

# The Connected Business

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## Digital is reshaping the world of advertising

Marketers raise spending on data analytics to target campaigns better, reports *Shannon Bond*

When Heineken USA was preparing to launch Desperados, a tequila-flavoured beer, in the southeastern US in 2014, the importer tried out two advertising campaigns.

In some states, Heineken bought traditional television commercials, while in others it ran ads only on mobile phones at specific times of day.

In the states that received the digital campaign, awareness of the millennial-targeted drink reached 23 per cent — well above the rate in states that only had TV ads. “We were reaching millennials in pre-party occasions,” says Nuno Teles, Heineken USA’s chief marketing officer. “On Friday at 9pm, they are not

watching TV. They are checking their phones and social media.”

One of Heineken USA’s main motivations for investing 30 per cent of its ad budget in digital platforms this year — up from 20 per cent in 2014 — is this ability better to align marketing spend with outcomes. “We can impact the business significantly through digital,” Mr Teles says.

Thanks to the proliferation of providers from Netflix and the BBC’s iPlayer to Facebook and Snapchat, consumers have greater access to more media on more devices than ever before. That is allowing advertisers to tap user data to target their messages precisely to the right people at the right time in their digital campaigns and, increasingly,

through traditional media such as TV.

“The way consumers are consuming content is becoming more digital,” says Jeff Green, chief executive officer of The Trade Desk, an advertising technology company that automates ad buying.

“Ultimately, every advertising format will become digital, whether it’s print, TV, radio,” he says. “The most efficient way to operate is [by being] somewhat electronic and market-driven. And the primary way marketers look at it is: ‘I want to have the most effective marketing that I’ve ever had.’”

The way advertising is bought, sold and created is being reshaped by the enormous volume of data from set-top TV boxes, credit card purchases, online profiles and retailer loyalty card

programmes — and by the technology that allows marketers to access, analyse and implement that data. IDC, the market research group, predicts chief marketing officers will boost the amount they spend on marketing technology to \$32.4bn in 2018 from \$20.2bn in 2014.

Nearly half of marketers surveyed recently by research company Forrester plan to increase their digital budgets this year. Forty per cent said they would spend more on data analytics.

This investment comes as big advertisers face a challenge in “digesting all the different pieces of data they’re getting: loyalty card and customer relationship information, a blitzkrieg of data from social channels, clicks, Facebook,”

says Drew Panayiotou, chief executive of BBDO Atlanta, an advertising agency owned by Omnicom, a global communications company.

He asks: “How do marketing data intersect with data coming internally through the company, through the chief information officer, or the chief technology officer, or the ecommerce group? We’re seeing clients trying to sort that . . . out internally to make the data useful.”

While the rise of targeted advertising has been enabled by data and technology, its proliferation reflects marketers’ demand for evidence that the money they spend is really influencing customer behaviour.

*Continued on page 2*



### Inside

#### The power of friendly persuasion

Brands increasingly use celebrity endorsements to push their products  
Page 2

#### The future lies in number crunching

‘Mad Men’ turn to algorithms to book advertising space  
Page 2

#### Graphic: commercials in the Facebook era

How are social media sites shaping up as marketing platforms?  
Page 3

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## Five trends that could drive future campaign strategies

### Mobile

There is growing potential for creativity to build reputations, reports *Robert Cookson*

Mobile advertising is about to reach a tipping point. Marketers are likely to increase their spending on mobile adverts from almost \$69bn this year to more than \$100bn in 2016, overtaking the sum spent on desktop advertising.

Only three years ago, mobile accounted for less than 2 per cent of global advertising spending, but its share will reach 12 per cent this year, according to research group eMarketer.

The main driver of this growth is consumer preference. Eight years after Apple launched the iPhone, more than 2bn people globally have smartphones. Benedict Evans, of Andreessen Horowitz, a Silicon Valley venture capital firm, says that by 2020 four in every five adults will own a smartphone.

