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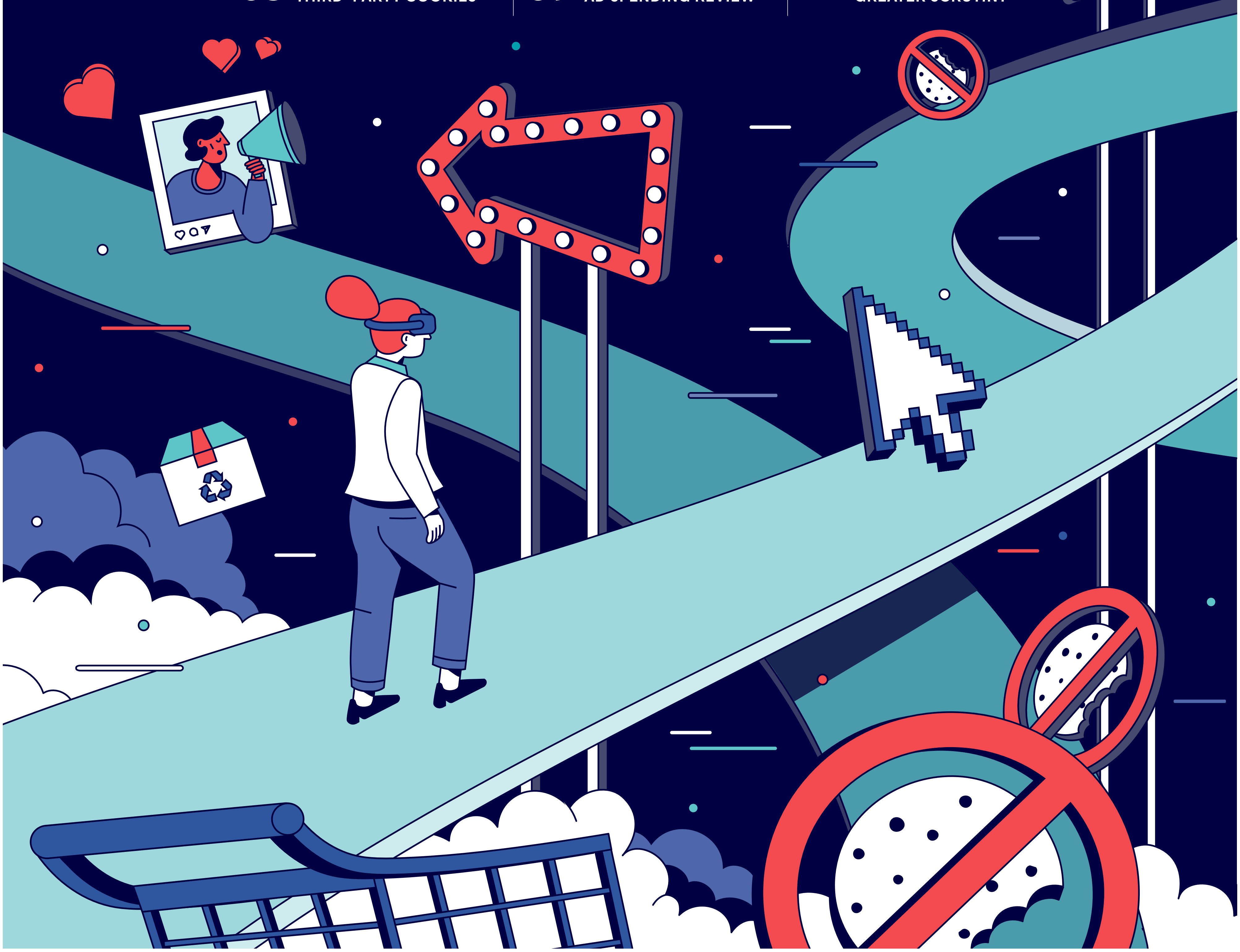
FUTURE OF ADVERTISING



FUTURE OF ADVERTISING

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DATA

Brands ponder an uncertain future in digital advertising

Apple and Google are shaking up the market with major changes centring on data privacy. How are marketers responding to the challenges this presents?

Kate O'Flaherty

d3sign via Getty Images

The rapid shift to privacy-centric technology is a significant challenge for the world of digital advertising. As tech behemoths Apple and Google make sweeping changes to the core of their platforms, how can brands continue to target their markets effectively and measure the quality of their ad campaigns?

The Apple and Google privacy changes have been in the making for more than two years. They started to become a reality last year when Apple released its iOS14.5 software. This asked consumers to actively opt into tracking through the identifier for advertisers (IDFA) – the unique code assigned to each iPhone user's handset.

Google, meanwhile, is planning to stop the use of third-party cookies in Chrome, its market-leading web browser, by the end of next year.

Both changes represent a huge shift for marketers. They're used to being able to track users across platforms and devices, before serving them relevant ads. As Google and Apple move away from what's now seen as invasive tracking, brands are being forced to completely rethink their strategies.

But the path to privacy has not been smooth. Google's third-party cookie changes have already encountered obstacles. Launched last year, the firm's proposed alternative tracking method, known as Federated Learning of Cohorts, was scrapped after opposition from regulators and privacy advocates, who said that it risked uniquely identifying users.

Google responded quickly with a new solution – Topics API – which is considered more privacy-centric because it allows advertisers to broadly serve content based on a user's interests, rather than on the specific websites that person visits.

Topics is viewed as a win for consumers. But Google's move away from third-party cookies – the trackers that follow people around the web – will challenge the brands that once relied upon them. One of the biggest problems they face will be how to gauge the performance of their advertising campaigns.

"We use cookies to track how many people have seen an ad and the number of times they have viewed it," says Andrew Spurrier-Dawes, head of precision in EMEA at Wavemaker. "We want to prevent people from seeing an ad so often that it becomes irritating. These changes will make it harder to do that automatically, so we have to build it into our planning instead."

The demise of third-party cookies and the move to Topics means that brand advertisers will have less of a detailed view, says Ben Foster, managing partner at the Kite Factory. "We won't know about a certain product, just a whole range."

According to Foster, Topics will make re-targeting more difficult and response rates will be affected.

"Currently, when someone engages with your content, you can build a bespoke audience and target them with another message. That doesn't exist with Topics," he says. "Topics are predefined segments and not bespoke, so the change is not supporting that re-targeting and you will get lower response rates. You'll also have to adjust your strategy to continue the conversation with people. You can't bring them back after initial research to purchase."

Given this loss of detail, companies will need to obtain compliant data captured through their websites – for example, by encouraging people to submit their email addresses – Foster says.

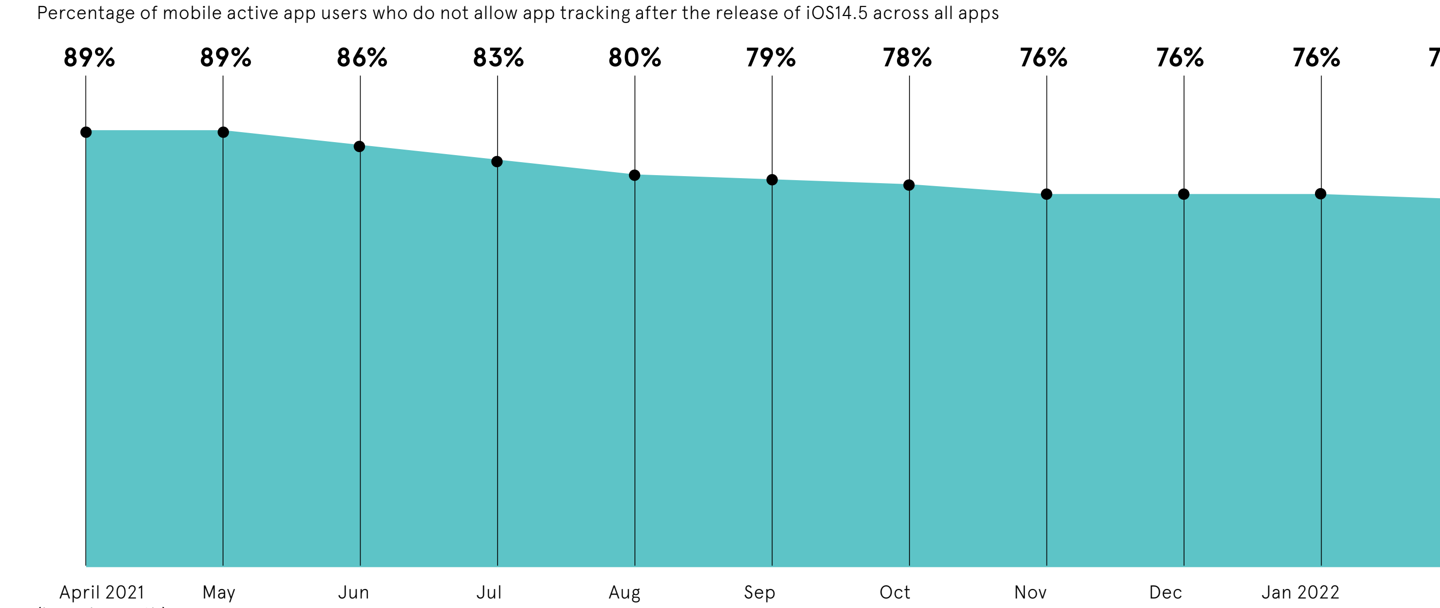
So where does this leave advertisers? Some in the industry are positive about the changes. Solutions such as Topics can be used in conjunction with contextual content, says Alexis Faulkner, chief digital officer at Mindshare UK.

First-party cookies, which track users within the website they are visiting, will also continue to play a key role through social media platforms, which are still able to collect large amounts of data.

At the same time, there's a chance for traditional television, radio and out-of-home advertising (such as

MOST APPLE DEVICE OWNERS ARE OPTING OUT OF TRACKING

Percentage of mobile active app users who do not allow app tracking after the release of iOS14.5 across all apps



Flurry, 2022

> We want to prevent people from seeing an ad so often that it becomes irritating. These changes will make it harder to do that automatically

billboards and bus shelters) to "remind advertisers of their various strengths", Faulkner says.

Topics enables a move to contextual advertising, observes Lorraine Barber-Miller, chief marketing and ecommerce officer at Philips.

"Brands need to reconnect their marketing with their values and where they want to advertise," she says. "In many ways, third-party cookies made it tempting to abandon the contextual approach in favour of chasing clicks around the internet and blindly trusting algorithms with the data collected."

While the demise of third-party cookies marks a huge adjustment in web advertising, it's accompanied by a similar shift in mobile towards privacy-focused solutions. This is being led by Apple, which has already implemented its App Tracking Transparency iOS features that ban tracking between apps and websites. The move has hit several firms hard, particularly ad giant Facebook, which expects to lose $10bn as a result. It's estimated that three-quarters of Apple users are opting out from tracking, preventing Facebook from measuring the effectiveness of campaigns.

Reducing Facebook's power to micro-target its user base comes as "a huge financial blow", according to Jake Moore, global cybersecurity adviser at Eset.

"Facebook offers a wealth of user data, which is a goldmine for advertisers. By effectively turning off the IDFA and limiting the ability of businesses to measure performance, Facebook will be seriously affected, especially when coupled with a recent reduction in active daily users on the platform."

After the Apple privacy changes, advertisers can no longer see when someone was served an advert on Facebook and visited the site of the firm in question to buy something. This makes it harder for advertisers to target users on Facebook and its sister site, Instagram.

"If people don't allow Facebook to collect the IDFA, it won't know whether an ad has resulted in an action such as a purchase," says Spurrier-Dawes. "This means that it's unable to build models of people with similar interests for the advertiser to show ads to."

For Apple, the changes are a no-brainer. Its marketing has long focused on privacy as a selling point. But for Google, which is introducing similar changes in its Android operating system, matters are not as simple. Unlike Apple, Google has a business model that is based on advertising, so the changes coming to Android are not as drastic and will occur more slowly, giving brands time to adjust.

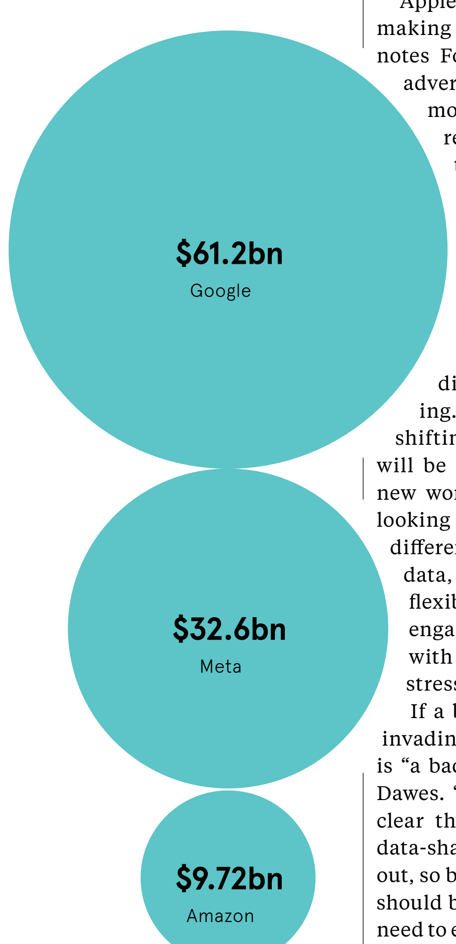
"Apple has nothing to lose" by making life difficult for advertisers notes Foster. "But if Google makes advertising harder – by being more expensive or because response rates drop – advertisers will go elsewhere. Money flows to whatever works at any given time. There is no loyalty; it's based on performance. If something works, brands will move very quickly."

