

**INTO THE GOLDEN ERA: EGTA'S PRESIDENT AND BOARD DELIVER INSIGHTS ON THE FUTURE OF THE
TELEVISION AND RADIO ADVERTISING INDUSTRY – PART 1**

Digital, social, mobile and connected: television and radio are the two media that offer the highest reach and efficiency by delivering quality content across an ever-wider variety of consumer touchpoints

An article by Franz Prenner, President of egta, with the support of the association's Board of Directors.

Debate around the audiovisual advertising industry in 2013 was punctuated by the language of digital convergence, cross-platform measurement, efficiency, real-time bidding and programmatic buying, conversations that will continue into 2014 and beyond. The global crisis of 2008 permanently transformed our industry. As we move on, it is clearly as important today as it ever has been to re-examine the core strengths of television and radio, take a clear-eyed assessment of the opportunities and challenges and seize the emerging era as our own. The golden age of broadcast media awaits those willing to adapt and react.

The following two-part article looks at what the immediate- and longer-term future holds for our industry, drawing on the insights of leading figures for the most part from Europe but including contributions from South Africa and Canada: the Board members of egta – the association of television and radio sales houses. As President of the association, I invite you to explore the current developments in distribution and monetisation of audiovisual content in Part 1, and the changing business environment around audiovisual advertising sales in Part 2.

Part 1: Developments in the distribution and monetisation of audiovisual content

To continue to grow, we must both embrace the changed and fragmented media landscape that we now inhabit and evangelise television and radio's strengths as powerful marketing communications channels. Whilst the financial crisis had a deep and long-term impact on global advertising investments, marketers' desire for mass-reach media that can deliver extensive coverage, improve brand awareness and attitudes, activate response and drive sales remains a constant through time. As the only media that today offer all of these attributes, television and radio are uniquely placed to achieve these results. By adapting to the new marketing environment and the increasingly sophisticated needs of our clients, the sales houses that market these two media can now – in addition – deliver highly-targeted and segmented audiences alongside a wider range of engagement touchpoints than ever before.

Convergent media usage is set to further increase, and this will be a part of securing classical media's long-term future. For television, a major opportunity lies in the development of diversified business offers across linear TV and its digital extensions, through complementarity and cross-media platforms and by achieving high coverage. Radio's competitive advantage over new, international market entrants will derive from leveraging its regional anchor of strong media brands and adding technical possibilities such as geo-localised audience targeting.

The digital reality

With ever-cheaper high-speed Internet connectivity, coupled with platform diversification and a multiplication of channels, one can observe a degree of movement from linear to non-linear television viewing. New market entrants, strong in digital expertise, not only challenge broadcasters for their audiences, but also introduce potentially disruptive advertising and trading models that exchange performance for volume. The greatest threat lies to high-quality, premium content, which forms the core of broadcast television's output. Should marketers devalue and commoditise media to the level of much less costly user-generated content, they run the risk of damaging television's ability to achieve its historic reach, as viewers ultimately follow great content. The premium experience can only be delivered through appropriate investment.

This phenomenon extends also to radio and the maturing digital audio market. High reach and local proximity to the listener remain the preserve of terrestrial radio, and targeting adds an extra dimension. However, quality, curated content must retain its value as competition with on-demand platforms intensifies.

As the boundaries between traditional and digital, linear and non-linear audiovisual media continue to blur, we must now consider the media market in terms of segmentation by type of contact, rather than by type of media.

Creating touchpoints and delivering ROI

Countering the argument that television and radio are providing diminishing ROI, a number of recent research initiatives have proven exactly the opposite. Whilst they have different strengths and can be tailored to meet specific marketing objectives, econometric modelling across several markets for television and robust proof of effectiveness studies for radio in Germany, the UK, France and elsewhere consistently demonstrate that these are the two media that the smart, ROI-focused marketer will invest in. Just as it may be unwise for marketers to place trust in the effectiveness of new and unproven – if superficially attractive – alternatives in the online and social sphere, broadcasters and their sales houses need to be clever and selective when deciding where and how to innovate. By losing sight of our media's core values we risk introducing change simply to appear trendy, rather than delivering real added-value.

Radio, in particular, stands to benefit from the extension of touchpoints offered by digital audio. Already a highly social medium, radio is now more mobile than ever, close to and present at the point of sale. Digital audio extends radio's offer further into elusive target groups: the young, mobile, consumer-oriented early adopters that other media cannot reach.

A single source for multi-screen measurement is not the panacea it may appear to be

When eyeballs start to move from linear to non-linear content, it is crucial to ensure that they remain within the audiovisual measurement envelope and that their value to all the players in the media ecosystem is not lost. Clearly, tomorrow's trading currency must take full account of viewing on all video platforms, not least so that the new interactions between viewer and content can be properly understood, regardless of the device.

2014 will see a maturing of multi-screen measurement, ensuring that advertisers can target particular groups and demographics more closely whilst remaining within the traditional planning parameters that marketers are familiar with. Whilst the ultimate objective is to find a single currency, with work in several markets currently being undertaken to this end, it is clear that intelligent data convergence and fusion from multiple sources offer the greatest chance of achieving an effective currency. Failure to manage data properly risks over-commoditising media, leading to lower efficiency and accountability.