So far the growth in mobile advertising has mainly benefited just Google and Facebook. Both quickly identified the rise of mobile and optimised services for smartphones, allowing them to capture 55 per cent of all mobile advertising spending in 2014, eMarketer says.

However, industry experts say both these companies’ mobile dominance will decrease as rival media and technology groups compete to offer innovative marketing plans to brands.

Here is a brief guide to some of the current trends that may predict how future marketing strategies will be run:

#### The rise of the machine

“Programmatic” advertising — in which brands and media groups buy and sell advertising space using automated computer systems — is well established for the web, but this trend is being rapidly replicated on mobile.

James Hilton, chief executive of M&C Saatchi Mobile, a marketing agency, says more than a fifth of mobile ad spend is now programmatic, up from 5 per cent a year ago. Proponents of programmatic advertising say it is more efficient than the old ways of buying and selling ad space, and makes it easier to target consumers in real time.



**Hold the phone: ads can be targeted at customers while they are in stores**

#### Greater creativity

Traditionally, mobile advertising formats have been mostly simple and static: think of Google’s search ads or the banner ads on news websites. But advertisers are increasingly able to deploy more creative and elaborate ad formats, including video, thanks to improving smartphone technology and the adoption of high-speed, 3G and 4G wireless internet connections.

**Stores can have beacons that communicate with a shopper’s smartphone to deliver ads with precision**

In the past, direct response advertisers, looking for an immediate reaction such as a click, have accounted for the bulk of mobile advertising. In the future, ad agency executives hope that the growing potential for creativity on mobile will encourage more spending on brand building.

#### Location, location, location . . .

Smartphones provide advertisers with more data than any other medium — including location data, accurate to just 10 metres, and the opportunities for advertisers to exploit this are becoming ever greater thanks to technology.

Brands are increasingly “geo-fencing” mobile advertising campaigns to target buyers in particular locations. For example, Walmart has used this to offer discounts to particular people near a certain branch at a certain time of day.

Some retailers are even fitting stores with beacons that can communicate with a shopper’s smartphone via Bluetooth. Beacons can allow the delivery of advertising with unprecedented precision and alert shoppers to promotions as they pass through a certain aisle, for example.

#### Wearables

The launch of Apple’s iWatch has generated great excitement in the mobile advertising industry. Just as Apple upset the smartphone and tablet markets with the iPhone and iPad, many expect that the iWatch will do the same for the wearable device market. Forrester Research believes Apple will sell as many as 10m iWatches in its first year — more than all the other manufacturers of wrist-based devices have sold to date, including Nike’s FuelBand fitness tracker, Samsung’s Gear smartwatches, and devices by other up-and-coming companies.

Few advertising chiefs believe the iWatch — which has a screen the size of a postage stamp — will be an appropriate place to engage with consumers, although some plan to experiment. Much more interesting, they say, will be the opportunity to use data collected by apps on wearable devices for better targeted ads on a wearer’s smartphone.

#### Linking the mobile and the desktop

For marketers, one of the holy grails of online advertising is “cross-device targeting”. This is the ability to track a consumer from their laptop to their smartphone and back again, targeting them with a seamless campaign.

Brands have found it difficult or impossible to obtain a single view of a consumer across devices because the mobile advertising industry relies on a separate set of technology to the desktop advertising industry.

Increasingly, however, the silos between desktop and mobile are being broken down. Google and Facebook are at the forefront of this trend, providing ways for brands to target consumers on mobiles using desktop data, and vice versa, whether on their own sites or those of third parties.

