



ID Comms 2018

Global Media Trading Report

ID COMMS



Executive Summary:

In January 2018, ID Comms conducted the seventh investigation (and the final installment of wave 1 of the 7Ts® Global Research Project) into the critical media behaviours of successful marketers. 130 Marketing, Media and Procurement professionals from both advertiser and agency backgrounds responded to the survey, and provided the following insights:

- 88% of respondents agree that advertisers who treat media as a 'quality buy' (rather than a 'commodity buy') have competitive advantage over those that do not
- 58% disagree or strongly disagree that traditional media auditing is fit for purpose in an age of digital auction based media buying
- All respondents agree that hiring the best talent is the biggest challenge for marketers expanding in-house media buying capabilities
- Advertisers and agencies agree business results will be the most important indicator of success for media trading in 2018
- Procurement respondents believe the media buy dictates the plan, whereas marketing respondents believe the media plan dictates the buy

About this report:

The ID Comms 2018 Global Trading Survey is the seventh in a series of ID Comms investigations into the seven critical media behaviours of successful marketers. ID Comms conducted this research between 16 January and 2 February 2018, and received 130 responses. The respondents were comprised of Marketing, Media and Procurement professionals with a range of global, regional and local market responsibilities. 75% were Europe-based, 15% were from the US and the remainder representing the rest of the world.

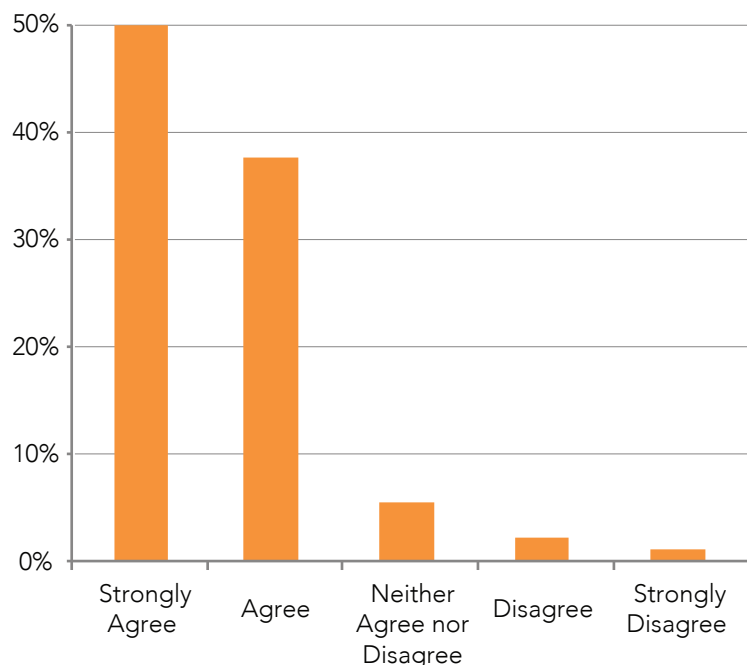
Media, marketing and procurement respondents to this survey represent a wide variety of brands in diverse categories including FMCG/CPG, retail, pharmaceutical, food and drink, technology, aerospace, transport, entertainment, automotive, luxury, finance, energy and telecommunications, with a combined global media investment in excess of \$30bn.

All major agency holding-groups and some independent media agencies are represented by the participants of this survey.

The 7Ts® Global Research Project started in 2016 and has looked at the seven media behaviours of successful marketers: Transparency, Talent, Training, Terms, Thinking, Technology & Trading. Wave 1 concludes with this report, having investigated all seven areas over 2 years.

QUESTION 1

Stéphane Bérubé, CMO for Western Europe at L'Oréal, said "We need to go from treating media as a commodity to be much more of a quality buy because agencies were just being incentivized to buy cheap media". Of all respondents, 88% agree that advertisers who treat media as a quality buy rather than a commodity buy are at an advantage.



