TAMING THE WILD WEST OF AD BUYING AND SELLING

A reimagined playbook for media & advertising companies

WHITEPAPER

TAMING THE WILD WEST OF AD BUYING AND SELLING

A reimagined playbook for media & advertising companies

TABLE OF CONTENTS

I. A more intelligent approach
II. Market dynamics & trends
III. Reimagining ad sales
IV. Reimagining ad buying
V. Conclusion

I. A MORE INTELLIGENT APPROACH

Long gone are the days of Don Draper's smoke-filled rooms. However, many aspects of the ad selling and buying process remain stuck in the past. The traditional price-setting approach has proven suboptimal, as ad sellers tend to hold the keys to one-off negotiations with each client without the benefit of data-driven rate guidance. Our analysis shows that media platforms are leaving winnable deals and revenue on the table year after year. The issues start with a lack of readily accessible data but are compounded by a dearth of modern tools to optimize complex ad rates, schedules and sales processes.

Take for example the typical proposal process. Imagine you work in ad sales for a large media platform and you get a fax from an agency requesting a proposal. It's just one page with some scribbles on it, reading, "Same spend as last year, no news, equal flighting." How quickly and accurately can you respond with a proposal that you're confident in? What historical customer data and marketplace changes are you able to easily fold into your rate decision? The reality is that for most in the business, the current data processes and technology infrastructure are woefully inadequate to address a market where buyers know more than sellers.

In this whitepaper, we'll explore several data-driven strategies that will help media and advertising companies modernize sales operations, set more rational pricing and ultimately drive more revenue in good times and bad. These include:

- Rate card optimization
- Customer-specific CPM/spot pricing
- Deal management
- Operationalized data science
- Negotiation guidance

We will look at the current state of the market before examining how media platforms (broadcast networks, cable TV networks, print, digital) can apply data science to more efficiently sell ad space. Finally, we'll explore better methods for the agency/client side to negotiate rates and set the right targeted reach goals.

II. MARKET DYNAMICS & TRENDS

A new decade greeted us all with a cynical smile and promptly taught us the relative insignificance of our expectations. Like most industries in 2020, the media and advertising space has been upended by the global coronavirus pandemic and its continuing economic fallout. Compounding the challenges of this second global recession in 12 years is the breakneck pace of change the industry was already scrambling to keep up with. From the rise of social media and digital channels to cord cutting to widespread fragmentation, the last two decades have radically altered the way advertisers reach their intended audience and the ways in which media companies price and sell ad inventory.

The COVID-19 impact

The starkest example of COVID-19 (coronavirus) disruption can be found in the world of television programming and advertising. Carolyn Finger, the senior VP of Variety Business Intelligence, recently said, "The COVID-19 virus could not have come at a more inopportune time in the program development calendar. With the exception of post-production, every element in the program development season is being impacted by the coronavirus." In addition to programming woes, TV ad sales figure to plummet this season. Ad sales always peak in June after the network upfronts, when 80-90 percent of inventory is sold for the year. The upfronts present the opportunity for media platforms to sell their programming to hungry ad-buyers. This year the market has been completely interrupted, however, as in-person upfront presentations have been made virtual or cancelled altogether.

During the Great Recession in 2008, the upfront lasted all through the summer, which is a cycle we may see repeat this year.

What does this mean for media platforms and ad agency planners now and in the coming months? We know this year's upfront market is going to be soft, and ad sellers are already experiencing cancellations or seeing clients exercise cutback options. In the latter case, media companies will need to determine which spots to give back, almost like an RFQ in reverse. To do so with any strategy behind it, the wealth of customer, market and pricing data available within a company's four walls must be tapped. The trouble is, many lack the mechanisms to access and execute upon this data expediently. The ones that will stop the bleeding will be those that are nimble and have a solid workflow supported by technology and data that all works together.

During the Great Recession in 2008, the upfront lasted all through the summer, which is a cycle we may see repeat this year. Networks can expect to command lower ad rates as buyers' normal sense of urgency disappears amidst widely available inventory and slashed ad budgets. Keep in mind, though, that the surprises may just keep coming. It's conceivable that the pandemic recedes in the summer, live sports and other in-demand programming return, and the fall broadcast season suddenly sees ad spend come roaring back. More than ever, the key is to be able to pivot on the fly. You must be agile and intelligent in the face of wild economic swings.

Rapid industry-wide transformation

Few industries have experienced disruption comparable to media and advertising since the turn of the century. Compared to the year 2000, companies today are spoiled for choice when it comes to getting their brand message out. This means exponentially more competition for media platforms. The major TV networks, for instance, aren't just competing with one another anymore. The explosion of eCommerce, social media marketing, streaming services and a host of other channels has created a whole new level of fragmentation. Digital ad spending surpassed TV ad spending for the first time ever in 2019.

This spending shift is driven by changes in audience behavior. Per Forbes, "The loss in (TV) ratings has been driven by the coveted younger age groups who are more and more likely to watch video content on devices. As a result, a growing number of programs now have a median age above 60. Advertisers pay a premium to reach younger adults who, according to Nielsen, have been fleeing broadcast television. In premiere week 2019-20, Adult 18-49 ratings dropped by 12% compared to 2018-19. This follows a long-running trend; the Adult 18-49 audience has dropped by 28% in three years and 43% in five years."

