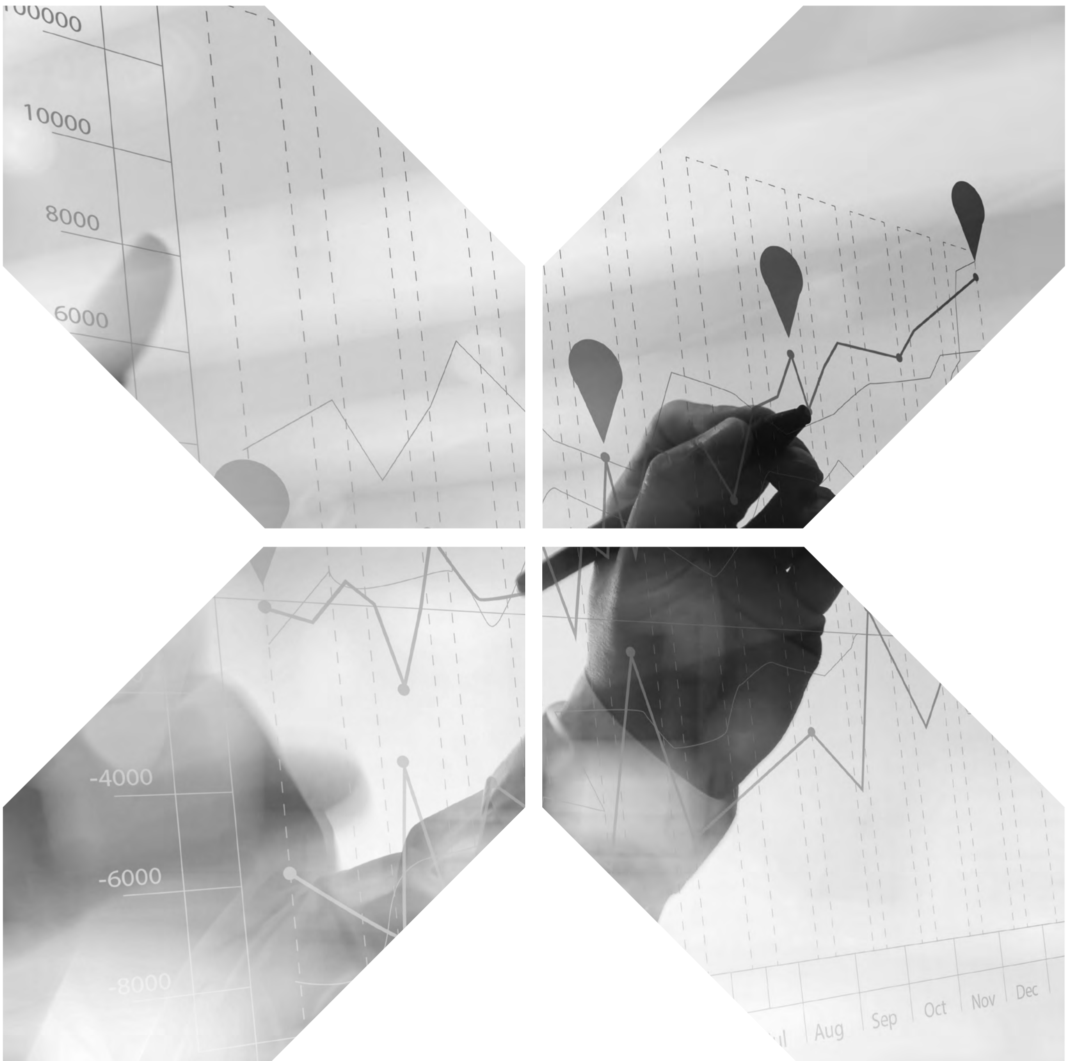


WINNING ON MEDIA METRICS

2018

Measure What Matters

An R3 White Paper

INTRODUCTION

MEASURE WHAT MATTERS

We produced our first Media Metrics White Paper in 2013 aimed at helping marketers define and capture the most effective media measurements for ensuring world class media performance - from their media investment and to their media agency.

In 2013, we focused on the approach of 'what gets measured gets improved.' Since then, there has been an explosion in available data, driven by the huge rise in digital investment and the dominance of the Google and Facebook duopoly in the West, and dominance by Baidu, Alibaba, Tencent and JD.com (or BATJ) in China. The industry has also seen drastic changes in consumer media behavior and even more drastic changes on the advertiser side best summarized by the following key points:

- Rapid migration towards digital
- Mobile-first strategies
- Slow, but steady, fight back from traditional media (notably TV and OOH)
- Huge rise in ad fraud (driven by tracking visibility and viewability metrics)
- The world's largest advertisers cutting the half of their budget that does not work
- The scandalous case of the missing media rebates
- The case for bringing media planning and buying in-house
- Leverage advertising technology for targeting, delivery and analysis

With so many new sources providing an overwhelming volume of data to evaluate, our updated White Paper focuses much more on 'measuring what matters.' For marketers, this means focusing on the handful of media metrics that will really impact the bottom line, evaluating how well media budgets are invested, and how well your media agency teams are performing.