Respondents were asked: To what extent do you agree with the following statement?
"Advertisers who treat media as a quality buy rather than a commodity buy are at an advantage."

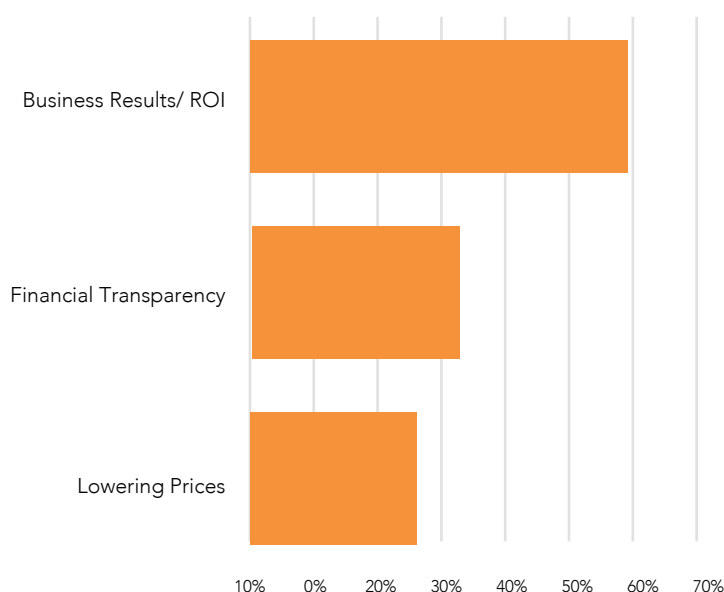
Most advertisers agree, it is easy to buy media cheaply but the challenge is to buy it well. "Anyone can buy cost, but few know how to extract real value from quality" (Advertiser Media Respondent). Respondents also noted that this cost focused behaviour is somewhat led by the media auditors drive for cheaper costs year on year and client requests in pitch briefs for low costs, rather than focusing on the business contribution that media can make.

Agency respondents described the importance of advertiser KPIs, many advertisers brief with objectives and KPIs that do not focus the agency on delivering good quality and high value media. "Buying quality media is what agencies commit for when they sign a client. Buying in a trade environment does not mean buying cheap, for agencies that truly care, they can purchase high profile environments at highly attractive CPMs. It all depends on the agency" (Agency Respondent).

Advertiser participants, across procurement, media and marketing, consistently commented on the importance of a balance between cost and value rather than prioritising one. "It is both quality and price. You can't divorce the two. Agencies should be incentivised to buy cheap media but with quality KPIs that are specific to the advertisers requirements" (Advertiser Media Respondent). Media pricing remains an important factor as advertisers seek to benefit from competitive pricing in the marketplace, however advertisers have expressed concerns that "the growth of audience-led targeting has removed the craft of media planning and the value of context from some agencies' work" (Advertiser Media Respondent).

QUESTION 2

Advertisers and agencies agree business results will be the most important indicator of success of media trading in 2018.



Respondents were asked: Which will be the 3 most important indicators of success in media trading for most advertisers in 2018?

