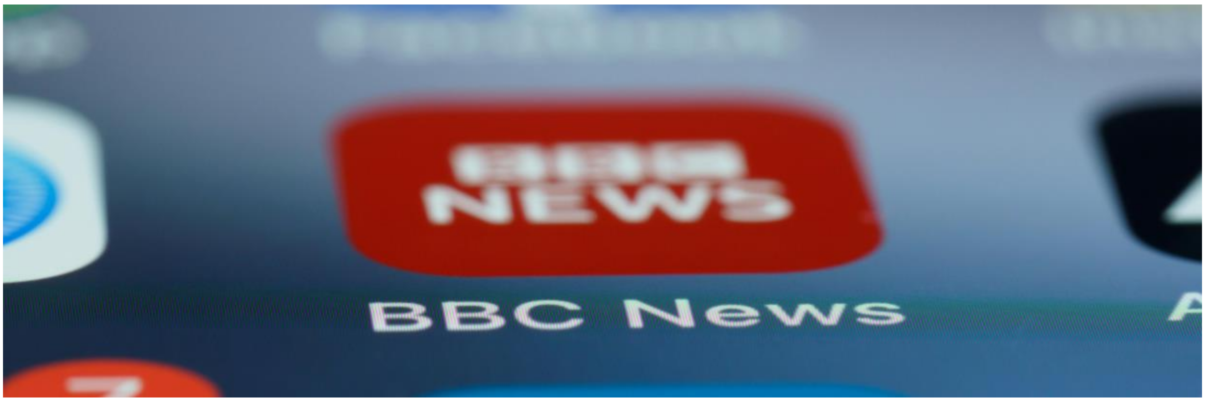
what's HOT

April 2024



The BBC's Foray into Commercial Podcasting

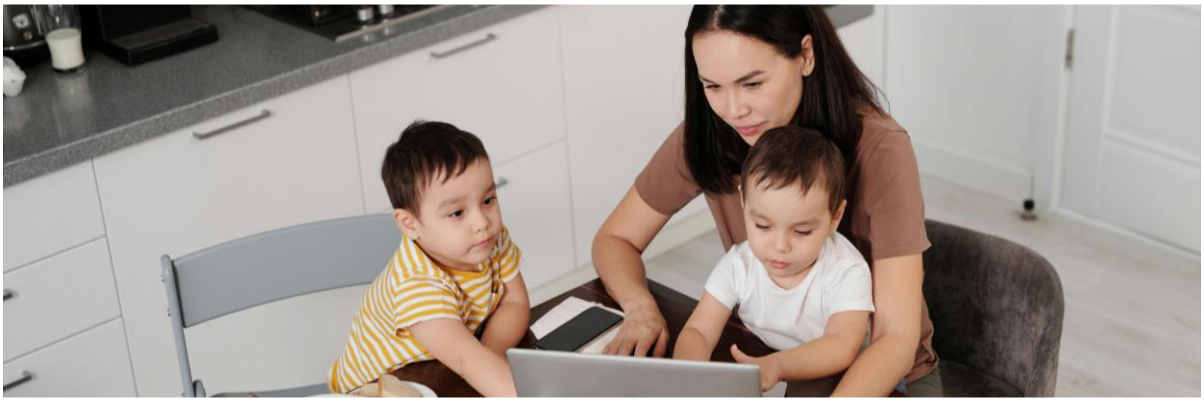
In a strategic move that could reshape the UK's commercial audio sector, the BBC has provisionally agreed on plans to commercialise selected podcasts hosted on commercial platforms, such as Apple Music, Amazon Music, and Spotify. Led by BBC Studios, this marks a significant departure from the broadcaster's ad-free model across the UK, sparking debates about its impact on licence fee payers and the advertising ecosystem alike.

While the BBC plans to maintain ad-free content on its native platform, BBC Sounds, commercial platforms will soon feature ads on BBC podcasts. This move seeks to augment revenue streams to support the broadcaster, licence fee payers, suppliers, and rights-holders. By phasing the introduction of ads, set to commence in late 2024/early 2025, the BBC aims to minimise the disruption to user experience, especially considering the prevalence of ads on commercial platforms. Notably, news and current affairs podcasts will be exempt from this transition. However, with the BBC's share of listening declining to 43.2% according to Q4 Rajar figures, concerns have been raised about the potential ramifications this move could have on the broadcasting landscape.

