Online advertising – Booming or Broken?

Meeco Case Study

September 2015

Starting with the numbers

$121B "Global Internet advertising spend increased 16.9% in 2014 to $121B."
–Zenith Optimedia Advertising Expenditure Forecasts - 2014

$8.2B "Internet advertising to reach $8.2B in Australia alone by 2019 – 51% of all advertising spend"
–PWC Entertainment & Media outlook 2015

50% "Digital to overtake TV Ad Spending by 2016"
–Forrester Research Digital Marketing Forecasts 2014 to 2019

Brands are spending more online

A snapshot of the Ad Tech market

The following Case Study is a snapshot of the online advertising sector across five industry sectors and two Google product lines – Google Search and Google Display.

The data is taken over a three month period in Q3 2012 and examines total ads displayed, click through, conversion rates and associated costs for each industry.

Although this data is from 2012, it accurately represents the beginning of the latest surge in Ad Tech following the global financial downturn of the previous few years.

What we do know is the costs of online advertising across all industry sectors has risen since these figures were recorded. Compared to the Ad Tech market of 2015, this is therefore a conservative view of spend, ad volumes and costs.

Google Case study A – Google Search

	Click through rates	Cost per click	Number of clicks	Conversion rates (not sales)	Completed 'sales' inc. leads only	Cost	Cost per Conversion
Finance	3.67%	$3.09	22.7M	6.12%	1.39M	$70.14M	**$3.09**
Travel	4.88%	$0.29	16.8M	6.12%	244K	$4.87M	**$19.67**
Shopping	5.23%	$0.25	12.1M	3.58%	434K	$3.03M	**$6.97**
Telecoms	2.90%	$1.11	11.3M	6.27%	796K	$12.54M	**$15.75**
Auto	3.44%	$0.97	4.56M	4.29%	196K	$4.42M	**$22.57**
AVERAGES	3.47%	$0.53		5.63%			**$13.61**

Source – Worldstream research Google Search Network - Q3 2012

Google Case study B – Google Display

	Click through rates	Cost per click	Number of clicks	Conversion rates (not sales)	Completed 'sales' inc. leads only	Cost	Cost per Conversion
Finance	0.10%	$1.03	5.34M	5.12%	268K	$5.50M	**$20.52**
Travel	0.18%	$0.28	3.89M	2.99%	116K	$1.09M	**$9.39**
Shopping	0.23%	$0.27	2.81M	2.19%	61.4K	$0.76M	**$12.36**
Telecoms	0.19%	$0.40	2.60M	8.57%	224K	$1.04M	**$4.64**
Auto	0.10%	$1.03	1.06M	6.15%	64.9K	$1.09M	**$16.82**
AVERAGES	0.18%	$0.35		4.68%			**$12.75**

Source – Worldstream research Google Search Network - Q3 2012

What about Clicks & Conversion rates?

Case Study Summary

Over a period of one quarter

- 12.78 Billion people were served advertisements
- Only 0.018% of these were ‘converted’ into ‘leads’ (not transactions)
- The cost to Brands was $104.5 Million
- That means 12.5 Billion ads were served to an uninterested audience

How is this effecting the consumers view of brands?

What about the consumer?

