

OUTLOOK17



CORE MEDIA[©]



MARKETING IS A POWERFUL FORCE

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AN INTRODUCTION

AD INVESTMENT LEVELS TO KEEP PACE WITH ECONOMIC GROWTH

2016 saw the third consecutive year of growth in advertising investment levels in the Republic of Ireland. Total spend increased to €886 million, up 3.7% on the previous year. The increase in 2016 was behind original market forecasts; uncertainty in relation to Brexit, Trump and domestic issues had an impact on business confidence, which fed into advertising budgets. Northern Ireland was hit harder, with ad spend down by 0.3% for the year.

Despite concerns both locally and globally, we are confident that overall media investment in 2017 will be in line with general economic growth in the Republic. We are forecasting an increase in advertising spend of 3.3% to €915 million in 2017. However, in Northern Ireland, where the full brunt of Brexit uncertainty is being felt, ad spend is likely to fall by circa 2%.

We anticipate that increased demand in the Republic will put pressure on TV pricing as audiences continue to decline and demand continues to outstrip supply. There will also be inflationary pressures in online formats, particularly in video and premium displays on leading sites.

TIME TO UP OUR GAME

Marketing is a powerful force: it helps to grow economies, it builds great brands and it creates profit for businesses. It is also a powerful driver of social change: it encourages us to wear seat-belts, recycle household waste, give blood, reduce speeding and quit smoking.

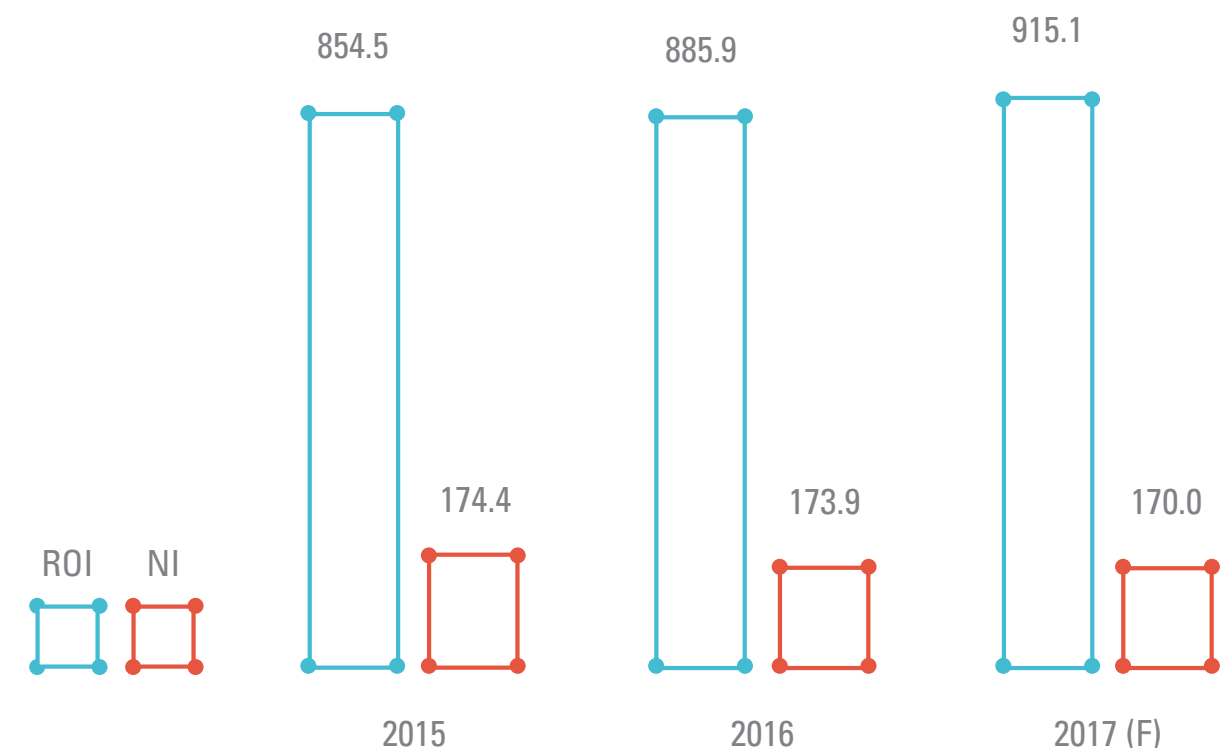
All of this may seem obvious to those working in the heart of the industry, but this belief is not shared by many of the ultimate decision-makers in companies and policy makers in governments. This is because we haven't invested in proving our case.

To address this issue, Core Media and the Association of Advertisers in Ireland (AAI) launched 'Marketing Multiplied' in January of this year. It is the first ever large-scale study that reviews the impact of marketing communications from both a macroeconomic and microeconomic basis, and demonstrates the significant contribution that our industry makes to national economies and individual businesses.

TOTAL MEDIA SPEND (€M)

Source: Core Media Estimates
Excludes Direct Marketing & Sponsorship

Forecasted 2017 Euro/Sterling exchange rates have been applied to all years, to facilitate comparison.



Key findings in the book include:

Advertising is extremely important for economic activity; it provides jobs, promotes competition, helps innovation, leads to lower prices and boosts growth in an unambiguously positive way. It is a matter of empirical fact that advertising and national economies are positively correlated to a large degree. For example, McKinsey found that advertising fuelled about 15% of growth for the major G20 economies between 2001 and 2010. Deloitte recently discovered that advertising contributes nearly six million jobs across the EU and drives 4.6% of total EU GDP.

- At a microeconomic level, the Core Media data science team found that brands investing €1 in advertising typically achieve a revenue return of €8.26, and a net return on investment of €5.44.
- Return on investment is a useful metric, but focusing too much on it can lead to very narrow strategies that damage profitability. It is a measure of efficiency and not necessarily effectiveness. As marketing effectiveness expert Peter Field said, *'...it will always flatter and reward sales activation strategies that are simply targeting customers in the market now and are doing nothing to build long-term growth.'*
- The industry needs to 'up its game' and provide more accountability through investment in marketing analytics, such as econometrics. Econometric modelling identifies the factors driving sales and quantifies their effects. It can measure the contribution of any variable that has a role in driving revenue and can use this information to predict future sales.
- Marketers must create a measurement culture within their organisations and every brand should budget for it. The benefits can be enormous; an integrated analytics approach can free up between 15% and 20% of marketing spending.
- Short-term marketing is becoming more common, but it is also damaging the profitability of businesses. Short-term initiatives are more effective at driving transient sales effects, but they deliver weak long-term growth. In fact, long-term campaigns (those that are evaluated over periods of longer than six months) are around three times more efficient than short-term campaigns.

Businesses should employ both short-term and long-term techniques, but in the correct proportion. On average, marketers should spend 60% of their budget on brand-building activity (long-term, broad reach, emotional) and 40% on sales activation (short-term, tightly-targeted and information-rich), to achieve maximum efficiency and maximum effectiveness. Both activities have their place, but over or underinvesting in one or the other will damage the growth of a brand.

- Creativity has a profound and quantifiable influence on marketing effectiveness: creatively-awarded campaigns are six times more efficient than non-awarded campaigns in growing market share.

- Emotionally-based brand campaigns outperform rationally-based activation campaigns on every business measure. They are significantly more profitable, they are better at generating awareness, they are stronger at creating differentiation and they form more durable memories of the brand in consumers' minds.
- Recruiting new customers is more profitable than trying to increase frequency of purchase. Compelling evidence supports the contention that most loyalty programmes have little effect and when they work, they do so by mainly recruiting new customers, not by reducing churn or by extracting more value from existing ones. Marketers should advertise to everyone in the market for their product, rather than focusing on a small, segmented audience. Loyalty strategies can produce cost-effective short-term activation effects, but the true cost of this is long-term ineffectiveness.
- Brands using paid media typically grow three times faster than those that rely on owned and earned media alone. Earned media can be enormously effective if the creative work lights a spark with consumers and becomes viral. Content delivered in this environment contributes to building credibility for brands and, typically, increases the effectiveness of a paid campaign by 26%. Owned media generally increases effectiveness by 13%.

- The size of a brand has a major impact on the efficiency and effectiveness of marketing communications. Large brands have inherent advantages over smaller brands. They have higher penetration, distribution, range and pricing strategies that help to maintain and increase share. As a result, smaller brands need to over invest, relative to their market share, to compete effectively.

'Marketing Multiplied' also includes some of the most compelling local and international case studies in existence that prove and quantify the significant influence that marketing campaigns can have on the growth and profitability of businesses and brands.

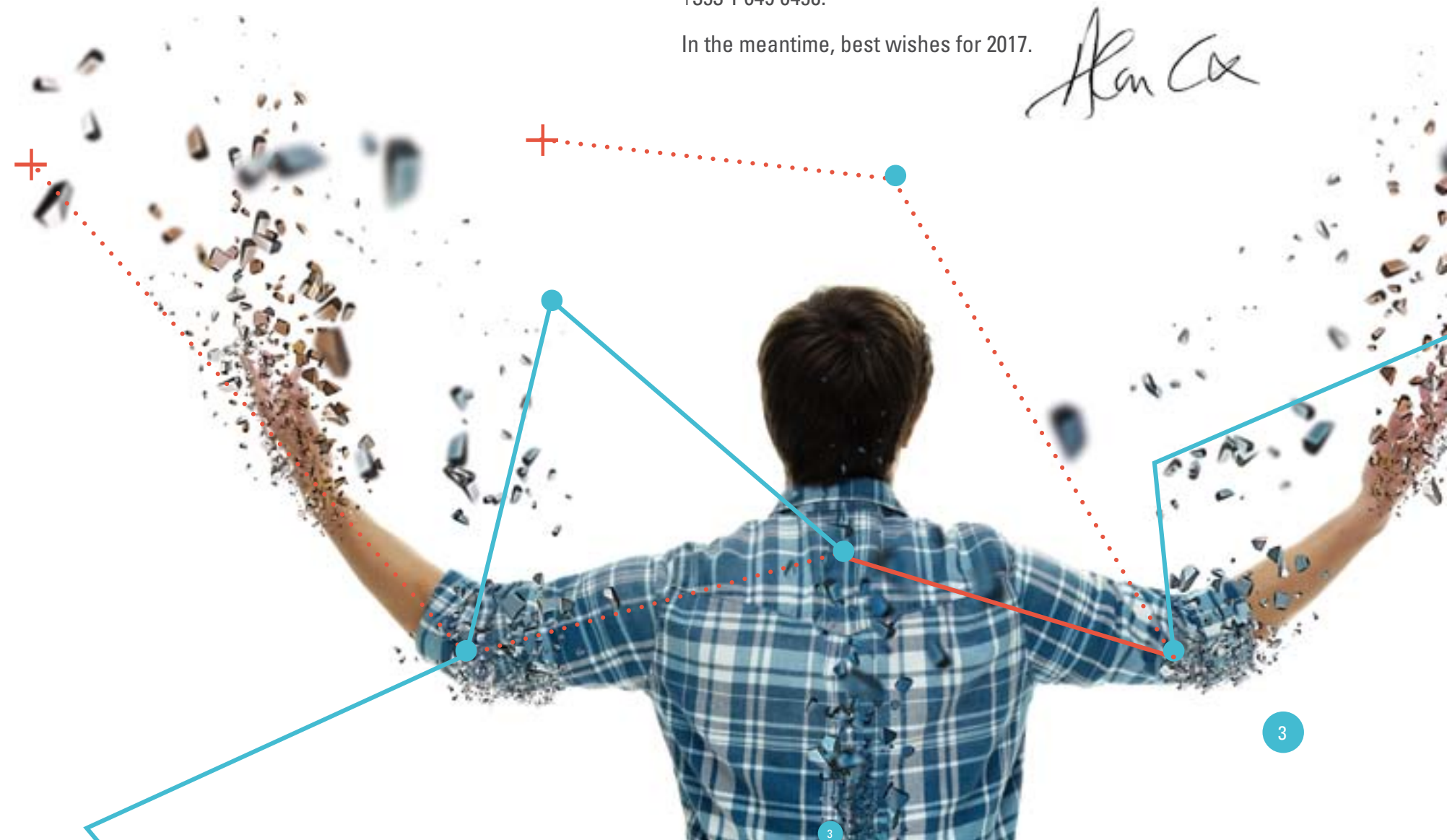
In writing the book, we pulled together the key proof points from around the world with a view to provide the industry with an expansive guide to the critical ingredients in marketing communications success. It is available from the Core Media website: coremedia.ie/marketing-multiplied.

Turning back now to more immediate matters - 'Outlook 17'. The following pages outline the key developments and important issues that we believe will impact the industry this year. Technology is continuing to transform a world occupied by a fascinating triumvirate: the marketer, the consumer and the media owner. Understanding this evolving dynamic has never been more interesting or challenging. I hope you find this report a useful guide.

If you would like to discuss any of the issues, please feel free to call me on +353 1 649 6458.

In the meantime, best wishes for 2017.

