World Federation of Advertisers

Data-driven insights

WFA & Ebiquity Report

Online Advertising Effectiveness

Executive Summary

The majority of the world's largest advertisers are **planning to increase investment in online advertising in 2017 and 2018,** with half planning to spend up to 20% more year-on-year.

This trend in investment intentions comes despite advertisers' reservations about the measurement and transparency of the channel. One third of respondents plan to **freeze or reduce online display investment,** potentially in response to these concerns.

Perhaps unsurprisingly, **viewability is the clear top concern associated with online advertising investment** (identified by 90% of respondents). Not far behind, 76% of advertisers are concerned with the lack of transparency in the ecosystem. Despite the recent negative attention in the press, fraud and brand safety are relatively lower level concerns (72% and 62% respectively).

A recurrent theme throughout this research is that **advertisers are dissatisfied with both the effectiveness of online advertising and the tools available to measure effectiveness.** 62% of respondents disagree or disagree strongly with the statement "I'm satisfied with the measurement of online display".

What's more, **although 66% see a "vital role in the media mix" for online advertising, only 34% believe it represents value for money"** and just 45% "clearly see the value it ads".

There's also some evidence of buyer's remorse: **72% believe advertisers have overinvested in online ads.**

Almost 9 in 10 (88%) advertisers are increasing spend in online video formats, while 46% are reducing spend in static display banner advertising. Advertisers are investing more in video because they believe – though direct evidence of success is generally lacking – that it is more effective than banner advertising.

More than four out of five advertisers are planning to increase investment to deliver incremental audience and thereby brand awareness, with a natural emphasis on responsiveness.

The metrics advertisers currently use to measure success generally relate to exposure (viewability, video plays, completed views) and are not true measures of return on investment. These simpler, easier-to-harvest measures reflect "Was my ad seen?" and not "Did it work?"

Despite the concerns, confidence in online advertising remains high. **Advertisers are not yet convinced about its effectiveness, but 76% are willing to accept the challenges it presents.**

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About this Paper

The primary aim of this research is to understand the extent to which digital ecosystem issues affect advertiser confidence in online advertising, and whether the multiple question marks over its accountability and transparency lead to a change in investment trends.

The focus of the survey was online display advertising, including static banners and video, display advertising in social media and pay-per-click search. These represent significant investments in digital channels which have been affected by advertiser concerns such as brand safety.

WFA have partnered with Ebiquity on the design of this research, plus the interpretation of the data. This report will be followed by recommendations for advertisers to help improve online advertising effectiveness.

The survey was conducted among the advertiser members of the WFA during March 2017. The results are based on full or in part complete responses from more than fifty global advertisers, representing an annual advertising spend of more than $80bn. The majority (67%) of respondents are in global positions, and therefore the results represent a multi-market view.

Introduction

In light of multiple issues of accountability and transparency, the world's advertisers have recently had cause to review their investments in online advertising. Some have recently withdrawn investment in online advertising because of question marks over the appearance of their brands on extremist or objectionable websites.

But 'brand safety' is not the only concern advertisers currently have regarding online advertising. Others include:

- The media transparency initiative conducted in 2016 by the US Association of National Advertisers (ANA), which revealed the lack of advertiser visibility into online advertising trading
- The admission of self-reported measurement errors from social media platforms in late 2016
- The public statements of Marc Pritchard, Chief Brand Officer of Procter & Gamble, regarding the complex and 'murky' online advertising supply chain and its lack of accredited measurement
- Advertisers' rising investment into online advertising and therefore the need to interrogate the 'money at risk'.

These concerns have reignited long-running debates about the economics of the online advertising market. In October 2014, the WFA published a Guide to Programmatic Media illustrating that 60% of advertisers' spend is eroded by the multiple costs and links in the digital supply chain without ever reaching the publishers.

Subsequent analysis in WFA's Compendium of Ad Fraud Knowledge for Media Investors has demonstrated that advertisers' investments are further reduced in effectiveness by non-human traffic (including ad fraud). Ebiquity's analysis of the return-on-investment of online advertising shows that it often fails to produce a positive result owing to poor exposure and the layers of cost ineffectiveness.

The reliability and effectiveness of online advertising is an increasingly hot topic among global advertisers.