There's no doubt that the digital landscape is changing. Brands that can adjust to shifting consumer perceptions will be the winners in this brave new world. Like Apple, many are looking at making trust a point of differentiation. "It is [customers'] data, so they should have the flexibility to choose the level of engagement they want to have with the brands they trust," stresses Barber-Miller.

If a brand can't thrive without invading its customers' privacy, it is "a bad business", says Spurrier-Dawes. "Law-makers have made it clear that users must consent to data-sharing and people are opting out, so brands must plan for this. It should be seen as a positive. Firms need to examine why anyone would allow them to collect, store and use their data – and they need to give real value back to customers."

THE BIG DIGITAL AD PLAYERS BRING IN BILLIONS IN ADVERTISING INCOME

Revenues from digital advertising in Q4 2021



Google, Meta, Amazon, 2022

bizoo_n via Getty Images

Targeting consumers that other brands cannot reach

Advertising practices are shifting rapidly in line with digital privacy changes. Big brands are finding that it's important to unlock first-party data to offer value to consumers. Heineken USA, for instance, has changed the way it thinks about data as a part of the customer journey.

"While we knew that the demise of third-party cookies would have a significant impact on how we advertise and measure campaign effectiveness, we realised it would be the push for us to build relationships directly with consumers and provide them with extra value in exchange for data," says Rebekah Kennedy, director of consumer data strategy at Heineken. "With third-party data becoming less reliable – and Apple and Google limiting cross-app tracking – we had to start collecting and using consented first-party data to future-proof our business."

The firm first had to rethink its data management platform (DMP), which it was using for targeted advertising. "Since DMPs rely heavily on third-party cookies, we needed a way to make up for the data we would lose," Kennedy explains. "With DMPs, match rates were already sub-par, and we wanted to test building lookalike audiences with first-party data."

Using its customer data platform BlueConic, the company started to build up first-party data through direct-to-consumer channels such as its website and offline events. As a result, Heineken has been able to analyse its audience to better understand, for instance, previous events they've attended and drinks they've sampled, which has in turn informed its engagement efforts.

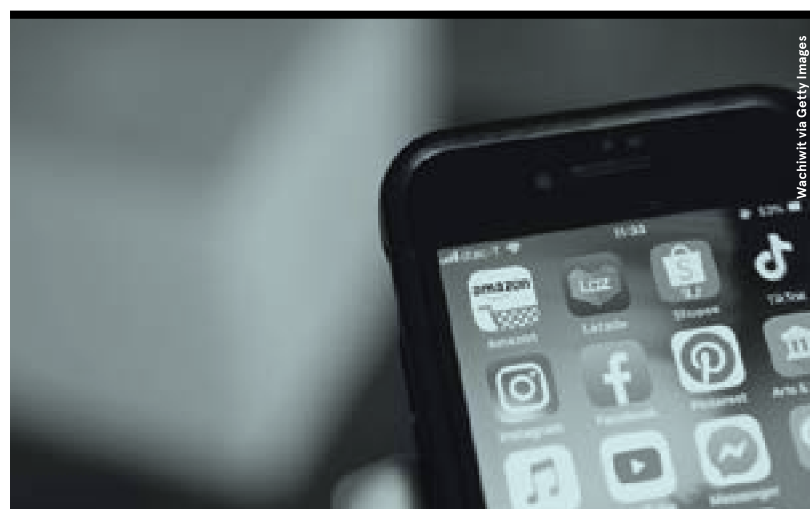
"We're continuing to test cookieless solutions and refining our approach based on this," she says.

Pete Jeavons, marketing communications director at BT Consumer, says that his company has revised its media measurement methods by using adtech to obtain a better understanding of its return on marketing investment.

"With less tracking, the econometric models we use to give us short- and long-term reads on advertising performance are more important than ever. We also need more specific media experiments – such as A/B tests [which gauge responses to different variants] – to prove the value of new platforms, publishers and tactics," he says.

At Philips, measurement remains "a tough nut to crack", says Lorraine Barber-Miller. While brands can use new strategies to reach audiences, basics such as cross-channel reach and frequency capping will "have to be completely revised".

She says that first-party data "has been the forefront of our strategy for quite some time" and reports that Philips has been investing in marketing-mix modelling.



Wachiwit via Getty Images

Amazon and TikTok: the next players in digital ads?

Privacy changes affecting digital advertising could see the likes of Amazon and TikTok become the next big players in the industry. Nearly 40% of searches start on Amazon and the online giant is largely unaffected by cookie changes.

Amazon has revealed that it's making nearly $10bn (£7.6bn) a quarter in advertising revenue. This puts it ahead of Microsoft's 2021 revenue of $10bn as well as Google's YouTube video platform. Speaking on Amazon's latest Q4 earnings call, CFO Brian Olsavsky said the company had separated advertising services results from its other revenues.

"Of course, advertising works only if we make it useful for Amazon customers. When we create great customer experiences, we deliver better outcomes for brands," he said.

As marketers learn the platform and Amazon refines its offering, this area is set for even more growth, according to Mindshare UK's Alexis Faulkner. "Advertisers pay for search advertising within Amazon much as you would in Google, with similar features and a huge data environment around purchasing behaviour," she says.

Amazon auto parts sales are attracting car companies, while its investment in live sports opens up new video opportunities, she adds.

At the same time, TikTok is investing heavily in tripling its advertising revenue to $12bn in 2022 after doubling the size of its advertising products and technical teams in 2021. With more than 1 billion active users, TikTok is in a strong position to compete with Google and Facebook.

Lorraine Barber-Miller thinks it's likely that the "walled gardens" of Amazon and TikTok will grow further as they are able to attract more advertising revenue. But she adds that Philips will also invest with smaller retailers and publishers as well as niche platforms.

"We all need to develop a sustainable media landscape that's privacy-first and future-proof by making thoughtful investments with our ad spending," she says.

In this competitive arena, the owners of high-quality data and content will win, says Wavemaker's Andrew Spurrier-Dawes. It will always be important for ads to appear next to good content, he says, adding: "Quality can be defined in many ways, from lots of eyeballs and time spent on a site through to a high standard of journalism combined with a brand-safe environment."

Retailers and publishers could offer a "quality interaction" with consumers alongside permissions to collect data in exchange for value, he says. Walmart, which is rebranding and expanding its digital advertising unit to take on Google and Meta, is one such example. Tesco's Clubcard also offers a wealth of opportunities.

Commercial feature

Q&A

First-party data, the open web and the future of addressable advertising

The rise of first-party data along with regulatory changes and responsible addressable inventory will improve the transparency and effectiveness of digital advertising, says **Ryan Cook**, UK managing director at Criteo

Q How has the regulatory landscape affected the digital advertising industry?

A Pretty much every call I'm on now is about the impact of operating system and browser changes. While tech giants like Apple and Google are reviewing and changing how advertisers can operate within their platforms, the future of first-party data is much more assured. First-party data owned by publishers or brands is the most valuable information they possess. It helps them understand who their most profitable customers are and how to find new ones that are similar. Yet, to make use of this knowledge they must work with partners that provide software, connectivity and services to help them achieve superior marketing outcomes. A lot has already changed in just the last three years and that is only going to continue.

Q Amid the rapid rise of omnichannel, how vital is first-party data to accelerating growth?

A Using first-party data for key marketing functions can boost revenue by up to 2.9 times and increase cost savings by 50%. Ironically, the research highlighting these omnichannel benefits was conducted by Google, a data giant which promotes closed environments. First-party data also includes a lot of important omnichannel components that you don't get from traditional digital activation, like discounts and loyalty schemes. Tesco, for example, is able to combine data in its loyalty cards with digital activation, providing a much more robust picture of the overall customer journey and an ability to find new audiences. When you stick with a single channel and digital approach, you're generally hitting the same audiences time and again, resulting in customer fatigue and the loss of profitability. Even if that's part of your strategy, eventually you need to find new audiences. The more offline and online channels you connect, the better, and most of that is driven by first-party data.

Q The potential benefits from first-party data are clearly attractive, but why are marketers and media owners struggling to derive optimal value at present?

A The simple answer is it's hard. Especially if you're pulling data from multiple channels, it's difficult to collate it all. It's one thing to collect first-party data, but how do you activate it? Not every channel speaks the same language. First-party data is extremely rich, you can understand your consumers in ways you couldn't before, but it doesn't show the whole customer journey. You only have the data that you have. However, if you're able to link your data across the inventory other companies own as well as enrich it with a data partnership, you can start getting deeper insights into your customers and eventually other audiences, too. Unlocking the real value of first-party data relies on data partnerships.

Q Which sectors are leading the way in the first-party data movement?

A Not too surprisingly, retail media has been a big growth area. We've certainly seen that retailers have been the most open to first-party data strategies and to realising their strength. I've already mentioned that Tesco has an open mentality, but we've also seen Asda working directly with brands as a publisher to increase sales. Boots, meanwhile, is utilising data to launch its own media business. I expect other industries to follow. Finance and travel companies see huge online visitor numbers and can offer a range of incentives through the purchase journey; there's a lot they have to offer relevant brand advertisers.

> Unlocking the real value of first-party data relies on data partnerships

Q Are we now officially in the age of first-party data?

A That's certainly the direction of travel, but we have a long way to go. There are a few hurdles we need to get past first. First, news around user privacy can worry marketers so we need more education that, actually, sharing first-party data must be done in a responsible manner. The economic environment has also been a barrier. When budgets are reduced, marketers tend to focus on reaching more niche audiences through the channels they are most familiar with, which means relying on third-party addressable inventory. But as they see the omnichannel rewards of first-party data inventory – which frankly is also more cost-effective – that'll gradually change. As marketers move outside closed digital environments to an open internet, they'll build a better understanding of the customer journey across different publisher properties. Meanwhile, publishers will find that as their inventory becomes less addressable through third-party cookies, they will see fewer buys on their sites. These realisations will drive momentum toward responsible addressable media identifiers.

Q How is Criteo helping to maximise the value of first-party data in advertising strategies?

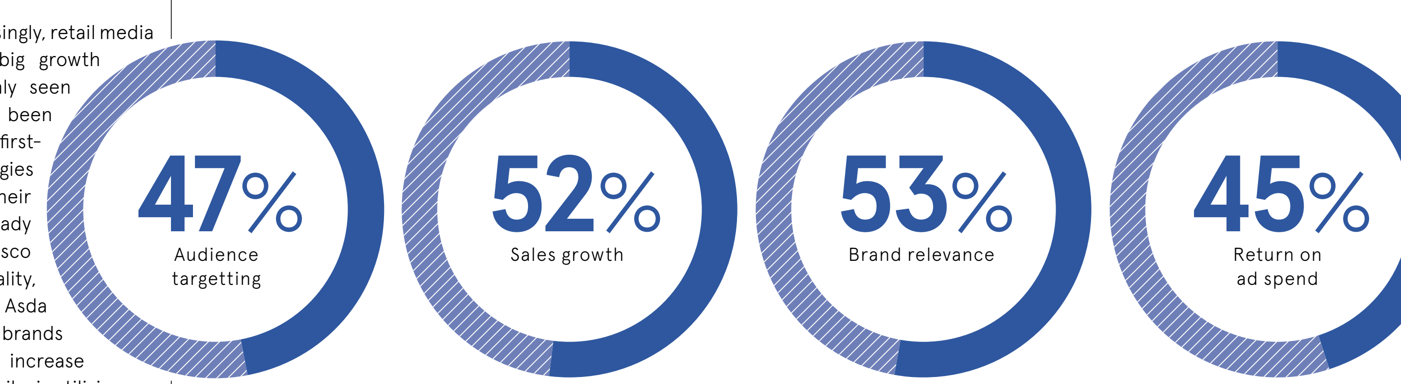
A Criteo has been helping marketers and media owners drive outcomes and solutions for their business for years, but we've now taken it a step further by launching our global commerce media platform, underpinned by large-scale commerce data and commerce-focused AI. Over 22,000 marketers are spending within this platform today and we are seeing over 685 million unique users on a daily basis, across 3,500 different categories. All of this is culminating in a massive amount of data and, ultimately, creating a data partnership that everybody can take part in. It almost becomes a first-party data marketplace. All key parts of the advertising ecosystem – consumers and the brands and media sources they love – will benefit from the open web, and our platform ensures they'll all get the value they deserve.