Alan Cox



THE CONSUMER

Culturally speaking, historians tend to look at the 20th century as starting around 1914. It was a catalyst year. Before 1914, little was different from the 19th century. However, from the moment the First World War began, everything changed. Over the next hundred years, the lives of people changed culturally, politically, technologically and economically so dramatically as to be unrecognisable from those of the preceding century.

2016 may well prove to have been that catalyst year for the 21st century.

2017 has inherited a host of known unknowns. Uncertainty will be the theme. Ireland is caught between two seismic global changes. Brexit and the Trump presidency will progress, but their impact is impossible to predict. The economic waves they create seem certain to affect these shores, but it remains unclear how severe the storm will be and how serious the damage.

Fluctuating exchange rates will impact Irish businesses, while political agendas may impact foreign direct investment, but quite how remains unclear.

In Europe, the outcomes of general elections in France, Germany and the Netherlands during 2017 have the potential to redefine the nature of the European Union for all member states. While closer to home, there is further political uncertainty both sides of the border and, indeed, around the nature of that border itself. We may well find ourselves back in the polling booth, facing both a general election and a referendum on abortion in the Republic of Ireland.

All of this sits against a backdrop of mistrust in traditional organisations. New news sources are being treated with scepticism. The echo chamber of our social media bubble is starting to be questioned. The next number of years may well prove to be redefining for discourse on this island and beyond.

Uncertainty tends to tighten the purse strings. Debt is paid down and mattresses stuffed. Big purchases can be postponed. Despite this, the Republic of Ireland continues to move forward economically. GDP, GNP and employment numbers are in good health. They may yet prove to be sufficiently robust to withstand the storm. The situation in Northern Ireland, on the other hand, is far more challenging and is not being helped by its own political turmoil.

In the aftermath of the First World War, the pre-war governments of Europe were referred to derisively as the 'Ancient Regime', hopelessly out of touch with the modern world, modern media and a newly politicised, ambitious youth. Over the next five years, so it may be again. Expect a vibrancy and fervour from people as we begin to question many of our relationships and seek new options and alternatives. Trivial as it may seem, this goes for brands too.

*THE AVERAGE IRISH PERSON IS
EXPOSED TO 370 ADS A DAY*

1 NOISE-CANCELLING CONSUMERS

Consumers have so much choice now that your brand will simply be ignored unless it can demonstrably fulfil a need, a want or desire. This is the defining reality of 21st century marketing. In recent times, ad blocking software has become topical. While the software is far from ubiquitous, it is symptomatic of a wider trend: consumers ignore most advertisements.

A Core Media tracking study suggests that the average Irish person is exposed to around 370 ads a day and that figure is rising. Amid so much noise, it is becoming increasingly difficult for advertising to cut through. In previous decades, this wasn't an issue; there was limited clutter, but also limited brand choice. A brand's size, and its presence could persuade a trusting public. Now, noise, choice and scepticism are on an upward curve.

This presents advertisers with a choice: buy your way through the din, or create stand-out by focusing hard on satisfying a need, a want or a desire. This can be met with communications or with product development, but it must be based on genuine consumer insight and must be delivered in an emotionally powerful way.

Campaigns like *Share a Coke* and *Dollar Shave Club* are good examples of 21st century advertising. They meet a need or desire – a human need to connect in the case of Coke, and a desire for a lower cost shave with Dollar Shave Club. They innovate beyond communications alone, using the product as a key ingredient and they package it all up in highly emotive messaging.

2 THE YEAR THAT DIRECT SELLING EXPLODES

How we buy our goods is evolving. The rise of department stores and supermarkets in the 20th century reflected the needs of the market. Less time meant a need for a one-stop option. Once again, needs are evolving: 2017 will see more direct-to-consumer selling and delivery. Three big changes will drive this.

Firstly, there is huge growth in the digital marketplace; people can browse, evaluate and buy via computer, phone and even TV. They no longer need a store as a shop window for goods. Secondly, there is growth in the development and flexibility of the delivery sector. Parcel Motel and An Post's AddressPal service are making it easier for people to receive delivered goods more frequently. Online retailers like Amazon are investing heavily in delivery logistics. Even traditional supermarkets have delivery options. Thirdly, flexible working hours and an increased ability to work from home makes delivery more practical for grocery shopping. It also facilitates newer subscription models for regularly used goods (just look at Dollar Shave Club's billion-dollar sale to Unilever). With added flexibility of working location and improved delivery infrastructure, direct retail channels become increasingly viable.

For brands, the challenge is to ensure they are available in an omni-channel retail environment, while consumers explore what works best for them. For retailers, alternatives to bricks and mortar mean they must represent something more than just a retail outlet: they must build in valuable experiences for their customers.

3 THE EVOLUTION OF MONEY ACCELERATES

This year, two major milestones will be reached. With the launch of Android Pay late last year and Apple Pay expected in the coming months, 2017 will see the emergence of the mobile wallet. Also, the eldest members of Generation-Z will turn 21, marking the coming of age of Ireland's newest and most enigmatic generation. This year will mark the beginning of a 'hidden tipping point'. Generation-Z have been raised in a completely omni-channel, digital world. 2017 will see them entering the work force. They will naturally embrace disruptive new financial technologies beyond mobile wallets and peer-to-peer payments, pushing their use into the mainstream.

While Millennials have been the focus of marketers for some time, Generation-Z are different, because they are true digital natives and far more open to doing things differently than their predecessors. As marketers get used to the idea of the omni-channel shopper, Generation-Z are already 'omni-channel natives' – they expect to be able to move seamlessly between online and offline environments and payment channels. We will start seeing a merging of media channels and payment channels as interactions between consumers and brands become even richer.

Marketers need to start preparing now; Irish consumers have proven themselves rapid adopters of new technologies in the past. As with Facebook and contactless cards, adoption can be slow at first, but takes off rapidly once a tipping point is reached. 2017 will be the year marketers and retailers will start looking seriously at Generation-Z and this hidden tipping point.



FLEXIBLE WORKING HOURS & AN ABILITY TO WORK FROM HOME MAKES DELIVERY MORE PRACTICAL FOR GROCERY SHOPPING

DATA

In our recent analysis of the Irish marketing industry, we see five distinct clusters of marketing departments emerging in terms of their engagement with data science.

The 'not interested' group, accounting for 11% of the industry, are indifferent and occasionally cynical about the application of data science and technology to their functions. However, the size of this category is reducing due to a growing realisation that they will be left behind as the application of data science and technology transforms our industry.

On the other extreme, 7% are 'heavily invested' and pioneering in the area. This group of early adopters is moving at an impressive pace; many have dedicated data resources and technology in their teams. The use of data to gain insight, optimise decision-making and measure effectiveness is engrained in their operations. Interestingly, this group is, for the most part, composed of two contrasting types of department: large, established, big-budget departments and young, agile, lower-budget ones.

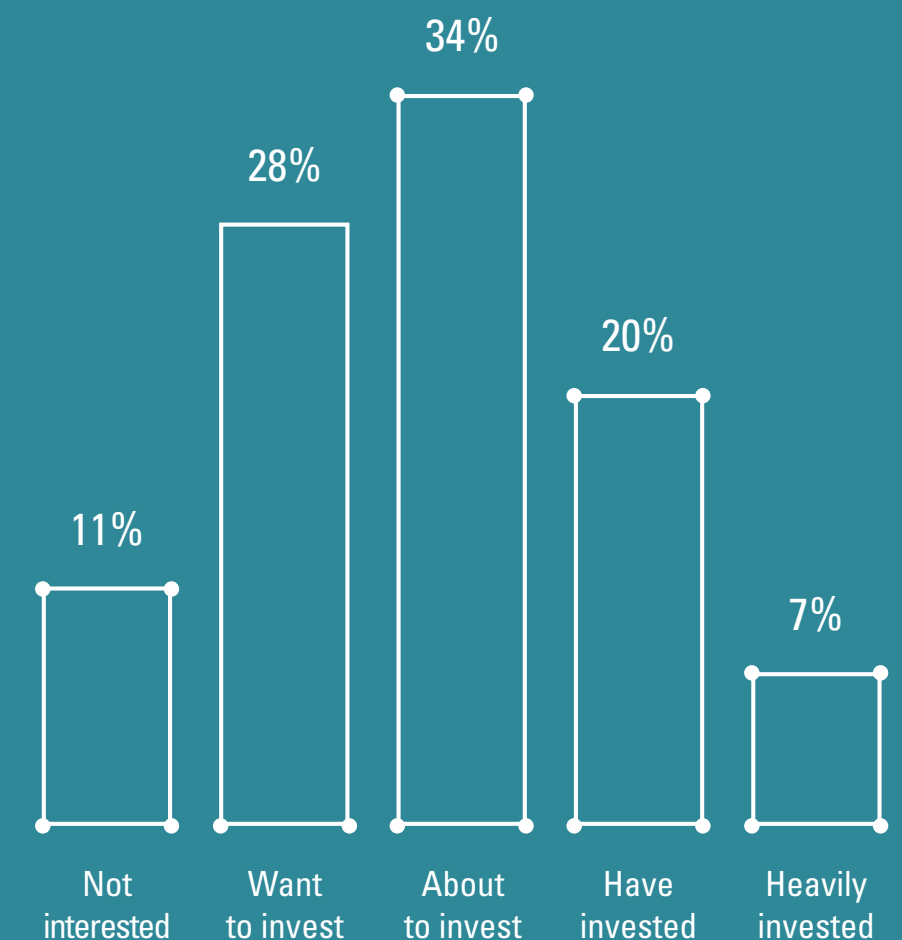
Between these extremes are three other groups. Firstly, the 28% who 'want to invest'; this group is characterised by the belief that data science is a force that can fundamentally transform and improve effectiveness. For this group, the barriers include risk aversion, indecision about which area to focus on, lack of available talent and, in some cases, an inability to justify the investment. These barriers are likely to shift in the coming years, but, in the meantime, these organisations are likely to be disadvantaged.

The single biggest group is the 34% who are 'about to invest'. This investment is taking many forms: off-the-shelf technology, CRM systems, outsourced analytics and in-house talent. They have seen enough evidence of the benefits to approve budgets and commence their data journey. They can be classified as the 'early majority'.

Finally, one in five marketing departments 'have invested'; the application of data science and use of technology is beginning to become part of their day-to-day business. However, it is not being fully embraced and does not inform enough decision-making. In some cases, they have had bad experiences with off-the-shelf, one-off projects, which have reduced their appetite. This group need to re-commit themselves to the process and extend how data is utilised to continue the journey and create the inevitable benefits that will come.

So, what will 2017 hold for data science within the Irish marketing landscape? For the trailblazers the year will be dominated by the need for convergent marketing technology, but given that this will be the year of mainstream adoption, it is the experience of the middle three groups that will dominate 2017 from a data science perspective. The most prevalent issues and challenges will be quantifying return on marketing investment (ROMI) and overcoming data impediments (internal and external).

APPETITE FOR DATA SCIENCE AMONG IRISH MARKETING DEPARTMENTS



Source: Core Media Data Market Profile 2017

27% OF TOTAL MARKETING BUDGETS IN THE US & UK IS BEING INVESTED IN MARKETING TECHNOLOGY

1 RETURN ON MARKETING INVESTMENT

The perpetual question put to and, indeed, asked by marketers is 'what was the return on our marketing investment (ROMI)?' Methods to quantify ROMI have existed for decades and are becoming increasingly sophisticated. Econometric techniques can gauge the influence of all marketing channels at driving online and offline sales. In addition, there are mature algorithms that can attribute the impact of all digital media in driving online conversions. Currently, the confluence of the two approaches is spurring hybrid modelling techniques to explain and unpick online and offline sales response at a more granular level.

Advice to those embarking on this venture in 2017 is to be cognisant that the results of any ROMI study come from a model. Even the most sophisticated model is probabilistic. The results will quantify the return from marketing investment within a defined margin of error. It is through refreshing and fine-tuning the model that the margin of error is minimised and the forecasting power of the model optimised.

Finally, whether conducting the study internally or via a third party, keep an open line of communication with your data resources. This will enable the reciprocal exchange of information and insight between the expert on the subject matter and the modeller. Nuggets of insight about sales patterns, customer behaviour, etc. could be key to explaining anomalies in the data and could greatly assist the modeller.

2 DATA IMPEDIMENTS

Data can all too often actually be an impediment to marketing departments. Some of the most common quotes we hear from clients are: 'There is too much data'; 'My data is sitting in so many different systems I can't connect it'; 'I'm worried about the quality of the data'; 'I find it difficult to convert data to information'; 'I spend so much time preparing analyses, I can't find time to study it properly'; 'I'm worried about data protection and the EU GDPR, in particular, which went live in May and will be enforced from 2018.'

Inevitably, once the data cupboards are opened, the majority of departments will encounter some, if not all, of these issues. Our advice is to invest in the right skills. There are specialists in the area of data architecture, data management, data quality, data privacy, etc. These skills may already exist in your organisation, but unfortunately, there are often not allocated to marketing projects. Traditionally the predominant areas of focus for data resources are operational, financial or R&D projects. Marketing departments need to command a greater share of these resources. There is a case to be made that *whoever owns the data owns the customer* in which case the marketing department should take precedence.