The modern media platform and ad agency alike have to invest in understanding where diverse audiences are consuming content. As media and advertising businesses scour through impression numbers and Nielsen ratings, they must also consider the optimal rates to apply across divergent platforms and demographic targets.

Behind the data curve

While media consumption habits and new technologies have drastically changed in the 21st century, most media and advertising companies' data analytics capabilities and processes haven't kept up. There are more revenue opportunities than ever before, but the job of selling ads has only gotten more difficult. Many companies rely on traffic systems to glean valuable information but pulling data out of those tools can be highly labor-intensive and they generally yield incomplete results. Without centralized and readily available customer and market data, it tends to be a guessing game to determine a rate card price. Account execs with large portfolios might settle on the same CPM a customer paid the year prior, without any insight into whether that was a good deal to begin with.

"It's difficult for many media companies to even pull a report of spend by agency," said Jon Higbie, chief scientist at Zilliant. "An agency might say, 'You guys are charging me a 3.3 percent increase this year,' when in fact the increase is only 2.5 percent. Those making the pricing decisions just don't know the truth in time when deals are in motion."

Higbie spent years working with ad agencies and media companies like Walt Disney Television. He joined Zilliant in February partly because he saw an opportunity to help media and advertising companies optimize their business with data science-driven solutions.

"In my experience, there's not really a well-defined process across different media companies for supporting sales," said Higbie. "The industry is ripe for a revolution led by powerful software that operationalizes deal management, CPQ, rate management and optimization in an integrated suite. I see it being table stakes soon."

Factor in the unpredictable pandemic-afflicted market and it's clear that spreadsheets and hard-to-access data are not the ideal way to get deals done and do so profitably.

III. REIMAGINING AD SALES

The first spark in this particular revolution will be lit by data. Media companies need to take a look at the technology landscape and reimagine where they collect and store valuable data. Cloud-based platforms can now store vast amounts of the information needed to determine prices. It's no longer necessary to invest in heavyweight on-premise systems to accomplish complex commercial tasks at scale. Additionally, essential market data can be easily added to your cloud data infrastructure via high-availability REST APIs that are able to ingest data in real-time from multiple sources.

Envision applying the following plays to a rocky 2020:

Reimagine how you set your rate card. Pricing software can optimize rate cards and produce market relevant prices to drive more revenue.

- Rate card optimization and proposal optimization can help simplify the process of building ad plans for agencies.
- A large deal locks up inventory at a steep discount. What if you could have accurately predicted what that inventory would have sold for? Elasticity measurement provides valuable insight into what the market will bear.
- Optimized guidance can help account execs better negotiate CPM and ad spots for customer-specific rate situations.
- Visual analytics can quickly pinpoint spend by agency and other KPIs.
- Many negotiations can be automated with built-in rules and constraints.
- Taking steps to improve how rates are set can enable a more strategic pricing response to market volatility.

Reimagine customer rate management. Provide visibility to and a simple way to update customer-specific rates or prompt account execs to update their customer's pricing.

- Stop the CPM guessing game at both the customer bundle and price-per-spot levels.
- Centralize all pricing processes, while still giving account execs room to negotiate.
- Mine customer data to "bucket" similar buyers together to identify rate patterns and determine optimal ad mixes.

Reimagine deal management. Automate workflows and approval processes while providing intelligent guidance at the quote level.

- Finally retire the fax machine and stop the email runaround. Automate the proposal process.
- Find the target CPM in large ad bundles by building a price around several must-have items and intelligently filling out the rest of the bundle.

Operationalize data science initiatives. Quickly build applications to solve planning, spend and placement challenges.

Running these plays gives ad sellers confidence that they're making the right pricing and sales decisions on a consistent basis. While it may seem complex, the power of data science lies in its ability to simplify critical processes and drive efficiencies beyond what manual efforts could ever accomplish. Plus, between years of data and decades of expertise, most companies already have a vast wealth of knowledge within their four walls. It's time to activate it.

IV. REIMAGINE AD BUYING

We've spent a majority of our time in this whitepaper addressing the challenges and opportunities in front of media platforms. But there are gains to be made on the agency side as well. Large agencies have to manage many clients with varying needs at once. Successfully spreading out each client's ad budget to achieve maximum reach, given the dizzying array of platform options available, is no small task. It's certainly not one that can be performed well manually. Buy-side optimization is attainable with the following plays:

Reimagine ad placement. Leverage data science to determine which media channels, times of day, geographies and demographics to target.

- Optimize your client's ad mix, through intelligent analysis of budget and available inventory.
- Spin up data science-based applications to forecast ratings and web impressions.

Reimagine negotiations. Get the most bang for your buck in CPM negotiations.

- Take advantage of automated negotiation technology.
- Use predictive guidance to determine the precise discount you should request.

Agencies are feeling the pain of recession like everyone else. They must be surgical in the way they acquire inventory and spread out ad spend over the course of a wayward year. For a group that fundamentally understands that you have to spend money to make money, an investment in data-driven optimization technology is certainly the right call.

V. CONCLUSION

Companies in the media and advertising industry are no strangers to seismic change of the external variety. Now it's time to make major internal changes. Companies need to reimagine their approach to collecting, storing and executing on data, and leverage intelligent solutions to make better pricing and sales decisions.

The Wild West makes for great television, but it's no longer a tenable approach to buying and selling ads.

For more information, visit www.zilliant.com