As the volume of online advertising goes up…

Consumer sentiment is rapidly falling

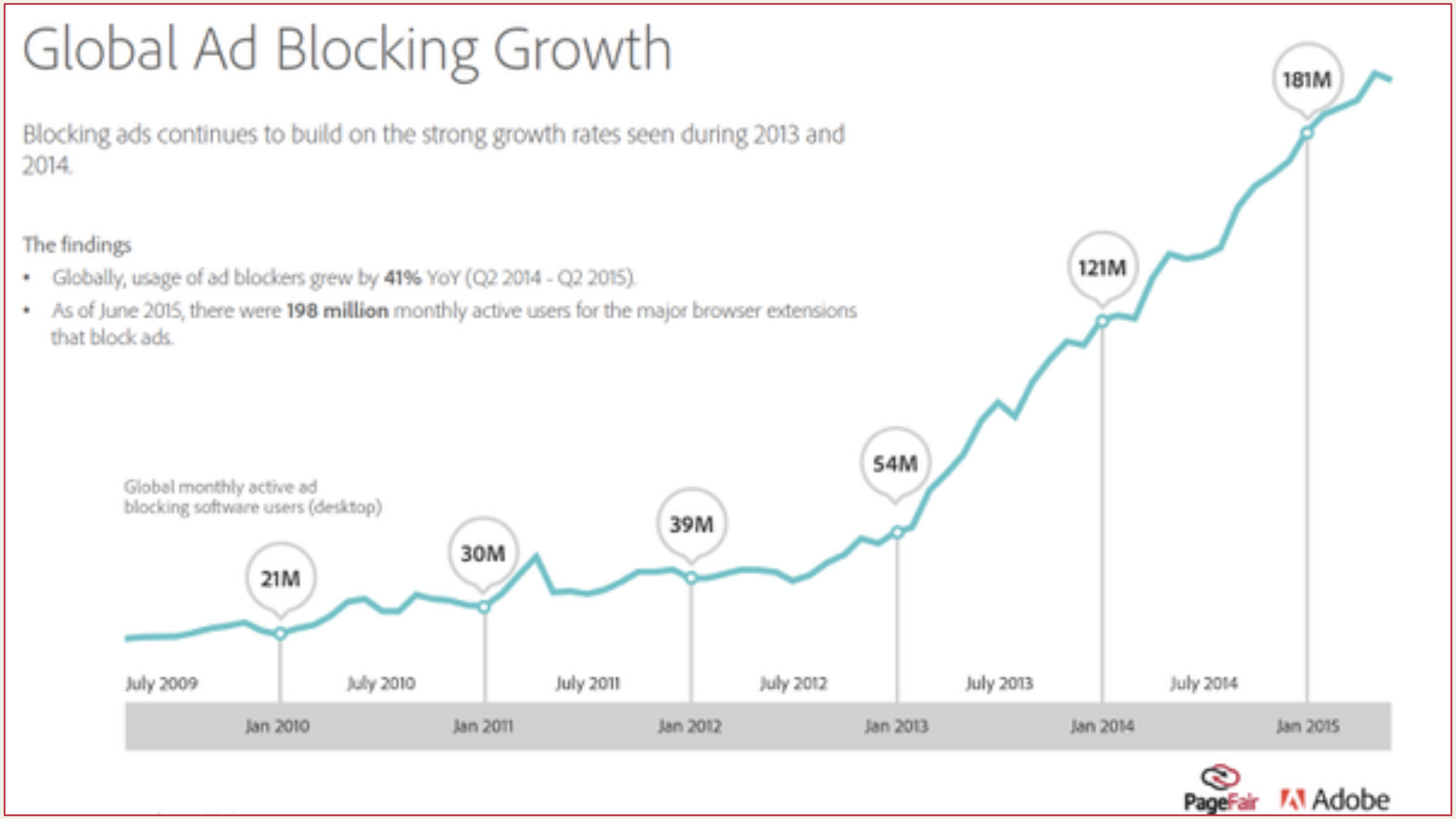
81% of 18-24 year olds routinely provide false personal information online
GB Group - 2015

The average person is served 1700 Banner ads per month
Commscore - 2015

94% of Millennials do not consider online advertising to be credible
Social Chorus - 2013

63% of people are 'Highly Annoyed' by brands continuing to push the same advertising messages
Marketo Survey June 2015

Ad blocking has gone mainstream



Adblockers now used by 198m people – up 41% from last year
Adobe / Pagefair 2015 Global Adblocking Report

By 2016 Adblocking will cost $41B to advertisers and distributors
Adobe / Pagefair 2015 Global Adblocking Report

What are consumers doing about it?

Apple vs Google

THE WALL STREET JOURNAL.

Home World U.S. Politics Economy Business Tech Markets Opinion Arts Life Real Estate

Apple's Ad Blockers Rile Publishers

New iOS lets users halt ads on mobile devices, posing a challenge to publishers and Google

August 30 2015

theguardian

iOS 9 adblocker apps shoot to top of charts on day one

Less than a day after the launch of iOS 9, Apple's latest operating system, content blocking software is at the top of the app charts worldwide.