For more information, visit criteo.com/future

IS OPEN WEB RETAIL MEDIA ALREADY MORE EFFECTIVE THAN 'WALLED GARDENS'?

Criteo, 2022

Percentage of 250 UK-based brand marketers who think that open web retail media is more effective in these areas



Gulf x McLaren

May contain spoilers: McLaren's F1 drivers, Lando Norris (left) and Daniel Ricciardo, with cars in the limited-edition Gulf Oil International livery produced for the 2021 Monaco Grand Prix

INTERVIEW

'We want to bring fans right into our environment'

As Formula One's global charm offensive goes into overdrive, McLaren Racing's CMO, **Claire Cronin**, explains how the team is becoming more accessible to consumers than ever

Morag Cuddeford-Jones

If you happen to know your Ascari from your Andretti and your Zandvoort from your Zeltweg, you're probably an avid Formula One fan, but you don't have to be an aficionado to enjoy its many twists and turns. Arguably, F1 reaches a wider audience than that of any other sport through the extensive global coverage of grand prix weekends, popular documentaries such as Netflix's *Drive to Survive* and a whole host of social media campaigns and marketing partnerships.

The controversial Abu Dhabi Grand Prix in December 2021, in which Max Verstappen pipped Sir Lewis Hamilton to the driver's world championship on the final lap of the season, "pulled in a bigger global audience than the Super Bowl managed – and there were 22 grands prix last year", notes Claire Cronin, CMO at McLaren Racing.

Founded in 1963 by New Zealand driver Bruce McLaren, the team is one of the most successful and widely recognised names in motor sport, having won 183 grands prix and eight constructors' championships since making its F1 debut in 1966. It also runs two other racing teams – in the IndyCar and Extreme E series – and McLaren Shadow, its esports équipe of virtual drivers.

"There are 17 races in IndyCar this year, five in Extreme E and another dozen in esports. We're on television a huge amount," Cronin says. "In effect, the cars serve as mobile billboards, both for McLaren and for all the brands that choose to partner with us."

But how a brand such as McLaren reaches its audience is about so much more than a 200mph logo. When it comes to consumer engagement, it's all about partnerships, platforms and content.

"You'll never see a McLaren Racing commercial on television, but you will see our partners, particularly in the technology space, featuring us in their TV advertising to help tell their story," Cronin says.

She cites the example of Cisco Webex, which entered a partnership with McLaren to provide its communications systems, initially at trackside and then at the team's HQ near Woking in Surrey as hybrid working became the norm. Cisco Webex made a film about McLaren's set-up and used it as the basis of a TV commercial that showcased the work of both companies.

"Increasingly, our brand partners are saying: 'If we want to stand out in our category and bring our products' unique selling points to life, featuring McLaren in our advertising is a really smart way to do it.' We know our strategy of partnering with brands early in consumer lifecycles is making a difference," Cronin says. "The team is turning 60 next year and we're very focused on how we can bring more fans into our world. A survey last year found that McLaren was the overall fan favourite, among not only avid followers of the sport but also women and generation Z."

She points to the range of brand activations that McLaren has used to reach as wide an audience as possible. "If we want to get more women, children and people from diverse backgrounds interested in the sport and encourage them to come and work for us so that we win the fan engagement battle and the war for talent, we need to use many touchpoints to reach them. For instance, we did a big launch event for our new car, like everyone does, but we were the only team that unveiled ours as a Lego Technic model too."

And then there's its ambition to extend its reach into other forms of motor sport. McLaren is the only F1 team so far to have entered the world of Extreme E off-road racing for electric sports utility vehicles, she says, adding: "We see that the future is new platforms – and bringing fans of all ages into all those different platforms."

> **Particularly in our 60th birthday year, you will see lots of new products**

Gulf x McLaren

Cronin: 'If we want to attract brands to work with us, we must do the most innovative things that amplify their messages'

Brand extensions – and especially merchandise, such as the line of apparel made in partnership with premium sportswear brand Castore – are central to Cronin's strategy. Merchandise not only gives fans a chance to 'own' the brand beyond race day; it also plays its own part in subtly increasing brand awareness.

"Particularly in our 60th birthday year, you will see lots of new products coming to market that are an authentic extension of who we are," she says.

Cronin notes that products featuring McLaren's papaya orange racing livery and its distinctive "speedmark" logo are top sellers on its ecommerce site. But she stresses that the team will not be painting the world papaya at any cost, adding: "You won't see an explosion of tat at airports, where you can pick up cheap key fobs, whistles and pens that aren't sustainable."

Although McLaren is clearly aiming at the premium end of the market with its merchandising strategy, as befits the high-octane glitz of F1,

> **We view everything we do through the lens of how that will excite the fans**

Cronin feels that the far more inclusive nature of the team's communications has made it a favourite among fans. There is content for everyone, from the "avid fan who soaks up all the details" to the "trends fan" who came to the sport through TV coverage or the *Drive to Survive* docuseries, she says.

YouTube videos showing behind-the-scenes footage, fan events and competitions all bring what could otherwise be seen as an exclusive and elitist sport closer to the consumer, whoever they might be.

Even when what's being served up is overtly commercial in nature – for instance, the social media skit in which driver Lando Norris and his then teammate, Carlos Sainz Jr, delivered Amazon packages and bottles of Coca-Cola around Austin, Texas, just before the US Grand Prix there in 2019 – fans of all types still love it. The video, entitled *Driven to Deliver*, was the most watched piece of social content produced in Amazon's name that year.

She acknowledges that, when it comes to such material, McLaren is not only competing with Mercedes or Red Bull for fans and sponsors; it's competing with other sports.

"If we want to attract brands to work with us, we must do the most innovative things that amplify their messages and speak to our fanbase because, ultimately, that is what they're trying to reach. We view everything we do through the lens of how that will excite the fans."

Despite the global audience that F1 commands, Cronin is still working hard to bring more people over to the fast side. One such initiative was a bid to convert a pair of dyed-in-the-wool American football supporters during the week of the US Grand Prix in November 2021. *McLaren Fan Heist*, the 25-minute YouTube video of the action-packed event, featuring Norris and his current teammate Daniel Ricciardo, has had almost 1.2 million views.

Another video, with nearly double the number of views, was produced in partnership with global hotels group Hilton, which had run a competition for members of its loyalty programme. In it, Norris chauffeured the winner's son to school in a McLaren 720 supercar. The creative concept was originally a fan's idea.

"We want to do something that no other team would do – and we want to bring fans right into our environment," Cronin says. "You're not a logo on the car. You're in the team."

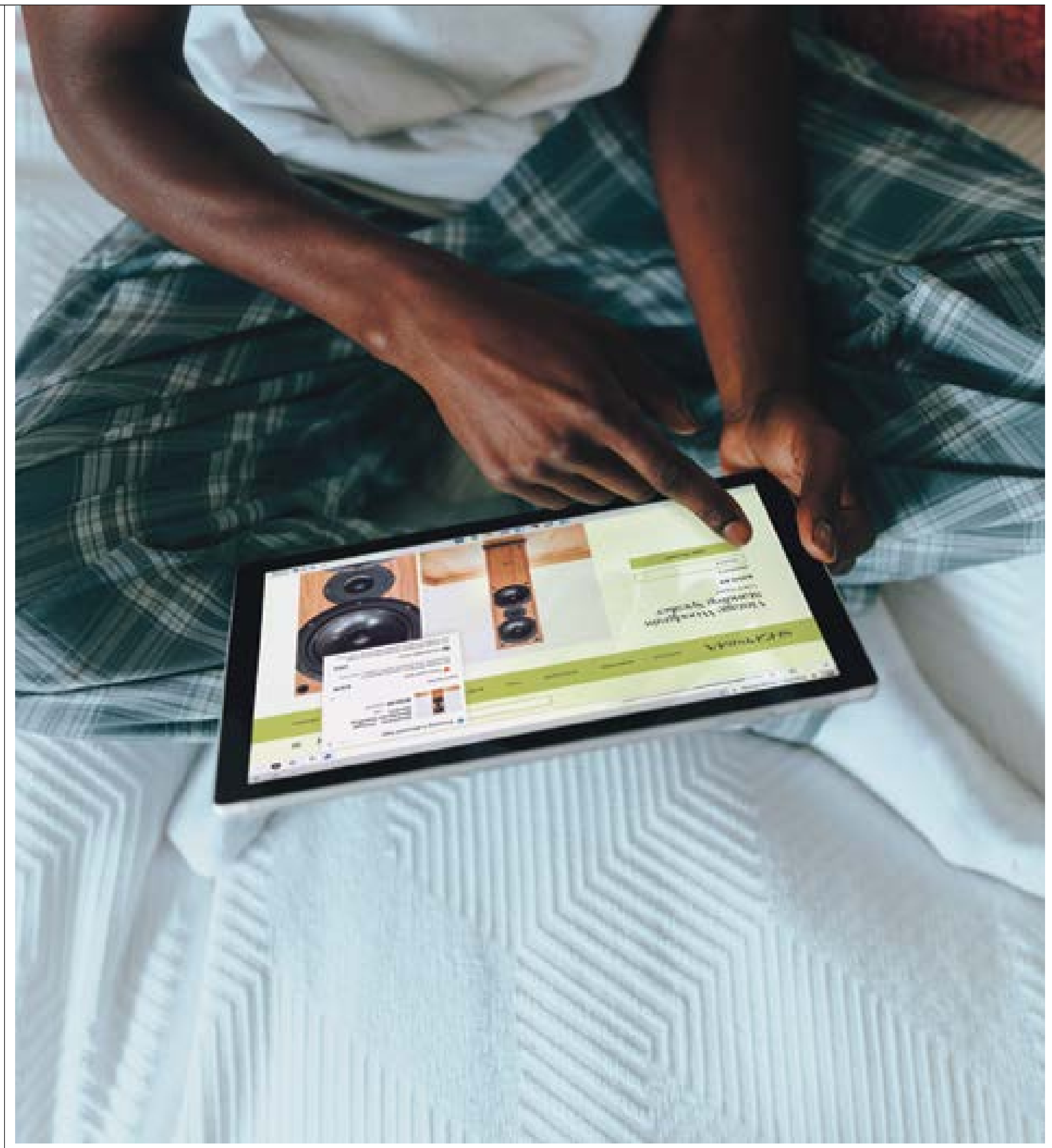
McLaren Racing x LEGO

Schoolyard of bricks: partnering with Lego helps McLaren to attract the next generation of F1 fans

Commercial feature

Brands get creative as mobile ads are transformed

Increased privacy protections don't have to limit the opportunity for mobile advertisers



It is one of the most sought-after advertising slots in the world; halftime during the Super Bowl. Tens of millions of additional viewers tune in almost exclusively to see the ads. So when you invest eight figures in a commercial, you want to be sure that you get it right.

Like many of the most memorable adverts, Coinbase's 2022 Super Bowl offering combined surprise with wonder. There was no need for a pithy slogan, no budget spent on A-list actors. Instead, viewers were greeted with a simple QR code that bounced, pong-like from one corner of the screen to another. It changed colour each time it bumped against the corner of the screen in an obvious nod to the screensavers of yesteryear. But scan the QR code on your phone and you were taken to a landing page, which redirected both new and existing customers to the most relevant offer.

Twenty million people visited the landing page, and downloads of the Coinbase app increased 300% – bumping the company up into second place in the App Store charts.

It was a good example of how brands are rethinking advertising for a mobile-first audience, with innovative user experience at the forefront.

The pandemic accelerated the shift towards a world where almost everything – shopping, communicating and dating – is happening on mobile. Many larger and legacy brands have found themselves playing catch-up. Conversations with consumers are no longer happening on the high street but on the screen.

But as the shift to mobile has gathered pace, advertisers have had to adapt to growing concerns from consumers over the use of their data. Few serious advertisers would ever want to be seen as making a potential customer uncomfortable. 'User-level' data strictly belongs to the individual unless agreed otherwise. Fears over privacy and tracking had the potential to negatively affect the relationship between businesses and their customers – to the benefit of neither.

Big tech companies like Apple, who already owned the digital real estate on which mobile advertisers thrived, introduced new privacy restrictions. A recent iPhone update, iOS 14.5, introduces a pop up when you open a new application which gives you the option to 'ask app not to track.' If selected, the company behind the app cannot access your phone's identifier for advertisers (IDFA), which is used by app makers to distinguish different users and understand how their marketing campaigns are performing.

Since Apple's app tracking transparency (ATT) was implemented, data from AppsFlyer has shown that as of December 2021, globally only 46% of customers who saw the prompt have opted in to have their data collected while they use such apps. The overall effectiveness of ad campaigns has suffered as a result: ads on Facebook became 66% more expensive, all while reaching 22% fewer people, according to data quoted by eMarketer from performance marketing agency Tinuiti.

