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Toronto, ON M5G 1Z1
(416) 342-6500
www.mediacom.com

Missed Opportunities in Media Planning (and the Case for ROI)

April 2016

TV is an incredibly powerful medium. Television advertising drives awareness, consumer trial, and ultimately business growth. Despite a plethora of research supporting television's effectiveness - including econometric studies from around the world – TV advertising in Canada is not growing.

This study by Business Science, a division of MediaCom Canada, and commissioned by think**tv**, looked at the correlation between TV investment and key financial indicators, the impact that TV has on digital, and the factors that are impeding TV advertising's growth in this country.

Spending in TV has a direct correlation with business growth.

An analysis of 50 companies in Canada with significant media spending across ten advertising categories: financial, automotive, telecommunications, CPG, entertainment, pharma, restaurants, retail, travel and electronics, showed a direct correlation between increased TV spend and above-average revenue growth.

Tracked from 2011 to 2015, the companies whose TV spend was flat or only increased minimally (<30%) over that period had an average revenue growth of 9%, whereas the 21 companies who increased their TV spend (>30%) over that same period achieved a more substantial 21% average increase in revenue.

Moreover, the companies that increased their TV spend by an average of 40% over the same period, including a QSR company, bank, car manufacturer, online travel company, food manufacturer and retailer, saw an even greater 27% average increase in revenue.

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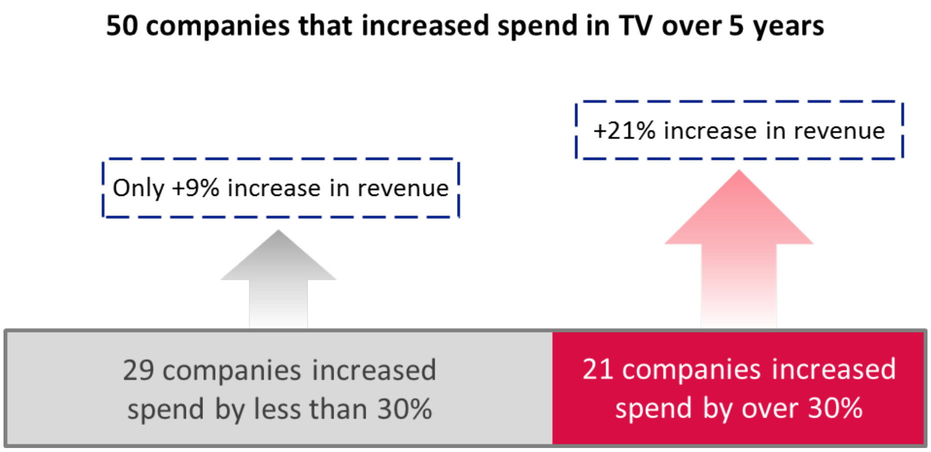
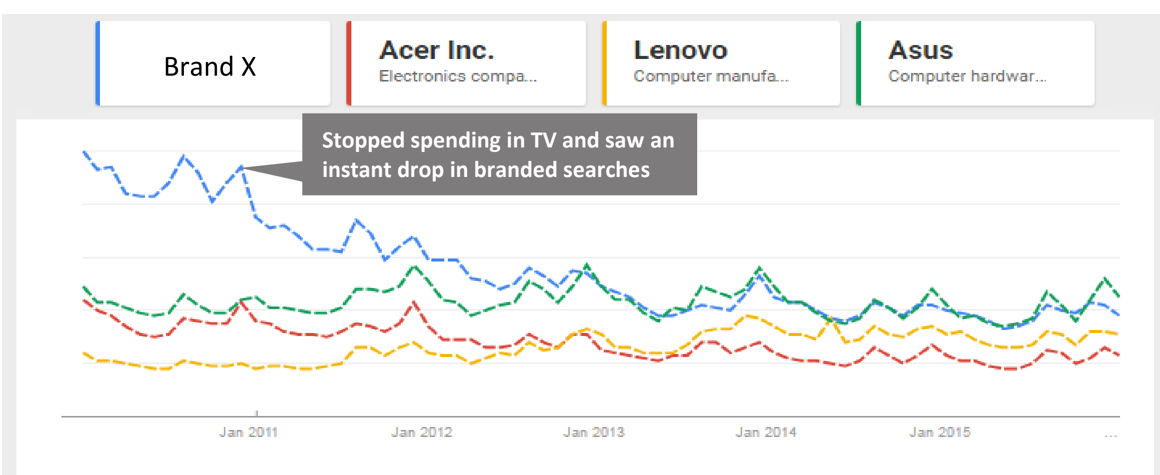


