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Why digital transformation of media is defining its future

And how to seize the opportunity



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SEIZING THE NEW OPPORTUNITY

Fully seizing the opportunities offered by the next wave of digital transformation requires a transformed approach to media and marketing. The problem for brands on this journey is they face some very real challenges. They're still trying to catch up with the previous wave of digital transformation. Their organisations are siloed, with brand and performance teams, for instance, collating and acting on separate data. They sometimes also lack the internal skills to activate against their data in-house, relying instead on agency groups to buy their media – without gaining full transparency into their investment and results.

“The pandemic underlined the need for a joined-up approach that integrates creative, media, content, data, ecommerce, customer relationship management and technology” - Campaign Magazine

While these are significant challenges, ambitious and innovative brands are rising to them, in part prompted by the pandemic, which has demonstrated the extent to which digital transformation of the media department is now a priority. As recently noted in Campaign magazine, “the pandemic underlined the need for a joined-up approach that integrates creative, media, content, data, ecommerce, customer relationship management and technology”.

This joined-up approach enables marketers to deliver more sophisticated campaigns that generate the sort of ROI that can ensure survival in uncertain times. The pandemic has also made it necessary for marketers to adapt where their spend is directed, with different channels and messaging continually in danger of being inappropriate or irrelevant. This calls for a smarter, data-centric approach in which the entire organisation has access to the same information. With this in place, brands become more agile and more confident in making marketing decisions quickly about their media spend in response to disruption.

As a result, many media transformation projects are well underway, with some 40% of businesses now 70% or more of the way through the transformation of their media model, according to a new study from MediaSense. This progress is particularly impressive given that 57% of respondents in the same study believed their agency business model is set up to hinder transformational targets.

Viewed together, these stats underline that transformation of media is challenging but worthwhile – and brands are determined to make progress despite the obstacles they face.

This white paper explores the forces driving change, alongside how brands are changing, including their internal set-up and how they work with partners, as well as the results they are achieving.

We'll also explore how to achieve success in this brave new world with examples from leading businesses in a variety of sectors, including HSBC, Deutsche Telekom, Royal London and MADE.com.

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These organisations face different sector-specific challenges and are at different stages in their transformation journeys, but all recognise the old model of media is fundamentally challenging.

As HSBC's Caroline Harrison notes, whereas the old model might have involved providing a traditional brief and inviting an agency to respond with a strategy and creative, her team now often reviews its data in-house and devises the strategy, prior to potentially engaging an agency for creative and media execution.

Such an approach is increasingly becoming accepted best practice as brands develop their capacity to collate and analyse advertising and customer data from across the organisation and use this to make smarter business decisions, including more effective investment in media.

METHODOLOGY

The digital revolution of media and marketing is undeniable. There has been a total transformation of what advertisers need. A combination of new technologies, new regulation and more sophisticated in-house skills mean agencies have a brand new role to play, with these changes sped up by the outbreak of Covid-19. But ISBA wanted to validate thinking on the new landscape through qualitative research that would provide real insight into why and how brands should respond. As a result, it asked Infectious Media to speak with senior figures at MADE.com, Royal London, HSBC and Deutsche Telekom, as well as media advisor MediaSense. And to write a white paper that explores the insights these conversations produced to help brands who are looking to seize the opportunities of a digitally transformed media landscape.

CONTRIBUTORS



BOBI CARLEY
Head of Media and Diversity
& Inclusion Lead
ISBA



CAROLINE HARRISON
Head of Marketing, Wealth &
Personal Banking
HSBC



RYAN KANGISSER
Managing Partner
Media Sense



MATT POLLINGTON
Director of Digital &
Customer Marketing
MADE.com



MIKE SHERWEN
Head of Brand Comms,
Membership, Engagement &
Marketing Operations
Royal London



INGO SCHWAB
Global Head Media
Digitization
Deutsche Telekom Group



JAMES COULSON
Managing Partner, Strategy
Infectious Media



MARTIN KELLY
CEO & Co-founder
Infectious Media

DRIVERS OF CHANGE

The digital transformation of media is being driven by multiple factors. Prior to the pandemic, brands were already seeking greater transparency into their media spend and taking steps to make more effective use of their own first-party data. The pandemic subsequently made digital transformation more urgent, as businesses recognised the need to make more agile decisions around media with greater confidence.