3 CONVERGENT MARKETING TECHNOLOGY

For the pioneers, the greatest theme this year will be the emergence of the need for 'convergent marketing technology' or MarTech – a move from currently disparate applications and projects to single-point solutions to monitor and manage all engagement activity, while simultaneously modelling actual sales response.

A recent Gartner survey of marketers in the US and UK revealed that a staggering 27% of total marketing budgets is being invested in MarTech. Even more noteworthy was the fact that marketing's tech spend is second only to that of IT (3.2% of total revenue versus 3.4%). We estimate that there are few, if any, Irish marketing departments currently at these levels; however, 2017 will see large-scale investment, particularly within the innovative 7% 'heavily invested' group (referred to earlier).

In our opinion, this lag between domestic and global investment levels is due more to failings on the supply side, rather than the demand. Leading tech providers often overlook Ireland due to our relatively small scale. We believe 2017 will see the rise of niche Irish technology providers to satisfy this need and ultimately arm the innovators with increasingly sophisticated weaponry.



ONLINE

It is twenty years since Ireland's first online advertising campaigns: a couple of static banner ads on a rudimentary 2fm.ie website. Those ads certainly didn't set the Irish marketing world alight, but they did mark the beginning of an evolutionary change that has impacted every corner of what we all do every day. Back in 1997, the size of the entire online media market was probably no more than one thousand 'old' Irish pounds, and from those meagre beginnings we are now immersed in an online media market valued at €328 million in the Republic of Ireland and €27 million in Northern Ireland. Investment in online media continues to outperform the market, with a 17% year-on-year increase in 2016 in the Republic and 10% in the North. Growth will slow a little in the South this year, where we expect demand to increase by 13.5%. Northern Ireland, however, should see another 10% increase in investment.

'Search' and 'display' continue to fight for share of advertising investment. Search's share of digital spend stands at 51%, but this has been eroding, at a rate of one percentage point per annum, for the past five years. It is likely to dip below 50% within two years. Display, with 38% share, is growing, because its role as a direct response-only channel is changing; it now has the scale to create mass market reach for brands.

Another factor driving the display market is that we are gaining a greater understanding of its role in the online media mix to drive 'post-view' results in terms of website visits and sales. It is more critical than ever to review online marketing performance across all channels - display, search and social - to get the complete picture regarding return on investment.

The prevailing issue in social media is the fake news menace and the primary social news channels (Facebook and Twitter) are quite rightly being called to account. They must take a firm stance and exercise control over what is published on their platforms. A commitment to verification is absolutely required to win the confidence of the marketing industry. Advertisers are concerned: they do not want their content to be placed in spurious environments.

Fake news has been around for years; some readers may remember the 'Freddie Starr Ate My Hamster' story that screamed from the front page of The Sun in March 1986, but there is no comparison between this and the issue we face now, when fake news is becoming indistinguishable from the truth. Media owners have a serious responsibility and duty of care to their consumers and advertisers. It seems to us that unless this

issue is cracked, Google, Facebook and others will be presenting an opportunity to long-established, trusted news brands who understand the importance of the adage, *the medium is the message*.

The trend that will have the biggest impact on our daily lives, on consumer behaviour and on marketing is connectivity. It is true that we have never been more connected, but there is more to come: after the mobile phone, the car will become the biggest connected device in the world.

An average new car today has the computing power of 20 modern PCs and features around 100 million lines of code in its systems. This computing power and software sophistication will grow and grow. It is expected that 75% of the estimated 92 million cars shipped globally in 2020 will be 'fully loaded' with internet-connection hardware.

This is an enormously important development that will change many things regarding how we move around, how we consume information and media, how we interact with services and ultimately how we live.

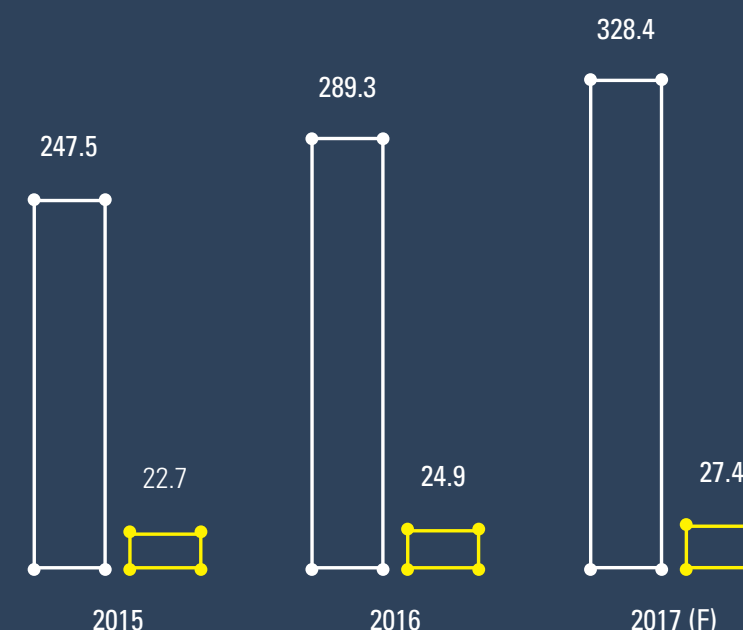
Happy 20th birthday online marketing.

AN AVERAGE NEW
CAR TODAY HAS THE
COMPUTING POWER
OF 20 MODERN PC'S

ONLINE SPEND (€M)

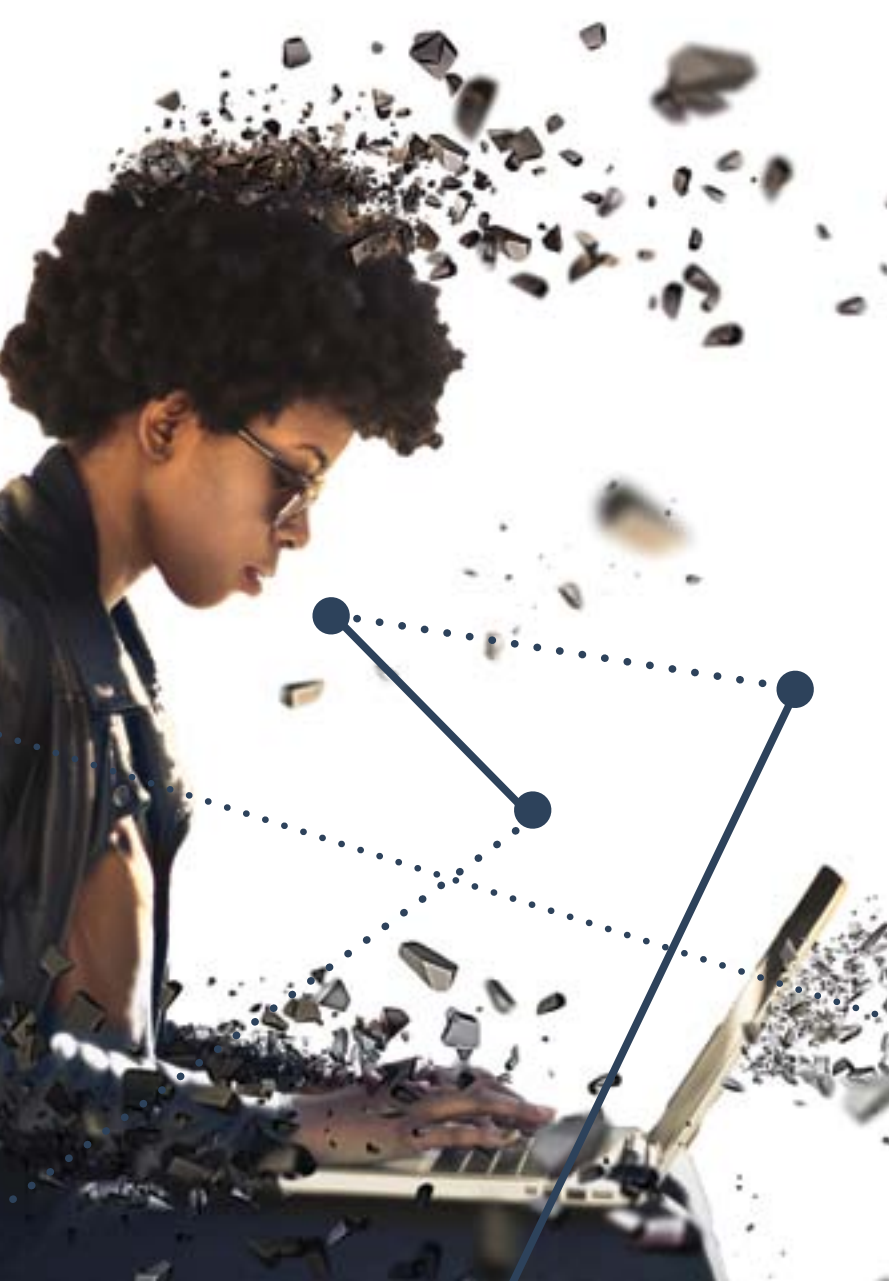
Source: Core Media Estimates
Includes display (incl. VOD), classified & search.

Forecasted 2017 Euro/Sterling exchange rates have been applied to all years, to facilitate comparison.



DISPLAY

*IN REALITY, ONLY
15% OF INTERNET
TRAFFIC IS BEING
AFFECTED BY
AD BLOCKING*



1 THE INDUSTRY RESPONDS TO AD BLOCKING

Ad blocking is a topic of 'alternative facts'; a recent study from a specialist in the field, Pagefair, found that 39% of Irish desktop users had installed an ad blocker on at least one device. The study does not cover mobile, which now accounts for up to 65% of web publishers' traffic. We estimate that ad blocking on mobile devices in Ireland is only 1%. So, a headline of '39% of Irish internet users use ad blocking' is misleading. In reality, only 15% of total internet traffic is being affected by the issue. Nonetheless, this is a serious problem and the industry must respond. To address a key issue driving ad blocking, the industry has decided to review how we approach the production of digital creative formats. 2017 is expected to be a year of change as the industry moves away from fixed-sized ad units towards a responsive model, making user experience the number one priority.

To back this up, the Interactive Advertising Bureau (IAB) has recently updated its 'standard ad unit portfolio', designed to facilitate effective communication across multiple devices. The new units will adjust themselves based on screen size and will comply with the bureau's principles that ads should be lightweight, encrypted and non-evasive. This means advertisers should only need to produce one responsive ad format that will work across all platforms.

The move to responsive ads, with lightweight file sizes, should lead to greater levels of reach and viewability for digital display advertising, improve user experience and slow the growth in ad blocking. Additionally, the EU Commission has proposed that media companies be allowed to ban customers who use ad blockers under new online privacy rules. This is another major move that will benefit the industry.

2 THE RISING IMPORTANCE OF AD TECH

The responsibilities of a marketing manager have evolved in recent years, with most practitioners now looking after digital commerce, customer experience, innovation, sales and even elements of IT. A recent study by Gartner found that 27% of marketing budgets are now invested in marketing technology (e.g. CRM, data management platforms, etc.)

There is also a growing focus on the role of ad technology, with marketers typically investing circa 10% of media budgets in various marketing technologies such as ad serving, tag management, demand-side platforms and data management platforms. By introducing such technologies, marketers often see improvements in performance of 20%+.

With the growth of digital advertising and, more specifically, the growth of programmatic software, ad technology has become a multi-billion-euro industry. We believe that approximately 30% of online display, in the Irish market, will be bought programmatically in 2017. This always-on, real-time management of digital campaigns will result in more efficient and effective media buying.

One major consideration for the advertising industry will be selecting the right ad technology solutions. This ranges from selecting your analytics partner to choosing the right data management platform. A fully integrated solution incorporating media planning, reporting and analytics is key. Advertisers also need to be conscious of the growing consolidation of the major technology companies, which could influence their decision.

3 DIGITAL AD RATINGS

For many years, media planners have used tools to forecast the optimal distribution of gross rating points (GRPs) required to achieve reach and frequency targets for a campaign using offline media. Surprisingly, this is only now becoming possible for online media. Unfortunately, audience reach data has only been available for the larger social platforms like Facebook and Twitter up to now. However, these measurements are not independent and do not extend across an entire multi-site online campaign. In late 2016, Nielsen launched Digital Ad Ratings (DAR), which addresses some of the measurement issues. We can now access an independent tool that allows us to understand who (in demographic terms) saw each campaign, across display and video, and what coverage of that target audience was achieved. This will improve how we plan online media and it is another step towards 'total audience measurement', which the industry is moving steadily towards; the ultimate aim is to provide reach and frequency estimates, and campaign reporting, across all media channels – online and offline.

However, the best methodology to create this is hotly-debated in the industry. As such, marketers will need to wait a few years for more holistic audience measurement and campaign reporting. But DAR is still a big step forward and an encouraging sign of future innovation. Progress may come slowly, but it is coming.