THIS WHITE PAPER WILL ADDRESS KEY QUESTIONS:

1. **WHICH METRICS?** What are the key media metrics for online and offline media?
2. **HOW TO USE THEM?** How to measure and evaluate the results.
3. **CASE STUDIES** Practical recommendations for applying media metrics to your marketing budget.

WHY MEDIA METRICS ARE IMPORTANT

1

MANAGING MEDIA METRICS IS A CHALLENGING TASK IN A RAPIDLY EVOLVING AND INCREASINGLY COMPLEX MEDIA LANDSCAPE.

Measuring what matters will give marketers critical insight into how their media investment is impacting the bottom line. Aligning the right metrics will give marketers full insight into:

- Budget cost control
- Agency service quality
- Media buying competitiveness
- Media planning quality assurance
- Transaction transparency

2

SPENDING ON PAID MEDIA IS QUITE OFTEN THE LARGEST SINGLE BUDGET ITEM FOR MOST CONSUMER MARKETERS.

Taking complete internal control of how and where your ad dollars are spent is critical for the CMO. Media budget allocation and tracking is simply too big to entrust to the media agency completely. Marketers that invest in internal talent and financial control systems linked directly to their media agency's reporting systems have a head start on effectiveness, efficiency and accountability.

3

TRACKING MEDIA METRICS KEEPS STAKEHOLDERS FOCUSED.

Media metrics show what's working and what's not. This means advertisers must measure things not just because they are measurable but because they will guide the organization to where improvements need to be made to maximize marketing ROI. As Performance-Related Incentives become an industry standard, agencies are incentivized to focus on measuring their contribution to the bottom line both directly and indirectly with metrics designed to capture and reward successful agency partnerships.

4

AS THE MEDIA SUPPLY CHAIN GROWS LONGER IT BECOMES MORE OPAQUE.

Media agencies employ ever more complex buying and negotiation strategies to deliver the price competitiveness that clients demand. This often happens at arm's length from the working teams, through their holding company buying groups and third-party vendors. Metrics must strip away the layers to give marketers clear and unambiguous media pricing and inventory quality assessment. Industry standard metrics should be applied in measuring ad fraud, ad cluster and viewability.

5

NON-TRANSPARENT MEDIA PRACTICES ARE NOW OUT IN THE OPEN.

The recent industry funded report, "An Independent Study of Media Transparency in the U.S. Advertising Industry" conducted by K2 Intelligence on behalf of the ANA, investigated into rebates disclosure practices has shed some light into the common practice of withholding Agency Volume Bonuses (AVB), resulting in contracts being rewritten, greater external scrutiny by third-party auditors and consultants. Slowly but surely, we are seeing greater levels of transparency. Rebate levels vary across markets and across media suppliers, but the guiding principle is to have metrics which fully capture rebate practices.

R3'S SMART TIPS FOR SETTING THE RIGHT MEDIA METRICS

SPECIFIC:
In the next section we detail an array of different media metrics – many more than it's possible or necessary to capture. We recognize each marketer has different needs and requirements and there is never a shortage of data in the market. However, it all boils down to one question: does this metric help me make decisions and focus efforts to improve my performance?

MEASURABLE:
Metrics should be measurable so that both marketers and the media agency team have tangible evidence that their goals are being achieved. Metrics should be readily available as part of on-going media campaign analysis and reporting to keep agencies continually accountable and objective.

ACHIEVABLE:
Set clear and agreed-upon baseline metrics for the current year and work closely with the agency in setting targets that challenge the agency – but are also achievable and realistic. Give the agency the space and time to achieve goals and targets where results are not immediately seen, e.g. quality of strategic insight, control of digital media inflation, etc. Take advantage of external benchmarking and impartial objectivity.

REMUNERATE FAIRLY:
Ensure key metrics form part of the agency's remuneration. Money talks and this is the most powerful way to ensure metrics are fully embraced by the agency. Set clear incentives for year-on-year improvements.

TIMEFRAME:
Take stock of the overall performance once or twice a year. Having course correction discussions when the data points have had enough time to form a trend might prove to be more effective than having numerous small discussions about how numbers move up and down.

MEASURE WHAT MATTERS

Since our first White Paper in 2013, some parts of the media industry have changed rapidly, most obviously in the emergence of a handful of powerful global players centered on the duopoly of Google and Facebook. The sheer amount of data now available has in turn given rise to a host of third-party monitoring companies each with their own data streams. We evaluate the most important of these.

Agency relationships have also seen significant changes with many agency Master Service Agreements now including a performance-related incentive designed to get the agency to commit their 'skin in the game' for delivering/ under-delivering against objectives. Unravelling the contribution of an effective media plan to the bottom line growth and profitability has never been easy but here we highlight a number of metrics that will help marketers evaluate their media agency's performance.

Transparency has also become a major issue over the last couple of years. For now, it's focused on rebates, bonuses and media inventory markups and we explain how marketers need to demand a robust system of media agency reporting metrics.