Sources: Nielsen, April 2016. Public financial statements.

There was an 81% correlation of increased TV spend and increased revenue: 17 of the 21 companies were up in both TV spend & revenue.

TV and Digital are interdependent.

Spending in TV also has a direct correlation with brand consideration and online activity as customers search for brands. In the case illustrated below, a well-known consumer electronics company stopped spending in TV to focus all their ad dollars on lower funnel digital activity. In doing so, they diminished brand equity as branded search terms decreased by 50%. The result of the decreased spend in TV also created an ever increasing cost-per-acquisition in paid digital media. The brand has now decided to re-invest in TV to re-scale and lower the cost-per-acquisition.



Sources: Google trends, April 2016.

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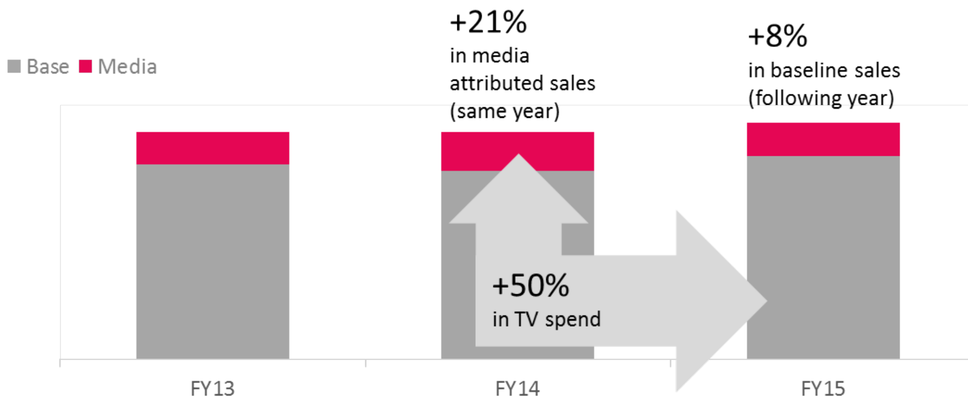
TV drives both long and short-term customer acquisitions and sales.

An econometric study done by MediaCom Canada found that increased spend in TV contributed to both short-term and long-term acquisitions. The market mix model below breaks out the number of sales/accounts driven in the short-term. In this case, the client increased TV spend by 50% in FY2014 and saw a 21% increase in short-term account openings. The non-short-term sales were attributed to baseline sales. Baseline sales grew by 8% the following year, proof that media had a long-term effect on their sales as well. The biggest change in media was the 50% increase in television spend that year.



Sources: MediaCom Business Science, April 2016.

TV significantly drives the performance of digital media advertising.

Multi-screening is prevalent, especially among younger adults. However, far from being a negative, multi-screening is an opportunity to integrate and sync television with digital platforms. The increased usage of hashtags in TV commercials to drive social engagement, and the smarter use of calls to action that drive people online, are driving better performances for both television and digital media campaigns.