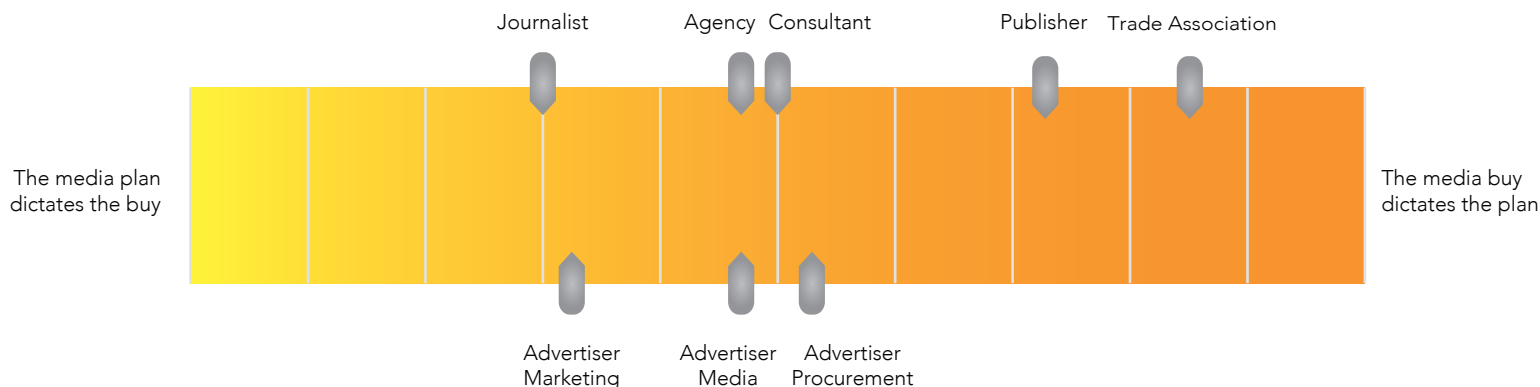
Business results, financial transparency, lowering prices were rated overall as the 3 most important indicators of success in media trading for advertisers.

Brand safety, better targeting and not paying for fraudulent inventory were also rated as important outside of the top 3. Of those who ranked business results as the most important, 68% were advertisers and 32% were agency respondents. The biggest distinction between advertiser and agency participants was in their perception of financial transparency, from those who rate financial transparency as the most important indicator, 91% were advertisers yet only 9% were agency respondents. This indicates the disparity in perceived importance of transparency in media trading.

One agency respondent commented, that often advertisers perceive "incorporating a shiny new thing" as an important indicator of success in media trading above anything else, critiquing the tendency among advertisers to value new innovation over what really drives value. Participants also highlighted other indicators they consider as important, including qualitative exposure to audience and engagement.

QUESTION 3

Procurement respondents believe the media buy dictates the plan (5.3) whereas marketing respondents (3.3) believe the media plan dictates the buy.

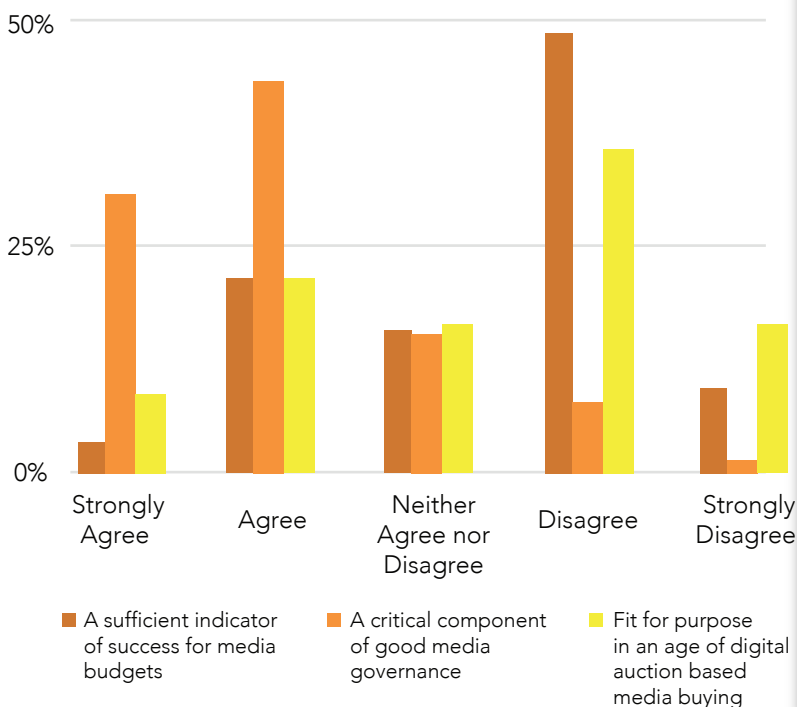


Respondents were asked: "Considering media agencies in general, to what extent do you think that the media plan dictates the buy or the media buy dictates the plan"

