Efficient frequency management

Bad practice in frequency management is limiting digital advertising effectiveness and studies involving major international brands show how and where digital advertising budget is being wasted

By Mark Connolly, *AudienceScience*

It seems that with digital advertising, we have finally found a medium that offers real accountability, with targeting capabilities that make it possible to achieve the advertising Holy Grail: reaching the right person at the right time with the right offer. So, it's no surprise that spend on digital display advertising in the UK rose 12.4% year-on-year to £1.3 billion in 2012 (PwC/IAB).

However, so much of digital advertising today leaves much to be desired. Only by recognising the flaws in current practices and making significant changes in the way it is bought, can advertisers fulfil the promise of digital and improve their RoI.

At AudienceScience, we found that brands are wasting a significant proportion of that budget, with less than half directly reaching the right person the intended number of times in the right place. We call the percentage of the budget that meets these requirements the Productive Media Quotient (PMQ). For CMOs this is a huge issue; being able to recoup these losses can mean effectively doubling their advertising budget at no extra cost.

But it can be hard to identify where the losses are being made, as there is a real lack of transparency within the buying ecosystem. CMOs are finding it hard to see how much of their digital advertising budget has been spent, where it has gone and why.

Because researching and buying digital advertising is a compartmentalised process, there are silos for managing data, defining audience segments, planning and purchasing media. But, even worse, each digital advertising partner within the complex buying ecosystem (e.g. data providers, agencies, ad networks, trading desks etc) will require its own fees and perverse incentives, and as data is transferred between partners there is a loss in translation and data quality diminishes. Most significantly, the responsibility of managing campaign standards such as frequency, targeting and viewability are left to the most siloed players of all, publishers, at the far end of the chain from the advertiser and their budget.

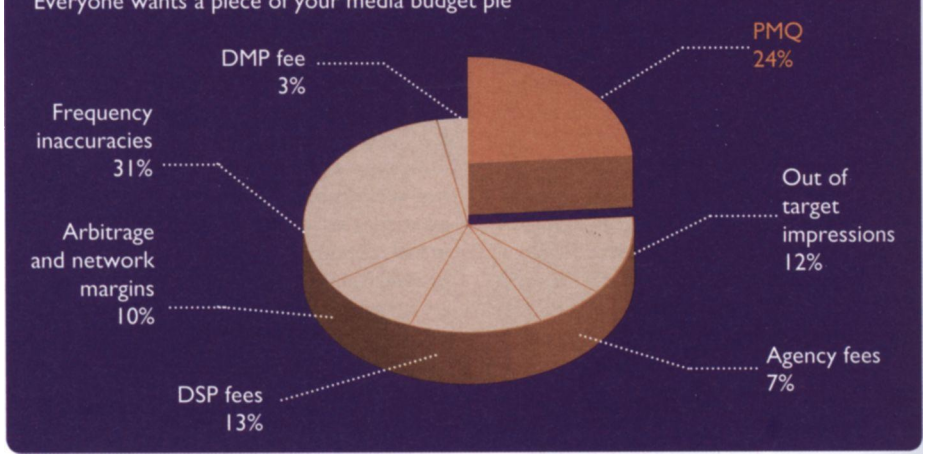
IDENTIFYING WASTAGE

We carried out two in-depth studies with major international brands to understand how and where digital advertising budget is being wasted.

The first study was with one of the world's biggest brand advertisers. A static pixel was added to each of its campaigns, making it possible to track exactly where the ads were going. We could identify that the vast majority of digital advertising budgets go to fees and waste, not reaching consumers, with £5-£8 million being wasted in every £10 million spent on this channel.

Figure 1 shows the type and percentage of waste we found, with problem areas including out-of-target impressions, poor frequency management and arbitrage costs (network or technology vendor buying media at a low cost and then selling it back to the advertiser at a higher price).