Competitive media buying has always been a key demand of marketers and as the media buying supply chain grows longer and murkier, the need for clear measurable buying metrics has never been greater.

Yet some parts of the industry have not changed nearly so rapidly. TV planning and buying is still dominated by a single one-dimensional currency – the TV Rating. There is some experimentation with programmatic TV buying and some TV delivery systems can offer richer consumer data but despite the initial hype, this is still in its infancy due to lack of adoption. Other non-digital media remain firmly evaluated by the percent discount off rate card.

Let's look at the metrics in detail next, through the lens of these key performance areas:

PERFORMANCE AREA	WHY IT'S IMPORTANT
Overall Cost Control	Give a clear view of cost benefit and cost competitiveness achieved
Digital Media Execution Excellence	Ensure media campaign is actually reaching and converting people via a wide range of digital touch points that are credible and high-quality
Traditional Media Buying	Ensure media performance is measured and optimized
Media Transparency	Ensure media budgets are put to the most effective use and cost benefit is returned to marketer properly
Media Agency Performance	Ensure media agency performs on behalf of marketer's best interest and continue to deliver value against business result

OVERALL COST CONTROL

Year on year cost reporting of actual pricing is the most accurate gauge of agency performance in driving efficiency over time. External benchmarking can give valuable insight but is most effective for evaluating TV performance.

YEAR ON YEAR COSTS

Year-on-year change in real prices and actual costs paid vs last year

Accurate benchmark of what the agency really paid. No hiding behind 'media inflation' and 'rating fluctuations'

EXTERNAL BENCHMARKING

Measures your costs vs an external benchmark or pool of similar advertisers

Shows your position against the market but pools only work in the largest markets and given a robust understanding of discount factors received by advertisers

INTERNAL AGENCY BENCHMARK

Compares actual costs to average rates paid by agency

Should be a valuable benchmark but media agencies are very reluctant to share their internal data transparently

SAVINGS VS MARKET INFLATION

Compares increase in actual pricing to prevailing market inflation rate

Shows how well the agency control costs vs rate card increases

SAVINGS VS RATE CARD

Paid costs compared to their rate card value

Really only useful for evaluating traditional, non-TV media that have standardized rate cards

COST VS MARKET RATE

Actual costs paid vs agency estimate of average costs paid by other advertisers

Can give a useful general perspective though difficult to verify

CASE STUDY

GLOBAL MEDIA AGENCY EVALUATION BY A LEADER IN THE SNACK MARKET

THE BACKGROUND:

Over the years, the client had built up a complex patchwork of 13 different media agencies all operating more or less independently. R3 was tasked to build a media metric based scheme system to improve the productivity of media agency groups.

THE CHALLENGE:

Despite media being one of the company's largest capital expenditures, there was limited centralized control or insight into how budgets were spent. Media performance was not systematically measured resulting in low levels of accountability and transparency.

HOW R3 HELPED:

R3 worked with both client and the media agency's central team to align a comprehensive set of media metrics designed to measure both qualitative media agency performance and quantitative media pricing. Agency performance was measured via the R3 CAPE (our proprietary online Client Agency Performance Evaluation tool) process. We began by understanding client needs and current situation, we then adapted our questionnaires according to client needs priority and followed with deep-dive interviews with key stakeholders. From the raw data amassed from the research, we provide a detailed report with both quantitative and qualitative insights in order to pinpoint the areas for improvement and what steps can be taken to move towards a better relationship. We leveraged our proprietary tools to evaluate in-house marketing communication resources for alignment with agencies on local, regional, and global levels. We follow a consistent three step process to ensure an optimized long-term fit with the agencies.

THE RESULTS:

Legacy media agencies were consolidated into one powerful media network with an effective balance between central direction and local customization with scope for on ground innovation and local buying implementation. Media pricing and quality delivery initially focused on measuring year on year TV costs and core airtime quality and Digital performance KPI, i.e. CPM, CPC and CTR%. Whilst the relationship beds in across markets and the media agency network we aligned to keep measurement tightly focused. Metrics are captured monthly on a Cost and Value Tracker designed to ensure deliveries are on target and any course corrections can be made swiftly. We know from experience that tracking metrics monthly does add a little to the initial set up workload but reaps dividends once campaigns are under way. Finally, we worked with both partners to include media performance in the remuneration package. Having set up the process of measuring the agency's performance it's critical that the agency remuneration has a strong performance based component.

DIGITAL MEDIA EXECUTION EXCELLENCE

Advertisers' effort on media investment has become increasingly focused on digital media spending. Digital media has advanced advertisers' capability to target consumer audience and improve efficiencies, it is important to track how digital media dollars are invested, optimized, and measured.

It is estimated that worldwide digital ad spending will reach $223.74 billion in 2017 and represent 38.3% of total paid media outlays, and it is expected to see double-digit growth through at least 2020. (eMarketer estimates)

When thinking about digital metrics, keep these five tactics in mind:

1. Always take your search marketing ROI with a pinch of salt: Google frequently benefits from the aggregated impact of your total marketing investments. Attribution modeling is essential in assigning accurate credit to each 'lever' on your media plan.