SEARCH

1 GOOGLE SHOPPING

Google Shopping was rolled out in May 2012, but will only officially hit the Irish market in 2017. The platform is a search engine dedicated to products from online retailers and allows consumers to search for a product and compare prices between different vendors before visiting their site.

Its arrival will benefit any brands that have an e-commerce presence. The platform allows advertisers to feature richer ads on search engine results pages, which display an image of the product as well as pricing and other specifications, rather than just text ads.

Globally, the vast majority of e-commerce companies use Google Shopping and, from Q4 last year, numerous Irish brands have gotten on board with the first beta tests. Results to date have been positive, with conversion rates improving by circa 40%, on average, and website traffic increasing by multiples of three and four, depending on the category.

In the long-term, Google Shopping could become the single biggest driver of revenue for e-commerce businesses in the search space. The most significant issue for brands is the potential impact on 'organic' search listings as Google Shopping ads will take up more of the real estate on results pages. To maintain return on investment, brands will need to ensure that their Google Shopping campaigns are fully integrated with other paid and organic search activities.

2 ACCELERATED MOBILE PAGES WILL IMPACT ORGANIC SEARCH

Viewing content on a mobile device can be clunky and sometimes frustrating, particularly when using 3G or 4G connections. In response, Google has been working with dozens of global publishers to find a solution. This has resulted in the Accelerated Mobile Pages (AMP) project. This is a collaborative initiative to make the mobile experience better through a new way of building web pages that load faster. In some tests, pages built with AMP load twice as fast as regular mobile pages.

Google is now highlighting pages created with AMP within its results pages. In one of the first trials of this new approach, Slate.com, a US news website, increased its unique visits per month (from Google mobile search) by 73%. In Ireland, Independent.ie has just recently implemented AMP, and while it's too early to judge the impact, we expect positive results.

If pages load faster, then ads must also load faster, and the AMP project provides guidelines for this too. The goal is to have fewer, less intrusive ads in a cleaner website environment.

3 THE EMERGENCE OF VOICE SEARCH

According to The Economist, 95% of smartphone owners have tried an intelligent voice assistant, such as Siri or Google Now, at least once. When Apple introduced Siri in 2011, it was positioned as a game-changer. Unfortunately, users found it frustrating to use and many people quite simply gave up. But, over time, attitudes are changing, as the experience continues to improve. Globally, a third of smartphone owners now use their personal assistant regularly, resulting in a spike in voice search requests on platforms such as Google and Bing.

Voice recognition accuracy on these platforms now averages around 80%, meaning only one out of every five requests is misheard. With improvements in the technology, this figure is expected to rise above 90% in 2017, which should result in an increase in popularity of both voice assistants and voice search.

In the US, 20% of searches performed on Google (through a mobile) are now voice-activated. No country-specific data is available for Ireland, but having analysed aggregated paid search data for Core Media clients, we estimate that 5% of searches, through a mobile device, are voice-activated searches.

Text searches typically contain two words, whereas voice searches are usually longer, consisting of three to four words. Search strategies will need to incorporate this exciting new development.

*MARKETERS NEED TO PLAN
FOR VOICE-ACTIVATED SEARCH*

SOCIAL



1 THE RISE & RISE OF VIDEO

In 2017, we will see social media companies increase their investment in video. Facebook has stated that it wants to become an alternative to TV. Its shift to video content in its News Feed, the development of live broadcasting and '360 video' signals the beginning of a trend likely to see it compete head-to-head with YouTube initially, and possibly Netflix down the road. In addition, Snapchat has stated that it wants to carry original video programming, ranging from breaking news to entertainment and reality shows.

The challenge this presents to brands and agencies alike is resource. What 2015 established, and 2016 reinforced, is that social is a pay-to-play area, meaning brands must support their content with advertising investment. In 2017, we will see marketers and their agencies invest more in the production of 'social video', as it begins to compete more with the production values of TV, while retaining its authenticity.

This rise in social video is also creating new revenue streams for the larger platforms. Facebook has begun exploring new revenue opportunities and it's believed (as of January 2017) that it is beginning to test video ads around video content on its platform. In the short-term, this is an easy solution to monetise its video content, but in the long-term, the impact is likely to foster negative user sentiment. We must question this development. Media owners need to start thinking about the long-term and stop being led by short-term revenue opportunism.

2 THE ROLE OF THE MICRO INFLUENCER

The roles and contributions of celebrity influencers were under the spotlight in 2016 as reports noted the spiralling costs of including them in campaigns. Influencer marketing in the US has reached record levels with some marketers paying hundreds of thousands of dollars to have an influencer endorse their brand in social media.

However, on an island as small as Ireland, questions have been raised about the over-exposure of the main influencers on the circuit, who have featured in several campaigns for many different brands. This has led to the dilution of their impact.

In many cases, this has opened up an opportunity for micro-influencers, who are specialist in their area, but may not have a mass following. Instead, their contribution is weighted by their passion for the subject, their expertise and follower engagement. We have found that working with micro-influencers is an excellent way to form a stronger relationship with brands' consumers. Research published on Business2Community.com cites engagement rates for micro-influencers that are 16 times higher than paid media and more cost effective than professional influencers.

It is critical that influencer marketing is well thought through with defined objectives and measurement structures. Big is not always best; sometimes small is beautiful.

3 THE EVOLUTION OF MESSENGER APPS

A common theme at numerous conferences last year was the dramatic rise of messenger apps, noting that the rate of adoption was far steeper than the adoption of the social networks. Two stalwarts in Facebook's armoury, Facebook Messenger and WhatsApp, now both boast over a billion monthly unique users. In October 2016, according to Ipsos MRBI, 53% of Irish people were registered WhatsApp users, while the figure for Facebook Messenger was 55%.

2017 will see these platforms evolve as Facebook aims to grow revenues across its brands. It's expected that users will start to see advertising introduced into Facebook Messenger and WhatsApp this year. Additionally, data from these services will be collected and utilised to improve the efficiency of advertising across the main Facebook platforms.

A key development in this space for 2017 is the rise of the 'bot' – an automated artificial intelligence programme designed to operate in messenger apps for the purposes of customer service and sales. For the consumer, this will have significant benefits such as quicker problem resolution and storing credit details, but it could also begin to eat into the use of e-commerce apps. We predict that, in time, a messenger app will be able to provide services such as ordering from Amazon, scheduling a test drive or booking a taxi, which will put other existing apps under pressure.

MEDIA OWNERS SHOULD STOP BEING LED BY SHORT-TERM REVENUE OPPORTUNISM

VIDEO TV VOD CINEMA

We are all aware that data will revolutionise marketing. But in the video medium, data is nothing new. We can access the history and performance of over 59 million TV spots at the touch of a button. However, this huge database plus the explosion of new platforms, devices and technology is an ideal 'breeding ground' for misinterpretation and, dare we say, misinformation on occasion. Almost every week a report is released making some new claim and it is becoming increasingly difficult to separate the true consumption of video in Ireland from the perception.

Therefore, as we move into 2017, it is vital to really know what is going on. Without this knowledge, it is impossible to offer clear direction regarding how to use video effectively. The average adult in the Republic of Ireland watched three hours and forty-one minutes of video every day in 2016. In Northern Ireland, this figure was even greater - four hours and forty-eight minutes. To put this in perspective, video accounts for 38% of all media consumption in the Republic, compared with 44% in the North.

'Live TV' (watching traditional television at the time of transmission), still represents the majority of consumption. Despite the different viewing options available, live TV accounts for 66% of all video viewing in the North and 72% in the Republic. The resilience of live TV may come as a surprise, but more than three quarters of video viewing, in both markets, is done on the TV set at home. This is partly explained by the fact that digital video recorder penetration has plateaued at around 60%, meaning 40% of the population are unable to 'time-shift' their viewing.

Also, there is a high propensity to watch certain programmes live (sport, current affairs and one-off events) irrespective of the viewing device. It should be noted that these programmes also tend to draw large audiences.

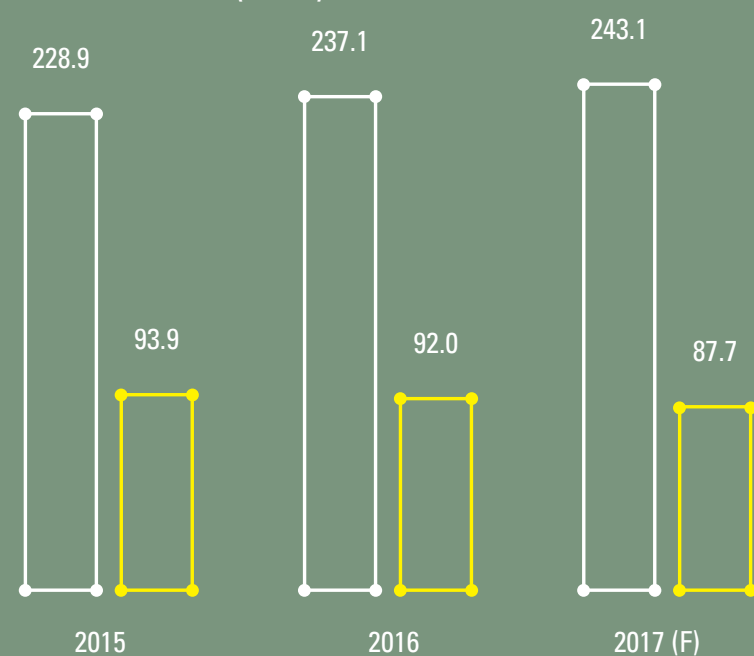
Figures do vary by age; but again, what is really going on may surprise: for young adults, watching live TV is still over half of their daily video consumption of 218 minutes. Watching short-form video, like YouTube,

is increasing but is only 28 minutes a day on average, compared to 116 minutes for live TV.

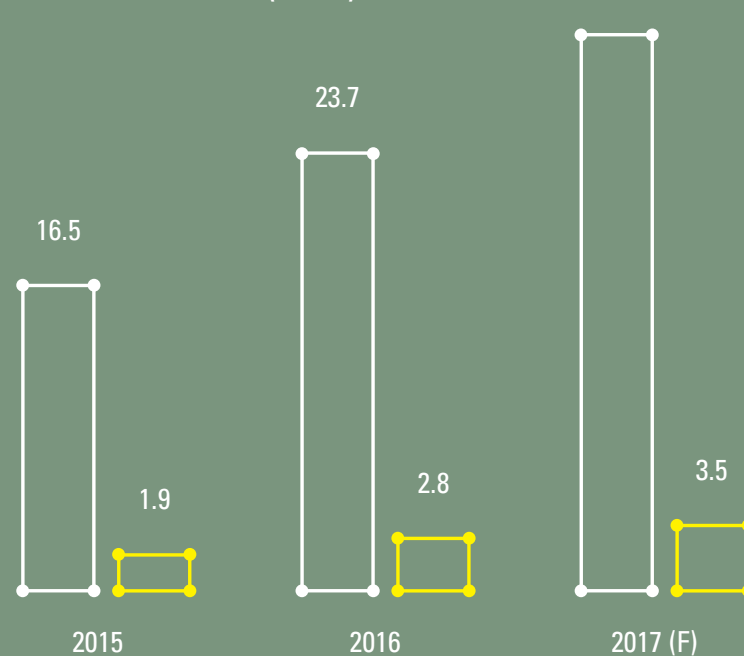
During 2017 we will continue to be inundated with articles and commentary about video viewing. New technology will provide new opportunities to reach consumers, but as the market evolves, advertisers must remember that balance between traditional media platforms and 'the new' will need to be maintained in order to deliver optimal audience reach.

In terms of the commercial outlook, we anticipate that TV advertising revenue will grow by 2.5% in the Republic of Ireland. Video-on-demand (VOD) will continue to see exponential growth of circa 27%, and we expect cinema revenue to increase by 4%. The Northern Ireland market will experience growth in VOD of around 25% (albeit off a small base), but TV and cinema will both see a decline in demand of circa 5% due to Brexit issues and a reduction in government-related advertising.