There is a wide disparity between industry professionals when asked the extent media buying is lead by the media plan or vice versa. Journalists (3) and those in Marketing departments (3.3) suggest that the media buy is dictated by the plan media agencies have developed for their clients. This is in contrast to those working for Trade Associations (8.5) and Publishers (7.3) who instead believe that the buy in fact dictates the plan. This wide spread of responses demonstrates the inconsistent priorities within the industry, some focusing on quality and some on cost. The majority of respondents have responded neutrally, indicating the balance between cost and quality is of critical importance.

QUESTION 4

58% disagree or strongly disagree that traditional media auditing is fit for purpose in an age of digital auction based media buying.

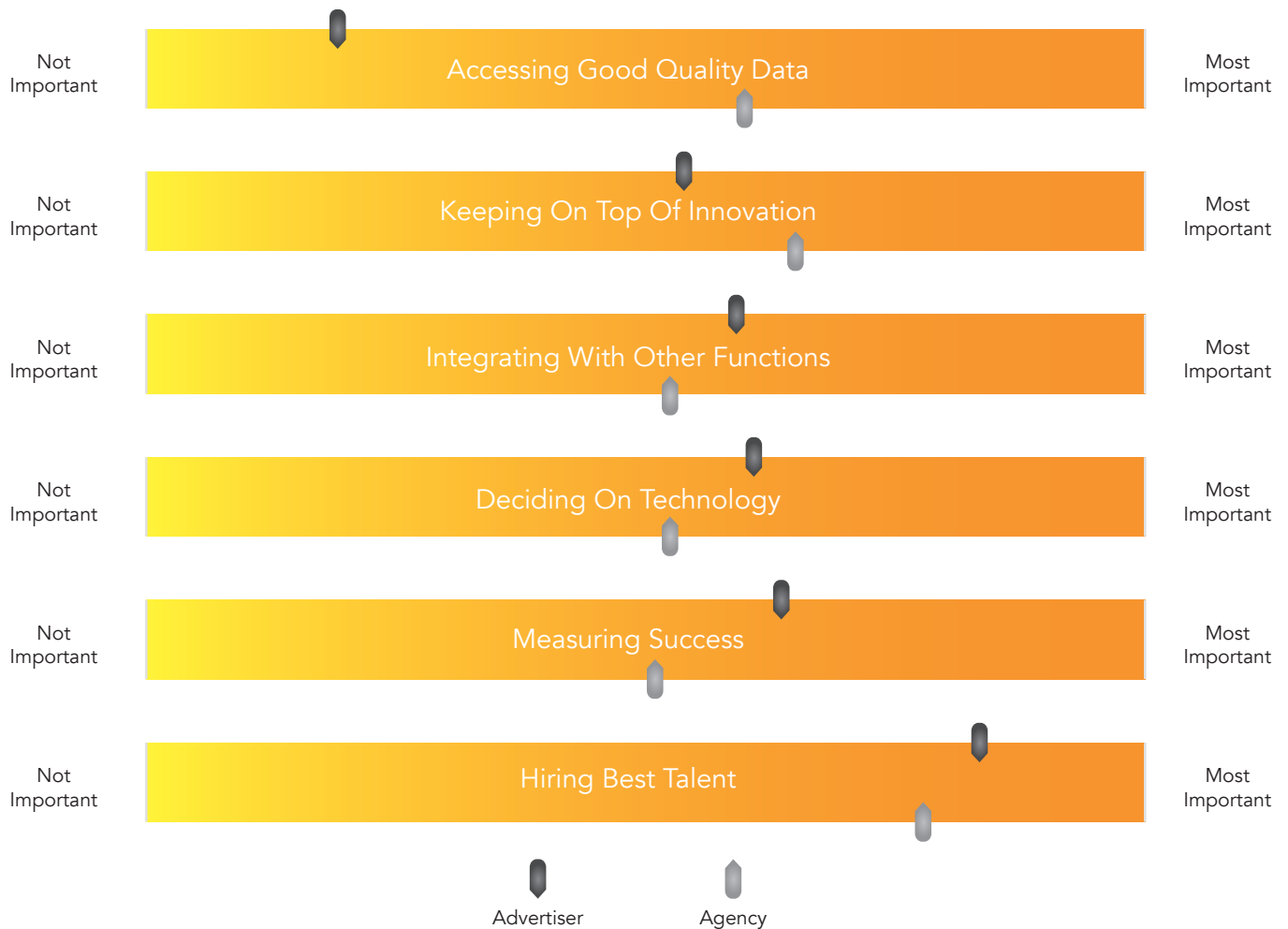


71% of participants agree or strongly agree, that traditional media auditing is a critical component of good media governance. "Media auditing is critical for appropriate governance process (especially when aiding and verifying the data submitted by the agencies), when it comes to reconciliation of the contracted cost guarantees" (Procurement Respondent). However, 58% disagree or strongly disagree it is fit for purpose in an age of digital auction based media buying. "Media auditing is critical for appropriate governance process (especially when aiding and verifying the data submitted by the agencies), when it comes to reconciliation of the contracted cost guarantees" (Procurement Respondent). This sentiment of auditing being critical in the transparency and trust but in need of improvement spans across all participant groups. "The media auditing industry is defunct and has been entirely complicit in many of the 'ills' they charge agencies with. The ambulance chasing behaviour of this part of the industry in the last two years will no doubt come back to haunt them" (Advertiser Media Respondent). Many respondents noted that with the increased prevalence of auction based media buying, auditing is losing relevance as the key metric for success. "I think it can be a sense check and indicative in some media channels however it's no guarantee of business outcomes so in my view is a hygiene factor" (Agency Participant).

Respondents were asked: To what extent do you agree that traditional media auditing is....

QUESTION 5

Hiring the best talent is the biggest challenge for marketers planning to expand their in-house media buying capabilities.