According to MediaSense research, most businesses (73%) consider driving performance as the most important reason behind their media transformation, followed by agility (53%) and cost savings (47%).

Marketers also recognise that digital transformation of media is key to making more effective use of first-party data, which has become crucial as regulation limits the use of third-party data and device IDs. Marketers need

to be empowered by information shared across their organisations, rather than it being trapped in siloed departments or held by external agency partners.

"As first-party data becomes more important, making proper use of this will mean getting different people from across the organisation to sit together. In businesses where the CRM department has never spoken to the media guy, there's

no chance of everyone fully understanding what the data shows and deciding how best to act on it," says Ingo Schwab, Global Head Media Digitization, Deutsche Telekom Group.

Automation of media buying is also driving this change,

with businesses now less reliant on large agency groups to do the heavy lifting or buy media at scale. This automation is also leading to businesses questioning the value offered by the old model where large agencies buy media at scale.

"Automation tools have made it easier for us to manage more media buying in house, it can be more efficient and it gives us more granular data." – Caroline Harrison, Head of Marketing, Wealth & Personal Banking, HSBC



"The pandemic has had a profound impact since it has forced many marketing teams to break silos, which have for so long held marketers back from being able to operate at the speed of the consumer. Through necessity, digital transformation, collaboration, decision-making, content production and execution have all been hugely accelerated in the last 12 months." – Ryan Kangisser, Managing Partner, MediaSense

"Automation tools have made it easier for us to manage more media buying in house, it can be more efficient and it gives us more granular data," says Caroline Harrison, Head of Marketing, Wealth & Personal Banking, HSBC.

This drive for value and transparency is fueling a move towards in-housing, with businesses building

skills and specialisms in-house as part of their transformation journey.

All of these factors, combined with the need to be agile in the face of the pandemic and compete with challenges posed by digital-native competitors have resulted in media transformation climbing the agenda.

HOW TO SEIZE THE NEW OPPORTUNITY

Brands previously lacked the data or internal capabilities to take control of their media spend or fully understand the return that it offered.

Instead, large agency groups would seek to offer value by buying media at scale. The supply chain would be murky and brands would need to accept the agency's claims on how effective their investment had been. Advertisers struggled to make informed decisions and didn't own the tech or data, meaning a lack of access into customer insights.

Digital transformation of media means things are now very different. Scale of buying power has become less important now that media is increasingly bought via biddable channels and the winners are determined by who uses data smartly. With media buying success no longer aggregated spend dependent,

brands are boosting their internal media capabilities, hiring specialists who can plan and review the success of a campaign and discuss this with agency partners on an even footing. Automation also means brands are able to take greater control of media buying – with manual, cumbersome, aggregated spend dependant buying processes no longer a barrier to entry. The below diagram further illustrates these changes.

At the same time, in-housing the entirety of data-driven digital marketing won't be entirely realistic for most brands. In our experience, a big part of the digital transformation of media departments involves identifying which aspects to bring in-house and which to outsource to agency partners. No two in-housing strategies are the same, requiring an approach tailored to fit the skill sets that exist internally, the business type, the sector and a company's culture and specific market needs.