As a result of these changes, it has also become more challenging to measure the impact of marketing campaigns, and justify ad spend. IDFA is largely used by advertisers to understand which ads were working. For example, if a user saw an ad for an app, clicked on it and installed it, advertisers could use that information to understand what campaigns and channels are working, and better reinvest in future marketing campaigns. IDFA also helped advertisers run more relevant campaigns, and create experiences that are bespoke to the user.

But these challenges are not insurmountable, say industry leaders. AppsFlyer helps power and measure the mobile marketing campaigns of almost 90,000 different apps. Managing director across the UK, France, MENA and Turkey, Paul Wright, says that after the iOS 14.5 update: "It suddenly dawned on a lot of advertisers that the decisions they needed to make about the efficacy of their campaigns could actually be made at the aggregate level. If you could continue to work without exposing user-level data, brands could still be incredibly effective."

Companies like AppsFlyer are putting privacy at the heart of their practice while prioritising the use of new technology to make up for lost granularity. Data clean rooms – colloquially known as the 'Switzerlands of data' – offer safe environments where different sources of data can be matched and enriched without anyone being able to access user-level information. Machine learning models, coded bespoke for individual clients, allow advertisers to predict the success of their campaigns even if consumers haven't enabled the ATT pop-up.

> Once trust is established, the customer may be more willing to share their data, because they will know how they will benefit

As well as embracing new technology, brands should also focus on building the relationship with the consumer, and being transparent with them about what data is being used, how they're using it, and why, all of which can be done as part of a pre-prompt shown before the main ATT prompt.

Once this trust is established, Wright says, the customer may be more willing to share their data, because they will know how they will benefit.

There's an increased focus on crafting innovative multimedia journeys, where the jump from billboard to TV, or desktop to mobile can all be part of the same advertising experience. These more seamless experiences are often powered by deep linking technology, which allows marketers to send consumers to the relevant destination in the app; whether that's a specific product page, discount page or offer.

Coinbase's 2022 Super Bowl offering was a great example of this, and a reminder of how mobile app brands can make the most of technology to deliver smart, creative, multichannel advertising without compromising on measurement or privacy.

Wright says: "Our goal is to find the safest possible way for users to share their data without it being compromised in any way while still giving that granularity to advertisers and media owners so that they can optimise their advertising campaigns. Otherwise, we end up in this world where we're back with spray and pray and no one wants to be bombarded with irrelevant ads."

Customers and companies alike benefit when advertising is relevant and wanted. As the world increasingly relies on connectivity and communication, there are few better places for businesses to be than on mobile, especially now that consumers can feel in control of their own data.

To find out more, visit appsflyer.com

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ECONOMY

Battered by inflation, brands review their advertising budgets

As the cost of living in the UK spirals, they might reasonably be expected to slash their ad expenditure. But, on the contrary, many are planning to *increase* such investments

David Benady

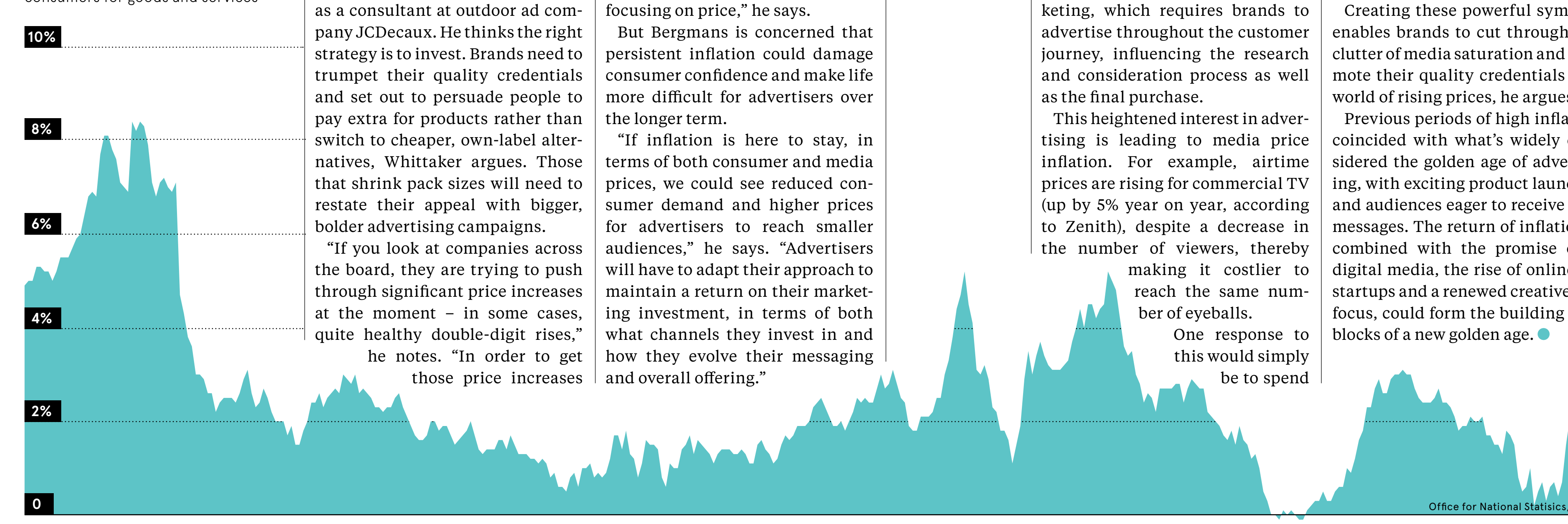
From groceries and housing to energy and transport, the cost of living in the UK is rocketing. Some companies will be planning to spend less on advertising to control their costs, but is this a wise move or a false economy?

Inflation is running at a 30-year high, forcing firms either to absorb higher costs and cut their profit margins or to raise their own prices. As can be seen from the increase in costs of everyday items, many are choosing the latter, although it's a risky move for brands when consumer spending is being squeezed.

What should marketers do during periods of economic turmoil? Cutting expenditure on advertising is clearly an option, but some view this as detrimental over the long term.

INFLATION HITS A 30-YEAR HIGH

The consumer price index – a measure of the change in prices paid by UK consumers for goods and services



Take Unilever, for example. As inflation hit 5.5% in January, the company behind brands such as Marmite, Magnum and Dove committed to maintaining its £5.8bn in global advertising budget as it pushes through price increases.

Unilever's CEO, Alan Jope, told investors: "We would certainly not trim [brand marketing investment] if we felt that it would compromise the health of our brands."

Procter & Gamble, which makes products such as Ariel, Gillette and Pampers, is also preserving its £6.2bn global ad budget as it raises the price of some lines.

But coffee chain Starbucks takes a different view. It's lifting the prices of many of its products despite a 31% increase in profits for the last quarter of 2021, explaining that its margins are under pressure from the effects of rising costs. It's also set to reduce its planned marketing expenditure this year.

City analyst Ian Whittaker works as a consultant at outdoor ad company JCDecaux. He thinks the right strategy is to invest. Brands need to trumpet their quality credentials and set out to persuade people to pay extra for products rather than switch to cheaper, own-label alternatives, Whittaker argues. Those that shrink pack sizes will need to restate their appeal with bigger, bolder advertising campaigns.

"If you look at companies across the board, they are trying to push through significant price increases at the moment – in some cases, quite healthy double-digit rises," he notes. "In order to get those price increases through, you have to persuade consumers of the need to buy your particular products."

The rise of new competitors – often digital – should also make well-established firms wary of cutting their advertising expenditure. Startups including rapid grocery delivery services such as Gorillas and Getir, recipe-box providers, online pharmacies and used-car sellers are all investing heavily in advertising, forcing incumbents in a range of sectors to hit back with their own campaigns.

A powerful example of the inflationary effect is the UK's market for used cars, where prices rose by 28% over the first 11 months of 2021 – the highest increase in Europe – according to Indicata. Used cars are in high demand as the production of new vehicles declines as a result of a semiconductor shortage. This has powered strong sales at online second-hand dealers Cazoo and Cinch, which have been heavy advertisers over the past year.

Lucas Bergmans, brand director at Cazoo, reports that the surge in inflation has not influenced his company's ad strategy in the short term and that demand for used cars is strong, despite rising prices.

"We are a disruptive brand that's looking to transform how people buy cars, so our messaging focuses on explaining the benefits of buying online from Cazoo rather than focusing on price," he says.

But Bergmans is concerned that persistent inflation could damage consumer confidence and make life more difficult for advertisers over the longer term.

"If inflation is here to stay, in terms of both consumer and media prices, we could see reduced consumer demand and higher prices for advertisers to reach smaller audiences," he says. "Advertisers will have to adapt their approach to maintain a return on their marketing investment, in terms of both what channels they invest in and how they evolve their messaging and overall offering."

> In order to get price increases through, you have to persuade consumers of the need to buy your particular products

The outlook for ad spending in the UK over the coming years is strong, according to projections by media agency Zenith. It forecasts a 6.3% increase in spending to a record £29.5bn in 2022, after a 26.2% rise last year and a 3.2% fall in 2020. Total ad expenditure is set to hit £32.4bn by 2024, it predicts.

This will be partly because of heavy spending on ads by startup brands, says Zenith's head of forecasting, Jonathan Barnard. It's also down to the switch to digital marketing, which requires brands to advertise throughout the customer journey, influencing the research and consideration process as well as the final purchase.

This heightened interest in advertising is leading to media price inflation. For example, airtime prices are rising for commercial TV (up by 5% year on year, according to Zenith), despite a decrease in the number of viewers, thereby making it costlier to reach the same number of eyeballs.

One response to this would simply be to spend more, says Charles Vallance, founding partner and chairman of ad agency VCCP. But, if that isn't an option, more creative ways exist to make your budget go further.

"If you cannot spend more, the answer is then to invest better in features that really cut through," says Vallance, who calls such features "distinctive brand assets" (DBAs). They can be graphic, such as the blue and bubbles of O2. They can be linguistic, as with a slogan such as McDonald's "I'm lovin' it". They can also include mascots such as Kellogg's Tony the Tiger or widely recognised spokespeople such as Gary Lineker for Walkers crisps.

"DBAs ensure true productivity of investment," Vallance says. "Without them, even if you spend tens of millions, all that your brand will leave behind is a trail of communication rubble. With them, you will build a communication wall, even if your budgets are modest and/or threatened by inflation."

Creating these powerful symbols enables brands to cut through the clutter of media saturation and promote their quality credentials in a world of rising prices, he argues.

Previous periods of high inflation coincided with what's widely considered the golden age of advertising, with exciting product launches and audiences eager to receive new messages. The return of inflation, combined with the promise of digital media, the rise of online startups and a renewed creative focus, could form the building blocks of a new golden age.

ADVERTISING'S GREAT RECOVERY

After a year of disruption, the UK's advertising industry enjoyed an impressive comeback in 2021, posting a year-on-year growth rate of 26.4%. Its revenues were boosted by a summer splurge in spending, during which advertising across all media types recorded double-digit increases. In fact, the sector's rebound in the UK is projected to be larger than that in any other major international market, including the US, China and France.