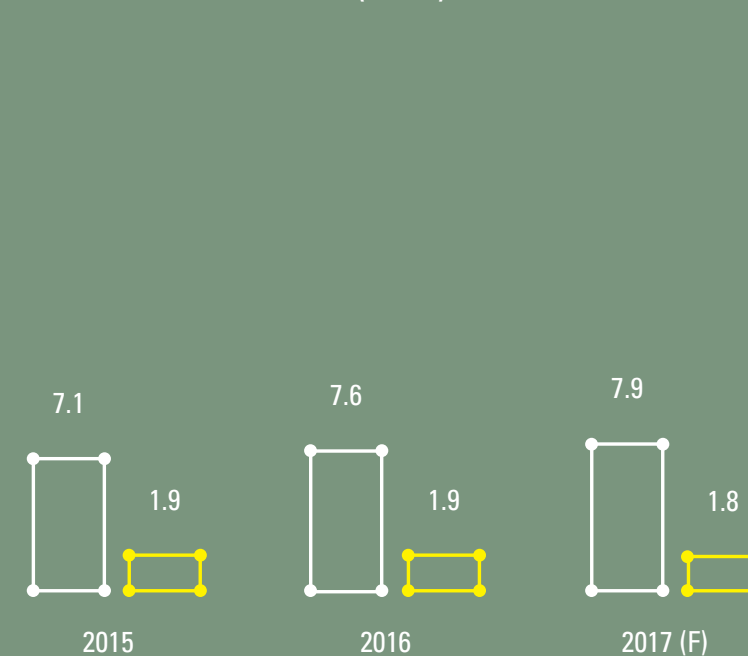
TV SPEND (€M)



VOD SPEND (€M)



CINEMA SPEND (€M)



1 THE TRUTH ABOUT OVER-THE-TOP (OTT)

OTT services like Amazon Prime and Netflix are seen as the biggest threat to traditional broadcasters. Giant programming budgets, award-winning content and increasing subscribers seem to confirm this. Again, perceptions often differ from the reality; in 2017 Netflix will increase original content from 600 hours to over 1,000 hours, whereas RTÉ produced 4,710 hours of home-produced content in 2015. 24% of homes in the Republic of Ireland have a subscription to Netflix and 1% claim to subscribe to Amazon Prime (it only became available in Ireland last December). While subscription numbers are important, viewing time is the key metric. Data from Ipsos MRBI shows that, on average, these services only account for 3% of daily video consumption among all adults in the Republic. For adults aged 15-34, the number increases to 6%. To put this in perspective, the combined share of viewing to these services was equivalent to just half the viewing levels achieved by UTV Ireland in 2016 (among all adults).

Netflix gets the headlines because it is 'on the up', Dublin-centric and watched by those in the media industry. Recent research from TAM Ireland confirms this: 56% of people working in the advertising industry claim to watch Netflix at least once a week, compared to only 17% of the national population. OTT services are not a replacement for traditional TV; they are an extra choice in a fragmenting market. Nevertheless, these services will continue to eat away at the establishment and raise the game of all concerned in terms of providing quality content that the viewer wants to see.

2 RTÉ v VMS

On January 9th 2017, UTV Ireland was rebranded Be3, becoming the third station in the Virgin Media Solutions (VMS) stable, formerly TV3 Group Sales. VMS can now offer advertisers a wide audience spectrum: TV3 for broad audiences, 3e for youth and Be3 for older female-biased viewers. It can now compete with RTÉ in terms of delivering a wide audience profile. VMS can also compete with RTÉ on scale. In January 2017, TV3 delivered 5% more 'housekeeper with children' TVRs than RTÉ 1, making it the largest channel in Ireland by share of commercial impacts (24%) for that audience. Compare this to January 2016 when RTÉ 1 delivered 11% more impacts than TV3 – what a difference a year makes. 3e is almost twice as big as RTÉ 2 for the same audience. TV3 is also ahead for adults aged 15 to 34. With Coronation Street and Emmerdale now back on its schedule and more commercial minutage available to it than RTÉ, VMS is now a serious competitor.

RTÉ is still the market leader for many of the key broad audiences such as adults, women, men and all housekeepers. It also has a clear leadership position in terms of high-rating programmes – it transmitted 91 out of the top 100 programmes in 2016, and it continues to dominate in terms of overall share of viewing, but the gap is narrowing. This competition is of significant benefit to advertisers. Both organisations will have to innovate and seek competitive advantage in the battle for share of advertising budgets. As an illustration of this point, Virgin has built a second HD studio in Ballymount that can offer production and creative solutions to advertisers. In Donnybrook, RTÉ has re-organised to offer a centralised sales structure that offers cross-platform, multi-media solutions for brands, incorporating all of its assets – a powerful proposition. With €243 million at stake in TV advertising revenue this year, there is plenty to motivate both broadcasters.

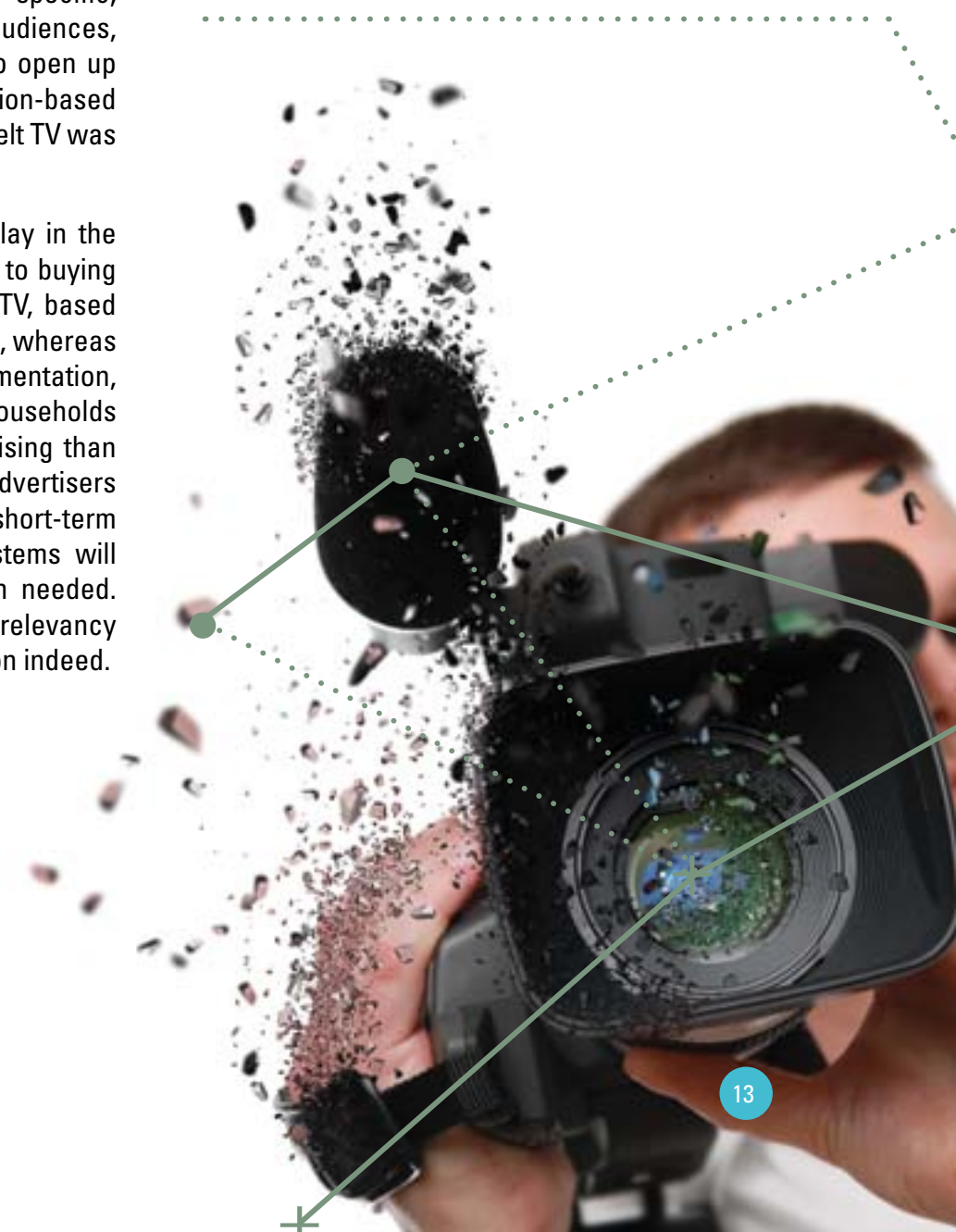
3 ADDRESSABLE ADVERTISING HITS THE REPUBLIC

Q2 2017 will see the launch of Sky AdSmart in the Republic of Ireland. Already available in Northern Ireland, AdSmart allows advertisers to target Sky homes at a county level or by household attributes, such as income and lifestyle. Other TV platforms in Ireland, like Virgin, are investigating the possibility of launching similar 'addressable' solutions. The scale of the addressable market will be small initially; for example, it accounted for just 3% of all Sky inventory in the UK in 2016, but this will grow.

The short-term opportunity that addressable TV advertising presents is obvious: specific, tailored messages for clustered audiences, thereby eliminating wastage. It will also open up the TV market to niche brands, location-based advertisers and SME's who, in the past, felt TV was inaccessible to them.

Data will have a much larger role to play in the future. Currently, advertisers are limited to buying 16 standard audiences on mainstream TV, based on gender, socio-economic group or age, whereas addressable TV will allow deeper segmentation, potentially facilitating the targeting of households that are more inclined to favour advertising than others. As new metrics are introduced, advertisers will be able to quickly measure the short-term effectiveness of their activity, and systems will allow them to amend campaigns when needed. Technology will bring together scale, relevancy and accountability – a potent combination indeed.

VIDEO ACCOUNTS FOR 38% OF ALL MEDIA CONSUMPTION IN THE REPUBLIC OF IRELAND & 44% IN NORTHERN IRELAND



NEWS MEDIA

2016 was yet another challenging year for news media. Print revenue was down by an estimated 9.4% in the Republic of Ireland and 6% in Northern Ireland. We expect that trend to continue in 2017, with further decreases of 9.5% and 6.6% respectively. Although the sharp circulation declines we have seen in recent years (for the printed product) seem to have been arrested to some degree, news media still face considerable challenges now and in the years ahead.

It is generally accepted that the benefits of technological advancement come at a short-term cost. Deb Roy, Chief Media Scientist for Twitter, says 'It takes a generation to figure out the human dimension of any new technology.' The problem with that statement, in the context of news media, is that the technology - regardless of whether it is print or digital - is redundant without the human dimension - news stories.

Given recent geo-political events, the need for brave, qualitative, unbiased news journalism has never been greater.

News stories must be assessed, investigated, fact-checked, edited, re-edited and then served to consumers in a format of their choice, and all of that has a cost associated with it.

The human dimension – the skilful, courageous storytellers that are central to that process – also comes at a price and it is time that people accept the facts and start to pay for this most crucial of services.

People must pay for news; therefore, paywalls of some kind are necessary and media owners should not have to apologise for them. For any meaningful paywall to be effective it would have to be adopted by all news websites at the same time. As a small market, there is an opportunity here for Irish news organisations to set an example for other markets and demonstrate true innovation in their medium.

From the consumer's perspective, the fee for access would need to be nominal (€5 per month or €50 per year). Once subscribed, access to all participating sites should be granted. 100% of the revenue generated by the paywall should go directly towards a journalism fund managed by trustees. This could potentially help offset staff costs for media owners and fund independent journalistic projects deemed to be of wider social importance.

Based on an initial annual uptake of 10% of the adult population, the fund could generate more than €17 million in revenue. Services such as Netflix and Amazon Prime have already proven that this model can be a success. However, news media will need to provide a more dynamic online experience than they are currently doing to ensure the success of such a venture.

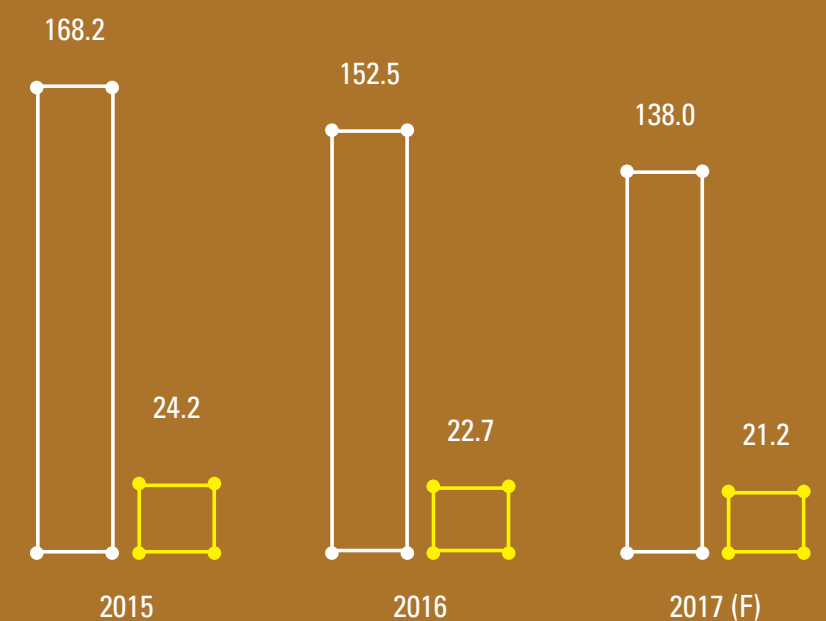
If Mr Roy is right, then we probably have half a generation, or 10 years left, to 'figure out the human dimension'. The time for talk is over and fresh thinking is needed. If we don't, then we will be leaving behind a legacy for our children to solve.

TOTAL PRINT SPEND (€M)

Source: Core Media Estimates

Forecasted 2017 Euro/Sterling exchange rates have been applied to all years, to facilitate comparison.