Public Perception
Critics argue that the recent 6.6% rise in the BBC's licence fee should suffice to cover expenses (i.e., production, talent fees), maintaining the sanctity of ad-free content across all platforms. As a public service broadcaster, the BBC is viewed as a unique entity that should distinguish itself from its commercial counterparts. The prospect of commercialising BBC content could raise questions among licence fee payers, as they question the necessity of the aforementioned increased fees amidst potential ad interruptions. This could cause the public to seek a reduction in their increased licence fees (especially as many are looking to make cuts to their budget due to the cost-of-living crisis, particularly with regards to subscriptions). Whilst licence fees account for almost 65% of the BBC's total income, the idea that this fee should encompass all broadcasting costs, eliminating the need for more commercial revenue, underscores the delicate balance between tradition and innovation.

Implications for the Advertising Landscape
While acknowledging the BBC's compelling content, industry stakeholders have voiced apprehensions about its invasion into commercial territory, with the potential distortion of the advertising market being a top concern. By utilising licence fee funds to create content supported by advertising, the BBC could disrupt competition and set a dangerous precedent. This could potentially allow the BBC to "muscle into the UK advertising marketplace," marginalising commercial players and skewing competition dynamics. Global chief strategy officer Sebastian Enser-Wight shared these concerns before the Lords Communications Committee, cautioning against the BBC's encroachment into the commercial advertising space.

The plans to commercialise BBC's podcasts are currently under internal assessment as they wait to be assessed by Ofcom. This move could see a significant shift in the commercial audio sector, impacting both competition and costs. The influx of new ad inventory could call for recalibration for existing commercial players, challenging them to maintain their market share amidst heightened competition. Whilst the market boasts a diverse array of commercial content for advertisers to align with, the entry of BBC podcasts into the commercial space introduces a formidable competitor, potentially reshaping the dynamics of podcast advertising in the UK.



The Misdefined Majority: Divesting from SEG Targeting

In its latest whitepaper, the7stars has joined industry voices including Channel 4 in calling for brands & media agencies to rethink their approach to social grade, and to celebrate all class communities.

Social grade, or SEG, has been widely used as an official classification since the 1950s and its core assumption remains rooted in the past: that the occupation of the head of the household strongly indicates the family's social status and disposable income. The notion of assigning individuals with a career-based social ranking is highly controversial. Working-class author and campaigner Darren McGarvey describes SEG as 'a class-based analysis and one so brazen, Karl Marx himself would likely have been offended by it'.

Moreover, in recent years, social grade's efficacy as a measurement tool has diminished as the British workforce undergoes seismic change. As recently as 2015, around 50% of adults were classified as C2DE, but today, that figure is 39% and plummeting. The disconnect between official SEG classifications and how Brits choose to self-identify has formed quantitative research by the7stars, in partnership with PureSpectrum. Some 22.9 million adults associate with a working-class background – with more than 6 million not identifying with any class at all.

These groups comprise the Misdefined Majority, a group who have long since felt ignored or trivialised by the media. Through a comprehensive study, exploring the values and motivations of the British public, the7stars has created a playbook for engaging with them.

Seizing the Opportunity in the Misdefined Majority

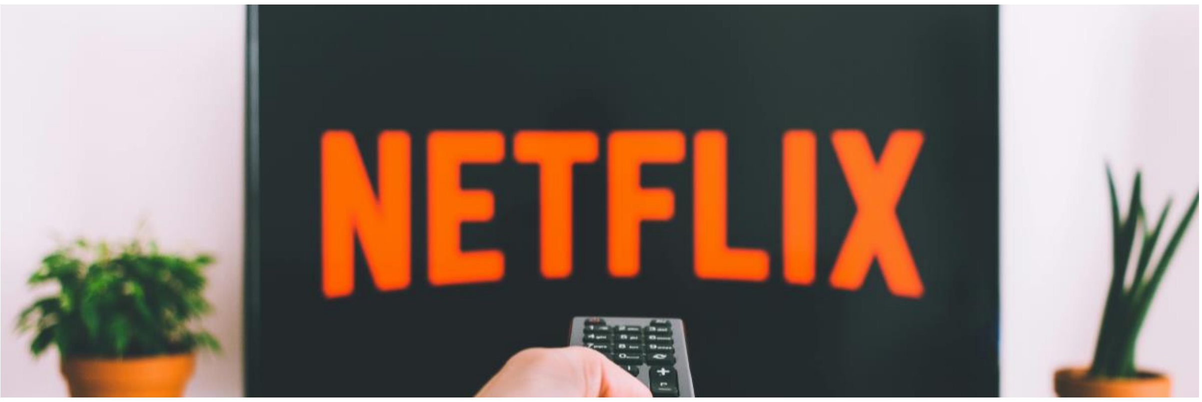
At first glance, working-class audiences have lower spending power, with a self-reported £200 average monthly disposable income, compared with £500 for the middle classes. This translates to an above-average proportion of income being spent on essentials.