NEW MEDIA BUYING ARCHITECTURE

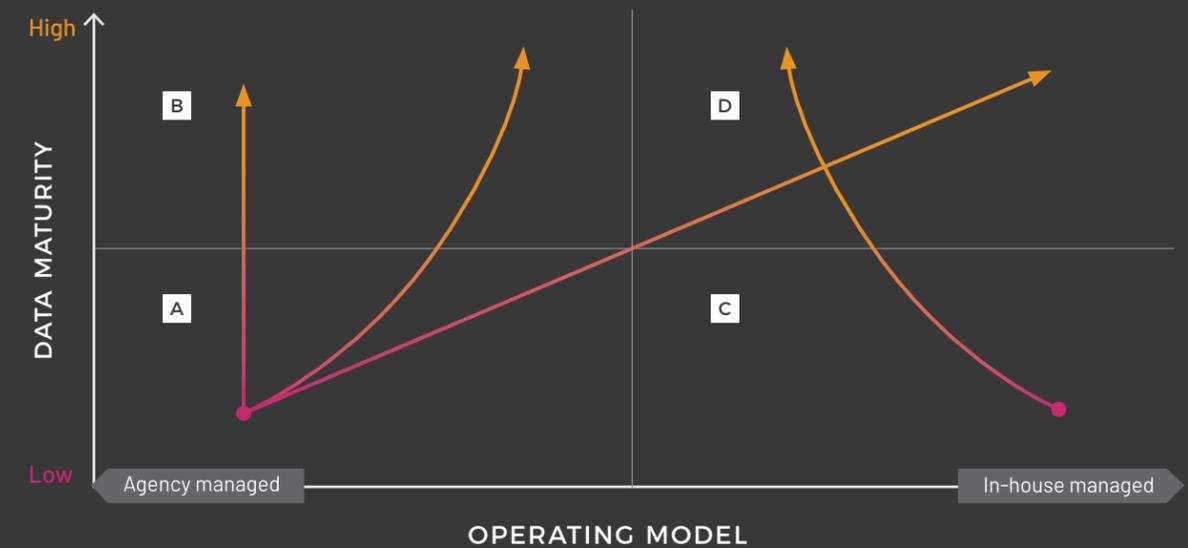
	Pre digital	Post digital transformation
		
Media buying mechanic	IO	Bidable
Primary lever	Price	Data
Planning structure	Channel planning	Audience Planning
Insight speed	Slow learning	Fast learning
Heavy Lifters	People power	Automation

Despite this, as shown in the diagram below, there are four main quadrants into which companies working on their media operating models will generally fit.

As highlighted in the below figure, the four general in-housing models that most businesses fall into are:

- A** Agency managed – low digital maturity
- B** Agency managed – high digital maturity
- C** In-house managed – low digital maturity
- D** In-house managed – high digital maturity

EVOLVING THE MEDIA OPERATION MODEL



Many clients will begin the in-housing journey from a place where most if not all their programmatic sits with agencies and tech partners (Quadrant A on the diagram on the previous page). With data now the lifeblood of a brand's business, the direction of travel is towards a far higher degree of data maturity, perhaps mixed with some elements of in-housing, or a total shift to in-housing.

"My teams internally are excited to be working on things like strategy and being able to see campaigns all the way through, while at the same time there are loads of strategic considerations that agencies support us with. I'd rather own the house and give the agency a copy of the keys but in certain circumstances, where it makes sense for it to be the other way round, we'll go with what works best," says Harrison.

"The post-cookie world is coming fast, brands are working through these complex changes, looking to be more self-sufficient with talent, data, tools and new strategies. What's clear is that there is no one-size-fits-all cookie-shaped solution."
– Bobi Carley, Head of Media and Diversity & Inclusion Lead, ISBA

Fueling this move towards in-house control is digital transformation which is facilitating a data-driven approach that boosts agility and responsiveness.

In a disrupted landscape, with consumer behaviour completely changed by the pandemic, data-driven media

departments are responding, quickly and confidently redirecting media spend to new channels or altering creative to deliver more appropriate messaging.

The greater transparency digital transformation offers and the increased focus on boosting internal data skills, means brands have greater confidence in their measurement and can test and learn when creating campaigns and investing in new channels.

This data confidence has become all the more important at a time when regulation is restricting the use of cookies and third-party data, requiring brands to make maximum use of their own first-party data. Not only is Apple making its ID for Advertisers (IDFA) an opt-in, giving users the chance to restrict IDFA at app level, but Google

has effectively slated the end of the third-party cookie for next year, with Android ID also expected to disappear.

"The post-cookie world is coming fast, brands are working through these complex changes, looking to be more self-sufficient with talent, data, tools and new strategies. What's clear is that there is no one-size-fits-all cookie-shaped solution," says Bobi Carley, Head of Media and Diversity & Inclusion Lead, ISBA.