2. Clicks and conversions have nothing in common. Focus on engagement, specifically creative interaction (cursor hover time and ad unit manipulation) plus 'strength of intent' indicators like personal information submission and social signals.

3. Avoid counting your chickens before they are hatched; visualize raw data to avoid reading between the wrong lines. Plenty of analytics suites help facilitate this critical step. When analyzing subjective concepts like user behaviors or future trends, mathematics can misdirect you from the real drivers or focusing on customer acquisition at the expense of customer attrition. Using averages instead of finding the median will also get you in trouble (a few outliers can skew a trend's true profile.)

4. DMP (Data Management Platform) is the backbone of data-driven marketing. When using either an enterprise-class DMP or a marketing-class DMP, it should support marketers to make better media buying and campaign planning decisions based on owned 1st party audience and campaign tracking data and expand it with 3rd party audience data.

5. Advertising is a cost of doing business, not an end unto itself or a ticket to Cannes. Ensure success metrics are aligned to tangible business objectives whenever possible. With the right ROI measurement framework in place, there is no reason why digital media investment cannot be a profit center.

DIGITAL VIEWABILITY

Viewability is a measurement metric that defines how long a digital ad had the opportunity to be seen on the screen at required pixel level. Minimum viewable standards are defined by MRC while a few advertisers and agency holding companies are adopting a stricter standard of 100% of the pixels in a display ad are in view and 100% of the video must be viewable for 50% of its duration.

MRC VIEWABLE AD IMPRESSION MEASUREMENT GUIDELINES (DESKTOP)

Version 2.0 (Final with 2015 additions) – August 18, 2015

DESKTOP VIEWABLE DISPLAY AD IMPRESSIONS	DESKTOP VIEWABLE VIDEO ADVERTISING IMPRESSIONS
Pixel Requirement: Greater than or equal to 50% of the pixels in the advertisement were on an in-focus browser tab on the viewable space of the browser page, and	**Pixel Requirement:** Video Ad that meets the criteria of 50% of the ad's pixels on an in-focus browser tab in the viewable space of the browser page can be counted as a Viewable Video Ad Impression
Time Requirement: The time the pixel requirement is met was greater than or equal to one continuous second, post ad render	**Video Time Requirement:** To qualify for counting as a viewable video ad impression, it is required that 2 continuous seconds of the video advertisement is played, meeting the same Pixel Requirement necessary for a viewable display ad. This required time is not necessarily the first 2 seconds of the video ad; any unduplicated content of the ad comprising 2 continuous seconds qualifies in this regard.

MRC MOBILE VIEWABLE AD IMPRESSION MEASUREMENT GUIDELINES

Final Version – June 28, 2016

MOBILE VIEWABLE DISPLAY ADVERTISING IMPRESSIONS

Pixel Requirement:

Greater than or equal to 50% of the pixels (Density-Independent) in the advertisement were on an in-focus browser or a fully downloaded, opened, initialized application, on the viewable space of the device.

Time Requirement:

The time the pixel requirement is met was greater than or equal to one continuous second, post ad render. This time requirement applies equally to News Feed and non-News Feed environments.

MOBILE VIEWABLE VIDEO ADVERTISING IMPRESSIONS

Pixel Requirement:

A Mobile Video Ad that meets the criteria of 50% of the ad's pixels on an in-focus browser or a fully downloaded, opened, initialized application, on the viewable space of the device can be counted as a Mobile Viewable Video Ad Impression.

Video Time Requirement:

To qualify for counting as a Mobile Viewable Video Ad Impression, it is required that 2 continuous seconds of the video advertisement is played, meeting the same Pixel Requirement necessary for a Mobile Viewable Display Ad. This required time is not necessarily the first 2 seconds of the video ad; any unduplicated content of the ad comprising 2 continuous seconds qualifies in this regard.

AVERAGE VIEWABLE DURATION

Based on one second granularity against pre-defined target audience, applicable for display and video on desktop and mobile, web and in app.

Valuable benchmark to understand the time audience spent on viewing the ad.

DURATION WEIGHTING

How much time across all delivered viewable impressions was spent relative to the total creative unit length? Applicable for digital video ads on desktop, mobile in-app and mobile web.

A similar concept to TV rating points to understand digital video weight.

CASE STUDY

FONTERRA PBR AND KPI TRACKING

THE BACKGROUND:

As part of the overall agency management process, Fonterra engaged R3 to monitor and verify ongoing media performance and productivity delivered by its media agency.

THE CHALLENGE:

As media performance and productivity are important KPIs for Fonterra and have direct implications for the agency's Performance Based Remuneration, it was essential to ensure that all reports were accurate. Due to the huge volume of media spend for Fonterra across all global markets engaging with the same media agency, the internal marketing and procurement teams did not have the bandwidth to keep track of and verify all media delivery across various Fonterra brands and marketing activity.