Investment patterns

Most respondents report that they are increasing their investment in online advertising in 2017 and 2018, some by as much as 40% year-on-year (fig.1). Interestingly, 12% plan to freeze their investment levels and over one fifth plan to reduce spend. This presents a nuanced picture of investment and may reflect the concerns explored in subsequent sections in this document.

Investment trends on an intra-channel level are also in flux. Almost half of respondents (46%) are decreasing spend on static display 'banners' in 2017 (vs 2016), and spend on this format has levelled out as a percentage of total digital marketing (20% of the total) as a consequence. Meanwhile there is a marked movement towards increased investment into online video formats (89% increasing this year), which now represents almost 40% of digital marketing investment (fig.1/2).

There is clearly a significant increase in demand for online video inventory, even though the recent much-publicized brand safety issues have been concentrated here.

Advertisers are also planning further investment in social media advertising (63% increasing), despite well-known metrics issues and the general sense that 'walled gardens' lack independent accredited measurement. Advertiser confidence does not seem to have been significantly harmed by these factors.

Paid Search also continues to attract more investment (41% increasing), undoubtedly led by performance-led advertisers, but the overall effectiveness of pay-per-click Search has not been questioned in the same way as display and therefore remains a known and popular option.

Some advertisers are acting on their concerns with digital (by freezing investment levels or taking money out of the market), but the greater share of respondents are increasing their online advertising investments, with a clear preference for video formats.

Fig. 1 Do you expect your digital display investment to change in 2018 vs 2017?

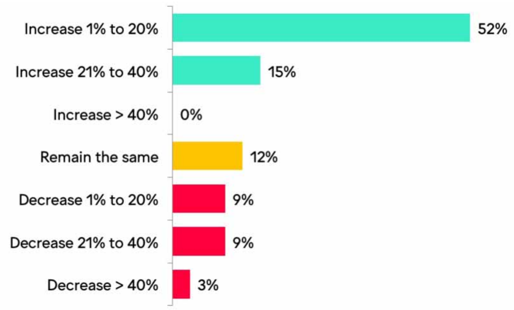


Fig. 2 Approximately what percentage of your total digital marketing budget is allocated to the following in 2017?

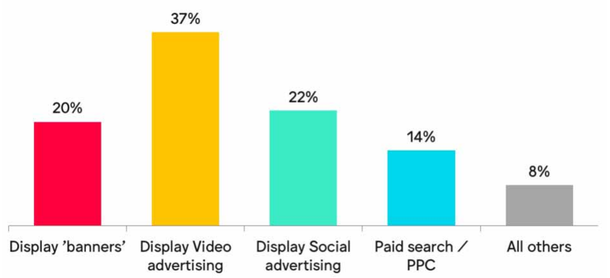
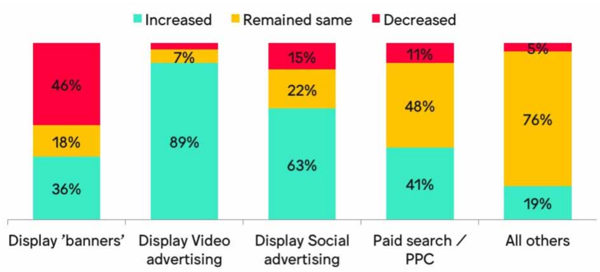


Fig. 3 Has this increased, decreased or remained the same compared to 2016?

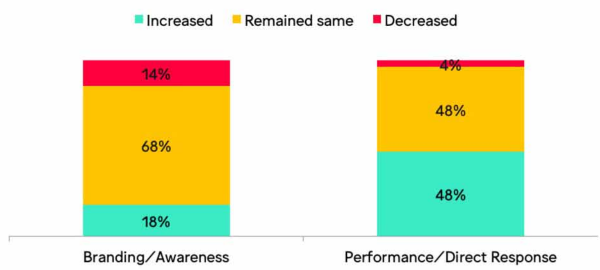


The rationale for increased investment

There is evidence of a larger increase in planned investment for advertisers who are more led by performance and direct results across both display and search. Almost half of the total respondents who nominated 'performance/direct' as a primary goal are increasing their online spend, versus only 18% who nominated 'branding/awareness' (fig.4).

This may be a function of the concerns that branding-led advertisers feel over the accountability and transparency of online advertising, and which are less important to acquisition-led advertisers.