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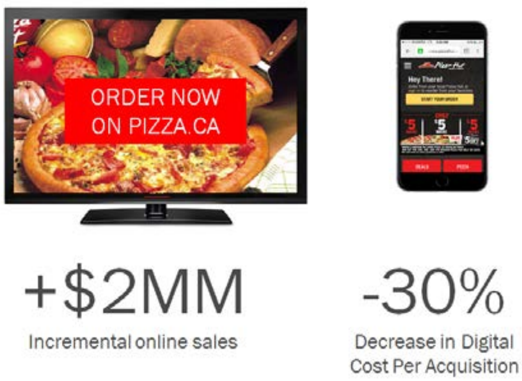
Not only does running a TV ad increase branded search, competitor advertising in television may also drive an increase in all category branded searches. For example, in 2015, a travel brand in Canada saw a 35% increase in its own branded search when a competitor advertised on TV. The brand was able to optimize its online sales by capitalizing on that influx.



Consumers take action when asked. When a brand has a person's attention on the TV screen, showing the right call-to-action can create a significant uplift in sales. For a pizza brand in Canada, a net YOY gain of $2MM was achieved by adding a simple call to action for online orders.

If TV is so effective, why is spend in the channel not increasing?

There are several factors hindering stronger growth in TV advertising, ranging from industry practices to misconceptions about time spent.

Canadians watch 28 hours of TV per week.

TV has the highest reach. Massive audiences show up in unmatched numbers every day. Over the past ten years, television viewing has remained remarkably stable and time spent on digital platforms has been largely additive. The total combined TV and internet time spent grew from 40 hours/week in 2006 to 46.6 hours/week in 2015.

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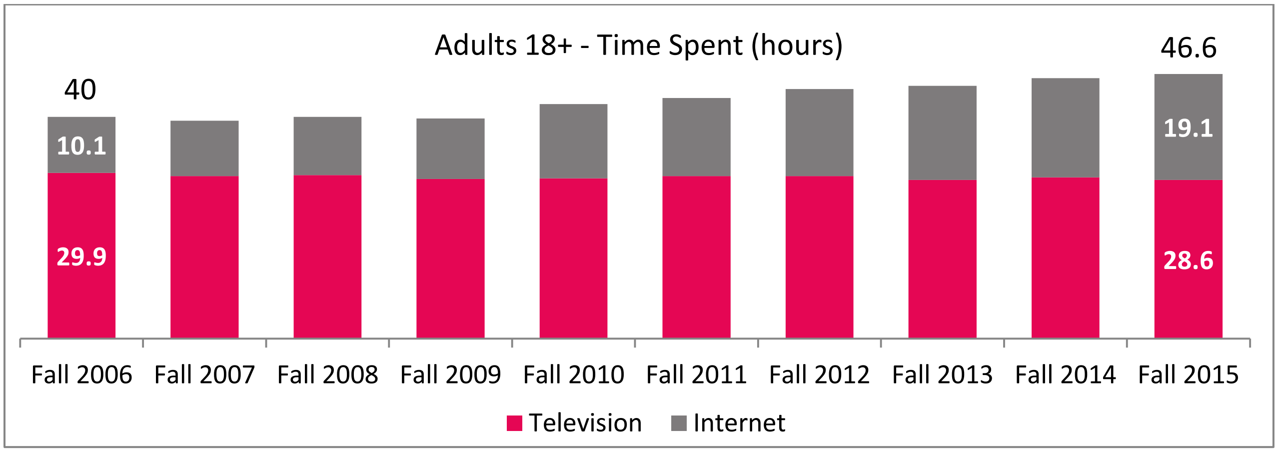
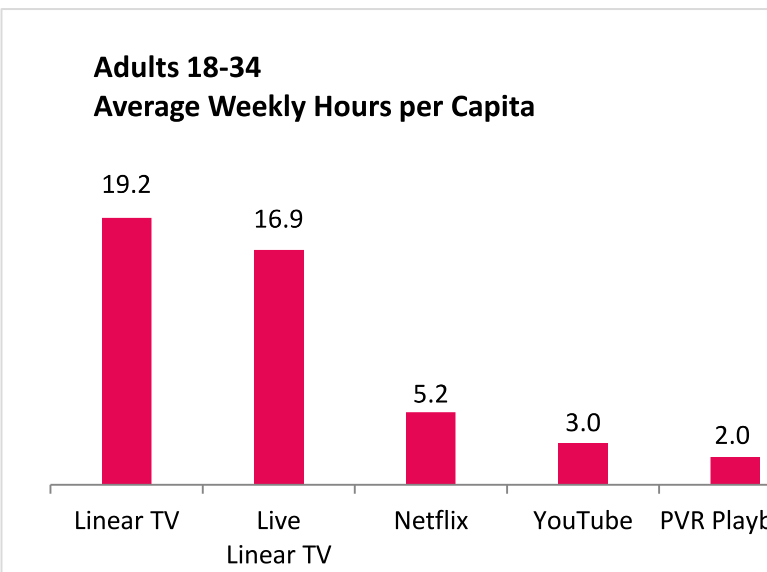