HOW R3 HELPED:

As part of a bi-monthly productivity report, R3 would work with Fonterra's media agency to review and verify media delivery and savings to ensure accuracy and accountability.

THE RESULTS:

Clarity and accountability in productivity and PBR tracking report submitted to senior management to justify the media agency's performance. R3's independent and objective analysis helps Fonterra to identify if and to what extent the media agency has delivered media cost efficiencies (e.g. CPRP) alongside quality metrics (e.g. F2L2 % for TV.)

MINIMIZING AD FRAUD

The amount of global digital advertising revenue wasted on fraudulent traffic, or clicks automatically generated by bots, could reach $7.2 billion in 2016 (source: the Association of National Advertisers). The data highlights the urgency for the marketers to more closely track the quality of publisher traffic when planning a digital campaign.

Two types of invalid traffic metrics can be measured by 3rd party monitoring company:

GIVT (GENERAL INVALID TRAFFIC) IMPRESSION/ IMP%/GIVT CLICK

Consists of traffic identified through routine means of filtration executed through application of lists or with other standardized parameter checks. General invalid traffic includes known data-center traffic, bots and spiders or other crawlers, activity-based filtration, non-browser user-agent headers or other forms of unknown browsers and pre-fetch or browser pre-rendered traffic.

Valuable benchmark to detect unqualified traffic and ad fraud.

GIVT need to be directly related to payment made to digital media vendor/broker.

GIVT need to be benchmarked with advertiser's historical data and industry benchmark.

SIVT (SOPHISTICATED INVALID TRAFFIC) IMPRESSION/IMP% SIVT CLICK

Consists of more difficult to detect situations that require advanced analytics, multi-point corroboration/coordination, significant human intervention, etc., to analyze and identify.
SIVT goes far beyond the simple pattern and behavioral matching of GIVT, requiring far more advanced statistical analysis to weed out fraudulent transactions from valid activity.

Valuable benchmark to detect unqualified traffic and ad fraud.

GIVT need to be benchmarked with advertiser's historical data and industry benchmark.

DIGITAL PERFORMANCE BY PLATFORM/TYPE

DISPLAY METRICS

AD IMPRESSIONS

Potential reach and delivery of campaign

Universal digital ad currency

CLICK THROUGH/CLICK RATE

Ad response and delivery of campaign

More important for CPC search campaigns, causal relationship to post click conversion discredited

HOVER TIME

Typical duration someone keeps mouse on a display ad in single user session

Strong indicator of user engagement with ad unit

AD UNIT INTERACTIONS

Tracks user initiated interaction with ad unit functionality

Highly effective indicator of user engagement with ad unit

VIEW THROUGH

Via cookies, tracks users who are exposed to ad unit without clicking, and saw the ad all the way through

Studies indicate this metric is more accurate at predicting conversions than click through's

BOUNCE RATE

Percentage of click through's that reach a land page without visiting a second page

Indicates how effective landing page environment meets visitors' expectations

SESSION TIME

Typical length in minutes of site visitors

Length of session time indicates objective measure of site visitor engagement levels

PAGES PER VISIT

Number of pages visited per user session

Objective measure of site visitor engagement level

TRACKABLE PERCENT

Percentage of resources can be tracked by a 3rd party monitoring company

Indicate the level of control on overall campaign performance

SOCIAL MEDIA METRICS

LIKES AND FOLLOWS

Your company and its branded content popularity

Universal metric with limited insight into engagement

SHARING AND FORWARDING

Your branded content is passed on and your online brand persona attracts active acolytes

Most credible engagement measure, indicates unquestionable followship

PUBLICLY POSTED COMMENTS

A subjective yardstick for user senti-ment towards your brand. The ‘sturm und drang’ of social media

Using a proper marketing automation platform for analysis, this is the richest source of game changing social signals

HASHTAG REFERENCES

The # has become social media’s univer-sal sharing signal, with Instagram and now Facebook joining the fray

When you’re included in a hashtag, it signifies you are deserving of wider consideration within a social network

CASE STUDY

COLGATE DRIVING IMPROVED MEDIA AND DIGITAL METRICS

Colgate

THE BACKGROUND:

R3 worked with Colgate to enhance their global agency structure, media operations and ways of working, vis-a-vis best practices in the marketplace, amongst other leading multi-national marketers with large product portfolios.

A key objective of the engagement, was to establish a future fit model with the right mix of KPIs to measure media effectiveness and agency performance.

THE CHALLENGE:

The traditional media KPI model was losing relevance and needed to be enhanced for the digital age.

Colgate required a holistic view of performance that was quantifiable across online/offline channels, linked to business objectives and tied to PBR agency evaluation and incentive schemes.

HOW R3 HELPED:

R3 worked with Colgate internal stakeholders and Agency teams to identify KPIs that were most relevant and tailored to each teams R&R (Global/Regional/Local).