Fig. 4 To what extent have your digital display budgets changed (vs 2016) for branding vs performance campaigns?



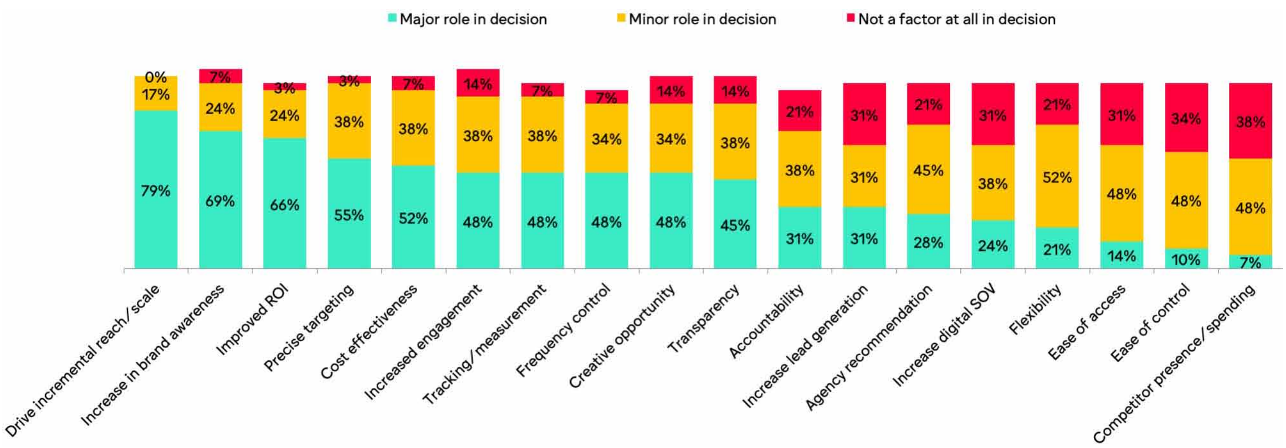
Overall, **the highest-scoring reason for most advertisers' investment in online advertising is incremental reach** (nominated by 79% of respondents) (fig.5). Online advertising rarely exists in isolation and advertisers often use it to supplement traditional media, usually to reach audiences that are becoming harder to find elsewhere.

Reach is a way to achieve increased brand awareness. Some 69% of all respondents are targeting brand awareness and it is noteworthy that 'precise targeting' scores less highly (55% of respondents). This implies that advertisers are looking for broad reach more than the targeting potential of programmatic delivery.

While reach plays a key role, improved return-on-investment (ROI) is also important for 66% of respondents, an objective which unites brand-led and 'performance/direct' advertisers, even if the means of measuring ROI will vary according to their varying objectives.

Advertisers are turning to online advertising, and especially video, to follow audiences as they migrate away from other channels and towards digital, expanding media repertoires. Reach is the main objective and this seems to remain unaffected by question marks over delivery and measurement concerns.

Fig. 5 Please indicate whether the below factors played a major role, minor role or were not at all factors in your organisation's decision to invest (or divest) in display advertising (e.g. banners, video, social advertising).