Sources: Numeris PPM, Total Canada, Total TV Mo-Su 2a-2a, Fall - Weeks 2-16 or each broadcast year, MTM 2006-2015 National.

TV is the number one medium for Millennials.

Not only is TV big with Adults 18+, but it is also the leading medium for Millennials. Millennials spend 4x more hours watching TV than they do on Facebook, Instagram and Twitter combined.



Millennials watch **19 hours of television** each week

- **4x** more than Netflix
- **6x** more than YouTube
- **4x** more than Facebook, Instagram & Twitter **combined**

Sources: Linear TV, Live Linear TV, PVR Playback: Numeris; Infosys TV+; Total Canada, Full Week (Mo-Su 2a-2a), 1 minute Reach; Weeks 2-16 (Sep 7 – Dec 20, 2015). Digital: comScore Media Metrix; Multi-Platform; A18-34, 3 month average (Sep - Nov 2015). Netflix Inc. Media Technology Monitor, Fall 2015, mean weekly hours per capita (A18-34). * Note: Numeris population estimates for each demographic group used to calculate average weekly minutes per capita.

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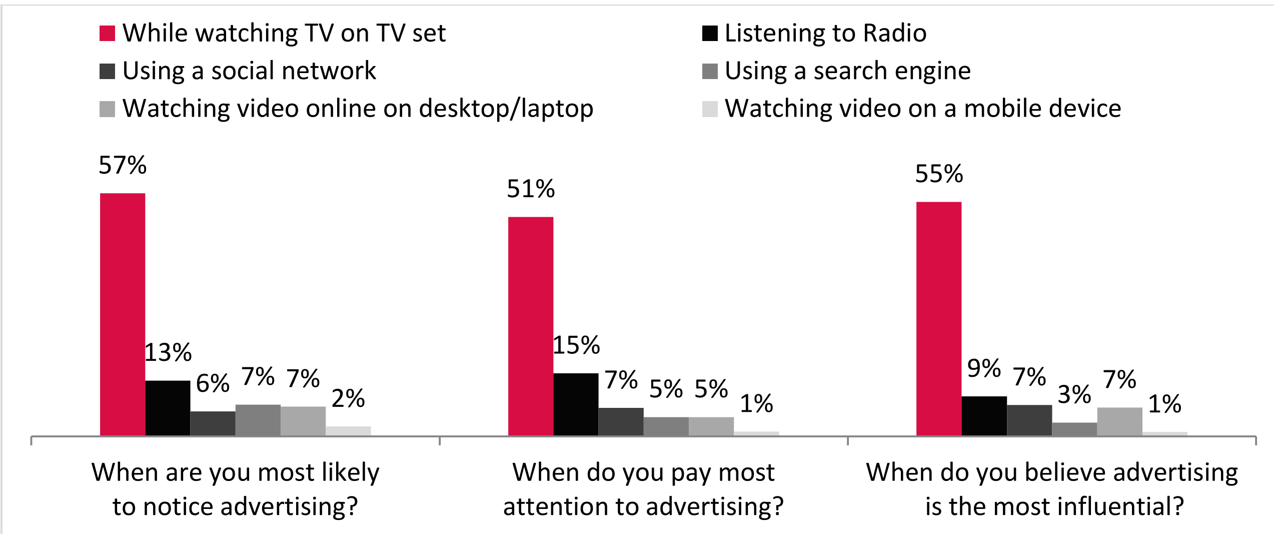
TV is the most noticed and influential advertising channel.