Aside from currency measurement, it is critical that the industry continues to invest in studies that demonstrate the efficiency, effectiveness and ROI of television and radio advertising. With a recent German study suggesting that a top creative commercial can generate up to 42% more sales¹ than an average one, increasingly sophisticated research, including from neuroscience, is needed to provide accurate and reliable evidence of the power of our media.

Real-time bidding: a viable model for broadcast media?

As advertising investments in digital media continue to increase, the programmatic trading models associated with online advertising have become a possibility for traditional media. Welcomed by some as an opportunity to increase efficiency and inventory yield, others in the industry are concerned about decreasing the value of advertising – particularly when television is included in cross-platform deals – through automated buying.

This links to the wider consequences of a growing emphasis on procurement logic on the part of marketers, which can endanger the provision of high quality content and in turn lead to declining audience and ultimately to diminishing reach and effectiveness for advertisers. Whilst efficiency in all quarters is to be welcomed, unjustified deflationary pressure, which can arise in the context of pitches and in some instances is exacerbated by media audits, is ultimately to the detriment of all parties.

Recommendations for the future from egta Board members

We call in unison for our industry to remain self-confident in our media, to embrace the opportunities of digital, to invest in innovative and tailor-made advertising solutions that offer both mass reach and smart targeting and to add value through new touchpoints. By delivering high levels of service, supported by robust measurement and effectiveness research, and by continuing to maintain a sharp focus on the importance of premium content, television and radio sales houses are well placed to enter the golden age of broadcast media.

About the author: Franz Prenner is Head of the International Research and Strategic Development department of ORF, the Austrian public broadcaster. Before taking this position at the beginning of 2014, Franz was the founding CEO of ORF-Enterprise, the commercial arm of the ORF, for 13 years over two tenures. In addition, Franz was CEO of the Cannes Lions International Festival of Creativity in 2002, and he has held the position of CEO at the private Austrian television channel ATV that he launched in 2003 and then the publisher Mediaprint. Franz has been an egta Board member since 1999 and is President of egta for the second time, with his current two-year term starting in May 2013.

¹ Reinartz, W. (2013). *Verkauft kreative Werbung wirklich besser?* IFH/Universität zu Köln

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**INTO THE GOLDEN ERA: EGTA'S PRESIDENT AND BOARD DELIVER INSIGHTS ON THE FUTURE OF THE
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Adapting to a consumer-centric business environment: the implications for television and radio sales houses

An article by Franz Prenner, President of egta, with the support of the association's Board of Directors.

Welcome to **Part two** of this article. In the earlier part, I shared the views of egta Board members on developments in the distribution and monetisation of audiovisual content. As stated there, the audiovisual industry faces many changes due to fragmentation of the market and shifting trading relationships, and this leads us to consider the other side of the coin: the changing business environment around audiovisual advertising sales. It is clear that in order to strengthen their brands and compete with new players, television and radio sales houses must engage closely with all our partners – clients, agencies, the broadcasters whose content we market and of course our consumers.

The consumer is undoubtedly driving the change in the way media are delivered and consumed. The change to a consumer-centric business environment does, however, present an ongoing challenge to audiovisual media sales houses

Audiences follow great content, wherever it can be found, and they often take the path of least resistance when selecting their platform of choice. As non-linear viewing and listening gradually occupy more of people's media consumption, consumer-centric broadcasters will be the ones that can retain the audience as it switches its attention between different channels. With consumers facing a myriad of choices in the digital ecosystem and offered the opportunity to watch and hear what they want, where they want, and on the device of their choosing, we must not only accept but also anticipate these changes in human behaviour and be ready to constantly adapt by developing advertising platforms – across both free-to-air television and radio and pay-TV – that will engage the audience and meet the demands of advertisers.

To attract the audience of tomorrow, broadcasters must continue to scale their libraries and provide quality, relevant content whilst also appealing to digital natives. Broadcasters that tailor their online and OTT offerings effectively will provide viewers with a rich experience across companion screens, preferably through their own branded websites, apps or catch-up services, but they will also bring viewers back to the unique experience of viewing premium content at the same time as millions of others, creating the collective emotions, water cooler conversations and social media interactions that can only exist around linear distribution. In this context, the importance of an effective social media strategy is a cornerstone of deeper engagement between broadcaster and consumer, with a powerful additional tool for advertisers to leverage thanks to the boost in reach offered by social sharing.

Just as the marketer's very *raison d'être* is to create powerful brands to engage consumers, so too must the audiovisual media sales house. A deep intelligence of the prevailing market realities and the needs of

advertisers and consumers is naturally the sales house's first step towards building an authoritative proposition and remaining top-of-mind in the client's thoughts.

Market positioning goes hand-in-hand with strong branding, and the example of radio's continuous growth and out-performance of the wider media market in Belgium stands as an excellent example of a successful strategy. Cooperation among sales houses and a sharp focus on creativity, ROI, strong brands and multi-platform audio has consistently lifted the medium in terms of revenue and listening trends.