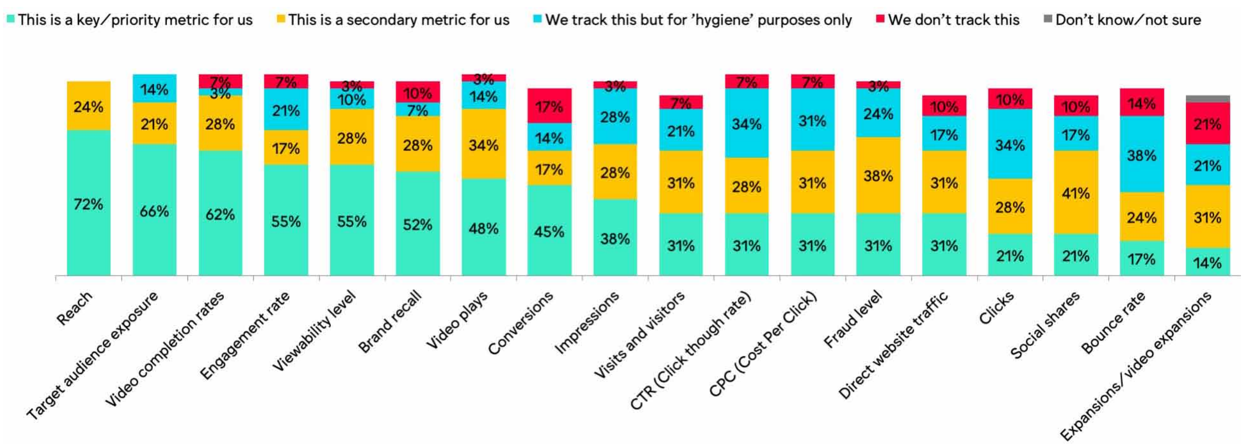


Tracking & measurement of digital delivery & performance

Given the importance of reach, it follows that the measurement of reach was the top-scoring criterion for advertisers' use of online (72% of respondents see it as a key metric). This is logically followed by target audience exposure (66%) (fig.6).

Video completion rates are key for 62% of respondents and (further down the rank) video 'plays' (48%), which further confirms the primacy of online video. But as with viewability, video completion rate is not in itself a measure of effectiveness, but rather of exposure.

Fig. 6 What metrics do you use to track and monitor your digital display advertising?



Also featuring consistently in tracking metrics are engagement rates (55% of respondents nominating as a key metric). However, there are many ways to define these rates without a common industry standard, and different platforms are measured in multiple ways.

The survey suggests that traditional metrics, such as click-through-rates, which may have served as a proxy for engagement in the past, are increasingly falling out of favour among respondents. These metrics are no longer seen as being especially relevant, and 'engagement' means different things to different advertisers.

The metrics currently being prioritized are about exposure, answering the question "Was the advertising seen?" rather than "Did it work?" There is a danger that advertisers focus more on these simple metrics rather than more sophisticated ones because of the absence of more evidence-based measures of effectiveness.

This is borne out by advertisers' general attitudes towards the measurement of effectiveness, as illustrated by the following sections.

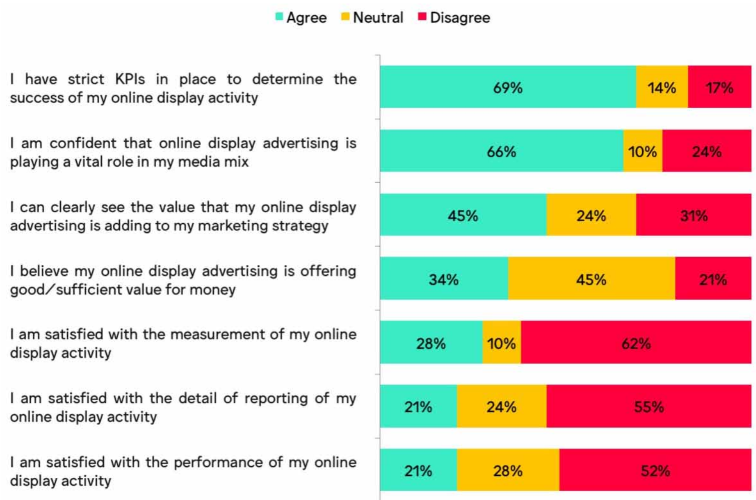
Satisfaction with digital measurement & reporting

The survey shows that there is widespread dissatisfaction with the general measurement of online display advertising. Some 62% of respondents tend to disagree or strongly disagree that they are satisfied with the measurement of their online display investments (fig.7).

Only 21% of respondents tended to agree that they are satisfied by the performance of their online advertising. None strongly agreed. Some 55% of respondents tend to disagree or strongly disagree that they are satisfied with the detail of reporting of online delivery.

When it comes to measurement there is a real consensus that current standards of measurement and reporting are not fulfilling advertiser expectations.

Fig. 7 The following statements all concentrate on the effectiveness of your display advertising, in terms of reporting, KPIs, performance, value, etc. Please indicate your agreement:



Paradoxically, there was a relatively high degree of confidence among respondents that online is playing a vital role in their media mix (66% strongly agreed or tended to agree), but there was less confidence in its value (only 45% can clearly see the value it adds), and only 34% tended to agree that it provided value for money.

Advertisers have faith that online is important to them, but with little hard evidence of tangible success beyond exposure metrics. While most respondents (69%) report that they have strict KPIs in place to measure against, the lack of satisfaction regarding overall measurement suggests that these KPIs are not seen by advertisers as true evidence of success, but as the basic exposure metrics that are available now.

