

Headlines over ad fraud, troubled agencies, wasteful middlemen, weakened brands, and yet record ad spend – how to explain the paradox? This report, together with the IPAs Bellwether and effectiveness studies published shortly after, helped spark a discussion in the marketing community over industry short-termism, due diligence and marketing effectiveness.

For the full report, Enders subscribers can [click here](#)

At a time of online growth, media convergence, changes in agency structure, and a struggling publishing industry, these questions have become central to the future of the media landscape in the UK and beyond. As Google and Facebook capture a growing share of ad spend and consultancies aggressively move in to serve marketers, can the UK's advertising industry get its act together on time?

Many of the current risks to marketing effectiveness are grounded in problems of governance up the corporate food chain. As investors have become more short-termist, the risks and rewards for management of missing or meeting short term targets have become more extreme. It is a particular problem in marketing: CMO tenures are short (in the US, half have been in the job less than two years), and the role often lacks access to the board, a clear remit, or both.

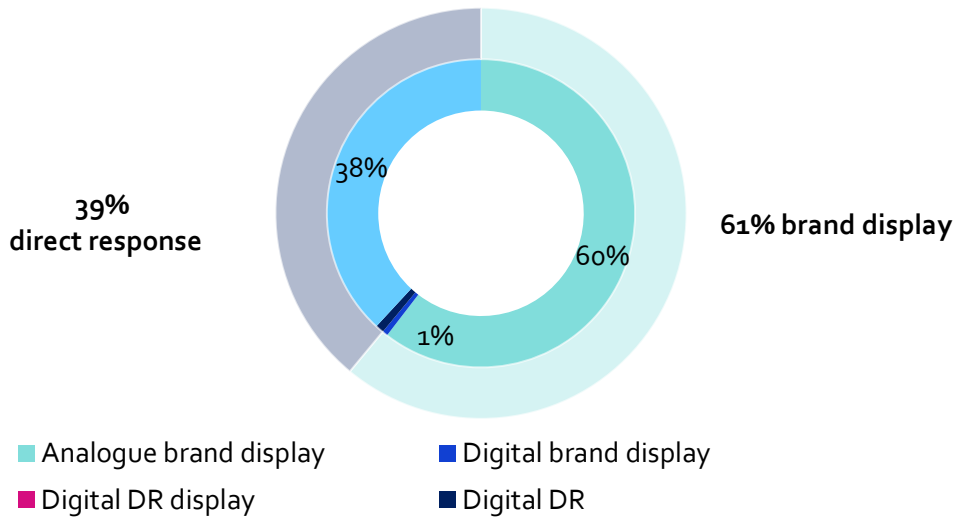
Client-agency relations have been undermined in various ways, with the length of relationships in the UK having fallen from over seven years 30 years ago to two and a half today. Procurement is increasingly involved in media and creative agency negotiations (in the case of media agencies, used by 91% of advertisers, with 23% of negotiations carried out solely by procurement).

Adding to the pressure, consumer behaviour has changed dramatically in several advertiser verticals, heightening anxiety even in those industries where it hasn't. This has led advertisers to challenge views on fundamental marketing principles even when no reliable data supports strong new conclusions, and has fuelled a search for technological quick fixes.

As a result of pressure to perform in the short term and justify marketing spend in a cutthroat budgeting world, advertisers have shifted ad spend in two significant ways. First, they have increased "performance" spend, particularly digital direct response, where results are more directly measurable, and therefore justifiable, than brand advertising in old media.

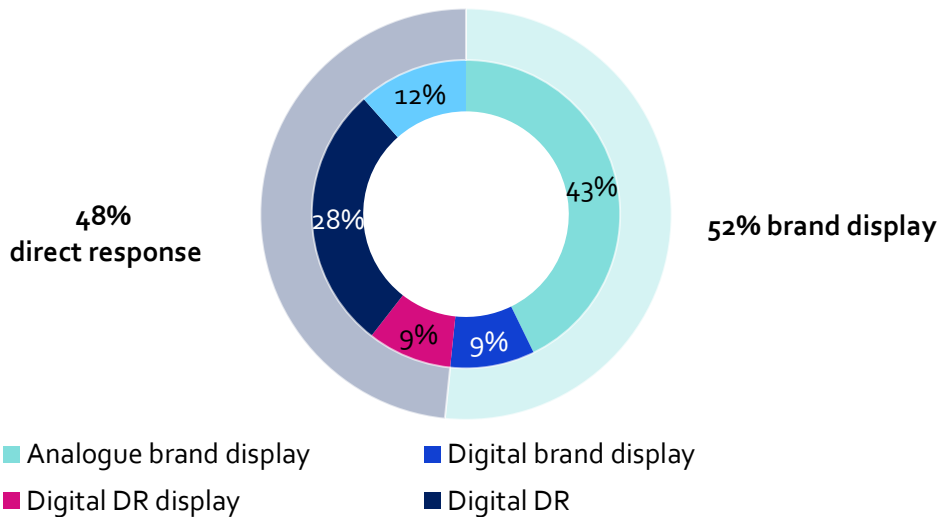
The quest to measure individual customer journeys has mainly benefited the core businesses of Google and Facebook, and fed in others a hubristic attempt to understand the consumer to an unprecedented degree. This has undermined the very basics of brand advertising: the understanding of large audiences and aggregate drivers of purchases behaviour *specific to each industry*.