TV advertising captures the most attention. Sight, sound, and motion on 60-inch, high-definition screens deliver results on a daily basis for an array of brands across a spectrum of industries. An NLogic/OmniVu study commissioned by think**tv** in September 2015 found that TV commercials are the most noticed, receive the most attention and are believed to be the most influential.



Source: think**tv** NLogic omniVU, September 2015, Adults 18+.

There is an over-reliance on data sources that do not measure ROI.

In today's agency environment, media planners are equipped with robust research tools such as ComScore, Nielsen, and Vividata, to help them understand the media consumption habits of any given target audience. Although these tools indicate where consumers are spending their time, they do not provide much-needed insight into the impact that advertising on any of these channels has on sales and business growth. Relying on these tools fosters a focus on delivering on the number of ad impressions and views, instead of a focus on the quality and ROI of that reach.

Planners and agencies are held accountable for generating revenues for brands but have limited access to their clients' sales data. This restricted access is one of the most significant hurdles in planning towards ROI outcome.

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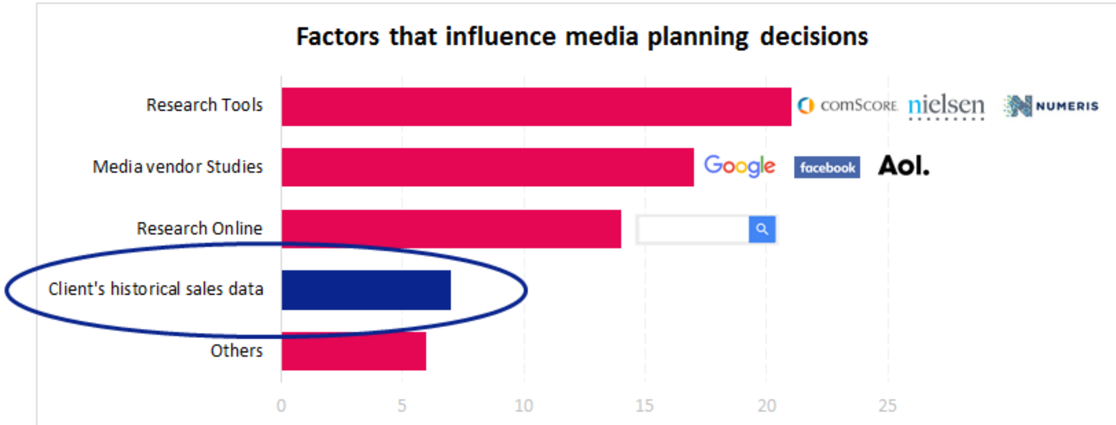
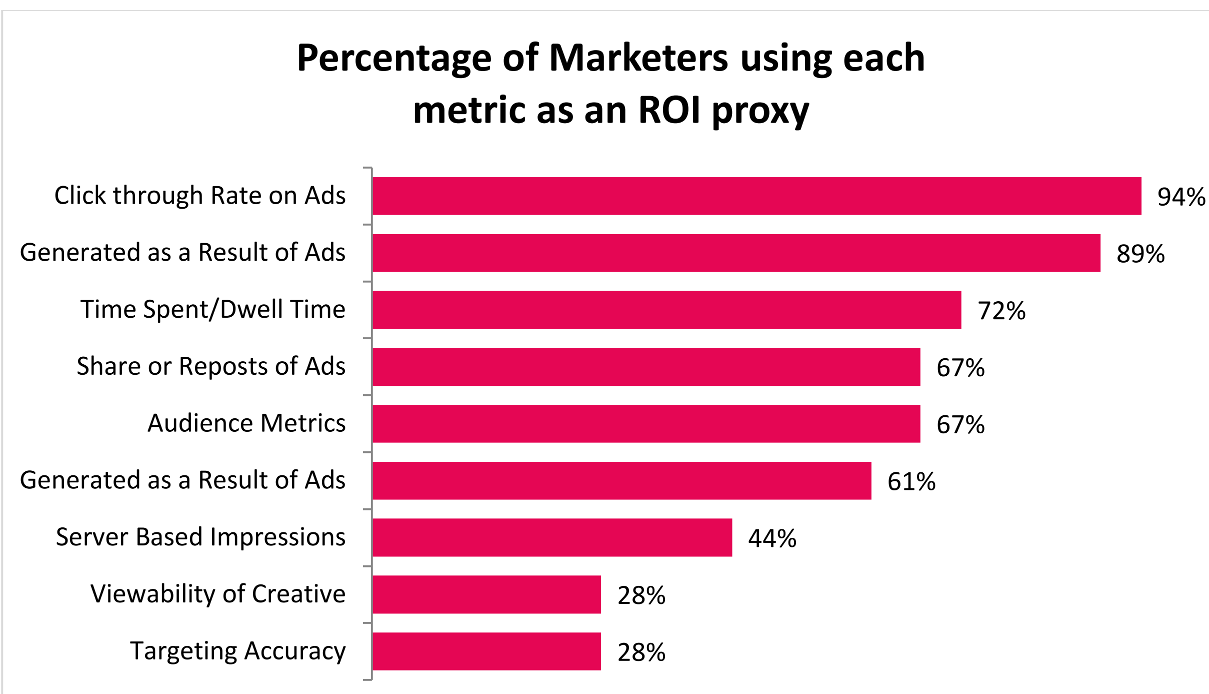