£32bn

Projected UK advertising expenditure for 2022

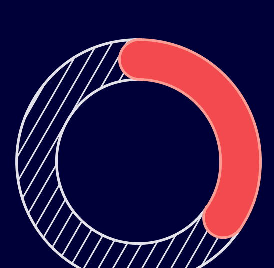
£7.3bn

UK ad expenditure in Q3 2021, representing the largest summer spend on record

+12%

The growth difference in the UK ad market's bounceback spending in 2021 compared with that of other international markets, including the US, China and France

Institute of Practitioners in Advertising, 2021



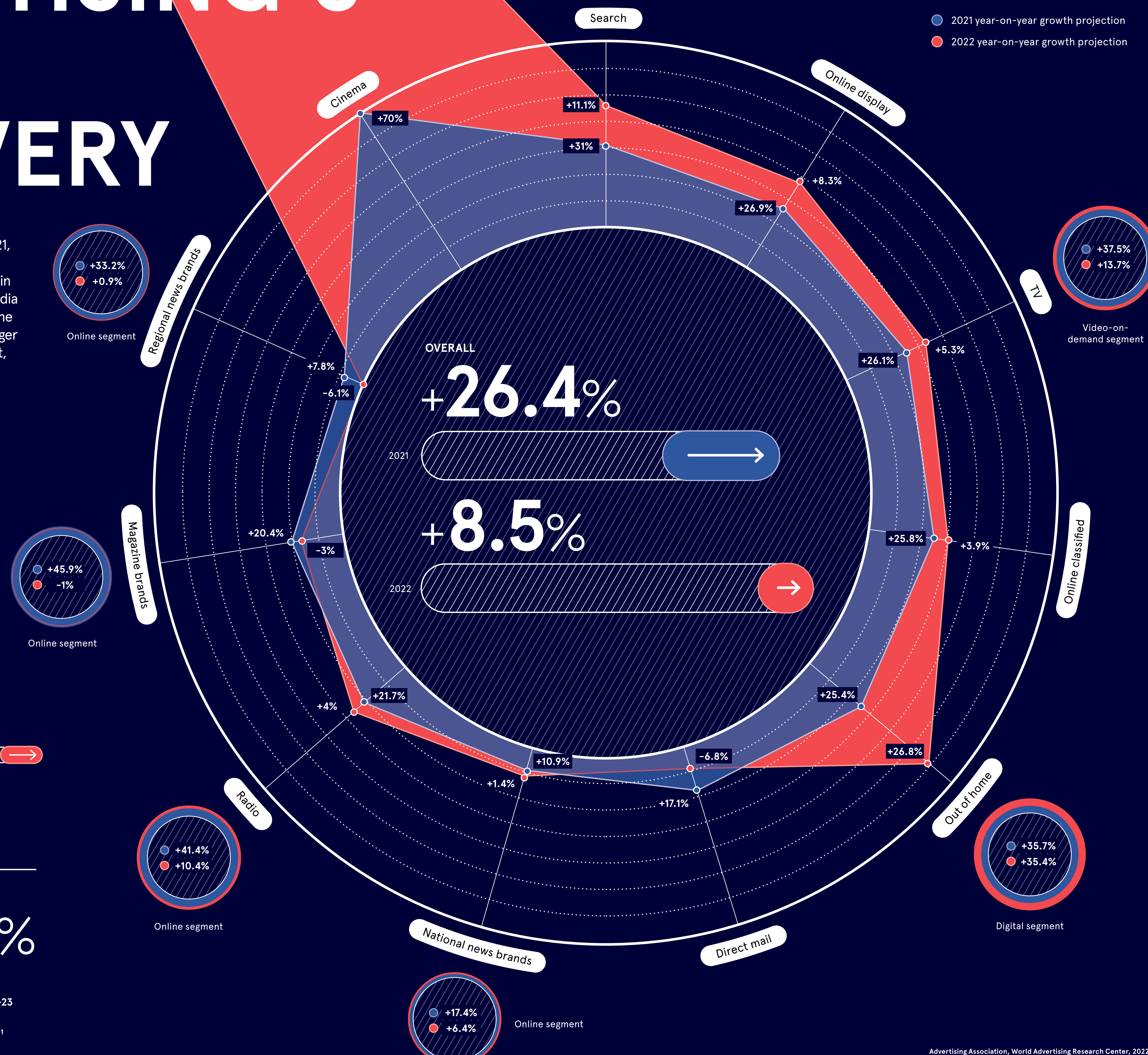
34.5%

of companies in the UK are planning to increase their total marketing expenditure in 2022-23

Institute of Practitioners in Advertising, 2021

GROWTH IN ADVERTISING EXPENDITURE IS EXPECTED TO CONTINUE IN 2022

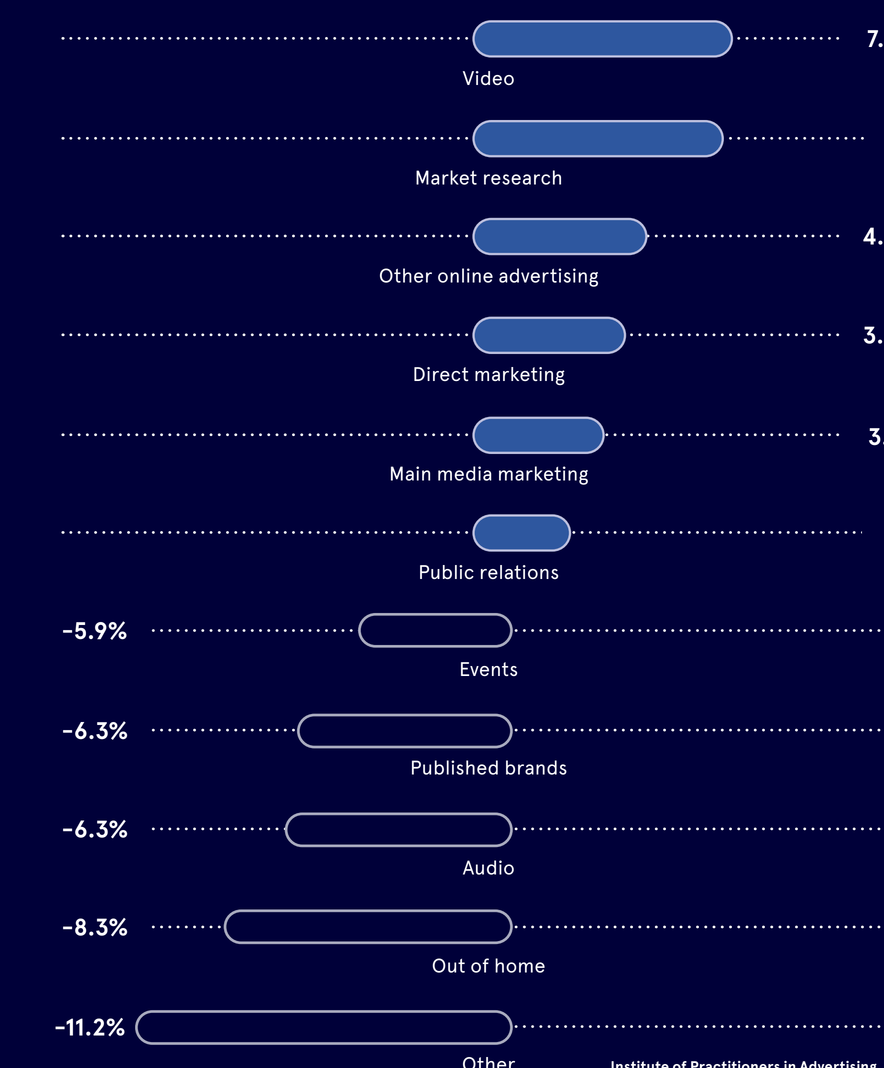
UK projected year-on-year % change in ad spending, by media type



Advertising Association, World Advertising Research Center, 2022

KNOWING THE CUSTOMER IS A KEY FOCUS FOR ADVERTISERS

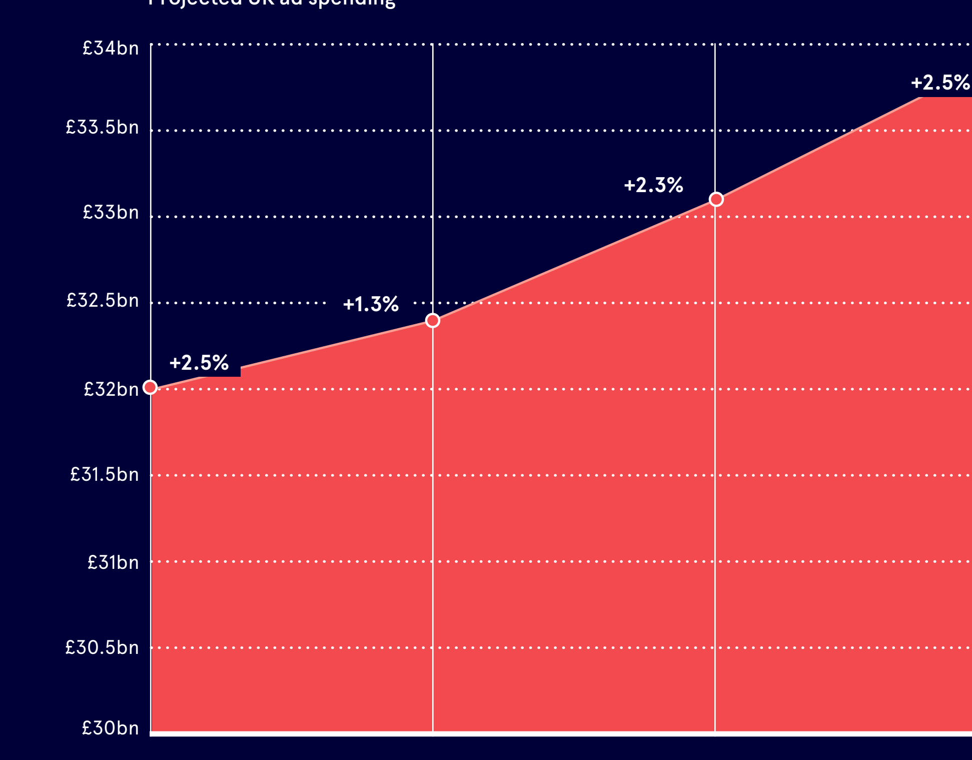
Growth in UK marketing budgets by category, Q4 2021



Institute of Practitioners in Advertising, 2021

CONSISTENT REVENUE GROWTH IS PREDICTED

Projected UK ad spending



Institute of Practitioners in Advertising, 2021

REPUTATION MANAGEMENT

Fixing a hole: can ad land ever win over the public?

The industry has never been renowned for its credibility, but certain online practices, if allowed to continue proliferating unchecked, could erode what little confidence remains in its activities

Chris Stokel-Walker

Things have come to a pretty pass for your profession when research reveals that consumers have less faith in its output than they do in that of estate agents, journalists and even politicians. An Ipsos Mori poll in October 2020 found that 13% of UK adults trusted advertising executives to be truthful, compared with 16% in the case of government ministers.

Public trust in advertising has in fact risen in absolute terms since hitting rock bottom seven years ago, if studies by the Advertising Association's think-tank, Credos, are anything to go by. In 2015 – the industry's lowest point for credibility on record – Credos found that 44% of consumers trusted advertisers to at least some extent. By 2021, the proportion had risen to 55%. Despite this, all the other industries used by Credos for comparative purposes saw bigger improvements over the same period, which means that advertising has fallen further behind the pack.

As the Advertising Association admits in the accompanying research report, *Rebuilding Public Trust in UK Advertising*: "There is unmistakable evidence to show that advertising has a clear public trust problem."

Rik Haslam is executive creative partner at the Brandpie consultancy. He says that there are "many reasons why trust in advertising is so low". One development that's been instrumental in eroding credibility is the online tracking of consumers, who have been bombarded by advertisers with what he calls lowest-common-denominator messaging.

"We have been body-shamed, mis-sold to, spammed and pestered to the point of almost complete cynicism," Haslam says.

Mis-selling is a serious concern, particularly for businesses operating in sectors such as finance and healthcare, where trust takes decades to accumulate and days to lose.

"The online advertising ecosystem is very complex, so consumers do not understand what's happening," notes Robin Karakash, senior marketing director for Europe at Mozilla, which owns the Firefox web browser.

This factor makes them more susceptible to scams and less likely to make the connection between the data they divulge and the advertising that's served up to them. That's a concern for businesses too. For example, Starling Bank has pulled its paid advertising from Facebook and Instagram until Meta can show that it's doing enough to prevent fraudulent ads from appearing in users' social media feeds.

In a blog post published in January, the bank's founder and CEO, Anne Boden, explained: "We want to protect our customers and our brand integrity... We can no longer pay to advertise on a platform alongside scammers who are going after the savings of our customers."

> “ If you know that you can complain to an authority that will enforce compliance with the rules, you feel far more secure

Meta has stressed that it is "dedicating significant resources to tackling this industry-wide issue on and off our platforms", but it remains to be seen whether such efforts will satisfy Boden.

Meanwhile, the Advertising Association believes that the profession needs to focus on producing more high-quality ads that consumers find entertaining and informative.

Its CEO, Stephen Woodford, says: "The things that drive trust in advertising now are the same things that drove trust 30 years ago. Ideally, all ads should be engaging and contain something useful."

But that is far from the case, of course. And the increase in the volume of content that could be counted as advertising has muddied the waters. From hyper-targeted pop-up adverts on websites to undeclared ads by social media influencers, so-called suspicious advertising is another factor damaging perceptions of the industry, according to Credos.

The UK has stringent advertising regulations, but these aren't always enforced to the extent that they could be. Changing that could help to rebuild trust, according to Woodford, who says: "One key attribute that we have in the UK industry, which is almost like a jewel in the crown, is the Advertising Standards Authority."

Making people more aware of the authority and its powers – including its ability to warn influencers against entering undisclosed commercial deals with brands – has a demonstrably positive effect on public trust in the industry. The Advertising Association recently ran a "test campaign to promote the fact that the Advertising Standards Authority regulates advertising everywhere you see it", Woodford explains. Its researchers polled the target audience and found that its average level of trust in the industry had risen by 50% after viewing the campaign.

"When you realise that there is a policeman present, you're reassured that someone is there checking," he says. "If you know that you can complain to an authority that will enforce compliance with the rules, you feel far more secure."

While such knowledge gives reason for optimism about the future of advertising, the industry has much work to do, stresses Haslam, who suggests that many companies need to review their practices. The rise of big-data analytics has made the industry a duller place. It's time to restore some much-needed creativity to its output, he argues, echoing Woodford's assessment.