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### How social media compare as advertising platforms

Monthly active users



Average cost of advertising – cost per 1,000 impressions (CPM)\*

Percentage of users who log in daily

Percentage of platform users who are millennials

Pros



Cons



Options and latest developments



	Facebook	Twitter	Instagram	LinkedIn	Pinterest	Snapchat	YouTube
Monthly active users	1.393bn	288m	300m	187m	70m of which 20m-30m are estimated to be active	100m could be close to 200m now but this is unconfirmed	1bn+
Average cost of advertising – cost per 1,000 impressions (CPM)*	\$1.54	\$12.16	?	\$27.90	?	Adweek reported that advertising on a 'my story' could cost brands \$750,000 a day. This is unconfirmed by Snapchat.	?
Percentage of users who log in daily	70%	36%	49%	13%	17%	?	?
Percentage of platform users who are millennials	75.6% 18-34-year-olds	23.8% 18-34-year-olds	43.1% 18-34-year-olds	13% 15-34-year-olds	17.9% 18-34-year-olds	32.9% 18-34-year-olds	82% 18-29-year-olds
Pros	The biggest of the social networks, and the one with the most options for targeting.	People like to tweet while watching TV so advertisers are able to create 'two-screen' campaigns combining TV and Twitter.	Appeals to a younger generation who view Facebook as their parents' social network.  Works well for brands that have strong visuals.	Access to a professional audience with accurate information about people's professional lives; people can be targeted by job title, employer, industry and even skills.  LinkedIn members have twice the buying power of the average web audience, according to Comscore.	Users come to the site in a mood receptive to shopping. Many are creating boards around life events such as weddings, childbirth and redecorating, which advertisers are keen to tap into.	Users are highly engaged, and need to actively press a button to view a story, so advertisers can be sure attention is not wavering.	Holds users' attention for a long time: they can spend hours watching videos.  A familiar advertising medium, very similar to creating material for TV.
Cons	Advertising is becoming more expensive.	Because users do not need to use real names or reveal much about themselves, does not allow as much targeting as Facebook.	Only a limited number of brands allowed to advertise at the moment.  Lack of links on the site makes it hard to direct customers to products.	Users do not log on to LinkedIn as often as other networks.	Just one advertising format: Promoted Pins.	Stories and associated ads disappear after 24 hours.  Ads are not shareable and there are no outbound links.	Viewers do not like pre-roll adverts and often skip them. Brands cannot request a specific slot, so there is a risk the ad will be playing just before something unpleasant.
Options and latest developments	Two options for ads: as a sponsored post in Facebook's news stream, or on the right-hand column.  Allows advertisers to target users based on past purchases and demographics, even outside Facebook.  Rumoured to be creating a video hub to make it easier to find and view video content.	Three options for advertising: promoted tweets, promoted accounts and promoted trends.  Twitter ads can be targeted based on what users search for and what they reveal in their profiles.  Also allows targeting according to what users have done online, outside Twitter.	Launched advertising a year ago with selected partners.  Recently started allowing marketers to include links to their own products and websites from posts.	Two options: ads that appear in the sidebar, or sponsored updates that appear in the news feed.  Recently launched a tool similar to Facebook's Atlas, which allows advertisers to target LinkedIn users outside the platform.	Reported to be planning to introduce a 'buy' button that would make it easier for users to make purchases directly from the platform.  Offers advertisers access to the 'Pinstitute', a programme that teaches users how to create successful 'Pins'.	Advertisers sponsor 'stories', or collections of many people's pictures, often around specific events.  Snapchat also recently launched Discover, where publishers such as the Daily Mail, Vice, Yahoo, CNN and ESPN display stories. Companies can buy ad space around this content.	Four options: display ads next to or below the YouTube player; semi-transparent overlay ads that appear over the bottom 20 per cent of a video; skippable video ads that can be inserted before, in the middle or after a video and non-skippable ads that must be viewed before the video is shown.  Experimenting with a paid-for, ad-free service.

FT graphic. Sources: eMarketer; InSites Consulting; Pew Research Centre; Majja Palmer; FT research. \* CPM can vary greatly according to different campaigns. Figures should be considered indicative only

## Gladiatorial contest between publishers and adblockers is unlikely to end well

### INSIDE TECH

Maija Palmer



In the late 1980s I spent a large portion of my time being a walking billboard for Coca-Cola, quite unpaid. The Coca-Cola sweatshirt – a rugby-style top with the soft drink logo across the chest – was the height of fashion in my teenage peer group. It was the viral marketing campaign of its day. These shirts were worn with tight, acid-washed jeans and a Flock of Seagulls hairstyle that took about an hour – and half a bottle of hair gel – to create.