Overall, the picture that emerges is of a lack of satisfaction that online advertising is performing to advertisers' expectations in terms of effectiveness, and that the measurement and reporting of the channel needs considerable improvement.

Experience & perceptions of effectiveness

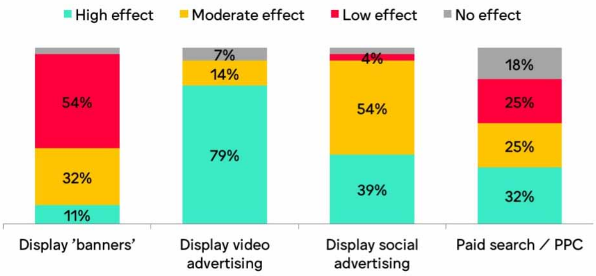
Despite a general lack of true effectiveness measures, there is a marked consensus that online video is effective and static display banners much less so. Some 79% of respondents estimate that video has a 'high' effect on effectiveness and brand awareness, while banners have a 'low effect' for over half of respondents (fig.8). This possibly reflects a natural bias towards formats that emulate TV's proven effectiveness.

Social media display advertising finds some favour. Some 93% of respondents score it as having a 'high' or 'moderate' effect, but 50% rank it as moderate. Assessing the effectiveness of social continues to vex advertisers, especially in a 'walled garden' environment where independent data and verification are scarce.

There is consensus in the sample that 'premium' inventory is more effective than other options (62% of respondents), suggesting that both brand and performance advertisers find that the additional cost of such inventory is warranted by its superior delivery. This should reflect advertisers' experience of better viewability scores in premium environments.

The results of this survey show that advertisers have firm views about the effectiveness of certain advertising formats over others, even if they express a more general lack of satisfaction with effectiveness measurement. This suggests that advertisers' own experiences with certain formats have led to preferences, specifically towards video.

Fig. 8 Based on brand lift or other effectiveness studies/metrics, please indicate which of the below channels generally delivers most 'effect'.

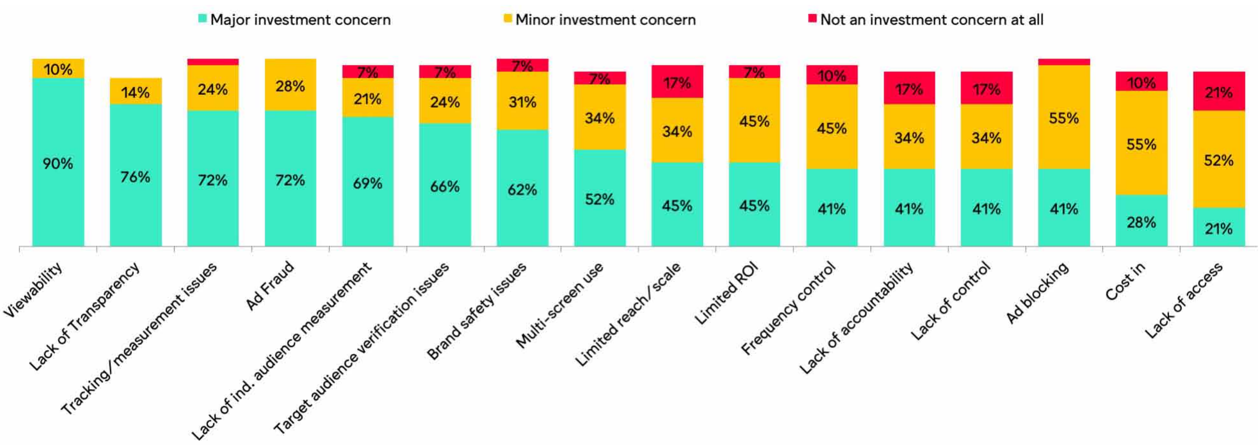


Concerns regarding investment

The general increases in intention to spend come despite an overall lack of satisfaction with measurement and some strong concerns about the overall accountability and transparency of online advertising. Some 72% of respondents reported that general 'Tracking and Measurement' issues are a major concern when investing in online advertising (fig.9).

Viewability was a 'major concern' for 90% of respondents, the highest scoring. Additionally viewability tracking is being implemented by 86% of respondents either globally or in select regions, suggesting that advertisers are concerned by the results that they see and that industry standards in both the definition of viewability and the actual results produced against this low measure remain an issue for advertisers.