"Brands need to play a positive role in society to regain the confidence of consumers. We all like an ad that entertains us," Haslam says, recommending that they try to channel the quick wit of an advert for *The Economist* or the "bizarre whimsy" of the Cockney gecko campaign used by US car insurer Geico.

If digital advertising doesn't learn how to engage audiences in such a way soon, "it will become ever more annoying and erode trust further", he argues, adding that companies also need to be more purposeful in their choice of media.

"Programmatic advertising is incredibly efficient, but it's also opaque. It can damage the reputation of your brand if it is placed in inappropriate contexts," Haslam warns. "On the other hand, showing up in credible, trusted environments can help to create positive associations. With this in mind, try to avoid the temptation to drown consumers in a deluge of cheap ads. Be more considered in how you take your brand to market."

If the industry as a whole can follow those principles, there's a good chance that it can creep up the league table of public trust. Becoming more credible than a politician isn't too much to ask, surely?

INSIGHT

'The ad industry needs to be able to clearly frame creativity's value in business'

Marketers are adapting to the post-pandemic climate – and it's moving at lightning speed. After two unpredictable years mired in financial uncertainty, it's understandable for brands to get sidetracked by short-term metrics over long-term brand-building.

As budgets restrict, there is additional pressure for every penny of spend to drive positive value. So, if brands want to convince stakeholders to confidently invest in creativity, now is the time to focus on effectiveness. Brands have to not only make the case, but prove the case, that creativity drives growth – when it is effective.

At LIONS we know, through analysing 69 years of Lion-winning work, that truly effective creative work not only drives bottom-line growth, it changes behaviour and helps to solve the biggest challenges facing our world, over the long term. Effectiveness goes way beyond views, clicks and impressions.

2021's winner of the Creative Effectiveness Lions Grand Prix, celebrating creative work that demonstrates how an effective strategy, rooted in creativity, has met its business objectives, is a case in point.

Nike's 'Dream Crazy' campaign-launched in 2018 with a social media post featuring a black and white image of former NFL quarterback, Colin Kaepernick and the words 'Believe in something, even if it costs you everything'.

The campaign by Wieden & Kennedy Portland, won numerous awards. Nike then expanded the work, collaborating with sports people including Serena Williams and Lebron James. It was after three years' commitment, in 2021, that its effectiveness could be clearly demonstrated. Crazy Dreams had earned $163m of media, added $6bn of value to Nike's brand and boosted sales by 31%.

Creativity and effectiveness must go hand-in-hand for marketers to see consistent results that satisfy the CFO. In the LIONS' *State of Creativity* study this year, we collated insights from 3,300 people, across the global creative industry. It revealed some fascinating insights.

Convincing stakeholders to invest in creativity was the biggest challenge cited by creative agencies, production firms and media companies alike. Some 41% of brands also said they are still struggling to get buy-in from stakeholders.

The entire industry needs to clearly frame creativity's value in business. To help brands build creative confidence, agencies must upskill their talent in key areas: 82% of brands and 78% of creative partners said that understanding creative effectiveness was very important to upskilling the workforce. Some 86% of creative partners believed it was most important to upskill talent in strategic creative thinking.

Brands and agencies need a shared language and understanding of creative effectiveness for it to thrive. Spotlighting case studies where creativity has a positive impact on growth will help to make the case.

This is why, in 2021, LIONS and WARC developed the Creative Effectiveness Ladder, in partnership with effectiveness expert James Hurman. It aims to help businesses identify which creative outcomes they want to achieve and the kind of creativity needed to reach those goals. We published the results in *The Effectiveness Code* whitepaper, which provides a 'universal language framework' and outlines clear groupings to measure and articulate the effectiveness of creative work.

We took the principles found in the code to reshape the Creative Effectiveness Lions, bringing this new language to the core of the award. Expanded use of this will enable the creative community – led by strategists and planners – to measure and communicate internally about what excellence looks like, and for creative companies to bring brands along on the journey.

So, to build creative confidence and investment, let's focus on proving the effectiveness of creativity and ensure we're all speaking the same language.

Susie Walker
Vice-president of awards and insight
Cannes Lions

Commercial feature

HBO's social VR experience 'Sanctum'

The metaverse transforms the brand playbook

Brands must understand motives in virtual environments if they are to create powerful, engaging experiences that build loyalty. Successful navigation of these arenas will add powerful value to campaigns

Attention around 'the metaverse' is growing, partly because of the significant investments being made into the space by technology and gaming giants. The development of Facebook's Horizon Worlds platform, Microsoft's recent acquisition of Activision and the growth of environments like Roblox and Fortnite are all encouraging excitement. There are also numerous popular niche platforms in the evolving metaverse space such as Sandbox and Decentraland.

The challenge for companies looking to grow their brand presence in these environments is to identify where the value lies. "While the metaverse will offer huge potential, brands mustn't lose their way among the many options in front of them," says Josh Mandel, chief executive at the visual effects, creative production and experiential marketing business The Mill. "It's important to focus on where their audiences are and what motivates them, so they can reach them well."

A key decision will be whether to launch in these nascent spaces now, or to sharpen a longer term strategy. Either way, brands wanting to be part of a metaverse need to commit to the idea of living in a virtual way, Mandel explains. "These are persistent environments and brands entering them need a multi-year plan addressing how they will build, maintain and evolve their existence."

> “ Brands should be thinking seriously about how the metaverse will evolve, so they can make the bold bets needed to get ahead

Early metaverse experiences are already providing lessons, with fashion brands proving particularly innovative. Nike, for example, has been active in the Roblox game, creating its own bespoke world called Nikeland, while luxury fashion houses such as Burberry, Gucci and Balenciaga have enabled users to dress up their metaverse avatars in virtual garments.

However, it is clear that any brands should avoid excessive selling in places where people are looking for community and fun. "It comes down to properly understanding audience motivations and creating desire for the brand in a way that resonates positively," Mandel says.

Once brands have chosen where they want to appear, they then need to blend in aesthetically and technologically, while still reflecting their own image. They are increasingly going directly to visual effects (VFX) and creative technology specialists to succeed. Many are working with The Mill, the world's largest visual arts company with a more than 30-year VFX background, deep design capabilities, augmented and virtual reality prowess, and a roster of experienced directorial talent.

"Our conversations often begin with which metaverse platforms brands want to show up in - and how," says Mandel. "The skills we offer in these environments mean we can guide their approach and use our talent resources to bring ideas to life."

Among those that have worked recently with The Mill is Riot Games, which commissioned the company to build an experience for popular virtual metal band Pentakill. The band stems from the most popular PC game worldwide, League of Legends. Riot Games Music wanted to maximise the impact of Pentakill's album launch, so collaborated with The Mill to treat players to a 45-minute exclusive set staged entirely in the metaverse, with content tailored to meet the visual and experiential expectations of the game's fans.

Meanwhile, retailers, consumer goods brands and even business services firms are trialling metaverse experiences. These often take place through consumer devices, but are increasingly emerging on powerful in-store and in-office technology, as the boundaries blur between the virtual and the physical worlds.

As companies aim to be at the sharp end of brand experiences, the options before them are transforming. "Now is the time for brands to build a real plan for the metaverse," concludes Mandel. "There is already a broad advertising playbook and the metaverse should sit right alongside current ad channels from the web, social media and email, to TV, radio and print. Brands should be thinking seriously about how the metaverse will evolve, so they can make the bold bets needed to get ahead."

To find out how to build powerful brand experiences in the metaverse, visit themill.com

A TECHNICOLOR CREATIVE STUDIO

> Just as brands had to adjust to being more conversational in the social media era, new forms of advertising and experiences born in the metaverse will appear

TECHNOLOGY

Advertising in the metaverse

New immersive platforms offer advertisers the change to get in front of hard-to-reach audiences, but only if they respect the social aspect of consumers' virtual worlds

Jon Axworthy

In his 1992 cult sci-fi novel *Snow Crash*, author Neal Stephenson wrote about a virtual reality populated by avatars and advertising that he called the metaverse. Crowded with 'franchise signs' that bathed the world's inhabitants in a 'loglo', it predicted the futuristic immersive internet experience that is only now slowly becoming a reality.

Thirty years on from Stephenson's vision, the metaverse is made up of a complex network of platforms. These have either grown from gaming, such as Fortnite and Roblox, or developed from decentralised Web3 platforms owned by users.

Brands are already falling over themselves to stake their claim, with US brewer Miller Lite one of the latest. It hosted its Super Bowl ad in the metaverse after being frozen out of the traditional TV advertising route by a rival brand's exclusive tie-in with the NFL.

Miller Lite built a virtual bar inside the 3D virtual world in Decentraland and its new advert premiered there, showing on TV screens inside the digital bar.

"Just being in the metaverse isn't enough, you have to make it compelling," says Ben Wolan, executive creative director at DDB San Francisco, the agency that conceptualised the ad. The brand went meta with the ad itself, drawing attention via its avatar host – or 'avastar' – to the usual ways that Super Bowl ads try to gain traction: often with overly dramatic music , explosions and a "culturally relevant pop star".

The strategy seemed to pay off, with visitors to the bar spending an average of 20 minutes within the ad. Wolan says this shows the power of the medium, but only if brands understand how to use it.

"Just as with a commercial, people will only want to interact with a brand in the metaverse if the brand respects the audience and gives them a quality experience," he says.

There have been other productive forays into the metaverse by brands.

Last Halloween, for example, restaurant chain Chipotle opened a store in Roblox as part of a promotion that resulted in the brand's highest digital sales day in its history. Tressie Lieberman is Chipotle's vice-president of digital marketing and off-premise. She believes that if brands are going to really cut through in the space it is crucial they realise they're not the experts.

Miller Lite hosted a Super Bowl ad in the metaverse, building a virtual bar inside the 3D virtual world in Decentraland

"Because of the dynamic nature of the metaverse, they have to approach this new era of marketing with curiosity and a learning mindset in order to authentically show up for consumers," she says. To do this, Chipotle worked with a gaming studio and a social agency to create the experience on Roblox.

Similarly, in 2018, when Fortnite introduced a new game mode called Food Fight, fast food chain Wendy's worked with creative commerce company VMLY&R to immerse its brand in-game and meet the audience in their own virtual universe.

Wendy's used the game mode to promote its 'fresh, never frozen, beef' message by creating an avatar that looked like the famous Wendy logo. She roamed around destroying all the burger freezers that appeared in-game. It resulted in more than 1.5 million minutes watched and a Twitch stream that was viewed live over a quarter of a million times.

The key lesson that brands can take from these use cases is that when entering these metaverses, advertising should never disrupt the experience as this will only lead to contempt from consumers. Instead, it's crucial that the advert becomes entertainment and lines are blurred.

However, brands will need to tread lightly in this new commercial format and be willing to experiment and take risks, warns Tom Hostler, head of brand experience at agency Publicis Poke. He says: "Brands need to recognise the metaverse will be more than just a digital facsimile of the real world and resist the urge to simply recreate their familiar assets and consumer interactions in those virtual places.

"Consumers are drawn to the interaction with their friends, not the technology, so brands would do well to enhance those social interactions, rather than interrupt them."

It's also important to remember the metaverse's scaffold isn't solely made up of gaming platforms and there are plenty of decentralised metaverse gateways. One example is Somnium Space, where brands can buy virtual land and then attempt to commercialise it in some way.

Unlike centralised gaming gateways that have limits on the forms ads can take, decentralised platforms are unrestricted. Experts agree that when exploring these worlds, brands need to be careful they don't simply litter the landscape.

"Web3 has started to unlock an entirely new wave of trends and consumer insights for brands to tap into," says Chipotle's Lieberman.

"We're not only thinking about engagement opportunities in the metaverse, but we're also trying to find ways to drive consumer action in real life with activations across these platforms."

Advertising will need to be even more intelligent within these decentralised spaces because it won't be as powerful: its creators are already being rewarded with micropayments for their efforts.

Brands need to harness the power and creative opportunity that is available to them by carefully curating and designing worlds that people want to spend time in. That means creating communities that don't feel out of place, don't jar with users and aren't simply display advertising in another medium.

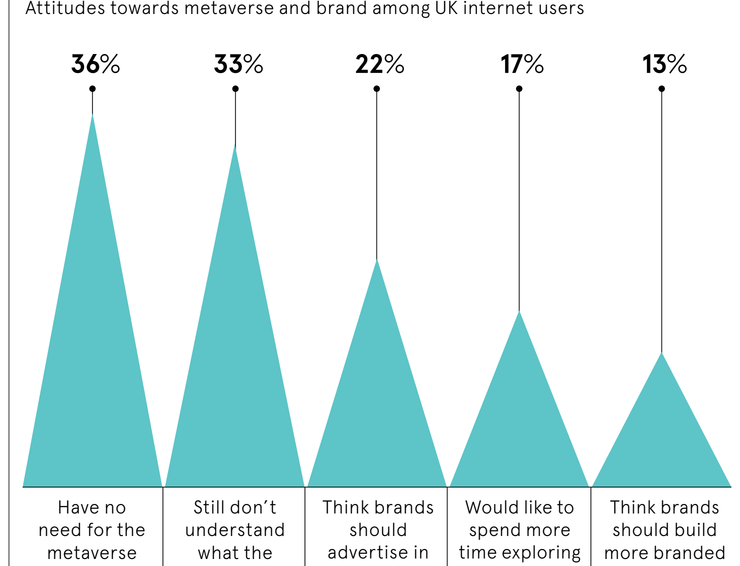
"Right now, there's a rush towards a version of digital out-of-home adverts and digitised experiential, but neither of these play to the social underpinnings of most metaverse experiences," explains Hostler, who believes brands are going to have to be more agile.