It is one of those fashion trends that is incredibly difficult to explain to anyone under the age of 30, but it was recently ranked as the fourth greatest 1980s fashion trend, coming in below Vans trainers and neon colours, but higher than the boombox, the mullet hairstyle and Hawaiian print shorts.

I don't know whether the shirts made us drink any more Coke, but we didn't mind the branding. I spent a not inconsiderable amount of my pocket money on one of these tops, thereby paying for the privilege of wearing advertising, surely a marketer's dream.

Only Apple, recently, has been as clever in co-opting consumers into its own marketing aims by cleverly positioning itself somewhere between computer software and hardware, designer trend and lifestyle brand.

Internet advertising, on the other hand, inspires an almost visceral loathing. Read any online discussion about online ads and somewhere in the thread will be the plaintive cry: "Why, oh why, does the hated pre-roll ad always play flawlessly and then the actual video stutters, halts and buffers to the point where it is unwatchable?"

Online ads have an unsavoury reputation. Hackers have been known to hide their malicious, computer-hijacking code in online adverts as a way

of getting them into your computer. Users are also concerned about ads that are borderline spyware, tracking the pages we visit online and the purchases we make.

At the very least, ads use up bandwidth and increase the time it takes to load a web page. If you are paying for your online data by the gigabyte on a 4G connection, downloading that unwanted advert adds to your costs.

Little wonder that adblockers, software tools that prevent ads appearing on the web pages you are viewing, have become so popular. These are generally free to download, and are easy for even the tech illiterate to install. According to one survey some 144m people a month (4.9 per cent of all internet users) were regularly using an adblocker at the end of 2014.

Online publishers are growing



About 61 per cent of people surveyed by PageFair and Adobe said they wanted an ad-free internet

The real thing: viral marketing 1980s style  
Dreamstime

worried as adblocking takes an increasingly large chunk out of their advertising revenues.

Publishers had hoped that eventually internet audiences would resign themselves to online ads in the same way they did to ads on TV and in newsprint, as a trade-off, a bitter pill that must be swallowed before we get to the good stuff.

But a painless way of circumventing the "pill" has put paid to that patient approach. Millennials, those aged 18-34, are by far the heaviest adult users of adblockers, with 41 per cent of them using such software. The 13-17-year-old cohort coming up behind them are heavier users still. The adblock problem is only going to become worse for publishers.

None of the solutions to the publishers' quandary are convincing. Publishers have tried, for example, to offer paid-for, ad-free versions of their sites, but there has generally been little take-up. For example, some 61 per cent of people surveyed by ad-block tracking company PageFair and software provider Adobe wanted an ad-free internet, but 80 per cent were unwilling to pay for it. Such a response leaves little room for manoeuvre.

Google, Amazon, and Microsoft were recently discovered to be quietly paying AdBlock Plus, the maker of one of the most popular adblocking tools, to stop blocking ads on their sites. While this may be legal, the big question is do consumers want products, or even companies, that we think protect us from online ads to behave in such a fashion?

There are also a number of start-ups, such as New York-based Secret Media, offering advertising encryption that can get around the ad blocking technology.

And how long before adblockers adapt to block that kind of encryption too? It seems to be a gladiatorial contest that is unlikely to end well.

Some online publishers, such as Reddit, thank those people who visit the site without ad blockers, a polite if somewhat passive-aggressive – and probably ineffectual – approach.

Any lasting solution will surely have to involve a better sort of advertising – less obtrusive and perhaps offering some benefit rather than irritation to users – adding to bandwidth as opposed to using it up, enhancing the quality of a video rather than appearing to degrade it.

Failing that, publishers may have to revive the branded sweatshirt.

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