what's HOT

May 2024

The Era of Ultra-Personalisation is Here

In January, the online travel agent Kayak noticed an unusual trend emerging from its users. Since 2019, the brand has offered a feature to filter by specific models of aeroplanes, but its usage has been confined to a small section of flight enthusiasts. Now, following unfavourable headlines about Boeing's recent safety record, usage of the aircraft-type filter has skyrocketed 15-fold. While this surge in popularity could be attributed to a particular event, its growth is nonetheless reflective of a phenomenon across the travel category: the consumer demand for personalisation and customisation is greater than ever.

Far flung from the days of reading glossy brochures at a local travel agent, many holidaymakers now take a 'Goldilocks' approach to travel planning, meticulously filtering down to the most granular level before ultimately deciding on the trip that is 'juuust right'. Across hotel comparison sites, travellers can filter down everything from the size of a room's bed to the view from the window. For long-legged comfort seekers, a custom Google Chrome extension displays the legroom of a seat before booking a flight. And since the pandemic, Booking.com has noted a surge in interest in 'pet-friendly' filters.

It's not just the travel sector that has innovated to meet this behaviour change. Across sectors as disparate as fashion and pharmaceuticals, brands are utilising new technologies – such as 3D printing and machine learning – to serve customers with uber-personalised products, helping them to find the perfect fit, every time.

Implications for Brands

According to research by the US-based National Retail Federation (NRF), the demand for personalised experiences is being led by Millennials, of whom two-thirds of those surveyed said they like it when websites recommend tailored products or services to them. As noted in Forbes, as the scale and scope of first-party data collection grows, so having a sophisticated customer data platform becomes ever more essential for brands. In repeated studies, personalisation has been shown to drive increased ROI for brands. Research by Twilio into 12 global markets found that over half (56%) say they will repeat a purchase after receiving a personalised experience – a 7% rise year-on-year. Developments in AI are central to this growth, with more than two-thirds of business leaders increasing investment in personalisation as AI opens new avenues for tailored experiences.

Yet, despite the proliferation of 1PD collection in delivering personalised experiences to consumers, concerns about the harvesting and sharing of customer data abound. In the NRF study, nearly half of Millennials surveyed noted it was highly important for them to protect their online identity, as fears of data breaches have doubled in the past decade – with brands as varied as AT&T, Vans and the British Library all recently subjected to attacks from hackers.

For brands to satisfy their customers' growing need for personalisation, investment in AI technologies and customer data platforms is essential. In addition, consumers have repeatedly demonstrated they are willing to change how they buy in reaction to global events – and as climate change and the transition to Net Zero grow in share of mind, so the need to make personalised, sustainable choices will become ever more apparent. But to fulfil the need, brands must also prioritise security concerns at the heart of personalisation investment. If brands are to develop long-term strategies to retain customers through personalised experiences, they must first demonstrate that they can be trusted to protect their customers – and the precious data they collect about them.

Profit Ability 2: The New Business Case for Advertising

Thinkbox has launched a new iteration of their Profit Ability research: Profit Ability 2, The New Business Case for Advertising. Based on 141 brands across 14 sectors, £1.8 billion media spend, and 10 media channels, the research is a data-led analysis of the profitability of advertising. In the current economic climate, it is even more important for agencies and marketers to use language that connects with the boardroom, and this research provides the evidence to position advertising in terms of incremental profit, return on investment, and payback horizons.

Advertising is a profitable driver of business growth, though profitability varies greatly by sector.
The average short-term (<14 weeks) profit ROI of advertising is £1.87, with all media channels showing, on average, a profitable return. However, sustained effects (payback from 14 weeks up to 2 years) contribute nearly 60% of advertising's contribution to profit, increasing profit ROI to £4.11.

How we present media investment within the context of sustained effects on profit is essential for discussions with marketing teams, particularly CFOs and budget holders. Financial pressures have led to advertising investment decisions being driven by very short-term metrics which, whilst sometimes necessary, can lead to decisions that damage profitability. This profitability varies across sectors. Within FMCG, for example, ROI is only realised within the timeframe of sustained effects, while in the automotive sector, ROI effects are multiplied by nearly 4x when comparing sustained timeframes to the short-term.