Source: GroupM survey, March 2016.

Many marketers focus on the wrong proxies for ROI.

Digital media vendors (like Google, AOL and Facebook) influence media planners by actively presenting proprietary audience data about usage and engagement in digital. Digital media vendors' ability to measure metrics like conversions creates confusion around ROI for planners and buyers. By characterizing web metrics as valuable outcomes and not just measurements of delivery, these vendors can shift focus away from the sales and revenue outcome metrics which are critical to delivering ROI.



Source: ACA and Nielsen Leading Canadian Marketers Survey, Nov 2015 / Jan 2016. Q8. What percentage of your total digital display/video advertising budget is allocated to the following strategies: Brand Advertising/Performance Advertising. Q15. Which of the following metrics do you use to understand the ROI of your digital media? Performance Focused Marketers.

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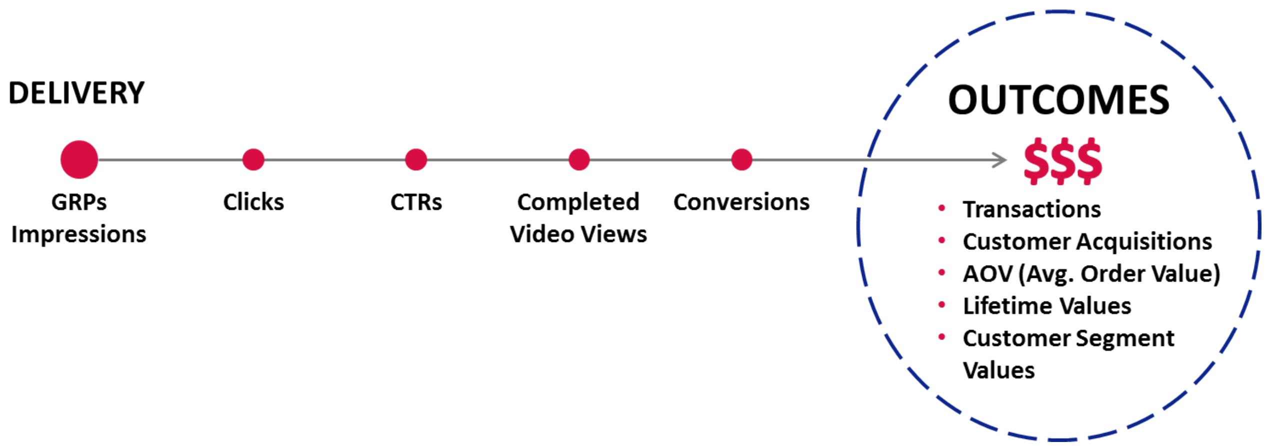
Agency planners' over-reliance on research tools and information provided by digital vendors has led them mistakenly to equate a digital impression with a TV impression - wrongly believing that an online video view is the equivalent of a television view only with the benefit of a (seemingly) lower cost. Investment has shifted from television to digital as a result.