Respondents were asked: Please identify the 3 biggest challenges for marketers expanding in-house media buying capabilities.

Advertisers agree that hiring the best talent is their biggest challenge in developing in-house media buying capabilities. One respondent noted that it would be difficult to hire the best agency talent due to new restrictions placed on ex-agency employees. 'Why would the best agency people go to work on just one piece of business in a corporate and boring environment?' (Advertiser Marketing respondent). Similarly, another advertiser commented on how difficult it would be to retain and offer clear career progression to retain the best talent for the long term.

Although agency professionals agree that hiring the best talent is a difficult obstacle to overcome, they note that to develop successful in-house buying capabilities one, "needs a range of skills... A partner will always be needed to carry out some of the tasks that you need scale to be able to carry out successfully e.g. ad ops in digital" (Agency Respondent). Agency staff also suggest that they are better placed to understand the effects of the complete media mix including, 'offline, PR and creative' (Agency Respondent).

The importance of cost was paramount to advertisers. Respondents commented that cost is the number one obstacle to developing in-house buying capabilities, 'at least superficially' (Procurement Respondent). While another respondent noted the "lack of a solid business case/proof of concept" (Procurement Respondent). Other challenges noted include the difficulty of maintaining competitive tension developed in the agency sphere, while staying on top of changing market conditions and keeping up with the latest trends in innovation were all key contributing factors that will restrict the development of in-house buying capabilities.

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About ID Comms:

ID Comms is a strategic media consulting company, founded in 2009. We act as trusted media partners to the world's leading advertisers, helping them to navigate the complexities of the changing media landscape.

ID Comms provides independent, expert consulting to brands around the world and works closely with marketing and procurement teams to design and implement change needed to radically improve a company's media performance.

In 2016 we launched the 7Ts™, a strategic framework empowering brands to realise competitive advantage in media by identifying the core 7 behaviours of successful marketers.

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