

### ***About The Communications Council***

*The Communications Council is the peak industry organisation representing companies in the Australian advertising industry. Our diverse member base spans more than 160 agencies and offices around the country which operate in the areas of creative, digital, strategic planning, promotion, direct marketing, PR, design, production, and healthcare advertising.*

*Our members are comprised of local offices from all major holding companies (Omnicom, WPP, Dentsu Aegis Network, Havas Worldwide, Publicis Groupe, Interpublic Group, and M&C Saatchi), smaller international networks and a flourishing segment of largely privately-owned Australian independent agencies.*

*A summary of TCC's activities can be downloaded as a PDF from this link - [2017 Member's Report](#).*

## **Executive Summary**

***The Communications Council (TCC) encourages the ACCC to investigate why a disproportionate share of advertising expenditure is directed towards digital platforms.***

The Australian advertising industry is regarded as one of the best in the world. The Australian advertising industry makes a significant contribution to the domestic economy, generating \$40b of economic value per annum (approximately 2.5% of GDP) and is associated with the employment of 200,000 people in Australia. [Deloitte Access Economics. Advertising Pays: the economic employment and business value of advertising.](#)

TCC supports all efforts by the ACCC to investigate that the shift to digital is based on effectiveness, efficiency and fair market dynamics.

The greater the transparency in the media supply chain the better for the integrity and respect of the advertising industry, and the members of TCC.

TCC believes that a disproportionate share of advertising expenditure is being directed towards short term activity on digital platforms at the expense of longer term brand building thereby compromising the effectiveness of advertising.

TCC encourages the ACCC to investigate why there is a disproportionate share of advertising expenditure being directed towards digital platforms, including, but not limited to:

- the rationale for digital platforms at the expense of other advertising forms
- marketing and selling practices to the advertising sector

- remuneration models, both direct and indirect, paid by digital platforms
- the nature and independence of the data used to establish the efficiency and effectiveness of digital platforms

Additionally, TCC supports the ACCC in its investigation of other relevant factors including, but not limited to:

- the use of big data technologies on competitive concerns, consumer privacy and informed consent
- the impact of algorithms on news diversity and providing a level playing field in search and social advertising.

### **TCC Challenges the ACCC's Assumptions about Digital Advertising Efficiencies**

If Digital Platforms are generating approximately 50% share in advertising revenue it is important to establish whether this is an appropriate share given the relative efficiencies and effectiveness of the platforms in all forms of advertising.

TCC does not agree with the ACCC's assertion that...*'digital platforms provide advertisers with significant reach and greater precision in targeting consumers with particular interests or purchasing patterns. Advertising has consequently become more efficient.'*

Global and Australian evidence does not support such a statement. In fact the evidence supports the notion that the continued growth of digital advertising is undermining advertising effectiveness and reducing confidence in advertising.

In 2017, Les Binet and Peter Field, in conjunction with the Institute of Practitioners in Advertising (IPA), published [Media in Focus: Marketing Effectiveness in the Digital Era](#). The findings are based on a detailed study of the IPA database of effectiveness case studies. This is the most comprehensive database of its kind in the world. The key findings include:

- Mass marketing is more effective than ever
- The digital revolution has made traditional media more effective, not less. TV, radio and press are working better than ever
- Digital platforms work best for tightly targeted media and are highly effective at delivering short term sales activation. Campaigns targeting existing consumers only tend to underperform
- The most effective advertising tends to use broader reach campaigns, targeting both existing and new customers, utilising a combination of traditional and digital platforms.
- The growing use of short term metrics and development of campaigns aligned to them are extremely damaging developments in marketing
- Optimum balance is achieved when 60% of the budget is spent on long-term brand building and 40% on short-term sales activation.
- In the UK that balance has slipped to approximately 50/50

In Australia, the [winning Effies database](#) is the most respected source of effective case histories. A study of the Effies database shows a more advanced deterioration than in the UK, where the 2017 Effies finalists spent just 42% of marketing budgets on long-term brand building and 58% on short-term sales activation.

The findings from Les Binet and Peter Field are consistent with those espoused by the [Ehrenberg-Bass Institute](#) based at the University of South Australia Business School. The Ehrenberg-Bass Institute is the world's largest research centre into marketing. Their principles include:

- The primary driver of market share growth is penetration. The biggest gains come from new customer acquisition.
- Brand loyalty is less important
- The target market should usually be all buyers in the category
- Therefore successful marketing talks to all buyers in the category (as distinct to highly targeted data-driven campaigns).

Interestingly, in 2017 one of the world's largest advertisers, Procter & Gamble (P&G) cut spending on digital advertising due to brand safety and measurement concerns. P&G have now reported a \$200m cut in digital advertising, yet increased reach by 10%. [AdWeek - When Procter & Gamble Cut \\$200 Million in Digital Ad Spend, It Increased Its Reach 10%](#)

## Summary and Conclusions

The advertising landscape has undergone a rapid period of change and disruption due to the digital revolution. A healthy advertising market requires strong competition throughout the supply chain with all entities benefiting from a level playing field.

The most respected evidence-based analysis confirm that the key principles of marketing have not fundamentally changed in the digital era.

While there is no doubt that the digital platforms offer highly effective and efficient forms of advertising, especially in search and transactional (ie classifieds), it does not explain the extent to which advertising has drifted from other media to digital platforms.

TCC supports and encourages the ACCC to investigate why this rapid transformation has occurred. Areas to investigate include, but are not limited to:

- the rationale for digital at the expense of other advertising forms
- marketing and selling practices to the advertising sector
- remuneration models, both direct and indirect, paid by digital platforms
- the nature and independence of the data used to establish the efficiency and effectiveness of digital platforms

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## **Other items**

Much has been published recently about the use and security of data and consumer privacy. It would be incorrect to conclude that TCC does not have concerns on these issues but expects many other submissions to cover these issues in far more detail. TCC supports the ACCC in its investigation of other relevant factors including, but not limited to:

- the use of big data technologies on competitive concerns, consumer privacy and informed consent
- the impact of algorithms on news diversity and providing fair competition when advertising on search and social platforms.