Fig. 9 Please indicate whether the below factors are a major concern, minor concern or are not at all concerns for your organisation when investing in display advertising (e.g. banners, video, social advertising).



This undoubtedly contributes to the general sense of frustration. If basic exposure scores are still not where advertisers would like to see them, it compounds a sense that measurement is generally lacking.

Chiming with recent high profile reports, an overall 'lack of transparency' was cited as a 'major investment concern' by 76% of respondents to that question. This suggests that the lack of measurement rigor produces frustration at the relative lack of accountability of online, despite the vast amount of data produced, but not always available.

Ad fraud is another major concern, quoted by 72% of respondents as being a major investment issue. Brand safety also scored highly at 62%, although this may have been expected to be higher given its high profile during the survey period.

As expected, the lack of independent measurement which has aroused considerable industry debate recently was another 'major concern' among 69% of respondents. This matched with 66% of respondents reporting that 'target audience verification issues' are a major concern also. The online advertising industry is still lacking the independent targeting data that traditional media implement as standard.

In the survey advertisers expressed strong reservations regarding several aspects of online advertising, and especially about its measurement of exposure levels such as viewability and effectiveness measures. While investment intentions remain strong, advertisers are spending without the measurement framework in place to meet fully their expectations, even at a basic level. To ensure confidence remains high, the online advertising industry needs to improve accreditation of standards.

Attitudes towards digital advertising

The survey concluded by asking advertisers some general questions. **The most striking response was that 72% of respondents believe advertisers have invested too much in online advertising, evidence of buyer's remorse.**

This appears to support the public comments by Marc Pritchard of P&G, that they themselves pursued the greater efficiencies of online advertising without the independent data and verification that is needed to make well-informed investment decisions. This survey suggests that advertisers generally believe that online advertising investment has grown significantly without the measurement framework advertisers need and routinely employ. However, this has only become apparent as advertisers invest more heavily in online advertising and become more aware of its measurement shortcomings and lack of independent verification.

Advertisers have invested in online because audiences have migrated there, but they are proving elusive and difficult to reach, and the channel lacks the research and data that reaches industry-accepted standards.

Programmatic advertising is intended to enable advertisers to reach fragmented audiences wherever they go, but the available technology has not yet solved the problems of low viewability, non-human traffic (including ad fraud), brand safety, and the encroachment of ad blocking. Arguably, too much money has been chasing elusive audiences, creating a log-jam of demand over supply.

Advertisers increasingly recognise that these obstacles to success can and must be overcome. Some 76% of respondents expressed a view that they are willing to accept the challenges of online, and their confidence in the channel – as evidenced by their general spending intentions – remains high. However, this survey shows that their confidence needs to be supported by higher measurement standards and more evidence of effectiveness, not just exposure.

Conclusions

The main finding from this survey is that advertisers are supporters of online advertising, but they are not yet convinced of its effectiveness. They rely currently on proxy measures such as viewability and video completion rates which are still lower than advertisers would like them to be.

The online advertising industry is still growing up and, as with most immature markets, there is no settled picture. It is already clear that online advertising lacks standardized norms, with different platforms reporting in varying ways. While the Media Ratings Council in the US has established strong frameworks for some metrics, these are far from widespread. The 'walled gardens' in particular are only just starting to address the need for accredited measures.

Nearly three quarters of the respondents believe that advertisers have over-invested in the channel, and this view appears to be founded on the growing awareness of the lack of independent and accredited measurement standards, as well as advertiser concerns over viewability, non-human traffic and brand safety.

Advertisers still have confidence that online advertising is an important part of their marketing mix, even if independent measurement is seen to be lacking. They are following audiences into digital channels, but the means of reaching them and measuring both reach and effectiveness are still elusive.

Most advertisers are increasing their levels of investment. The issues of measurement and relative lack of transparency are not getting in the way. There is however a clear and vocal demand for more and better measurement, and more metrics that prove success rather than simple exposure.

This survey supports the call for better, independent measurement, more standardization of measurement norms, and better ways to demonstrate true return on investment.

Contact information

Please contact Matt Green, Global Lead, Media & Digital Marketing (WFA), or Nick Manning, Chief Strategy Officer (Ebiquity), for further information.

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