ROI NI



1 THE IMPORTANCE OF TRUST MUST BE RE-ESTABLISHED

A healthy society trusts journalists to represent the public interest to ensure there is no corruption that threatens the wellbeing of its population. Ideally, politicians and other community leaders are held accountable by the threat of intrepid reporters uncovering damaging secrets and sharing them with the public. Probably the most famous example of this was the crushing end to Richard Nixon's presidency, following The Washington Post's discovery of the Watergate scandal.

This trust is something on which sales departments have traded when making a case for print to advertisers. They suggest that the environment of trust lends added credibility to the content of the advertisement. However, in a time when trust and influence are being called into question, we need to think deeply about how to rebuild them. 2016 saw many extraordinary examples of how the influence of mainstream media had no bearing on the outcome of major global events. In the US presidential election, only 27 out of 652 print titles supported Donald Trump. The Washington Post released footage of the candidate using obscene language; content which, in the past, would have ended anyone's political career.

In a study carried out by The Pew Research Center, 8% of all US voters relied on Facebook as their main source of news. This was third behind Fox News (19%) and CNN (13%). The first print title to appear was the New York Times, in tenth position, with just 3%. It could be argued that so-called 'fake news' had more effect on the election than the press, one of the pillars upon which society is purportedly built. The term 'news' is currently equally associated with mistruth as it is truth. In what looks like a post-truth world, it is essential for news media to build an industry-wide, global, campaign to remind people of the critical role they play in society.

2 CONSOLIDATION GAME

Consolidation is a business practice employed in industry sub-sectors that are highly populated but demand for their product is falling. Fewer people are reading newspapers, yet there is a huge array of titles. While the individual titles are many, the ultimate owners are worryingly few. In a 2016 examination into media pluralism, conducted for the EU Commission by the Centre for Media Pluralism and Media Freedom (CMPF), Ireland was a cause for concern, scoring poorly in the category 'concentration of media ownership'.

While reports like these are designed to alert us to threats to our democracy, they don't take into consideration the practical economics of a small market and falling print advertising revenues. For its survival, the Irish news media must explore sensible mergers and acquisitions.

On the international stage, the influence of Apple, Liberty Global, Sky and others is growing; furthermore, they are in an acquisitive frame of mind. The proposed merger between AT&T and Time Warner is an example of this, as is the possible deal between Sky and 21st Century Fox. If Irish news media are to remain independent of these conglomerates, the climate for domestic mergers needs to change.

3 NEW RESEARCH

In previous years, this report has challenged the tenability of the existing news media research, the Joint National Readership Survey (JNRS). Following a year-long review of the methodology, usability and relevance, a revamped survey has been announced to the market.

The revised survey will take interview-based print readership research and fuse it to the live online data collected by comScore. This fusion will be carried out by RSMB, which carries out cross-media industry surveys across Europe, including IPA TouchPoints in the UK. This will be the first example of cross-media fusion in the Irish market. It will provide estimates of the multi-platform (print, laptop, PC, mobile phone and tablet) readership for print and digital separately and in de-duplicated combination.

The new survey will partner with TGI to ensure that the frustrating confusion between its print data and JNRS figures will end. TGI results will be calibrated to the JNRS average-issue readership figures, bringing harmony and clarity to the trading currency for this medium, at long last.

As the contract with comScore was awarded on the basis of the company upgrading its commitment to the Irish market, this will provide better demographic and mobile device analysis to the entire industry, not just news media sites.

We can only hope that this first step into fused media currencies will pave the way for the Holy Grail of media research – complete cross-industry fusion of all media.

*PEOPLE MUST
PAY FOR NEWS;
THEREFORE,
PAYWALLS OF
SOME KIND ARE
NECESSARY*



RADIO

Like many traditional formats from pre-digital days, radio has seen its place in the modern media landscape questioned. Radio has historically been used by advertisers to get tactical messages to air quickly and to build frequency; however, the future of radio is all about bringing technology and platforms together to deliver true interactivity.

Because audio can be enjoyed while doing other activities, radio has the potential to be the most ubiquitous form of media. Many will agree that the success of 'Serial', a multipart podcast focusing on a murder investigation in the US, was a significant moment in the evolution of digital audio. The 12-part podcast is by far the most popular in the history of the medium, gaining upwards of 68 million downloads worldwide.

Discussed in more detail below, streaming too has taken a firm foothold in the Irish market, with Spotify now delivering the same reach as many long-established radio stations.

However, despite the fragmented landscape, live radio remains the leading format with 2.97 million adults listening every day for an average of 253 minutes in the Republic of Ireland and 1.34 million adults listening for 182 minutes in Northern Ireland.

But despite healthy levels of listening, radio has long had to battle for its share of the advertising pie and took only 14% of advertising investment in 2016, down from 16% the previous year in the Republic. Due to the different structure of the Northern Ireland market, the share in that part of the island is lower still at 9%.

Radio's future success is linked to how it embraces its 'frenemy' – digital. Other media are making gains as they compete in the great land grab that is taking place in the world of 'native content'. Many are succeeding ahead of radio, which is, after all, the original home of native content with its trusted voice and presenter endorsement.

While it battles to provide advertisers with more relevant digital content, the medium must also tell its effectiveness story. More research from the industry (rather than just individual stations) is required to show radio's effectiveness as an advertising medium in the digital age. And, that research itself needs to evolve in a world of digital, data and real-time results to be more relevant, more accessible and more easily understood by advertisers and buyers alike.

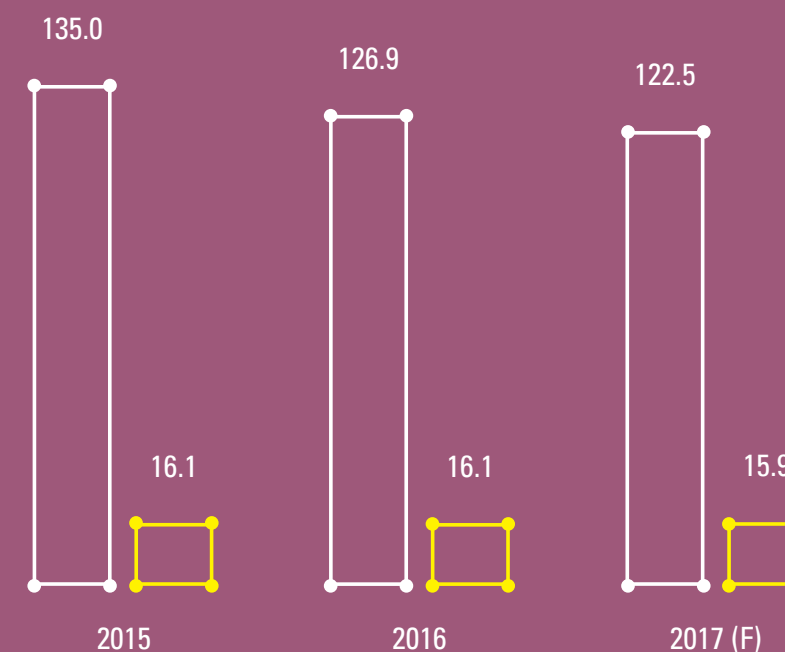
There is surely no better time than right now to do this; 2016 was a tough year for radio, with ad investment levels on the medium down 6% year-on-year in the Republic of Ireland and flat in Northern Ireland. The outlook for 2017 is also weak: we forecast a further decline in demand of 3.5% in the South and 1% in the North.

By skilfully walking the tightrope that is its relationship with digital, the radio industry will continue to thrive and deliver large and effective audiences for Irish advertisers. It's time for the industry to embrace change and to look to the future.

RADIO (€M)

Source: Core Media Estimates

Forecasted 2017 Euro/Sterling exchange rates have been applied to all years, to facilitate comparison.



1 STREAMING – A MUST HAVE ON MEDIA PLANS

Recently, Norway became the first country in the world to turn off its FM frequency and switch over to Digital Audio Broadcasting (DAB) entirely. While other countries are planning to follow suit, Ireland has no immediate plans to switch off FM and move to digital. In terms of penetration levels, AM/FM radio in Ireland is still far more widely used than DAB, with 79% of adults in the Republic of Ireland and 90% in Northern Ireland still choosing to listen through these traditional bands at home or in the car. Where we are seeing real change in digital listenership, it is primarily through 'streaming'.

IPSOS MRBI has reported that 67% of 18-34 year-olds in the Republic stream online audio on a regular basis with an average of 40 minutes listening time per session. Putting that into numbers, in the Republic, approximately 260,000 people stream music on Spotify every single day. That's more than the combined reach of 98FM and Spin 103.8 and three quarters of the daily reach of 2FM (335,000). At a macro level research in the UK and Ireland has shown that streaming affects listening to CDs and MP3 players more than radio. However, it is clear that we have now reached a tipping point with this new form of audio. For any youth targeted campaigns, streaming is a 'must have', delivering larger reach than many established radio stations.

2 DRIVING ONLINE SALES

Offline media driving online sales is a well-established practice. What is less established however, is radio's ability to do so in Ireland. Until recently, there has been minimal research to substantiate radio's role in this area.

Other markets have not been so slow. The Radio Advertising Bureau (RAB) in the US references 'Amazon Prime Day', a manufactured sales event, designed to replicate the success of 'Cyber Monday', which resulted in 81.6 million visits to Amazon, with nearly half of all visitors making a purchase. RAB research points out that radio was the most effective medium, converting awareness to purchase at a rate of 52%, ahead of both TV and online channels.

Only very recently has the first major study in this area been published in Ireland - Urban Media set out to measure the effectiveness of radio and digital working together. Running a month-long test campaign for 'Boutique Bake' (the guinea pig in the study), it determined that 62% of people who heard a radio ad went online to find out more and the overall campaign delivered a 120% increase in online sales.

While this is an important case study, more research with more brands and larger advertisers would be welcome to corroborate this story.

3 A BRIGHT TOMORROW FOR TODAY FM?

It's been a challenging few years for Today FM, with change the only constant since Ray D'Arcy's return to RTÉ in December 2014, after 15 successful years with the station. Since D'Arcy's departure, Today FM's daily listenership has decreased by 63,000 listeners and following the subsequent exit of Anton Savage (D'Arcy's replacement), the station now faces a real task to retain its audience.

Following D'Arcy's shock news, Today FM fought hard to secure a well-known name, to excite listeners and reassure advertisers, eventually promoting Anton Savage from weekend duty. While Savage attracted a respectable 173,000 daily listeners, this was still down from Darcy's 215,000.

However, no sooner had Savage settled in, everything changed again. First, highly-respected industry veteran Peter McPartlin left his position of CEO to re-join the advertising industry, and was replaced by Keith McCormack, CEO of 98FM. Then, there was the highly-publicised and acrimonious departure of Savage.

McCormack joined 98FM in 2014 and did an excellent job growing the station's market share from 6% to 8% through clear strategy and positioning. The move to Today FM is seen as a major vote of confidence in him and a positive move for the station. Since Savage's departure, popular duo Dermot and Dave have been moved to the mid-morning slot and comedian Al Porter has been recruited to front his own lunchtime show. Given time (and a strong, sustained marketing budget), McCormack's track record at 98FM would augur well for the future, but he has his work cut out to return Today FM to its former strength.

*260,000 PEOPLE
STREAM MUSIC
ON SPOTIFY
EVERY DAY IN
THE REPUBLIC
OF IRELAND*



OUT OF HOME

Continuing the positive growth trend of recent years, 2016 was another good year for out-of-home (OOH), with revenue growth estimated at 7% in the Republic of Ireland and 4% in Northern Ireland. 2017 should continue to be positive in the South, with spend increasing by 4%. However, a flat year is expected in the North due to economic uncertainty.

From January 2017, a significant development is taking place in the Irish OOH sector with JCDecaux taking over the contract (from Clear Channel) to manage the National Transport Authority (NTA) bus shelters. This five-year contract covers 3,726 panels across 1,843 bus shelters, accounting for circa 17% of the value of the Republic of Ireland OOH sector. The contract includes the installation of an additional 500 shelters, further growing the coverage potential of the medium.

Clear Channel will continue to manage 650 panels in high profile city locations, particularly Cork, Galway, Limerick and Waterford, which are outside the NTA contract.

The contract with JCDecaux includes the installation of digital roadside screens, subject to planning permission. The advertising and media industry will want to see swift progress in relation to this development, but it is likely to be 2018 before anything substantial is achieved.

In Northern Ireland, the main bus shelter contract is also out to tender with a decision expected in the coming weeks. Regardless of who wins, we expect to see further investment in the medium, with additional opportunities emerging for advertisers.

Increases in commuter and traffic numbers should benefit all main OOH formats. 2016 witnessed a 4.6% increase in Dublin Bus passenger journeys, while Iarnród Éireann passenger numbers increased by 7.9%. With forecasts of further growth in 2017, additional capacity will be added on many public transport vehicles, further growing the audience potential for advertisers.

In Dublin, late 2017 will witness the launch of 'Luas Cross City'. Currently Luas has 54 stops and 35 million journeys per annum. This expansion will add 13 new stops and an estimated 10 million journeys each year.