There are three dimensions that impact profitability – scale, efficiency, and time.
The language of 'performance vs. brand' is damaging when justifying media investment. The former is seen as commercial and immediate, whereas the latter is seen as theoretical. To support how we move away from this categorisation and towards a more accurate view of the impact of advertising on profitability, the paper proposes three dimensions of effectiveness:

- Scale, the size of advertising's effect on the business
- Efficiency, the ratio between cost and payback
- Time, the period that the advertising payback is over

As the scale of advertising spend increases, the effect does too. But this effect experiences diminishing returns, which vary by media channel. This diminishing return means that scale and efficiency are linked; optimising towards one will impact the other. Using this information, we can identify when media channels will reach saturation point and build recommendations for diversifying into new channels.

How marketers talk about 'time' needs to change too. The analysis shows that immediate payback is no longer exclusive to typical performance media, with audio, BVOD, and print bringing themselves into play as 'performance' drivers. When looking towards longer-term profit effects, advertising sees an average multiplier of 2.2 on effectiveness. By determining when advertisers need to see the impact of advertising, we can recommend which channels should be invested in, noting that it is not always correct to default to the stereotypical performance channels for immediate returns.

Advertising effectiveness has more gradually changed as media consumption has evolved.
When comparing pre- and post-pandemic, media channel profitability hasn't shifted as significantly as perhaps expected, with most individual channels seeing ROI variations within +/-5%. The shifts that are seen largely follow consumers' media consumption. BVOD (i.e. ITVX) and online video see increases along with the further fragmentation of video viewing and the growth of BVOD, SVOD (i.e. Amazon Prime Video), and YouTube over recent years. How we right-size investment based on the updated effect, in line with the target audience's media consumption, is key for creating plans that deliver above-average gains in returns.

This research gives us further empirical evidence to prove, contextualise, and communicate the profitability of advertising. By continuing to adapt the way that we communicate media investment to the boardroom, such as moving away from 'performance vs. brand', advertisers will see a greater response to budget-setting.

Netflix's Shift in Performance Evaluation Metrics

Netflix announced in the first quarter of 2025 that they will stop disclosing their subscriber numbers and average revenue per user, indicating a shift in performance evaluation metrics.

Netflix's investment in original content, amounting to billions, was pivotal in the so-called streaming wars. This expenditure was primarily aimed at fuelling subscriber growth, driving the platform's dominance in the competitive streaming landscape. Iconic shows like House of Cards and Orange Is the New Black exemplified their commitment to captivating audiences and attracting new members. However, the announcement to no longer disclose their subscriber numbers reflects a shift in strategy and a significant move towards their new ad-tier business model.

Shifting Focus from Subscribers to Revenue Metrics
With the introduction of an advertising tier in 2022 and subsequent initiatives like the password-sharing crackdown in 2023, Netflix has been reshaping its revenue streams and operational focus. The streaming giant has also evolved its pricing and plans with different tiers and prices across countries. Consequently, traditional metrics centred on subscriber counts may no longer offer a comprehensive snapshot of the company's business. Now, it is much more important to look at revenue numbers to reflect Netflix's performance, rather than focusing solely on subscribers, as it no longer accurately reflects the company's growth. Analysts and stakeholders are urged to scrutinise revenue figures for a more accurate assessment of Netflix's performance.

Q1 results reported by Netflix this month revealed 15% year-on-year growth in overall revenue, with an increase in ad-supported accounts of 65% compared with Q4 2023.

Continuation of the Streaming Wars
However, the decision to cease subscriber reporting triggered a notable decline in Netflix's stock value, echoing Apple's similar move in 2018 regarding the disclosure of iPhone sales figures. Unlike Apple, though, Netflix lacks the same market dominance, as it is positioning itself alongside industry peers in the expansive landscape of international TV companies like Disney, Paramount, Warner Bros Discovery, and Comcast.