For many brands, this means a steep climb when it comes to making effective use of their own data. Mike Sherwen, Head of Brand Communications, Membership, Engagement & Marketing Operations, Royal London, explains: "We're still on a journey to maximise our data capabilities and the opportunities, whether it's through our DMP enabling us to bring all of our data together or just a more basic CRM system that holds all the data that we need, including permissions and preferences."

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NEW MEDIA MODELS

Marketers have recognised that a new operating model is required to rise to new challenges and seize the potential of the digital transformation of media.

At Deutsche Telekom, this has involved creating their Media Operating Model (MOM), which involves breaking down all the elements of the paid media into different categories (lots), tasks and skillsets, before selecting the best possible in-house solution or external supplier to handle each of these.

The MOM also includes a specially designed remuneration model that ensures there's no financial incentive for winning more responsibility or budget allocation, ensuring all partners are focused on more effective collaboration.

"The goal was to gain more control in terms of direct relationships with partners, whilst in-housing knowledge and strategy, to put ourselves in the driver's seat. By working with multiple best-in-class partners, we have become more effective and innovative. The fact that we also have a consultation agency in this set up that is not in charge of media buying and is dedicated to identifying relevant

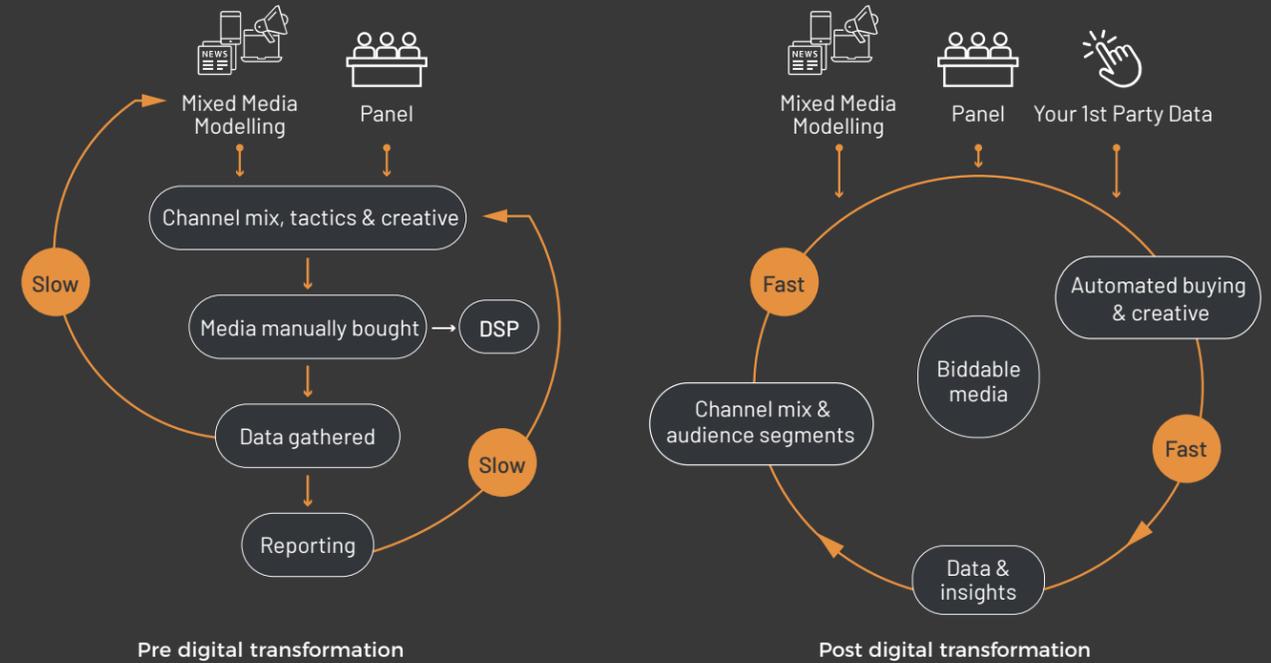
digital transformation topics, means we're well placed to act on important necessary changes and newly relevant opportunities," says Schwab.