FIGURE 1
Everyone wants a piece of your media budget pie



THE PROBLEM WITH FREQUENCY MANAGEMENT

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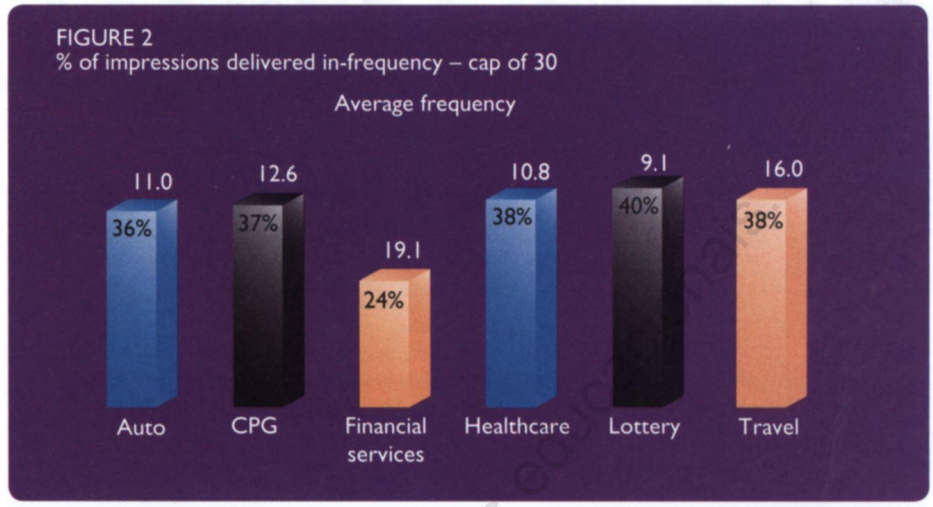
We did further analysis into frequency as it was clear this was one of the biggest problem areas, with over-frequency impressions accounting for more than 75% of all ad impressions in some cases. Frequency capping allows advertisers to set the amount of ad exposures allowed to any single user over a period of time for a campaign. But our research shows most brands are doing a poor job managing frequency (serving up the same ad too many times to one user starts to feel like stalking) and also wastes money. The key to frequency management is to reach the user enough times to have impact but not to annoy them.

We examined six typical campaigns run in Q4 2012 by global advertisers. As with the first study, each campaign contained our static pixels. In order to create 'laboratory conditions' every campaign was bought in the usual way with the agencies representing these advertisers purchasing the campaigns on a standard insertion order basis. All campaigns ran on inventory fulfilled via major ad exchanges and all ran with a frequency cap of 30 impressions. For all campaigns the agencies (and their clients) reported satisfaction with campaign performance and paid in full. So what did we discover?

The first finding was that over-frequency impressions are the norm, not the exception. As can be seen in Figure 2, none of the campaigns studied delivered more than 40% of its impressions within the frequency cap. This meant these advertisers spent over 2.5 times more than they should - where a reported CPM (cost-per-view) of £ 1.61 was recalculated to only count in-frequency impressions, CPM rose to £4.66.



INDIVIDUAL PUBLISHER CHALLENGES

While campaigns typically run across multiple publishers with overlapping audiences, even individual publishers can create waste through over-frequency. In the case that an individual publisher goes over a campaign's frequency cap, campaign management practices, not technology limitations, are the culprit. While publishers have the technical capability to control frequency on their own sites - and many do effectively - individual publishers do on occasion compromise frequency caps in order to deliver campaigns.

Is this simply a matter of publishers acting in bad faith? Hardly. Rather, the removal of frequency caps is typically the consequence of multiple competing parameters around the campaign. Does the campaign require tight targeting, high quality, above-the-fold placements, and a full delivery of budget? Publisher inventory limitations mean that frequency is often sacrificed in order to ensure full delivery of budget. This is not only due to publisher's own selfish motivations (spend campaign budget as quickly as possible so they can recognise revenue) but also the result of consistent pressure from agencies and marketers to ensure every pound is spent, often with too little focus on how that may impact effectiveness.

CROSS-PUBLISHER CHALLENGES

While more assertive campaign management can help to solve individual publisher issues, this has no bearing on solving cross-publisher issues. In fact, capping across publishers is impossible using conventional digital ad management technology.

The first problem is that publishers can't see impressions delivered by other publishers so frequency of one campaign across several publishers can't be co-ordinated at the publisher level.

Secondly, conventional ad servers report on cross-publisher frequency for campaigns, but rely on reporting averages. The basic arithmetic behind calculating averages means relying on these numbers can be deceiving. The reality is that 'fringe users' get the vast majority of impressions. The top 1% of users by frequency received a substantial percentage of all campaign impressions. What's worse, many of these users were found not to be real people; they were 'web bots'.

Our findings confirm that CMOs for major brands are wasting a significant proportion of their digital advertising budget, with poor frequency management being a major contributor. Advertisers must recognise that publishers cannot do the impossible and manage frequency across publishers. Smarter planning alone can't do this. New technology is required. And technologies exist which allow marketers to target, execute and manage digital advertising from one integrated digital platform, controlling for frequency across all publisher partners and inventory providers. It also provides a transparent view of digital media spend, while making it possible to manage international digital advertising buying to reach the target audience with true frequency capping.

But the way CMOs buy their advertising needs to change, to focus on 'outcomes', not 'outputs', with flat licensing fees rather than percentage-of-media pricing that encourages inefficiency and rewards publishers for high volume. Otherwise, it will remain in the interest of buying partners for the digital advertising model to stay as it is - and budget wastage will continue to limit RoI for advertisers.

more on digital marketing at www.warc.com

Fonte: Admap, Washington, v. 48, n. 9, p. 42-43, Oct. 2013.