply not seen.

At the same time, there are issues given the multiple ways of calculating metrics that are in effect the currency of advertising such as GRPs (Gross Rating Point: a measure of the size of a marketing campaign that's commonly used by media buyers).

It's clear that monitoring and measurement play an important role in both online and TV advertising and that the watermarking and monitoring techniques pioneered by Teletrax, which was acquired by 4C in early 2015, will have an important role to play. We will be looking to report about this in further detail in a future white paper and in particular we'll discuss how reporting methods can be harmonized so that TV and online ads can be more easily compared and measured when working alone or together. From there, we'll examine the benefits of having integrated analytics and activation so ad buyers can quickly go from insights to action.



Is now different?

We're writing this series of white papers because we're absolutely sure that now really is different for the media industry.

Many of the major issues that have always faced TV advertising are on the cusp of being solved by technology. TV and Digital – and in particular, Social – are increasingly working together and TV is moving towards a more programmatic approach. But it's not all plain sailing: the digital world is faced by issues such as ad-blocking, ad fraud and viewability. The current idea that ad-blocking will be solved by simply making better ads hardly inspires confidence that these issues are going to be easy to solve.

Clearly, TV advertising is still the best way to get your message in front of mass consumer audiences. But of course it is under pressure, as highlighted by a recent note by Todd Juenger, a Bernstein Research analyst, who said that: the "U.S. television industry is entering a period of prolonged structural decline, caused by a migration of viewers from ad-supported platforms to non-ad-supported, or less-ad-supported platforms." In effect Juenger is maintaining that the lack of advertising on OTT platforms will accelerate the move of consumers from TV to digital, which in turn will accelerate the trend for advertisers to move away from TV.

These pressures are heightened by the lead digital has over TV in data and reporting. Anyone attending a marketing conference today will be struck by the data centric approach taken by senior marketers at large brands. Marketing is moving towards a highly scientific approach; indeed senior marketers are imagining a near future that sees data-centric marketing increasing shareholder value in the same way that financial engineering did in the recent past.

As the data providers and technologies come on stream that increase targeting, measurement and calls-to-action, we believe TV and social advertising can work together to drive the move to a new golden age of advertising. So fear not, now may be different but the future will be better, together.

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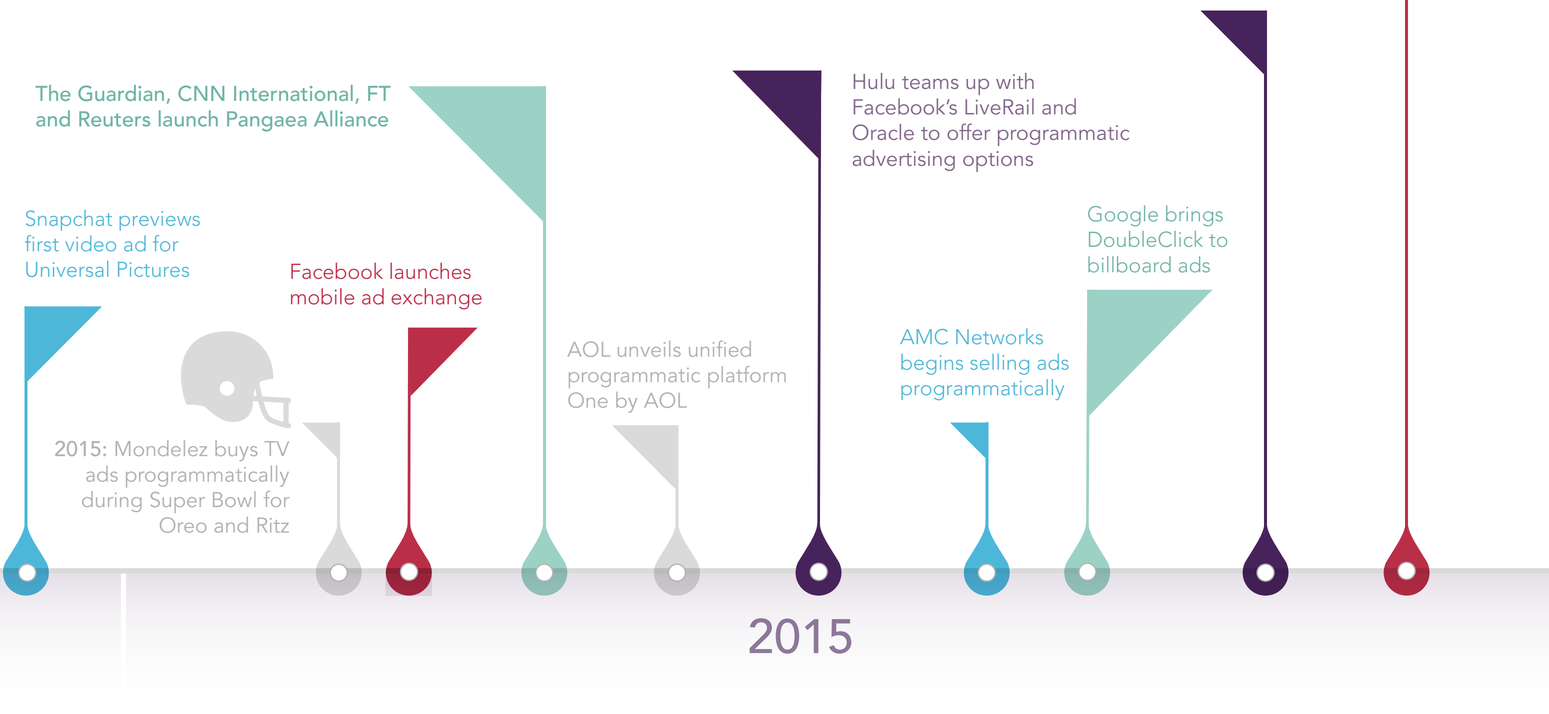

About 4C

4C is leading the convergence of TV and social media. Its proprietary data science and unique technology provides scalable solutions for media analytics and activation. Advertisers, agencies, media companies and content owners use the 4C product suite to maximize media value across channels and screens.

4C created the first platform to enable advertising across Facebook, Twitter, LinkedIn, Pinterest and Instagram via certified API access. The company also operates Teletrax, the largest global TV monitoring network covering more than 2,100 channels in 76 countries.

4C's products are built on more than 30 years of computational science research by Founder and Chief Scientist, Dr. Alok Choudhary, at prestigious institutions including Northwestern University. Its patented technology also leverages hardware and intellectual property acquired through Civolution and Royal Philips Electronics.

Based in Chicago, 4C has staff in 17 worldwide locations across the United States, United Kingdom, the Netherlands, Germany, Hong Kong, India and Singapore. Visit 4Cinsights.com for more information.