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At HSBC, there has been equal focus on building internal skills, with a team of specialists able to collaborate where appropriate with agency partners. Importantly, this model ensures that the relationship with agency partners involves internal and external programmatic specialists communicating directly, without funneling communications via account management teams.

The diagram opposite highlights how the media planning, buying and measurement has been affected by placing data driven process and first party data at its centre.

NEW MEDIA BUYING PROCESS



Online homewares retailer MADE.com shares this focus on developing internal capabilities, building an organisational culture that will enable the brand to connect how its brand-building spend drives customer growth. As a digitally native business, MADE is much closer to genuinely managing media in-house than most organisations, "maintaining the engagement of our expert digital media team, and nurturing emerging talent is an important aspect of our model and requires consistent leadership zeal," says Matt Pollington, Director of Digital & Customer Marketing, MADE.com.

Despite the widely recognised challenges involved in in-housing, Pollington describes how MADE.com is using its own first-party data to powerful effect. "Our first-party data and understanding the relationship between our customers and our product is our strongest asset. Predictive modelling of this transactional behaviour enables a unique optimisation input against customer value propensity - acting as a much stronger signal especially to upper-funnel media formats like paid social and programmatic. Additionally, this means we are less reliant on third-party cookies and data signals." adds Pollington.

HOLDING PARTNERS TO ACCOUNT

Rising to this challenge involves collaborating with the right partners, in the right way. The move towards a hybrid model – with certain elements of the programmatic mix brought in-house and others involving best-in-class suppliers – requires flexible partners able to provide bespoke, unbundled services and fresh ideas.

“When you’re busy doing your day jobs, it’s sometimes hard to lift your head up and get that broad perspective on what’s going on. I think that’s where some of our agency partners can really support us, to make sure we’re not just focused on day-to-day activity, but actually thinking more about how we truly maximise results,” says Sherwen.

In this environment, agencies might offer greater value by focusing less on activating campaigns and more on acting as

consultants, able to advise and provide fresh ideas in the face of changing technologies, regulation and consumer behaviour. For brands, it is hard to hire people with this level of expertise, and often it doesn’t make sense.

“Partners need to acknowledge the progress their clients have made during this period, and make sure to mirror

this transformation through their teams and processes. Expectations of partners will invariably change with clients focusing much more on differentiated services (strategy, data, technology, automation) alongside flexible operating models which can more easily integrate with the evolving, more self-sufficient marketing organisation,” adds Kangisser.

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THE FUTURE

The future belongs to those brands that embrace the new wave of transformation, smashing silos, building internal capabilities, collaborating smartly with partners and acting quickly and confidently when taking media decisions based on data from across the organisation.

“We move into a landscape in 2021 where the change in consumer behaviour has amplified and accelerated brands’ internal operations. Brands future success relies on their ability to rise to the challenge, which includes reassessing their internal operating models and agency models to be fit for purpose.” – Bobi Carley, Head of Media and Diversity & Inclusion Lead, ISBA

These businesses are laying the groundwork for greater innovation, built on new capabilities. They will be able to match up their customer data with their advertising data, understand the relationship between different media investments, such as brand and performance, and respond to uncertainty, using a test and learn approach built on full data transparency.

Just as the 2008 recession sped up the shift from offline to digital media channels, the disruption of this past year has laid the groundwork for realising the advertising data opportunity within digital transformation.

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ISBA

ISBA is the only body in the UK that enables advertisers to understand their industry and shape its future because it brings together a powerful community of marketers with common interests, empowers decision-making with knowledge and insight and gives a single voice to advocacy for the improvement of the industry.

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Infectious Media is a digital media specialist that wants to free advertisers from the complexity of digital advertising to give them the control and transparency to create better experiences for customers. With offices in London and Singapore, Infectious Media is an award-winning pioneer in programmatic, paid social and search, and was one of the first companies to trade on ad exchanges in Europe. Infectious Media recently joined forces with global digital marketing services company, Kepler, to create a global leader in digital media innovation.