Traditional KPIs like TV reach, CPM and Share of Voice were down-weighted for a more modern mix, which included brand health, buying target delivery, purchase intent, cross channel reach, cost per reach, and channel level metrics.
To ensure a comprehensive approach to performance management, R3 also recommended enhancements to Colgate's analytics structure, tools/tech stack and reporting approach

THE RESULTS:

A future fit KPI framework to measure performance, ensure agency accountability and a roadmap for Colgate to realize greater financial and operational effectiveness through their agency relationship.

VIDEO METRICS

Video industry was evolved into various content distribution method, revenue model and viewing format, the most common used industry terminologies are as following:

OTT (OVER-THE-TOP)

Delivery of film and TV content via the internet, without requiring users to subscribe to an MVPD like a Comcast or DirecTV. OTT includes mass entertainment services like Netflix, Amazon and Hulu, as well as video streaming apps owned by TV and digital content companies such as HBO Now and DramaFever.

SVOD (SUBSCRIPTION VIDEO ON DEMAND)

An OTT video streaming service that users have to pay for.

AVOD (ADVERTISING-SUPPORTED VIDEO ON DEMAND):

An OTT video streaming service that includes advertising next to content. Typically, these services are free, though some like Hulu offer subscriptions that also include limited amounts of advertising.

TVOD (TRANSACTIONAL VIDEO ON DEMAND):

Video platforms and services that allow users to buy or rent individual pieces of content. Think iTunes or Amazon.

EST (ELECTRONIC SELL-THROUGH):

Same thing as TVOD.

AUTOPLAY VIDEO:

A video that starts playing without requiring the users to start it. It's popular on Facebook and on many websites owned by TV companies.

VERTICAL VIDEO:

The most popular video viewing format on mobile social platforms like Snapchat, Periscope and Instagram.

360 VIDEO:

A type of interactive video that allows users to get a full view of the camera's surroundings by moving their hands or cursor on the screen. It's seen as the gateway format for the adoption of virtual reality.

PLAY RATE

? **How often your video was initiated by a user**

= Basic hygiene check, similar to ad impression tracking

RESUME OR REWIND

? **Indicates active user engagement in flow of video play**

= Indicates engagement without providing any holistic insight into user behavior

AUDIO MUTE/UNMUTE

? **Indicates when a user clicks or otherwise activates the mute control**

= Should not be considered an accurate standalone metric for engagement

VIDEO PAUSE

? **Indicates the ad was intentionally stopped mid-play when the user clicks or otherwise activates a Pause control**

= Signifies engagement without providing any holistic insight into user behavior

PLAYTHROUGH RATE

? **What proportion of your video was viewed, normally segmented in 25%-50%-75%-100% increments**

= Most important video engagement rate indicator

CLOSE VIDEO PLAYER

? **Indicates that the user clicks or otherwise activates a control to minimize the ad**

= Should there be statistically relevant data pointing to an inflection point, this can guide video creative optimization

COMPLETION RATE

? **Percentage of video ads that play through to end**

= Universal metric easily benchmarked, not a comprehensive indicator of video ad efficacy

SHIFT IN BRAND AWARENESS

? **Online survey tracks pre- and post- video view brand attitudes**

= Results not entirely reliable, incentive for positive response

VIEW

? **The most popular metric in digital video, however, definition changes depending on the platform.**

= Difficult for advertisers to assess the value of viewership on different platforms

CPCV

? **Cost per completed view**

= Allow advertisers to pay based on only when a video ad has played to completion

DIGITAL CAMPAIGN GRP

? **Cumulated rating points for all digital rating points for a given campaign and a specific target, applicable for video format only, A similar concept to TV GRP**

= Useful to understand campaign impact

DURATION WEIGHTED FREQUENCY

? **Average frequency the ad viewed by unique audience, a similar concept to TV frequency**

= Useful to understand if the campaign delivered on the frequency capping requirement.

TRADITIONAL MEDIA BUYING

TV industry has been through innovation and changes that resulted in the convergence of traditional TV broadcast method and internet based platforms:

LINEAR TV

Another term for live and scheduled television content -- or to put it another way: watching stuff when it airs.

MVPD (MULTICHANNEL VIDEO PROGRAMMING DISTRIBUTOR)

Any company that sells and distributes bundles of TV channels to paying customers. Typically, this has meant cable and satellite companies like Comcast and DirecTV, but more recently, the MVPD field has expanded to include digital distributors. Dish Network, for instance, also offers Sling TV, which offers smaller bundles of TV channels that are streamed over the internet. Hulu and YouTube will soon join this field of “virtual MVPDs.”

PAY-TV

The subscription-based cable TV ecosystem. When customers sign up for an MVPD, they are entering the pay-TV ecosystem. TV channel owners make money in two ways: advertising and subscriptions -- MVPDs pay TV channel owners a negotiated fee for each subscriber that pays for their channels.

VOD (VIDEO ON DEMAND)

A service offered by MVPDs that allow users to watch TV programming after the movie or TV show has already aired.

SET-TOP BOX:

Boxes sold by MVPDs that allow customers to watch and record TV. Recently, distributors are offering “connected” boxes, which allow customers to stream content as well as watch live TV.