From transaction to creativity

In order to stay ahead of the game in a challenging macro-economic reality, sales houses will have to adopt a two-pronged approach. On the one hand, high service levels and an efficient flow of information between sales house, agency and client form the foundations of a strong B2B relationship. On the other, a willingness to bring innovation and creativity to the table and to engage closely with partners allows the sales house to act as a valuable consultant and avoid media commoditisation.

In an era when negotiations seem to be focused almost exclusively on price-related issues, continuous investment in advertising effectiveness studies and market development analysis can move the conversation from *cost saving* to *engagement*. Altering the emphasis of negotiations in this way is one strategy to resist the pressure towards media devaluation that is frequently applied by clients and their intermediaries. Confident in the strength of their offer, sales houses should not be afraid to maintain the yield of their most valuable assets and to limit negotiations to their lower value inventory. If advertisers themselves are unwilling to pay a fair price for premium inventory then they will inevitably be less likely to achieve the high ROI that they desire.

Big data = little insights?

Conversations about big data have come to the forefront of the industry in recent times. Sales houses apply a number of connotations to the term, ranging from a mere buzz word to a challenging action plan or a marketer's distant dream of "all in" data about consumers, their preferences, media contacts and purchases. While granular data does offer the possibilities of closer targeting, we should bear in mind that big data often leads to little insights, whether due to the collection of wrong data, combining it in an incorrect manner or simply down to bad digital governance, which can cause deficiencies in the advertising market.

Therefore, precise data management is essential for sales houses, especially when offering highly-targeted advertising solutions. Solid social media governance together with the collection of accurate customer data opens the door to better measurement, closer targeting and more effective advertising campaigns and outcomes. A proper assessment of target affinities is essential: whilst free-to-air channels offer low affinity for particular targets, they have the advantage of being natural reach builders, across both television and radio. With digital extensions, high target affinity can be achieved, but at the cost of removing opportunity-to-hear/see from a segment of the audience that the advertiser would otherwise reach. Once more, when moving from mass to more personalised media experiences, broadcast's traditional ability to offer repetition and frequency of contacts must be reinforced in the marketer's mind, as tight targeting alone cannot deliver effective advertising outcomes.

Relationships with consumers and clients are important, but so too are those with regulatory institutions!

Further and more restrictive regulation, both at European and national levels, are an ever-present threat to a vibrant media and advertising industry. Tighter regulation on television and radio broadcasters simply serves to drive content onto more lightly-regulated platforms, which will inevitably decrease the amount of investment that can be made into high quality content. Many platforms in the less-regulated digital sphere offer inadequate protection to consumers as well as ineffective controls on pirated material.

With both the European Parliament and European Commission elections nearly upon us, now is the critical time to develop our narrative, so that the incoming Commissioners and MEPs can be properly briefed on the value of the advertising industry, both culturally and financially, and the importance of self-regulation in this area.

Recommendations for the future from egta Board members

The development of new technologies and ways to consume content is fragmenting the media landscape, and sales houses must invest in innovative platforms and standards if they are to prevent new competitors from taking control of premium content distribution. Embracing new strategies means also developing the technologies needed to support them. As consumers increasingly make full use of the capabilities of their connected TVs, some broadcasters are, for example, currently rolling out the HbbTV standard to seamlessly combine their TV services delivered via broadcast with services delivered via broadband.

Realising the full economic value of television and radio's content requires investment in attractive and effective advertising platforms, with both the scale to compete with international new entrants – the likes of Google/YouTube, Netflix, Spotify and others – and the flexibility to deliver high quality service to clients.

Perhaps the most important aspect of all is the investment in human resources and talent; bringing the right people with the skill-sets to develop and sell advertising solutions that maximise our media's reach, accountability, flexibility and power to move audiences to action is the cornerstone of our future health and growth.

Concluding thoughts

As egta – the association of television and radio sales houses – celebrates its 40th anniversary (1974-2014), it is proud of the way both media have, over the past four decades, demonstrated their capacity to reinvent themselves and adapt to the changing environment.

Broadcasters and their sales house have every reason to be self-confident and enthusiastic about the future. "Television and radio sales houses have fully embraced their future; the majority of sales houses in Europe have joined forces within egta to more efficiently promote the strengths and quality of their media," states Katty Roberfroid, egta Secretary General. "Together, they remind industry partners and regulators alike that television and radio remain the only media that offer huge and immediate reach, providing the scaffolding of any campaign that aims to generate awareness, positively impact brand awareness, drive response and lift sales. Television and radio are the most accountable, social, connected, mobile and digital media of all."

Television and radio advertising, key components of the digital ecosystem, deliver an efficient balance of mass reach, repetition and targeting. Whilst there remain obstacles to overcome, by embracing the possibilities of linear and non-linear premium content distribution, by contributing to the continuous development of measurement solutions and trading metrics and by reinventing and rebranding their media, television and radio sales houses are well placed to enter a golden era. egta's ultimate objective is to help drive this transition.

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