"Just as brands had to adjust to being more conversational in the social media era, new forms of socialised immersive experiences that are born in the metaverse will appear."

What we do know is that if brands don't optimise their strategies they run the risk of alienating the very people they are trying to reach. Then, the metaverse will begin to resemble Stephenson's more dystopian vision, which sees endless virtual tunnels of advertising that speak to no one.

THE METAVERSE CAUSES A LOT OF CONFUSION AMONG CONSUMERS

Attitudes towards metaverse and brand among UK internet users



Emarketer, 2021

Commercial feature

Q&A

Advertising enters the age of agility

Patrick Johnson, CEO of digital services firm Hybrid Theory, explains why agility is the most coveted attribute of the successful marketer

Q How has the digital advertising landscape evolved in recent years?

A Five years ago, we were all working in a very siloed landscape. Everybody was focused on their own micro challenges, but nobody was tackling the big picture issues that marketers were facing holistically, or seeking to connect the whole environment. Consumers don't think in silos and brands shouldn't either.

What I've been excited to see over the last few years, however, is a real quest for knowledge among the marketing community attempting to understand how each of the different parts can come together to support their overall goals. Meanwhile, consumers have increasingly sought a more authentic experience. They want to interact with brands in a genuine way, which is prompting an urgent need for some of the jarring practices of the past to be replaced with a more comprehensive approach.

Effectively, both sides of the advertising equation – marketers and consumers – are asking for a more connected experience. And as a result we are seeing a lot of convergence in the advertising ecosystem where adtech and martech companies, consultancy firms, advertisers and media owners are collaborating like never before.

Q What has been the impact of the intense scrutiny on the use of third-party cookies?

A The regulatory pressure predominantly relates to bad practices, not bad products, and a distinction needs to be made there. Every marketer is extremely aware of GDPR and similar data regulations around the world to better protect people's privacy online. The regulatory environment is moving quickly and the substantial antitrust scrutiny facing big tech firms was recently compounded by regulators in the EU and UK opening twin investigations into an advertising agreement between Google and Meta, which owns Facebook.

As consumers we've all experienced that display ad for a product we stopped looking for weeks ago. This kind of use of third-party cookies is not only irritating for consumers but it's largely unsuccessful for brands and an incredible waste of resources for marketers, who could be putting their money elsewhere. A correction of sorts in the digital advertising landscape is long overdue and regulation will accelerate it.

But that's not to say the walled-garden companies won't still offer value to advertisers. The industry is already looking at better practices and alternative solutions, such as ID solutions that enable marketers to continue to achieve effective targeted advertising but in a more privacy-respectful manner.

Q Should marketers be utilising the open web more than they currently are?

A The open web is a better environment for brands to understand their competitive advantage and utilise insights at a niche level. Around 80% of digital ad spend goes to Google and Facebook, yet consumers in fact spend 66% of their online time outside the walled gardens, on the open web, according to a study by Open X. There's a clear disconnect between where marketers are focusing their spend, time and resources, and where consumers actually are most of the time.

The challenge for marketers, however, is that it has historically been more difficult to achieve a unified brand experience on the open web. The walled gardens, meanwhile, have offered marketers a phenomenal way to build scale and an end-to-end process – including creatives, placing ads and targeting – that is very seamless. Both the walled gardens and the open web have their flaws, but each also bring tremendous benefits and serve a key purpose.

Q With so much change, how can marketers successfully adapt their advertising strategy?

A Agility is a core attribute of any successful marketer today. Third-party cookies are just one piece of the puzzle. We've got to start thinking about how to move beyond that and use all of the other amazing tools available. Successful advertising will ultimately be about hybrid audiences, which is the blending of the social, the contextual and the ID-based worlds together. But that doesn't mean pulling a hard lever to switch from one to another – it's about optimising between those three worlds. Marketers need to be asking the right questions of their partners about which platforms and channels are best positioned to help them in the short, medium and long term. And make no mistake, the combination of social, contextual and programmatic is fuelling the journey.

21million

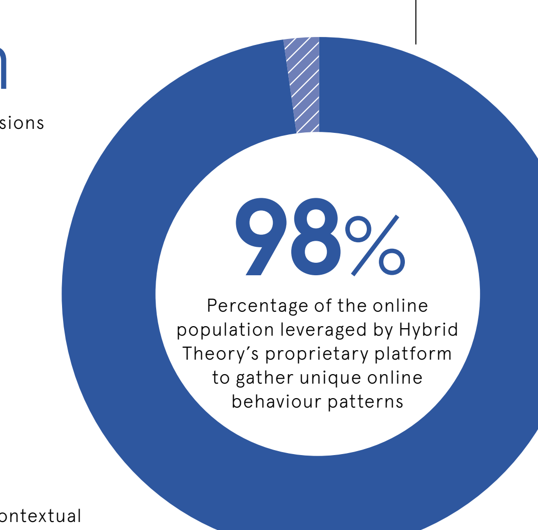
Number of weekly average impressions across over 66K websites globally

3billion

Number of cookieless data signals processed daily

2.6x

Increase in scale when blending contextual and behavioural data, in addition to a 127% improvement in engagement



> There is no blueprint for the future of advertising and that's what's exciting about it

Q How is Hybrid Theory supporting marketers on this journey?

A We developed a technology that enables brands to seamlessly move between these worlds; an intelligence platform which combines behavioural, contextual and social media data and gives marketers the ability to create custom audiences in real time. This means no matter what a company asks of us, we can adapt to it and guide them through, both from an ease-of-use perspective and an efficiency perspective.

For instance, we are able to derive nuggets of information from the open web world, which is very transparent, and we can carry that through into the social world, and vice versa. Through this technology, marketers can ultimately leverage multiple tools in a blended, agile manner which adapts to whatever they are trying to achieve, from launching a new product to entering new markets and differentiating from competitors.

The sophisticated machine intelligence is strongly complemented by human intelligence. This includes the work of our behavioural data scientists who leverage our social and programmatic interoperability to learn more about a brand's audience and find unexpected new audiences by linking affinities.

Q What is the future of digital advertising?

A There is no blueprint for the future of advertising, and that's what's exciting about it. However, even in such a fast-changing environment, we can identify three things that will play a critical role. Firstly, good agile data that can flex towards what a client is after. Secondly, smart technology which can also adapt and apply the data in a number of different ways. And finally, smart strategic people who can take all that and run with it. As data continues to become the oil in the advertising universe, Hybrid Theory will be helping marketers and brands to navigate all of the changes, as well as the new technologies that will emerge.

For more information, visit hybridtheory.com

HybridTheory

Green ad claims come under scrutiny

Advertisers beware: the ad regulator is putting its focus on businesses whose sustainability claims are not sufficiently supported by science, as a number of the biggest names in the food and drinks industry have learnt the hard way

MaryLou Costa

Oatly, Innocent, Alpro and Pepsi Lipton have all had their knuckles rapped by the Advertising Standards Authority (ASA) in the past year for sustainability claims in their advertising.

Complaints ranged from the company declaring that its product has fewer carbon emissions than the dairy equivalent (Oatly), to making broad statements about it being better for the planet (Innocent and Alpro), to not specifying which parts of its packaging were 100% recycled (Pepsi Lipton).

Consumers took issue with all four brands for the validity and clarity of the information in their advertisements – which were shared collectively via press, social media, TV and on billboards – and brought their concerns to the watchdog. The complaints were upheld, with the consistent ruling that the companies were not specific enough about their claims.

With many companies interweaving sustainability-related messaging and values into their brand identities, similar issues could arise in future. So, what can businesses do to ensure they don't fall foul of "greenwashing" advertising rules?

The ASA's guidance on environmental and sustainability claims is not new, insists Miles Lockwood, the body's director of complaints and investigations. But with consumer complaints around these types of adverts rising fast – climbing from 143 in 2018 to 805 in 2021, according to ASA data – Lockwood acknowledges that he and his team are upping the ante in terms of scrutiny and investigative resources.

"The ASA has had environmental rules in the code for decades, and we've been ruling against misleading and socially irresponsible claims for many years," Lockwood says.

"What has changed is that, early last year, we recognised we needed to go further and faster in our regulation of this because of the climate crisis and the environmental concerns that everybody, rightly, has about it. That means we have decided to apply a lot more resources to this issue and shine a brighter light on it."

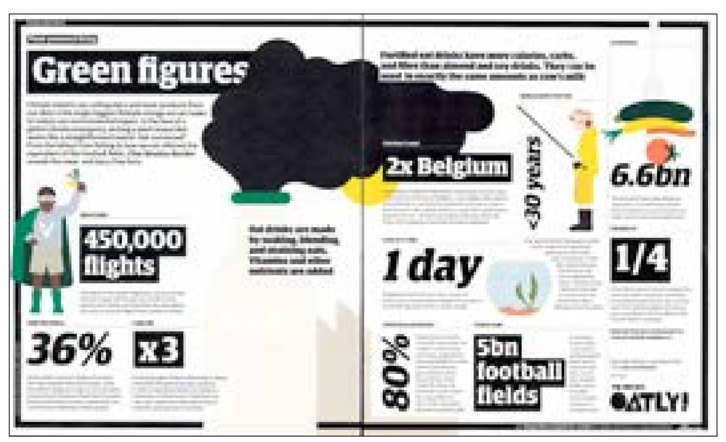
> We are not trying to be an enemy of the good but recent rulings show that even if you are trying to do good you still have to be accurate

Brands must think about the accuracy of the science in any messages they put forward and ensure they have evidence to support the claims they make all the way across their supply chains, Lockwood advises. When brands get it wrong, it is usually because they have failed to recognise just how complicated this aspect of advertising is.

"We are not trying to be an enemy of the good here," he says. "But these recent rulings do disclose something important, which is that even if you are trying to do good, you still need to be accurate."

Businesses should be careful not to mislead by omission "because we cannot let companies off the hook just because they are trying to promote something which they say is best for the environment", says Lockwood. "To do so would be to open the floodgates to unrestrained greenwashing," he believes.

While all outwardly condemn greenwashing, the reaction from the brands involved has ranged from remorse to defiance. Oatly spokesperson Tim Knight admits: "It's clear that we could have been more precise in the way we described some of the scientific data for parts of this campaign."



Oatly recently had ads banned by the UK ad watchdog over "misleading" green claims

On the promotion concerned, he says: "Our core message was true but we weren't specific enough when referring to scientific data."

For example, the company made a claim that Oatly's oat milk generates 73% fewer carbon dioxide emissions than cows' milk: the ASA found that the statement implied this was the case for all Oatly products, when, actually, it applied to just one.

"We should have been more specific in our workding and said, 'Oatly Barista Edition oat drink generates 73% less CO2 emissions versus whole milk, calculated from grower to grocer'," says Knight.

The difference between what was included and what should have been included – right down to which products are mentioned and the context they are mentioned in – demonstrates the necessary evidence and accuracy that Lockwood and the ASA require.

By contrast, Innocent isn't afraid to say that it was disappointed in the ruling, as its advert was "intended to highlight important global environmental issues and the need for collective action to make a change". That's the argument from Emilie Stephenson, the brand's UK head of Force for Good, which is how Innocent refers to its environmental, social and governance efforts.

Stephenson makes the point that the science in this area keeps evolving, so a clearer business framework that brands can more easily adhere to is required.

It was only in October 2021, for example, that the Science Based Targets initiative announced the world's first standard for corporate net-zero emissions, she says. "Until then, companies were self-defining net-zero targets. Clarity and clearer frameworks from governments and regulators are urgently needed."

This is also why Innocent is calling on the government to get behind the Better Business Act, she says, "to help provide a framework for businesses to operate responsibly".

To ensure they stay on the right side of the advertising code, brands should be leaning on expert advice, Lockwood says. That could be support from a scientist or a sustainability consultancy.

Pura, which produces biodegradable baby wipes, relies on the knowledge of its in-house sustainability director, says chief marketing officer Amanda Richards.

In light of the recent rulings, Pura has reviewed its own messages around being 100% plastic-free and 100% biodegradable. Richards is confident they will stand up to scrutiny – something brands without a track record of being sustainable may find harder to assert, she says.

"Those that have a history of making evidence-based claims should have little to fear or change," Richards says.