Estimated UK advertising spend by primary campaign goal, 2000



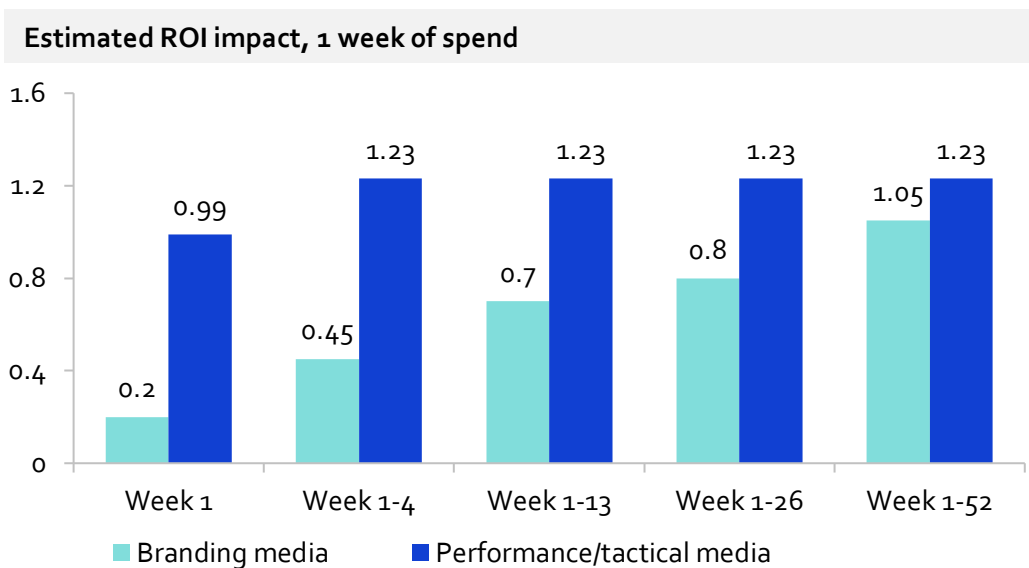
[Source: Enders Analysis estimates based on AA/WARC]

Estimated UK advertising spend by primary campaign goal, 2016



[Source: Enders Analysis estimates based on AA/WARC]

In this process, the value of long term brand building has been discounted. The effectiveness of performance spend depends to an extent on brand awareness and affinity – even in the case of search, a strong brand will help an ad stand out on a generic keyword, and get people searching for the brand itself, where the ad units will be cheaper. These effects are demonstrated in real world example of what happens to direct response performance when advertisers “go dark” on brand campaigns. In short, short-term strategies risk undermining their own success.



[Source: Enders Analysis based on an illustrative agency client case]

Second, advertisers have chased what looks like cheap digital media in an attempt to pay less for the same reach. Large audience buys online can look like a bargain compared to other media, and unsavvy buyers have underappreciated issues that mean advertisers often get less than they think they've paid for: low viewability, poor brand safety, non-human traffic, middlemen and fraud, like domain spoofing. These issues are often not properly priced into the cost of media for advertisers, so if it looks too good to be true, it probably is.

Meanwhile, incentives at agencies have accelerated these processes. Under pressure to cut fees (a trend which seems now to be reversing somewhat), agencies have shifted client spend into areas where the work they do is included in the cost of the media, such as aggregating and segmenting digital audiences. This has led to accusations of a lack of transparency, further straining relations when all parts of the industry need to work together to honestly address the issues identified here.

In a media environment in flux, resources for planning, standardised measurement of audiences and effectiveness, not to mention quality creative, are lacking when they are needed more than ever. To address this, every type of industry participant needs to step up, cooperate and take ownership of their part of the marketing supply chain – a process which has begun but needs continuous commitment in uncertain economic times.

Our recommendations, in short and starting from the top of the buy side:

- For boards and CFOs to give more space to CMOs to think strategically about advertising and the consumer, with a view on delivering long-term value, while at the same time expecting commitment and due diligence
- For CMOs to start from strategy basics *in their industry* instead of channel tactics and shiny new things, and to reflect this in their relationships with agencies and other advertising partners (by incentivising planning, quality and long-term results)
- For agency holding groups to simplify their organisations, support CMOs in developing skills for due diligence and to welcome efforts to increase transparency in media trading

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- For media owners and their trade bodies to cooperate around standards in measurement and consumer experience

About Enders Analysis

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