TV EVERYWHERE:

The ecosystem of sites and apps that allow people to watch live and on-demand linear TV as long as they subscribe (and authenticate their login information) to an MVPD. HBO Now is an OTT service; HBO Go is a TV Everywhere service.

CASE STUDY

SINGTEL PBR IMPLEMENTATION ACROSS KEY AGENCY PARTNERS

THE BACKGROUND:

Singtel was working with agencies on a retainer and ad-hoc project basis, but was considering introducing a more progressive remuneration model to incentivize performance.

HOW R3 HELPED:

R3 was engaged in 2016 to manage the entire PBR component with all three agencies as part of scope & fee negotiations. The PBR component involved calculating upside and downside agency payment based on clearly identified campaign, business and soft metrics and implementing the model across all three agency relationships.

THE RESULTS:

With PBR in place, Singtel was able to make all agency partners accountable for key operational and capability challenges that had been identified through Client Agency Performance Evaluations (CAPE), e.g. high turnover rate, accountability for marketing effectiveness, etc. Not only did this result in more stable teams, agency partners are now also working towards the same strategic goals of improving brand health metrics, and achieving communications KPIs at both the Singtel and individual B.U. level. Specific to the media agency, there was also marked improvement on discipline in tracking and reporting media savings.

TV SPOT VERIFICATION

? **Spot matching scheduled vs actual on air spots. Captures spots appearing as planned vs missing or out of zone spots. Also captures bonus spots.**

= Sets basic spot accuracy level vs benchmark. Ensures missed spots are accurately compensated

GRP REACH AND FREQUENCY

? **Benchmarks planned vs actual GRPs, Reach and Frequency**

= Sets accuracy level vs benchmark

CAMPAIGN ACHIEVEMENT RATES

? **Measures number of campaigns achieving planned weight of GRPs, Reach and Frequency**

= Measures consistency of tactical planning and scheduling across brand portfolio

PROGRAM SELECTION

? **Percentage of GRPs delivered in top rating programs, usually Top 10 highest rating shows are used as benchmark**

= Broad quality metric measuring use of 'hot programming'. Ensures reach goals are achieved. Can be applied to radio as well.

PRIME TIME PERCENT

? **Benchmarks percent of actual GRPs appearing in pre-determined prime time segment**

= Indicates broad quality of spot scheduling

POSITION IN BREAK

? **Benchmarks percent of GRPs or spots that appear in predetermined position in each ad break, usually first and last 2-3 positions are used as benchmark.**

= Subjective measure of level of audience attention paid to advertising. This concept can also be applied to print positioning.

AMA

? **Average minute audience**

= Tells advertises the average number of people that watched a particular program at any 60-second interval

TVR

? **Percentage of target audience has watched a program within a specific length of time**

= Indicate the popularity or impact of a TV program against a specific target audience

MEDIA TRANSPARENCY

Recent industry studies have started to shed light on the practice of media volume rebates based on the volume spending of an agency or agency holding company. The practice has always been prevalent in developing markets and is now seen to be pretty widespread with Digital vendors leading the way. CMO's need to review their media contracts and working processes to ensure repayment of rebates is enshrined in black and white.

VOLUME REBATE

? **The value of a rebate owed to an advertiser based on their level of spend**

= It's a verified practice in many markets and media and can average 3% - 5% of typical global ad spending based on R3 proprietary industry database

CASH REBATE

? **The value of rebate repaid to the advertiser in cash or deducted from invoice**

= Cash is king

INVENTORY REBATE

? **The value of media space or inventory repaid to the advertiser**

= The value of the rebate can be higher in real terms as no money is involved

MEDIA AGENCY SERVICE QUALITY

Qualitative measures which should be tailored to individual client needs and internal resources. Here we highlight just a few examples than can be further broken down to match client needs and expectations.

BUSINESS PERFORMANCE METRICS

CAMPAIGN EFFECTIVENESS

? **Agreed upfront consumer responses metrics in stipulated timeframe (e.g., 1000 event sign ups, 1000 new qualified leads acquired, etc.)**

= Potential linkage to business outcomes for advertisers major sales are conducted in traditional retail or distribution channel.

COST EFFECTIVENESS

? **Regard media buying as an investment for sales output, agreed quantity metrics in a certain time frame, e.g. cost per app download, cost per new customer, cost per first order.**

= Direct linkage to business outcomes, mainly for online based business operation model.