Yet, to discard the spending power of this group would be to ignore an enormous opportunity. Many working-class people surveyed by the7stars intended to spend on technology, clothes, entertainment and holidays in the coming months – creating an opportunity for brands willing to foster meaningful connections with them. Fewer than 1 in 10 working-class people believe their typical media portrayal is accurate, outside of soap operas. Media has the power to play a pivotal role in rewriting this narrative but, to do so, brands will need to listen and learn from under-represented communities.

Recommendations for Targeting in a SEG-less World

Although social mobility is commonly assumed the ultimate goal for working-class people, the7stars' research found otherwise. When asked to define what makes a person successful, 41% chose their career; yet only 26% said forging a successful career was a personal goal of their own – with building a solid family unit by far the nation's main aim. In the face of the UK's economic disparities, working-class communities thrive on shared values of family, honesty, and compassion. For media to truly represent the country, it must recognise and celebrate what makes these communities tick – not rely on stereotypes.

Media planners must overcome the one-size-fits-all approach of SEG-based targeting, using better tools to segment the British population in every way imaginable. In *The Misdefined Majority*, the7stars outlines recommendations for a more inclusive approach to planning, through a combination of affordability indicators and value-based attitudes. To download the whitepaper, visit this link.



Unlocking Netflix's Triumph: Navigating Subscription Cycling

In a landscape reshaped by streaming, Netflix has been able to not only drive content consumption but also shape consumer behaviour. Recent research from ScreenThink found that Netflix's crackdown on password-sharing has not only led to a 10% surge in paying subscribers, reaching 70% of total users, but has also unveiled that 60% of those surveyed experienced "content fatigue", with the platform boasting nearly 8,000 pieces of content. This dichotomy calls for an exploration into the nuanced dynamics of subscription video-on-demand (SVOD) services.

Netflix's proactive approach to combating password-sharing marked a pivotal moment in May 2023, with subscribers now being required to pay an additional £4.99 per month to share an account with up to two people in their household. This led to a staggering 102% increase in daily sign-ups (compared to the average for the two months prior), surpassing 70,000 a day. This move echoed across the industry, with Warner Bros Discovery and Disney announcing similar plans to curb sharing this year.

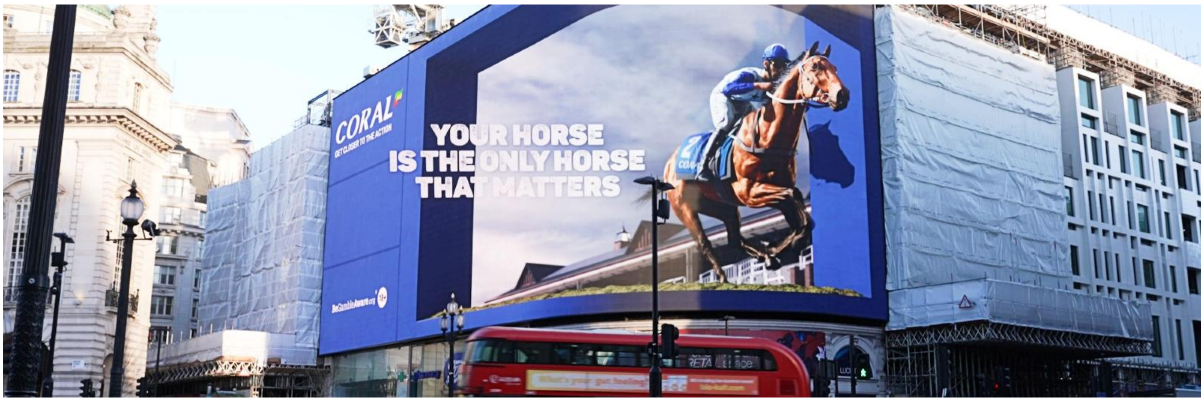
However, ScreenThink's insights uncovered the concurrent trend of subscription-cycling (or toggle behaviour), with 12.5% of those surveyed feeling comfortable subscribing to and unsubscribing from SVOD services on a short-term basis. With a sea of content choices now available to viewers, binging comes as standard and consumers begin to feel less tied to one subscription, especially in an effort to cut costs.