Netflix's Strategic Embrace of Industry Standards and Advertiser Trust
It is now increasingly important for Netflix to nurture relationships and trust with advertisers. Netflix's membership affiliations with industry standards like Thinkbox and Barb are vital for establishing this trust with advertisers, as Netflix aligns itself with established measurement practices. Alongside establishing these relationships with brands, affiliations with established measurement practices will become an important alternative metric to gauge the success and health of Netflix's performance.

Despite Netflix's decision to stop disclosing subscriber numbers, this move accompanies their transition to an ad-tier business model, reflecting a strategic focus on revenue streams through advertising.

The reporting decision underscores an evident commitment to serving advertisers with insights into consumer behaviour, preferences and trends. With greater emphasis on personalisation, such performance assessment can enable more refined targeting. For brands considering investment in streaming services, a comparative understanding of revenue data is crucial to maximising effectiveness.

Inclusive Strategies Inspired by Newcastle United's Vibrating Kit

Newcastle United is set to launch a new vibrating kit, designed to ensure that deaf and hard-of-hearing fans feel fully immersed in the matchday experience. The innovative kit will sync with on-field events. Supporters who wear the new haptic kit in the stadium will experience a tactile representation of the action unfolding on the pitch, making matches more accessible and inclusive for deaf and hard-of-hearing fans.

Adding the extra dimension of synchronised touch will allow fans to feel more connected to the game without relying solely on visual cues. By receiving reconstructed sound as instant digital signals, the shirts will bring the atmosphere of the stadium to life and allow those with hearing impairments, literally, to feel the noise. A pioneering partnership between sponsor Sela and RNID allowed the club to integrate their message into some recent games with the visible support of players on the pitch.

This initiative serves as a shining example of purposeful inclusion, offering valuable insights for agencies and brands alike. As an industry, there is a lot that we can learn from the initiative; both in how we operate and in the work that we produce. Brands should always seek to embrace how they can make people's lives easier and drive social change by including everyone in an experience or product as richly as possible.

Here are some actionable ways brands can lead the charge in making their media activities more inclusive of those who are deaf or hard-of-hearing:

- **Feature deaf talent:** Actively seek out and showcase deaf actors, producers, and creators in media content, collaborating with deaf creators (writers and directors) to ensure that they are encouraged to participate in shaping narratives. This will ensure that we are highlighting deaf stories authentically - shining a light on their experiences, challenges and triumphs.

- **Expand accessibility:** Ensure all video content includes accurate captions or subtitles and provide audio descriptions for visual elements in videos so that they are accessible for the blind and visually impaired.

- **Educate through sensitivity training:** Conduct sensitivity and awareness training to foster empathy and a supportive workplace environment for employees with impairments.

- **Encourage collaboration and feedback:** Create channels for employees with impairments to provide feedback and input on advertising campaigns. Their insights can help advertisers better understand the needs and preferences of diverse audiences.

- **Advocate for inclusive policies:** Leverage our influence as media agencies to advocate for policies that promote accessibility and representation in the advertising industry. This also includes prioritising inclusive policies internally, ensuring that this is reflected in our own operations and campaigns.

Brands that embrace these actions will reap numerous benefits. A 2023 survey by McKinsey revealed that 70% of Gen Z consumers actively support companies they perceive as ethical. By demonstrating inclusive strategies, brands are able to position themselves as market leaders as they pave the way for other brands to follow.

How Brands Can Plan More Sustainably

On Monday, April 22nd, people around the world celebrated the annual Earth Day. This is one of the biggest dates in the sustainability calendar and is a great opportunity for brands to communicate and celebrate their sustainability credentials. However, engaging with sustainability events can be tricky for brands, as it requires a delicate balance – especially in light of recent concerns around greenwashing. Despite this, moments like Earth Day can present great opportunities to connect with consumers and make their voices heard.

The latest research from the7stars' Lightbox Lowdown reveals that 9 in 10 adults are worried about the impact of climate change on their daily life this year, and nearly half of Brits claim to make eco-conscious purchase decisions. With increasingly greater attention being placed on green initiatives, it is more important than ever for brands to adopt a clear approach to the climate crisis. From Earth Day to Climate Action Week, myriad opportunities across the year enable brands to engage with the environmental movement in a timely way.