September 18 2015

AdvertisingAge

Ad Blocking Is a Growing Problem. What's the Fix?

Publishers Including CBS Interactive, Forbes, DailyMail Weigh Their Options

June 18 2015

The Register®

Biting the hand that feeds IT

Google tells iOS 9 app devs: Switch off HTTPS if you want that sweet sweet ad money from us

Apple's encrypt-everything rule gets in the way of plain HTTP

August 27 2015

Adblocking war has begun

So who’s winning from all this?

Consumers?

- Too many ads being seen
- Seeking more personalised engagements
- Declining trust in brands
- Dislike being ‘tracked’
- Increasing use of adblockers

Brands?

- Increasing Competition for customers
- Rising costs of acquisition
- Forced to spend more on advertising
- Declining consumer trust

Publishers?

- Increased competition for eyeballs
- More adverts being served
- Advertising volume increasing
- Brands having to spend more to be noticed

What do customers and brands want?

- Fewer Adverts
- Less advertising 'noise'
- More control over personal data
- To feel valued as a customer
- To be able to trust the brands they engage with
- Tailored products & services

- Direct access to engaged customers
- Accurate customer data
- Knowledge of individual buying intentions
- Lower acquisition costs
- Longer term relationships
- The Segment of One

Is there a viable alternative?

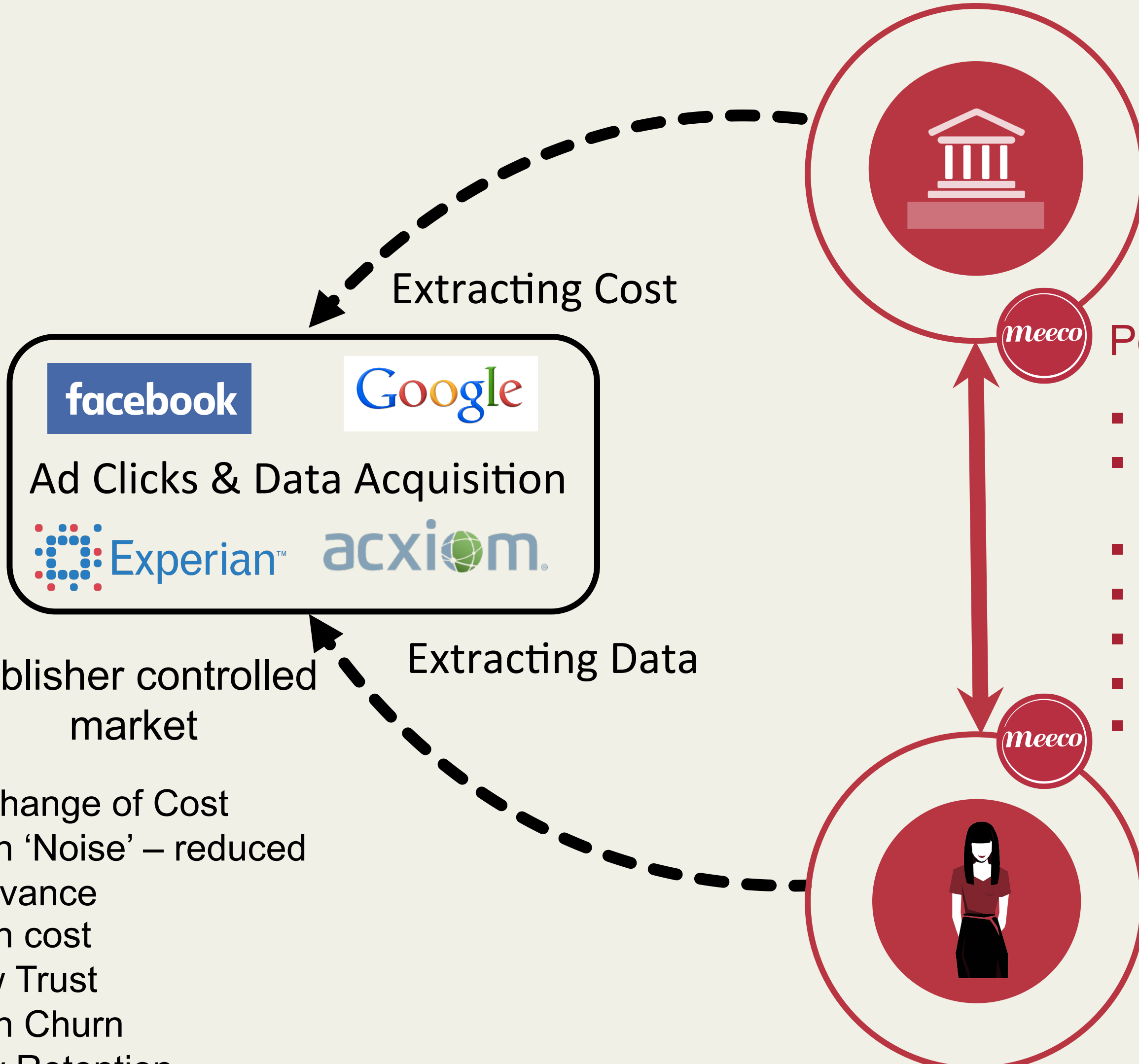
What could the alternative look like?