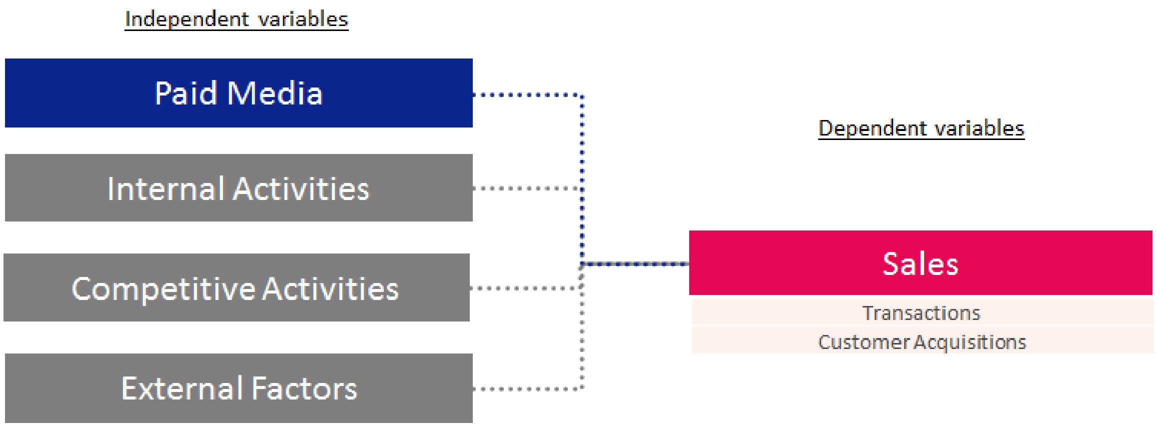
The industry needs to shift from *delivery* metrics to *outcome* metrics.

Increasingly, media agencies are held accountable by brands to prove media's impact on driving sales. Without access to historical sales and customer data, however, agencies are impeded in their efforts to demonstrate the value of channels in a media mix. To deliver what's required by brands, the industry must shift from delivery metrics like GRPs and click-through-rates to outcome metrics such as sales and customer acquisitions; and convince brands that meaningful, measurable outcomes depend in large part on the availability of historical sales and customer data to inform the media plan.



Statistical, econometric marketing mix modelling has a 360 view.

TV ROI is measurable. While marketing mix modelling has been around since the early 1990s, it has evolved tremendously and now brings even greater value given the vast amounts of newly accessible data. MediaCom relies on econometric marketing mix modelling to understand the impact that paid media (including TV) has on sales, alongside the impact of a variety of additional factors such as competitive activity, product distribution, weather, and employment rates.



Econometric modelling also helps to measure the halo impact of TV advertising on all goods and lines of business. Such modelling is also a proven, statistically accurate method of determining saturation levels (whether a brand is buying too many or few GRPs).

Marketing mix modelling can measure ROI and the halo of TV.

An econometric study for a financial client found that a television ad promoting mobile banking resulted in:

- +10% halo on Deposit
- +2% halo on Cards
- +5% increase in Total Accounts

Another study also found that the client's average blended cost-per-acquisition (CPA) for credit cards was reduced by 10% when TV advertising spend rose by 30%.