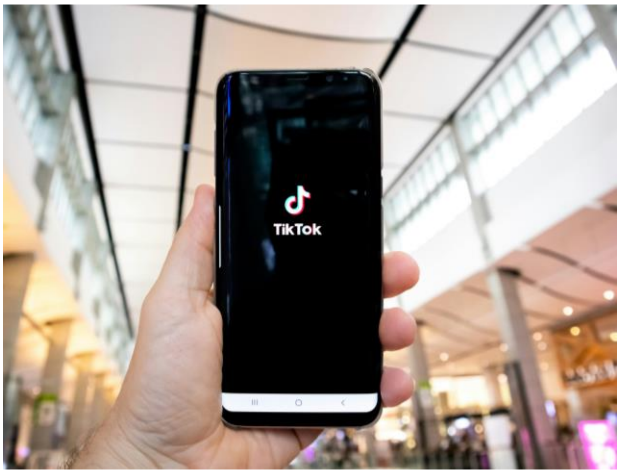
There are a few important things to consider when planning brand engagement with sustainability events. According to WARC research, brands that engage in cultural movements are well placed to build strong emotional connections with consumers, but only when these brand communications feel authentic. Advertisers should make sure their brand's values align with their climate messaging, and that these values remain consistent. A great first step can be utilising a tool such as the7stars cultural calendar, to map out key cultural events and align sustainability communications with them. This ensures that a brand's sustainability messaging isn't relegated to a once-a-year nod but is woven throughout its communications strategy, to embed that essential feeling of authenticity.

Another great way to maintain this legitimacy is to weave sustainability considerations into all areas of your campaigns, from the message communicated, to the medium used. Using more sustainable media placements, prioritising sustainable formats, and acting upon data to reduce the carbon emissions of your media campaigns are all great ways of demonstrating depth in your environmental commitment. Green advertising is often more effective, with Scope3 research finding that 15.3% of advertising spend is wasted on inventory that generates no value, whilst still generating carbon emissions. Sustainable digital media buys, such as those around higher quality publishers, often lead to less wastage, and more premium impressions being served. Sustainable advertising can also be a great way to generate more buzz and capture consumer attention. Some examples of this include H&M repurposing old OOH adverts into handbags, and Dettol 'repurposing' OOH special builds to announce their refill range.

Crafting a business-wide approach to sustainability is key to ensuring this engagement doesn't feel fake, forced or self-serving. Embracing a distinct approach to the climate crisis, along with a roadmap defining achievable steps to meet your sustainability goals, will make managing the impact of your communications much clearer and more effective. After all, the climate crisis is everyone's responsibility, from governments and individuals to brands and employers.

This month's mini stories

The US Senate has passed legislation mandating TikTok's parent company, ByteDance, to sell the platform or risk a ban in the country. This move, part of a $95 billion foreign aid package, reflects bipartisan concerns over Chinese ownership and potential security threats posed by the app's popularity among 170 million Americans. ByteDance has nine months to sell TikTok, with a possible three-month extension. The bill aims to limit the company's control over TikTok's algorithm, pivotal to its user experience and widespread appeal.



In 2023, UK digital ad spend surged to £29.6 billion, marking an 11% increase and outpacing the country's GDP growth, which stood at 0.1%. The growth trend, continuing from 2022, underscores the industry's robustness. Notably, podcast ad spend soared by 23%, while connected TV and social video saw increases of 21% and 20% respectively. Search remains dominant, constituting 50% of the market at £14.7 billion, with a 12.2% growth. Digital out-of-home, featured for the first time, recorded a 12% growth to £841 million.

Meta unveiled an update for its Ray-Ban smart glasses, offering enhanced functionality and style options. The new update includes multimodal AI, allowing users to receive real-time information about their surroundings and access translations, making it particularly useful for travellers. This expanded capacity, initially tested in December and further developed with features like landmark information, is now available in beta for all Ray-Ban Meta smart glasses in the U.S. and Canada, with a global rollout planned. Additionally, users can now make hands-free video calls via WhatsApp and Messenger directly from the device, enhancing connectivity and convenience.