- Consumers engage directly with trusted brands
- Personal data assets utilised as true currency
- Transactions based on stated intentions not advertising
- Segment of one profiling with privacy and trust
- Data is exchanged with permissions on the users terms
- Disruption of legacy data collection and advertising models

A customer centric transaction model

Extracting Cost to Exchanging Value

Current Market → Emerging Market



Publisher controlled market

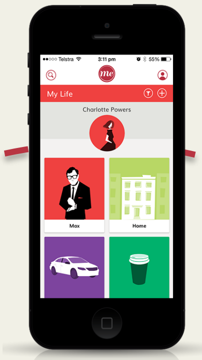
- Exchange of Cost
- High 'Noise' – reduced relevance
- High cost
- Low Trust
- High Churn
- Low Retention
- Indirect Customer Access

Peer to Peer Market

- Exchange of Value
- Low 'Noise' – matched intent
- Lower cost
- Higher Trust
- Lower Churn
- Higher Retention
- Direct Customer Access

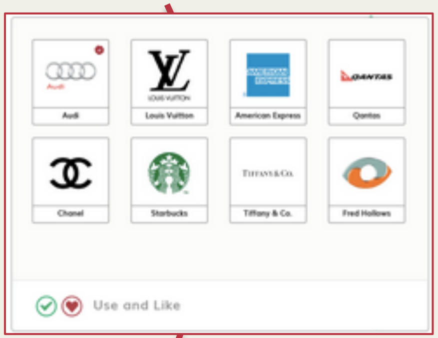
Intentions marketplace – how it works

1. Store



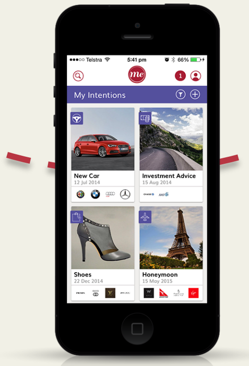
Individual stores and curates data in their own secure Personal Data Store

2. Connect



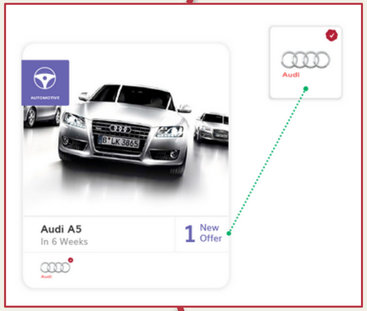
Individual connects with trusted brands and shares personal data on their terms

3. Broadcast



Individual broadcasts their purchasing intentions to trusted brands in the Data Marketplace