"For brands that have hidden behind fuzzy statements and empty promises when it comes to the environment, there will be a lot of work – and potentially cost – associated with adherence to the guidelines."

If the advertising guidelines seem too complex to follow, it's likely that the business just isn't there yet when it comes to sustainability. So argues Georgina Murray-Burton, who leads brand communications strategy at Engine Creative, the agency behind Sky Zero campaigns such as 'The Day the Moon Came to Earth', which is told from the perspective of astronauts in space.

"Some brands are 'born good' – a sustainable business to the core that can help inform and educate people with their offering. Others are trying to 'become good'. It's with these clients that we've already had to have conversations about why they want to include sustainability messages, and whether they can and should," observes Murray-Burton.

Businesses are used to tapping into trends and culture to generate affiliation and, ultimately, sales, she says. "But this isn't a trend – the future of our planet is at stake. Our industry has so much power to help shape opinions and influence decisions. The guidelines will help us avoid any accidental greenwashing."

Marketing departments, she adds, will have to work more closely with the operational side of their businesses to better understand their supply chains and practices before deciding on any claim about the environment they could make.

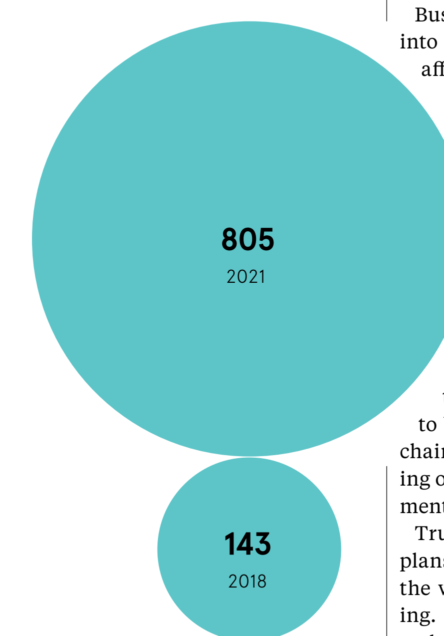
True to Lockwood's word, the ASA plans to cast its net even wider into the world of sustainability marketing. It is currently researching the carbon-neutral and net-zero claims from the electric vehicle sector.

It will also be exploring broader messages around carbon reduction across energy, heating, transport and use of plastics, which kick off in the spring. That will be followed by a review of meat and dairy sustainability claims, as well as those of plant-based products.

"There's a big difference between pure puffery tokenism and claims that actually have a meaning, which have an economic impact on the behaviour of the consumer," says Lockwood. "That's what we're concerned about here."

COMPLAINTS ABOUT THE SUSTAINABILITY CLAIMS MADE BY BRANDS IN THEIR ADVERTISING ARE RISING FAST

The number of consumer complaints



ASA, 2022

What the advertising code says about green claims

Environmental claims are likely to mislead if the basis of the claim is not clear. Some information will be necessary for consumers to understand the basis of the claim, and unqualified claims could mislead if they omit this significant information.

Marketers must consider consumers' likely interpretation of a claim. Where general claims could be interpreted as absolute claims, or have multiple possible interpretations, additional information is required to make the meaning of the claim clear.

Marketers should consider how knowledgeable the audience of marketing communications are likely to be, and should not assume a high level of understanding, particularly if ads are untargeted. Qualifications may be necessary to explain the meaning of certain claims.

Where specific factors are likely to contribute to a consumer's interpretation of a claim, these factors should be included in the ad.

STRATEGY

Long divided, brand and performance advertising are now joining forces

Brand-building marketing and sales activation have historically operated in silos, but the pandemic, alongside the growth of social media and etail, are encouraging new combinations

David Stirling

Airbnb is one of a number of brands that have recently upped spend on brand marketing

High-end perfumes and dog food don't have much in common. However, they're both benefiting from a new dawn in the historically divided worlds of brand and performance marketing.

If you have ever received a perfume sample in the post from beauty group L'Oréal or a hand gel from Unilever then you're playing a part in this evolution, according to Jonny Grubin, founder and chief executive of product sampling platform SoPost. Something similar is happening at Mars Petcare and its new direct-to-consumer pet food brand James Wellbeloved.

Such campaigns help garner valuable and measurable data around the buying intent and demographics of potential new customers. But they're also building brand awareness.

"Getting a physical product sample to somebody helps drive performance by capturing data that can be fed into customer relationship management and other marketing activities," Grubin explains. "But the sample also gives marketers the opportunity to improve brand engagement through the packaging, 'how to use' guides or sustainability messaging. It's not just a message of buy, buy, buy; it's a friendlier and softer approach."

At Mars Petcare, the company's brand and performance marketing teams have joined up to test different branding and images to drive the best customer conversion rate. This led to a reduction in cost per acquisition of 57%, according to a recent Marketing Week report.

Jordan James head of key holder accounts at Unlockd Marketing is not surprised by the result. He says when the brand and performance marketing disciplines combine, the effect can be impressive.

Performance marketing means campaigns that lead to a specific customer action such as a lead, click or sale. In brand marketing, longer-term campaigns aim to boost recognition and reputation. While a combination of both sounds like a fairly obvious approach, historically they have been strangers.

> **It's important to ensure that both activities align with each other for the best effect**

Performance marketing typically works best when consumers already have some knowledge of the business and its brand meaning, making them more prepared to buy, James says. This means less expense, a shorter time from ad spend to sale and a higher return on investment.

"It's important to ensure that both activities align with each other for the best effect," he adds. "You want potential consumers to recognise the branding from the basics such as logo, colours and tone of voice, to the more complex, such as purpose and values."

The distance between the two disciplines is largely due to a cultural divide. Brand marketing is often considered more art than science, while performance marketing is more science than art. They tend to be conducted by different individuals and teams with different priorities and focuses.

Performance is all-too-often seen by brand marketers as analytical, cold and gritty: the pursuit of cost-per-click, customer acquisition cost and return on investment (ROI). Performance marketers, meanwhile, might see their brand counterparts as rigid, touchy-feely and too focused on the big picture. "It can be a tall order to get them to meet in the middle and create a complementing campaign," James says.

This divide has been deepened by the arrival of media platforms like Google and Facebook, which offer better targeting, tracking and measuring tools: perfect for performance marketing.

This way of advertising is comparatively shiny and new. It has therefore attracted not just big brands but startups, perhaps backed by private equity or venture capital, that are eager to quickly grow sales and customer numbers.

"Everyone recognises that brand marketing is critically important. You might drive one sale with performance campaigns, but I would question the long-term value of that customer," says Grubin.

"The problem is that you can put a lot of money into brand marketing, but it is hard to measure its effectiveness. It's like putting your finger up into the air and hoping for the best. With performance marketing it is easier to show it is working, that your invested dollar has turned into dollar 'x' in revenue."

However, Grubin thinks the tide is turning, with the brand side regaining ground. One example of this, he says, is that many of those business-to-consumer (B2C) startups that grew off the back of performance marketing now realise that sustainable growth means looking more closely at brand marketing.

"They didn't used to bother with brand building, they just sat back and watched the dollars from sales come in," he says. "But customers now want more, which means if these companies want to become bigger, they need to focus on brand and service."

More established companies are also reviving brand marketing. One example is hosting platform Airbnb, which decided in 2019 to reduce its marketing spend through search engines to focus on brand building.

Chief executive Brian Chesky has said Airbnb now looks at marketing's role as one of "education", not "to buy customers". It launched a brand campaign called 'Made Possible By Hosts' in 2021, which the company says boosted website traffic by 20% in the fourth quarter of 2021.

New Apple operating restrictions around data privacy and tracking may also have led a shift to brand marketing. James says the pandemic is another factor, with consumers eager for more "tactile, fuzzy-feeling" marketing.

Major brick-and-mortar retailers switching to ecommerce and direct-to-consumer services during lockdown have also upped their brand marketing, though they also relied more heavily on performance marketing online.

Despite the growing emphasis on brand, examples of major firms combining brand and performance marketing teams like Mars Petcare are thin on the ground to date.

"It's all very nascent but it is slowly happening. Performance marketers are increasingly seeing the value of brand marketing," says Tom Roach, vice-president of brand planning at digital consultancy Jellyfish.

He thinks platforms like Google and YouTube will be the key hunting ground for such combinations. "Whether you want to build your brand with someone so they think of you in the future, want to nudge someone who's in the market now towards buying your brand, or need to connect your brand with someone who already knows they want it, the platforms have more influence on consumers than ever before.

"They are all on there," he says. "The platforms are both sales drivers and brand builders for your marketing strategy."

In the future, Roach expects to see more automated integration of brand building and sales activation in campaigns. "When you click on something to trigger a sale in a search ad, it will have brand assets baked into it. These will include copy and graphics more aligned to the brand voice," he says.

This will be enabled by brand marketers creating content that feels native to these platforms. Their work will be supported by their own use of Google and Instagram in their leisure time as consumers.

Michael Lorenzos is head of performance and growth at digital bank Silverbird. He says it will still be necessary to retrain both brand and performance marketers to move away from the current silo mentality. Marketers on both sides should be made accountable for the same metrics when launching campaigns.

"Don't stress trying to work out if conversions were from brand or performance. Realise that performance is just another way of delivering the brand message," he says.

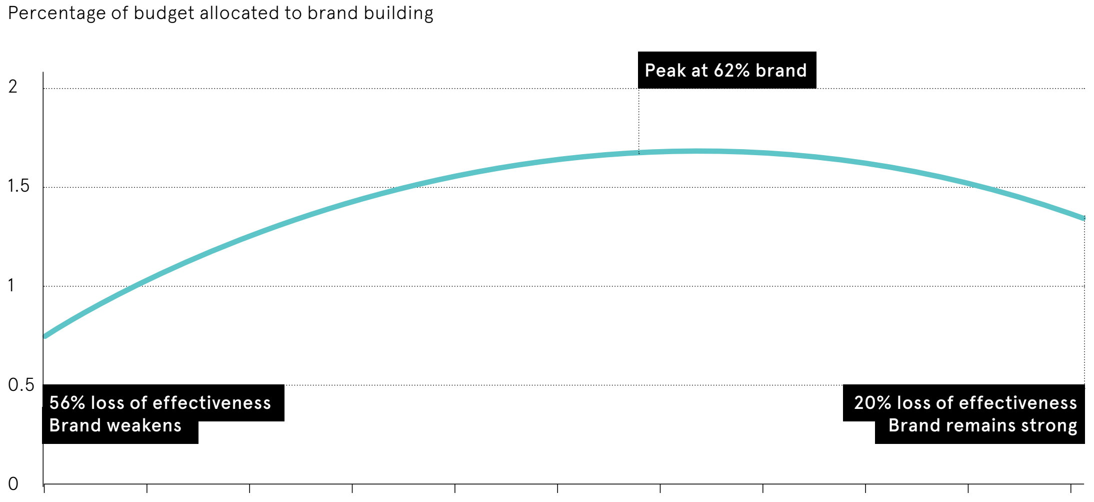
"Put your marketing plan on a single page and define priorities for every quarter. Also encourage synergies between the brand marketers and performance marketers and reward them for actually delivering on those synergies."

For example, both disciplines could share key performance indicators (KPIs) around click-through rates and impressions across a combined campaign. Performance marketers could also be rewarded for highlighting new customers to brand marketers.

"Customers buy on trust and if they see a brand wrapped around a performance ad, they will be more likely to purchase," says Lorenzos. "These two different belief systems may finally be coming together."

BRAND-ACTIVATION BALANCE MATTERS

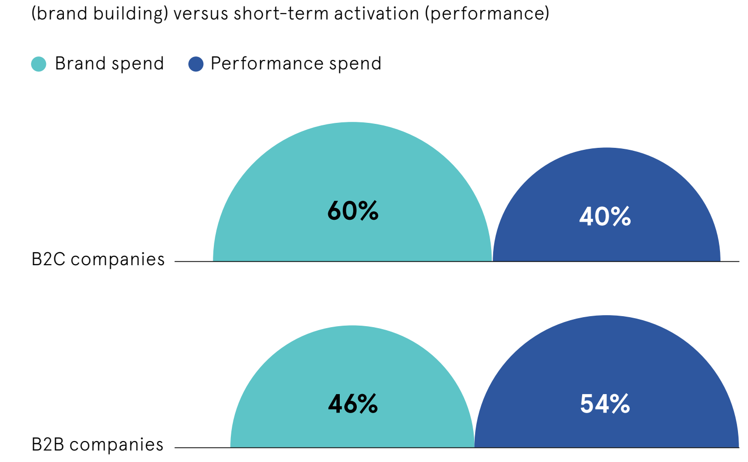
Percentage of budget allocated to brand building



IPA Databank

BRAND AND PERFORMANCE MARKETING NEED TO WORK TOGETHER

Percentage of a brand's advertising budget that should go on long-term growth (brand building) versus short-term activation (performance)



IPA, 2018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