SERVICE QUALITY METRIC

INVOLVEMENT OF SENIOR AGENCY MANAGEMENT

? **Visibility and contribution of senior agency management in agency's product and service delivery to the client (e.g., heads of agency's market insights and lead in buying/negotiation)**

= Ensures the service quality (e.g. resourcing and quality of staff) and product (i.e. buying costs, ideas, etc.) are maintained to a reasonable standard

STABILITY OF AGENCY TEAM

? **Staffing headcount and stability vs industry benchmark data**

= Stability of client servicing team Measures continuity and knowledge capture

SHARING OF GLOBAL/ REGIONAL LEARNINGS/ RESOURCES

? **Sharing and embedding best practice – import and export of good ideas and processes**

= Reinforces the core value of cross border knowledge sharing and consistency in product and service of the multi-national agency

DELIVERY OF AGREED SCOPE OF WORK

? **Measures core competencies of the agency. Ensures contracted services delivered to agreed standards**

= Right price for the right value as agreed upfront in the SOW

QUALITY OF IDEAS/ THINKING

? **Balances agency buying and execution with qualitative judgement on effective- ness of ideas and planning creativity**

= Makes the client's investment go further to achieve better ROI

COMMUNICATIONS LEADERSHIP

? **Agency contribution to overall communications development process**

= Measures value of agency contribution beyond standard media planning and buying and their ability to contribute to overall communication success

CROSS REFERENCING AND MATCHING OF DATA METRICS

? **Creation of data dashboards, cross charts and meaningful analysis of data**

= Creates understanding of correlation, causal effects from costs to consumer responses

TIMELINESS AND ACCURACY OF WORK FLOW

? **Benchmarks adherence to workflow best practice. Benchmarks billing and accounting accuracy and issue resolution**

= Minimizes rework and errors, allows greater focus on value creation

CASE STUDY

COST BENEFIT ANALYSIS FOR A LEADING GLOBAL AUTOMOTIVE BRAND

THE BACKGROUND:

A global automotive car brand selected a new media agency partner through a competitive media review, with a goal to reduce inefficient media investment without compromising campaigns' impacts. R3 worked with the brand to design a series of media metrics to track the media costs and buying performance.

THE CHALLENGE:

Due to the complexity of the media landscape, there are so many media metrics related to cost performance and buying performance, and the metrics vary across media types. The understanding of each metric was different within the client organization and media agency, depending on their knowledge of the media industry. R3 needed to select the key metrics directly linked to the client's media investment and avoid confusion and misunderstanding.

HOW R3 HELPED:

R3 worked with marketing and procurement teams across different business units and media agencies to align on a straightforward media metric system, ensuring all parties were crystal clear on the definition of the metrics, data requirements and methods of calculation. On top of the new system, a media agency incentive framework was setup to ensure the agency focused their efforts to achieve the cost benefit goals.

THE RESULTS:

Within the media metric and reporting system in place, the client has greater clarity in terms of completion of cost goal and identifying areas for the media agency to improve in a later stage. The "less is more" approach avoids unnecessary time spent on extra internal and external communication. Furthermore, in relation to cost performance, the buying performance KPI ensures that the client can directly compare them with past agency performance and ensure the media quality was not compromised.

ABOUT R3

OUR REASON FOR BEING

In a word, we are about performance. R3 (www.rthree.com) was set up in 2002 in response to an increasing need from marketers to enhance their return on marketing, media and agency investments, and to improve efficiency and effectiveness.

We act as coach to marketers wanting to play better.

OUR BACKGROUND

We've worked with more than one hundred companies on global, regional and local assignments to drive efficiency and effectiveness.

We have talent based in US, Asia Pacific and Europe and partners in LATAM and Africa.

Through global work for Samsung, Coca-Cola, JNJ, Visa, Unilever and others, we have developed robust benchmarks and process targets for more than 70 countries.

WHAT WE DO

Our core service offerings include proprietary processes and tools in the areas of marketing investment and agency relations.

HOW WE DO IT

We invest in the best talent, bringing in senior leaders from marketing, agency and analytic backgrounds.

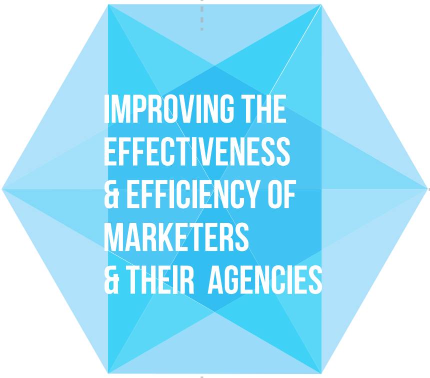
Since 2002, we've interviewed more than 2,000 marketers about their agency relations.

Since 2006, we've spoken to more than 80,000 consumers in China's top twenty cities and continue to do so every three months.

Each month we exclusively track over 500 agency new business wins.

We authored the book "China CMO" about marketers in the world's most dynamic country. We maintain an ongoing database of media costs for key markets.

We have co-developed software to measure agency and media performance.



RETURN ON AGENCIES

We help marketers find, pay and keep the best possible agency relationships – covering Creative, Media, PR, Digital, Social, Performance, Event, Promotions and CRM.

We take the lead on improving the Integration process through proprietary software and consulting.

RETURN ON MEDIA

We offer professional analysis of the media process, planning and buying with proprietary benchmarks and tools to set and measure performance.

We conduct financial audits to validate and benchmark transparency

RETURN ON INVESTMENT

We review marketing data, structure and processes to help benchmark and drive improvement.

We track Digital Engagement in China through a proprietary study in China called EnSpire

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