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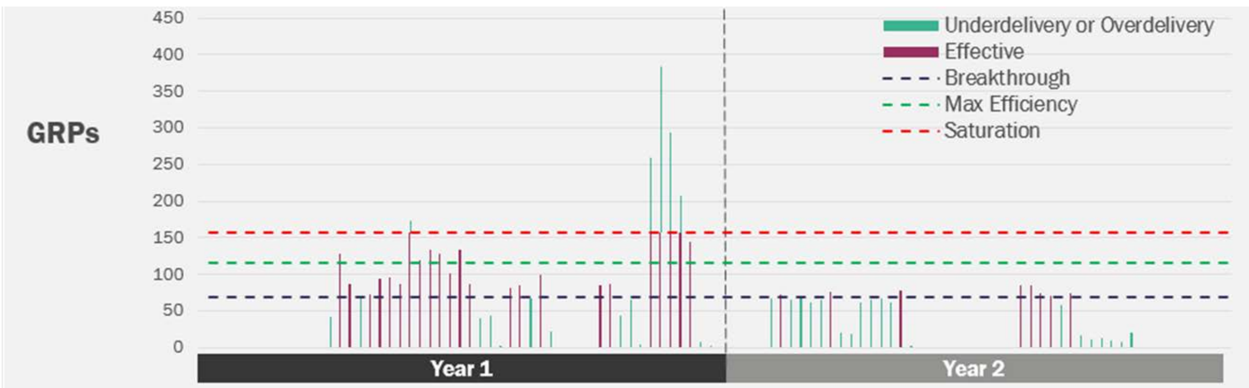
Econometric modelling helps evaluate whether a brand is spending too much – or too little.

Impactful television advertising requires an optimal level of GRPs. Econometric modelling can measure GRP levels, even on a per week basis. The model below highlights a brands point of break-through saturations and over-delivery in each week.

The brand decreased their television spend in the second year. As a result, it consistently failed to reach break-through and diminished the impact of the television spend they had maintained. Knowing this information helped the brand going forward to optimize their television planning, reduce the cost-per-acquisition, and drive results.



Accounts	20,086	5,510
Spend		**-57%** decrease in TV spend
CPA		**+55%** increase in CPA

CONCLUSIONS

TV continues to evolve. The future of TV promises programmatic trading, improved cross-platform measurement, dynamic ad insertion, and household addressability, all of which will enhance television's power and effectiveness as an advertising medium. In the meantime, opportunities exist today for marketers and planners to better leverage television to improve ROI and increase sales.

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Today's Opportunities in media planning.

There is plenty of low hanging fruit for marketers and media planners to leverage today. Some fundamentals:

- **Avoid over-reliance on soft outcome metrics such as CTR. Dig deeper.**
  - The number of clicks is not a metric that a CMO can take to into a boardroom. There is a difference between clicks and website visits. Running Google Analytics to determine bounce rates and to compare website views with click rates should inform any determination that clicks or CTR are appropriate ROI metrics.

- **Use statistical methods to measure the impact of media on sales, phone calls, and foot traffic.**
  - ROI outcome is not entirely reliant on the media mix. There are factors outside of paid media that drive sales. Knowing those factors, along with their varying degrees of impact, provides the necessary context for an accurate ROI assessment. Marketing mix modelling provides that context.

- **Test and learn to build appropriate benchmarks.**
  - The U.K. and U.S. markets are different from the Canadian market. Reliance on third party data, international and even Canadian "industry benchmarks" are poor metrics for success. The only benchmark should be that established by the agency and the client – to achieve more than previously achieved.

- **Stop measuring in silos.**
  - Analyze the impact that a television buy has on other media channels. In an omnichannel world with multi-screen touch-points, it is imperative to measure and understand the impact each channel has on the others so as to optimize their ability to work together.

- **Don't think TV or Digital, think TV <u>and</u> Digital.**
  - With consumers spending additive time on digital channels, especially mobile phones which are on them at all times, there are massive opportunities to use television to drive people to digital and influence transactional behaviours. Even seemingly simple tactics such as including a call to action (in the form of a web address) in a TV spot will effectively drive consumers to engage with a brand's digital channels.