Netflix's success in cracking down on password-sharing highlights the allure of extensive content libraries. However, as ScreenThink notes, smaller platforms such as Apple TV+ (with less than 500 titles) face unique challenges. Despite boasting high-quality content, smaller platforms with limited libraries are more likely to experience higher churn rates. The report found that the initial attraction of prestige originals, such as *Ted Lasso* and *Severance*, fades swiftly, with users seeking broader content offerings after consuming the available content on the platform.

As 26% of users admit to subscription-cycling Apple TV+ in the past months, and 34% expressed the likelihood of cancelling their subscription, the efficacy of password-sharing crackdowns varies across platforms. Philippe Epailly, Head of Quant and MTM ScreenThink, emphasises how important it is for smaller platforms to "demonstrate clear value beyond simply offering a large content library" to retain subscribers. With the UK's subscription services nearing saturation, differentiation and innovation become imperative when captivating and retaining audiences amidst intensifying competition.

The evolving landscape extends beyond subscription dynamics, encompassing a shift in demographics and viewing patterns. ScreenThink's data shows a 13% decline in 16-to-34-year-olds prioritising SVOD services when looking for something to watch (compared to Q2 2022), opting for live TV and broadcast VOD (BVOD) services like BBC iPlayer and ITVX first instead. This is in line with Barb's latest audience data, which reveals a 2% drop in homes across the UK with access to SVOD services in Q4 2023. Kantar's *Entertainment on Demand* study reinforces this trend, documenting a surge in planned cancellations quarter on quarter across all major SVOD providers. These shifts, catalysed by the allure of high-quality content available to viewers on free-to-air channels, signify a broader transformation in viewing behaviour across the UK.

As SVOD services confront multifaceted challenges, platforms must cultivate unique value propositions to secure their position in the consumers' subscription rosters. With viewers looking to cut costs and subscription services often being the first to go when doing so, innovation will allow SVOD services to transcend content fatigue and foster enduring relationships with subscribers.



CGI's Impact on Out-of-Home Advertising

With the continuous advancement of technology, CGI activations are taking the world of out-of-home by storm. The ability to seamlessly blend CGI elements into real-world settings has become more accessible and affordable, enabling brands to utilise these artificial yet hyper-realistic ads to create immersive experiences that overcome the constraints of physical installations, garnering a significant amount of engagement and millions of views online.

However, this raises important questions about the authenticity of outdoor brand experiences. A recent Alfresco Life consumer study found that the public has a strong preference for real-world ads, with 44% of respondents being less impressed when discovering that a 'Faux Out of Home' (FOOH) ad was CGI, while 46% felt more positively towards ads that they knew were real (particularly among 18-34-year-olds, where the figure rose to almost 60%).

Genuine outdoor activations are grounded in the physical world (involving real people, real events, and real emotions) and provide an element of tangibility and authenticity that CGI activations find hard to emulate. With this in mind, we spoke with experts from across the agency to get their take on the rise of larger-than-life CGI activations, how this impacts the out-of-home market, and how advertisers can integrate this effectively into their marketing mix.

'CGI OOH activations give brands the opportunity to go big at launches, with truly creative concepts that can cut through the noise. While an exciting market that will continue to grow, it will be important to make these hyper-realistic concepts more tangible in real life to consumers, or we risk the technology becoming a fad that does not connect with audiences.' – **Adaugo Ohaka, Media Planner at the7stars**