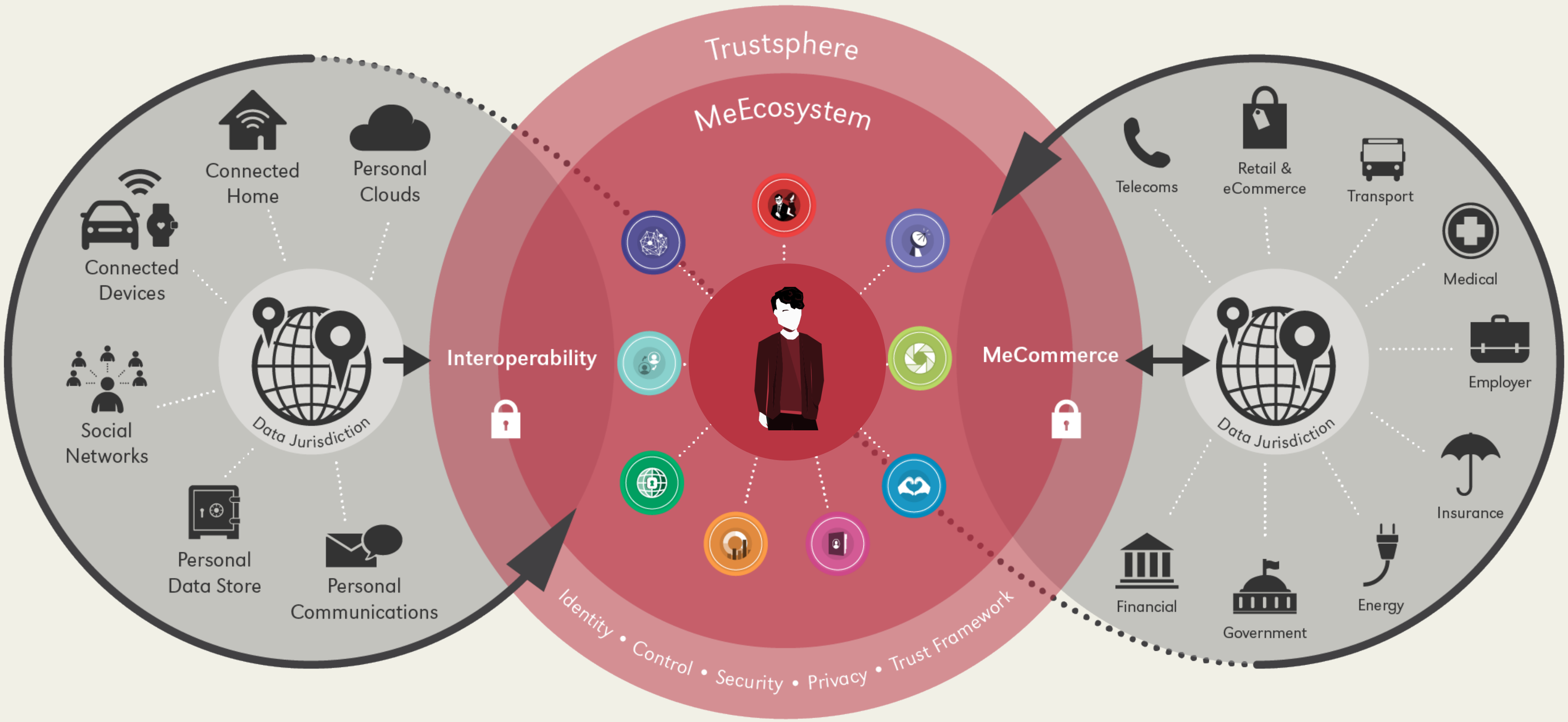
4. Transact



Brands make tailored and personalised offers based on stated intentions and shared personal data

Meeco Multi-sided Data Marketplace

The citizen and customer of the connected world is a virtual marketplace in their own right



New models are emerging

1. As online advertising costs increase, consumer sentiment and brand trust is rapidly falling

2. Apple's move to allow ad blocking in iOS9 is a further sign of the current discontent with the publisher model

3. The current ad tech model is mostly benefitting the global middle men; publishers & data collectors

Summary

- Direct and peer-2-peer solutions like Meeco are emerging as viable alternatives.

- These models will reduce costs, increase customisation and enable more accurate and transparent data exchange.

meeco

For more information visit:

http://meeco.me
http://meeco.me/business

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