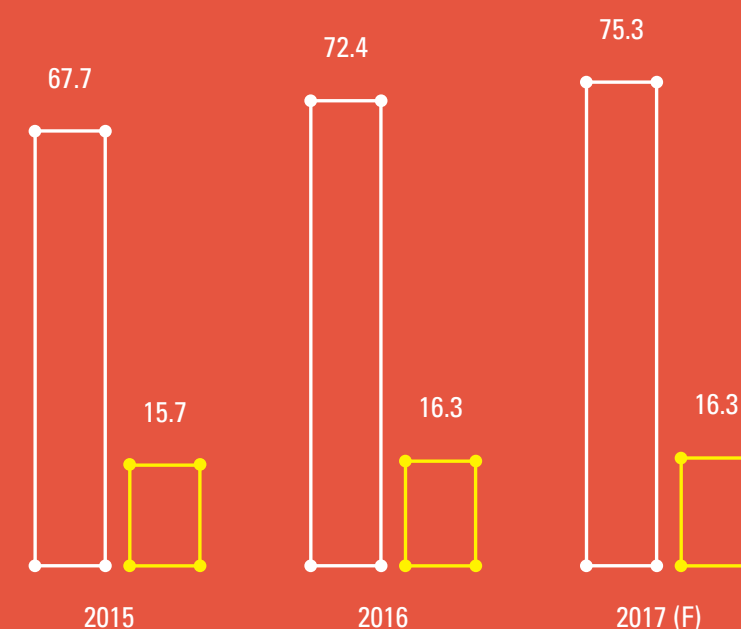
With increasing audiences, new formats and additional opportunities for advertisers, 2017 should be approached positively for all involved in the OOH sector. However, a cautionary cloud hangs over the industry in the form of potentially draconian regulations affecting the advertising of alcohol and food on OOH formats. 'The Public Health (Alcohol) Bill' continues to be debated in the Oireachtas. The proposed restrictions are punitive and remain on the agenda despite the fact that Ireland already has the strictest placement and advertising content codes of most global markets. Also, a draft of 'The Code of Practice Working Group on Obesity' was released in September 2016 and although positioned as voluntary, has the potential to put pressure on advertisers to turn away from cinema, print, digital and the OOH medium in particular.

OUT OF HOME SPEND (€M)

Source: Core Media Estimates

Forecasted 2017 Euro/Sterling exchange rates have been applied to all years, to facilitate comparison.

ROI NI



1 IS YOUR CREATIVE WORKING?

No amount of effective and efficient media planning will bring a campaign to life if the creative does not work. This applies to all media including OOH.

Considerable efforts are invested in developing appropriate TV, online and radio content; however, although there are specific examples of superb creative on premium OOH formats, too often outdoor advertising is not designed for the very specific constraints of this 'ultra-condensed' medium. This is ill-advised considering the key role OOH can play in brand building. One way of addressing this problem is pre-testing the creative; this catches poor executions before significant sums are invested in printing and posting.

This virtual 'in-situ' testing is simple (and free); it provides invaluable feedback regarding legibility, saliency and brand attribution. Unfortunately, too few advertisers undertake this simple exercise: over 70% of OOH creative is not being pre-tested through any of the creative preview resources available via specialists or media owners in the market - a shocking statistic.

There is one other point that needs attention: it is important to consider the various environments and locations being used in an OOH campaign in order to take advantage of opportunities when consumers have more dwell time. One size does not fit all. For example, formats in transport interiors and transport hubs benefit from longer dwell times, with most commuters having access to mobile devices. The resulting opportunities for OOH to deliver closer engagement is obvious, but too often this is missed due to the lack of tailored creative for these formats.

*OVER 70% OF OUT-OF-HOME
CREATIVE IS NOT PRE-TESTED*

2 LOCAL AUTHORITIES NEED TO EMBRACE DIGITAL OOH

In many European cities, large format digital roadside opportunities are being fully embraced by local authorities, commuters and advertisers. Digital roadside screens are generally developed through public/private partnerships between local authorities and OOH owners to deliver visually impressive sites with communications rotated between advertising and public information (traffic or weather updates, safety messages, road closures, etc.). Properly managed, such partnerships are a win-win scenario for all involved, including motorists, cyclists and pedestrians. We have already witnessed the success of the commercial and public world coming together in the joint partnership that brought about the highly successful dublinbikes scheme (JCDecaux and Dublin City Council).

Despite representations from various OOH owners, local authorities in the Republic of Ireland appear slow to accept the inevitable. As a result, we are still waiting for the introduction of large digital roadside panels.

However, through the development of digital screens in retail areas and transport hubs, digital OOH continues to record strong revenue growth, albeit accounting for just 12% of total OOH spend. The true potential of the medium is being held back without the development of large format digital roadside panels. Unfortunately, this will not happen in the Republic of Ireland in 2017, but Northern Ireland is further ahead: advertisers can now avail of newly-launched roadside digital screens in the Titanic Quarter of Belfast and Maghera, Co. Derry (from Bravo Outdoor). Also, Exterior Media has launched its first digital roadside screen at Bruce Street in Belfast.

3 PLANNING & BUYING OF OOH NEEDS TO EVOLVE

All clients and media planners should continually review how OOH campaigns are planned, mindful not just of changing traffic patterns and development of sites, but also to ensure there is a proper evaluation of the balance between coverage and frequency in each target area.

More than any other national medium, OOH carries the greatest risk of delivering excessive frequency in one area, while remaining virtually invisible in another.

Each city and region has its own nuances that need to be factored in when determining target campaign coverage and frequency. For example, effective OOH planning needs to allow for factors such as the high level of format clutter in Dublin and Belfast, the predominantly one-way system for traffic in Cork City and the limited number of large format sites in Galway. Effective planning should always be focused on what is optimal and achievable in each geo-targeted area rather than nationally.

In addition to reviewing the planning of OOH by agencies, the selling of OOH by media owners also needs to be reviewed. To assist in managing excessive frequency in certain regions, it would prove beneficial to have an amount of plant available to book on a weekly rather than fortnightly basis. Weekly packages were previously available from 2001 to 2003, but were withdrawn due to lack of demand at the time. Also, the greater flexibility offered by digital screens can be of assistance to partially supplement standard fortnightly campaigns, helping to increase coverage while limiting potential excessive frequency. Such flexibility also makes the medium more attractive to occasion-sensitive messages.



SPONSORSHIP

Never before has the Irish sponsorship market been so competitive. A growing recognition from marketers as to the benefits of sponsorship, ensured investment increased by 8% to €134 million in 2016 in the Republic of Ireland. Growth in Northern Ireland was similar, at 7%. Competition breeds fresh thinking; this was evident in the use of virtual reality (VR), augmented reality (AR) and the continued growth of advertiser funded programming (AFP) as ways to activate sponsorship. 2016 also saw a continued increase in investment in women's sport. This new injection of fresh thinking in sponsor activations added demonstrable value to the experience for fans and rights holders alike.

Data is a consistent theme of this report, and sponsorship is no different. Rights holders, who often rely on sponsorship revenues, will be under greater pressure to offer a measurable return on investment, detailed audience knowledge and the ability to segment and target.

In 2017, the larger rights holders in the market will invest in the technology and expertise to deliver this service. This investment will also enable them to move away from providing sponsors with generic rights schedules to offering solutions tailored to their business challenges.

Data sophistication will facilitate this shift. Enhanced data capabilities will also create the opportunity for rights holders to maximise commercial revenues beyond sponsorship, through targeted ticketing and merchandise sales, for example. At the same time, sponsors will continue to be under pressure to attribute a commercial return to their sponsorship investments. Therefore, data will become integral to decision-making in 2017.

In 2017, we expect investment in sponsorship rights to increase by 5% to €141 million in the Republic of Ireland, driven by the wider appreciation of the role that sponsorship can play within the marketing mix. Littlewoods' new sponsorship of the *GAA Hurling All-Ireland Senior Championship and Camogie National League* illustrates how the range of brands engaging in sponsorship is growing. The deal is the first between an online retailer and a major sports rights holder in this market. In Northern Ireland, we forecast an increase of just over 3% in investment levels.

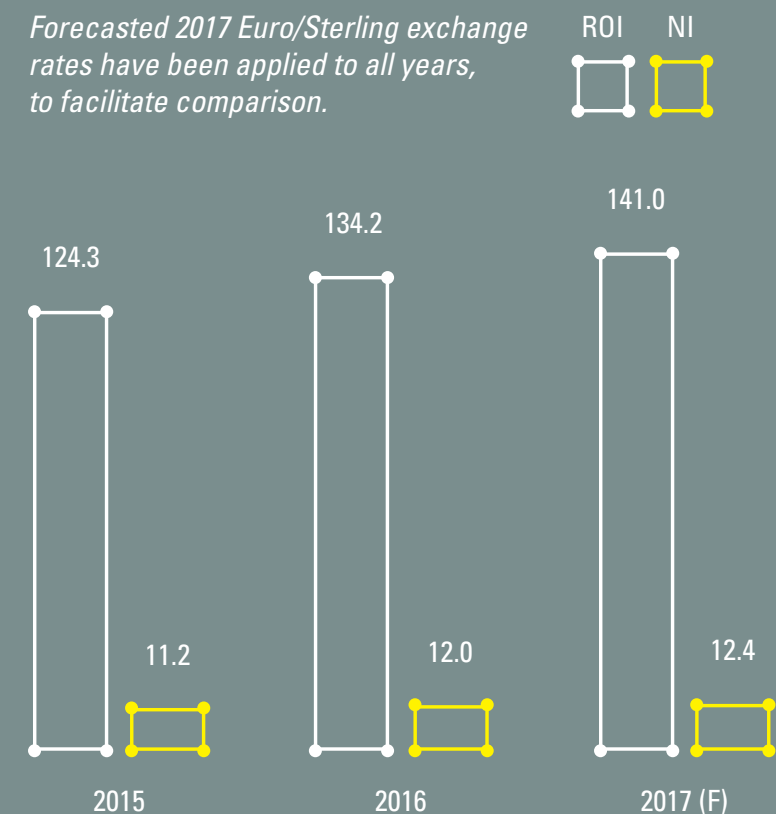
The Six Nations, the British and Irish Lions tour of New Zealand and the Women's Rugby World Cup are likely to further enhance rugby's popularity across the island in 2017. However, while sport in general will continue to make up the majority of sponsorship investment, we expect more marketers to look to the arts, 'cause' and community sectors as a means of growing share of voice.

Overall, greater competition and investment in data resources will serve to provide heightened experiences for fans and therefore stronger measurable commercial return to sponsors in 2017.

SPONSORSHIP SPEND (€M)

Source: Core Media Estimates

Forecasted 2017 Euro/Sterling exchange rates have been applied to all years, to facilitate comparison.



1 SPONSORS NEED TO INVEST MORE IN ACTIVATION

Thankfully, we have long since passed the era of ‘badged’ sponsorships. In recent years, the level of creativity invested in sponsorship activations has grown considerably, providing significant added value to sports and music fans, in particular. As a result, consumers now expect more and marketers will not maximise the potential of their sponsorships without investing appropriately in activation.

Activation spends in the US are outpacing rights fees by a ratio of more than 2:1, rising to 4:1 in 24% of cases, according to IEG. In this market, many experienced sponsors with deeper pockets have been getting the balance right, but best practice needs to extend to all sponsorships, irrespective of scale. Relying on social media posts to ‘activate’ sponsorships does not suffice. We expect to see more investment in multi-channel activations in 2017, to broaden and intensify the impact of sponsorships.

Properties that are seen as ‘small’ can often be magnified with the right activation strategy. Lidl’s award winning sponsorship of the *Ladies Gaelic Football Association* (LGFA) is a best-in-class example of this. The results speak for themselves: attendance at the 2016 final increased by 11% and share of TV audience increased year-on-year from 11% to 27%, thanks to the investment in sponsorship. We expect this approach to signify the emergence of shrewder activation strategies in 2017.

2 TIME FOR SPONSORS TO TAKE RESPONSIBILITY

A growing mistrust of the sports industry, amid doping and corruption scandals, will put greater responsibility on sponsors in 2017. This is a responsibility that can win the respect of more socially conscious consumers, if handled properly.

All too often, sponsors have remained silent amid controversy. This low-risk approach rarely, if ever, delivers a benefit to the sponsor. In 2016, Speedo swiftly axed US swimmer Ryan Lochte after the Olympic medallist’s improper conduct at the Rio Games. The swimwear manufacturer said Lochte’s conduct ran ‘*counter to the values this brand has long stood for.*’ As part of the decision, Speedo donated \$50,000 of Lochte’s fee to a charity partner. This action clearly defined the integrity of the brand and served to enhance its image during a controversy that could have damaged it.

Sponsors that ‘walk the walk’ will not only serve their own interests, but also those of fans and the greater sponsorship industry. Walking away is not necessarily the right approach, because cutting ties with a sport could starve it of essential funds and damage your brand as a result. Instead, upweighting investment to support grassroots programmes, for example, could enhance a sponsor’s reputation amongst the very same community it sought to influence in the first place.