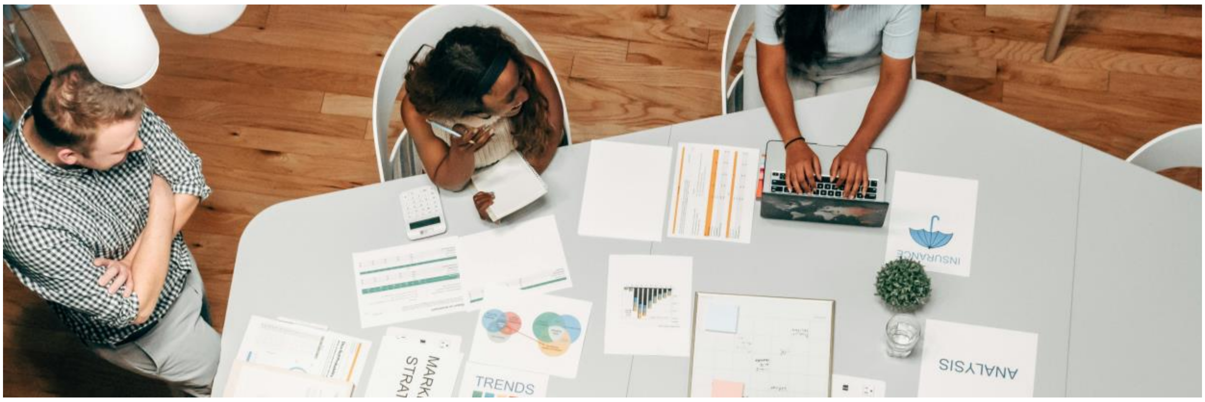
Whilst FOOH breaks creative barriers and drives talkability (with an AdAge study revealing a 20% higher recall rate for FOOH campaigns compared to traditional OOH), making the activation tangible and implementing a dose of reality is key for advertisers seeking to take advantage of this medium. Research by Edelman's Trust Barometer repeatedly reveals that consumers' trust in businesses increases when the business is perceived to be authentic and transparent, making it all the more important for brands to consider how to avoid the consumer feeling cheated when utilising FOOH.

'These activations open doors for lesser-known brands who crave creativity, paving a way for them to stand out and cause disruption in an ever-growing and expensive marketplace. However, it's important not to lose sight of striking the balance between Public and Private media. Brands which are only seen to be playing in the Private space risk losing the trust of consumers. Authenticity is increasingly important for brands seeking to grow and diversify, particularly amongst younger audiences, and we would therefore urge clients to ensure they are present in the physical space, using CGI as a way to amplify existing campaign concepts.' – **Katie Scott, Client Lead at the7stars**

'CGI OOH allows brands the creativity that cannot be achieved with the constraints of the real world, and many brands have jumped on this bandwagon. However, this surge has prompted consumers to become increasingly cautious of brands activating purely virtually and can be seen as inauthentic. By ensuring that brands' CGI activations have tangible real-world activations to complement them will bring those big ideas to life, for all.' – **Jasmine Allen, Media Planner at the7stars**

Elsewhere, advertisers are also utilising 3D DOOH experiences to enable the public to take control of on-screen content through their mobile phones, whilst also pushing the boundaries of OOH creativity. Placing the control in the consumers' hands allows them to build strong emotional connections with the brand whilst also driving conversation.

As we continue to see the growth of FOOH, brands need to ensure that the activations still feel authentic to the consumer. This enables brands to take advantage of the limitless opportunities that CGI activations bring and drive conversation, truly connecting with their audience.



Developing Reporting and Optimisation Roadmaps with 7IGNAL

8 in 10 agree that marketing effectiveness is under greater scrutiny, and this comes at a time when media is experiencing serious fragmentation. This fragmentation introduces complexities in media measurement.

With the proliferation of measurement solutions in the market, finding a single source of truth is impossible. Without this, marketers face increasing ambiguity as to which levers are the most effective. In truth, every popular measurement method carries some benefits and caveats. As an agency our job is to help streamline this process, facilitating robust and easier decision-making to ascertain the most impactful marketing levers. 7IGNAL gives us the language, process and framework to help simplify the complex. 7IGNAL is the7stars' dynamic, future-focused, clear decision architecture to guide allocation decisions.

Hierarchy is Important
7IGNAL combines the principles of hierarchy of evidence, the strengths and weaknesses of the modern measurement stack and the realities of brands' trading and planning cycles; delivering a framework that supports the management, optimisation and reporting of effectiveness at all levels and times. Effectiveness signals are mapped to a four-tier hierarchy:

'Verification' signals track audience delivery and attributed outcomes vs. plan; leading to in-channel optimisations (typically weekly).

'Leading Indicators' involve higher order evidence, directly correlated with effectiveness outcomes. Meaningful movements lead to changes in budget allocation to optimise effectiveness (typically monthly).

'Incrementality' signals represent the strongest individual pieces of evidence (e.g. MMM, Experiments), with results making or breaking the role of channels and campaigns. Studies are more periodic and aligned to a detailed learning agenda.

'Triangulation': it is only by combining methods that we can arrive at conclusions for the most important effectiveness questions. Analyses are run at strategic intervals (usually aligned to annual planning or to the year's 'big bets') and are designed to solve for the optimal strategy.

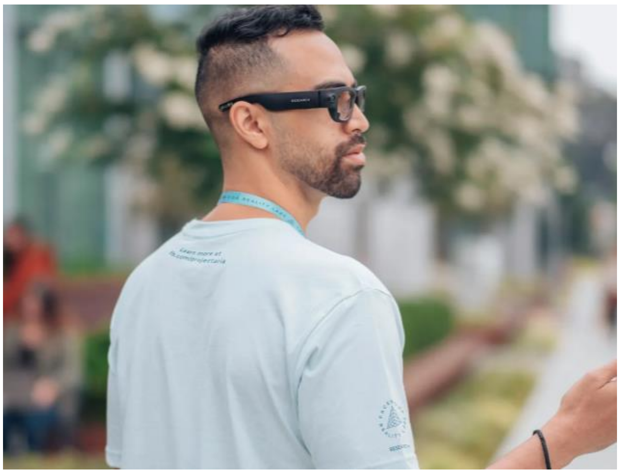
Roadmap to the Future
7IGNAL is delivered via a bespoke effectiveness console that governs daily, weekly and monthly optimisations and acts as a single repository for all effectiveness data and intelligence. It delivers:

- Granular Media Reporting – Audience Delivery and In-channel Attribution
- Leading Indicators Reporting aligned to target Business Outcomes
- Objectives vs. Forecast
- Measurement & Optimisation Plan
- Learning Roadmap of Gold and Silver Experiments
- Chain of Effects Model joining Media Outputs, Brand Tracking and Business Outcomes

Managing Marketing Effectiveness
7IGNAL is our framework for managing marketing effectiveness. It is the base from which we develop measurement frameworks for brands, report results to senior stakeholders and optimise effectiveness in the short, medium and long term. The necessity to drive greater effectiveness outcomes that are evidence-based is at an all-time high. Reach out to the Analytics team to see how 7IGNAL can support your business.

This month's mini stories

The European Union has fined Apple €1.84 billion for violating antitrust regulations regarding music streaming services on its iOS platform. The penalty focuses on Apple's anti-steering provisions, limiting apps from informing users about cheaper options outside the App Store. This restriction has been contested by competitors like Spotify, arguing it places them at a disadvantage. EU's competition chief, Margrethe Vestager, stated that Apple's rules have harmed consumers by withholding critical information, leading to potential overpayment or inability to subscribe to preferred services. The Commission deems these rules unnecessary and disproportionate, considering them unfair trading conditions imposed by a dominant company.



Meta, formerly Facebook, is set to unveil its next-generation AR glasses prototype, dubbed Orion, at its Connect conference later this year. The glasses won't be available for purchase yet, but Meta aims to demonstrate significant advancements in AR technology. While Meta has been developing AR glasses for years, the upcoming prototype is considered a major step forward. Meta's CTO, Andrew Bosworth, has described the prototype as 'significantly advanced', though still too costly for consumer release. Meta plans to focus on cost reduction ahead of a projected consumer launch in 2027. With Apple's increasing presence in AR, Meta is keen to showcase its progress and establish a foothold in the market. Orion glasses are expected to be separate from Meta's current Ray-Ban Stories, likely featuring a more compact design.

The UK anticipates a loss of 2.1 million pay-TV subscribers between 2023 and 2029, as per Digital TV Research's latest report. Across Western Europe, a total of nearly 9 million pay-TV subscribers are expected to decrease by 2029, roughly 8% of the market. Germany leads with an estimated loss of 2.7 million subscribers, followed by Italy and France with 1.5 million and 1.1 million, respectively. Pay satellite TV is predicted to be the most affected due to limited broadband access, with Sky aiming to transition its satellite subscribers to streaming platforms. Conversely, Internet Protocol TV is projected to gain 1 million subscribers in the region, while declines are anticipated in pay satellite TV, pay digital terrestrial television, and cable subscriptions.