Turning controversy into positive action establishes a credible brand narrative that can enhance a brand’s stature. We expect more sponsors to take this approach in 2017 and beyond.

3 MEDIA SPONSORSHIP AND AFP DELIVER MORE

To limit the consideration of a media sponsorship or advertiser funded programme (AFP) solely to the standard value of the media space/time fails to recognise the full potential of these marketing communications channels. As such, investment decisions should not be made based on methodology used for standard media buys.

Image transfer, product placement, access to IP and audience engagement are just some opportunities that can be leveraged. Therefore, if activated effectively, the benefits of media sponsorship and AFP extend beyond exposure, reach and frequency. While these benefits cannot always be easily defined in monetary terms, they can be measured and should not be disregarded.

2017 will see the third edition of AIB’s ‘The Toughest Trade’ on RTÉ 2. This is a best-in-class example of AFP in this market. While AIB has undoubtedly benefitted from increased media exposure, it has also grown its social media community, increased the attendance at the AIB Club Championships finals and enhanced its brand image. For example, 77% of customers agreed that AIB supported its local communities through the sponsorship of the Club Championships in 2016.

The onus is on media owners and agencies to establish a robust method for proving the value of these vehicles. It is not sufficient to simply say these benefits exist – it must be proven that they deliver a measurable return to the marketer. Doing so will establish an environment that is braver and more collaborative in formulating media sponsorships and AFPs.

‘SMALL’ PROPERTIES CAN OFTEN BE MAGNIFIED WITH THE RIGHT ACTIVATION STRATEGY



DIRECT MARKETING

The direct marketing industry continues to go from strength to strength as brands seek more accountability and improved return on investment. Consistent growth over recent years has seen mail marketing alone account for spends of circa €75 million per annum, a sum comparable in size to that of out-of-home (OOH) advertising in the Republic of Ireland. This, of course, doesn't include the significant investment in the increasing number of digital direct marketing channels.

As programmatic buying in online media, TV and OOH increases in prevalence and targeting becomes more data-infused, direct marketing, in its purest form, might sense a threat on the horizon. Mail, however, still remains the most preferred form of direct marketing, and in an increasingly transient and digital world it offers a tangible bridge between personal and impersonal sales models.

Central to this is the efficacy of direct mail to deliver strong return on investment. Mail offers the best results across a variety of sectors. Charities, for example, experience 78% greater donations (on average) from mail as compared to digital one-off donations (Amárach Research, 2015). One reason for this is the ability to communicate detail that isn't possible in other channels, thus making the donation significantly more considered.

2017 marks an important year for the direct marketing industry as it gears itself up for the most important legislative change in decades. The Europe-wide General Data Protection Regulation (GDPR) will see a data revolution. New powers will come into effect in May 2018 that will empower the consumer with new rights around data. Despite Ireland already having some of the most stringent data protection regulations in Europe, the GDPR will finally give consumers the regulatory teeth to fight back against irresponsible data use.

Failure to comply with the new legislation could result in a fine of up to 4% of the company's annual global turnover, so the stakes are high. But what does it mean for brands? Simply put, it means that consumers' consent, for the use of their data, is clear and unambiguous and can be withdrawn at any point.

But detailed knowledge of the legislation among companies is low. A recent survey by *Trend Micro* showed that despite most organisations being aware of the legislation (71%), fewer than one in five were aware of its implications.

This is a dangerous place for companies to be with hefty fines for non-compliance as well as trust implications looming large. As data privacy moves from an IT infrastructure issue to a consumer confidence one, more and more boardrooms need to take heed and act.

***FEWER THAN ONE IN FIVE COMPANIES ARE
AWARE OF THE IMPLICATIONS OF THE GENERAL
DATA PROTECTION REGULATION (GDPR)***

1 MAIL AS A MEDIUM

As consumers' lives become increasingly busy and attention levels to advertising more distracted, brands are increasingly striving for that most elusive of things – engagement. This is the new battlefield for brands that defines success or failure for all marketers. According to 2016 research from Behaviour & Attitudes, 93% of consumers in the Republic of Ireland sort the mail as soon as it is received, and with 74% of people setting aside time to read mail (up from 70% in 2015), it garners immediate attention where other media can struggle.

So, why isn't mail considered as often as it should be? There is a perception that it is expensive when compared in 'cost per thousand' terms. In framing mail this way, the single most important point is missed: mail marketing bypasses the first phase of the pipeline, the awareness stage, and begins its journey much closer to the point of conversion. Therefore, the cost per mail item is more akin to the cost of a 'click', as opposed to the cost of an 'impression'. More often, however, the answer lies in the areas of responsibility: media agencies tend to leave the responsibility for mail to specialist direct marketing agencies or even the client themselves. For mail to work effectively it needs to be aligned to the overall strategy and, therefore, must be integrated with the wider media decision making. This way, all messaging is consistent and mail is enhanced by all media channels working together, most crucially search and social content.

70% OF CONSUMERS ARE LIKELY TO REDEEM VOUCHERS SENT BY POST

2 TARGETED & RELEVANT TRUMPS MASS & GENERIC

Relevant content is crucial in direct marketing and programmatic, or precision marketing, is where marketers' media money is shifting. Whether it is a sales message or loyalty incentive, consumers like receiving well-designed and personalised communications. 2016 research from Behaviour & Attitudes found that 62% of consumers in the Republic claim to hold off doing the 'big grocery shop' until the time coupons are due, and 70% are likely to redeem vouchers sent by post (versus 23% for social media or 47% for email).

Indeed, when you consider that 70% of offers are more likely to be redeemed from a piece of direct mail, it is clear that a consumer needs to feel that the communication is timely and relevant in order to stimulate action. This is particularly true in high-value sectors where relevant content has a proven track record. As part of its *21st Century Legends* campaign, Rolls Royce used direct mail to deliver a series of high-end video content pieces to a young, affluent audience in the UK. Each piece was designed to resonate with the intended recipient and told the story of Rolls Royce and its owners. By using focused targeting, the extremely relevant content was able to trigger much higher engagement. The results? From a small run of 10,000 DM packs, a 5.9% response rate was achieved, resulting in nearly €7 million in sales. The balance, therefore, needs to be struck between volume and value. By focusing on a high-value audience cohort, who will engage with and react to a relevant content piece, marketers have the opportunity to add value to their customer relationship and drive sales.

3 DATA READINESS

In the past, the challenge for marketers was gathering data on their consumers. Today, brands are awash with data and the challenge has shifted to storage and appropriate usage. Ireland has been at the forefront of data protection; however, the impending General Data Protection Regulation (GDPR) is far-reaching and will have significant implications for the direct marketing industry. Foremost is the right to be forgotten; consumers will have the power to recuse themselves from any commercial data where they can be directly identified. Echoing the European Court of Justice's judgement in the so-called Google Spain case, where the right to privacy trumps the economic interest of any organisation, the new legislation has implications that marketers and agencies need to take heed of now.

Organisations need to stop thinking of data as an IT problem and start ensuring that the correct structures are in place to ensure data cleanliness is pristine and that all information is current. Employing a data protection officer is one step, but ensuring that all people on lists have granted 'unambiguous consent' is going to be a significant challenge for most small to medium-sized companies.

Crucially, the legislation stops short of naming anonymised cookie data as an identifier, but in the backdrop of this change there is opportunity for mail as a media channel to grow. While the *inbox* will continue to be an 'opt-in' channel, the *letterbox* will remain 'opt-out' - thus offering a data enriched, geo-targeted, precision option that some other channels will struggle to deliver.



CREATIVITY

Despite all the change that our global industry has experienced since the hedonistic decades of the 70s and 80s, the fundamental role of an agency has not altered. Our creative purpose has always been (and always will be) to win the battle for cultural relevancy – to connect brands with people in a meaningful way, in order to build market share for our clients. Robbie Whiting of San Francisco-based agency, Junior, said *'Advertising isn't dead. What's dead is an agency process whose only outcome can be advertising.'* Although the agency role has not changed, the way we can connect with people is different, resulting in new and sometimes unfamiliar outputs, yet always fuelled by creativity.

When placed at the heart of an organisation, creativity can become the most valuable, potent commercial asset a business can possess. Creativity, at its very best, can defy logic, transcend strategy and transform the fortunes of businesses.

The value of such creativity has been well documented. Studies conducted by Peter Field, on behalf of the UK Institute of Practitioners in Advertising (IPA), unequivocally demonstrate the commercial potency of creativity. The findings revealed a direct correlation between strong advertising creativity and business success.

Organisations that fully appreciate creativity's influence on commercial performance and shareholder value embrace it completely and use it to inform almost every action the company takes. With this in mind, senior marketers need to re-think the role that creativity can play in their business and imagine what is possible beyond communications to drive business growth. Creativity is essential to the invention of products, customer experiences and building a culture of innovation within an organisation. It should not be limited to the communications department.

One simple case study taken from the Cannes Festival of Creativity (2016) shows the benefit of broadening the remit of marketing communications: the campaign in question was for a domestic gas cylinder provider in Ecuador. The company sold 6% more cylinders, because its advertising agency created a technology solution that alerted customers when their gas was about to run out – simple, low cost and effective - a great example of how the agency extended its thinking into an area that used to be beyond its remit.

In this section of our report we explore how design thinking is a powerful framework to infuse creativity throughout a business, while enhancing it through data and technology. Overall, the implication for senior marketers is to think wider than traditional communications and seek out the right talent mix to maximise the impact of creativity.

'ADVERTISING ISN'T DEAD. WHAT'S DEAD IS AN AGENCY PROCESS WHOSE ONLY OUTCOME CAN BE ADVERTISING.'

1 DESIGN THINKING

There are many definitions of design thinking, but it is best described as a way of solving problems that simplifies and humanises the customer's experience of a brand. Greater emphasis is being placed on this area by companies and there is strong evidence to suggest that it now needs to sit at the centre of an organisation's culture.

Design-conscious companies such as Apple, Coca-Cola, IBM, Nike, Procter & Gamble and Starbucks have outperformed the S&P 500 over the past 10 years by an extraordinary 219%, according to a 2014 assessment by the Design Management Institute. Such companies have successfully used design thinking to shape customers' interactions with their brands rather than simply using it to shape their products. It goes beyond product design to define a brand's entire ecosystem.

The challenge we face in 2017 is this: due to the proliferation of marketing touchpoints, the never-ending introduction of new technologies and an ever-increasing number of service interactions through personal devices, brands now need to fulfil a more useful role within peoples' lives. The mass machines of Google and TripAdvisor now direct consumers towards products and services based on aggregated user experience, which is challenging the once almighty emotional pulling power of the *brand* in some categories.

Therefore, to ensure our brands remain relevant, we must constantly ask ourselves how can we creatively apply new technologies to form better experiences that add real value to peoples' lives. Think Hailo.

2 CREATIVITY IN RETAIL EMPOWERED BY TECHNOLOGY

This year (and beyond) we will see creativity play an increasing role in designing a more immediate, immersive and frictionless path to purchase within the retail space; in many cases technology will be the enabler. This means that every marketer must be technology-literate. There was a time when digital literacy was a challenge, but this is no longer the case - most brands have now embraced 'digital' - the new challenge for marketers is to work out how technology can make their brands more meaningful and relevant to customers. As with digital, an in-depth understanding of technology is not essential, but accepting and understanding its ability to forge connections is important, while calling on experts to develop and execute to a standard that enhances the brand.

We have seen numerous global examples of brands delivering unique retail experiences for their customers in-store and off site, including John Lewis' *Smart Home Experience* in its flagship Oxford Street store in London and Tesco's *virtual subway store* in South Korea, but we have yet to see a brand do something at the same level in Ireland. There are many opportunities to use retail spaces to create a brand experience, while driving sales. Customers need a reason to come back to 'bricks and mortar' and creating an inspiring experience can assist in this regard.

3 DATA-DRIVEN CREATIVE

The phrase *right message, right place, right time* runs through many communication strategies. The data available to media planners makes the *right place* and *right time* part of the strategy a reality. However, the industry continues to operate a very traditional model when executing the *right message*, which often turns out to be the same message for everyone. This 'broadcast' mentality cannot continue.

People are sharing their likes, habits and motivations through their media consumption. It is our responsibility in the industry to use that information to deliver messages that are useful, relevant and meaningful to those individuals.

Data-driven creative can take many forms. It can be simple A/B testing of content on social platforms to determine, based on engagement, which execution is most effective. It can also be the tailoring of creative assets, based on their context and audience, delivered through programmatic technology, resulting in multiple messages under the same creative concept.

The development of multiple executions can be a challenge in a small market, but is still achievable, without compromising quality, using technology to deliver it in a cost effective way. Marketers must ensure that they are working with teams who have the skill sets to understand the use of data without letting it stifle creativity. But, let's remember, deep audience understanding and informed insight are still key to creating an idea and message that resonates.

CREATIVITY IS ESSENTIAL TO THE INVENTION OF PRODUCTS & CUSTOMER EXPERIENCES





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