

# The changing media environment for ad agencies

By [Odette van der Haar](#)

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We talk about how digital has changed the world of marketing and advertising. We talk about millennials, generation this, generation that. We talk creativity, effectiveness, brands that are progressive in creating shared value. We talk about growth percentages, and economic downturns, global marketing spend, and disruptive technologies. But what is really happening out there?



Odette van der Haar, CEO of the Association for Communication and Advertising.

What's coming? What will affect the ad industry, not from a media perspective, but from a broader point of view? What will challenge the agency model, if at all?

The South African advertising sector is as dynamic as any globally. And as with the international trends, our industry morphs a little every year. Our industry tracks these trends while at the same time having very specific socio economic elements that impact on what we do, and how we do it.

There are four key areas to consider as we head into 2018 and beyond. We need to consider the changing media environment. We have to be mindful of how agencies are integrating and cooperating. We need to consider the regulatory environment, and finally, like all sectors within the economy, we face economic and political instability which can have an impact on investment and ultimately marketing spend.

## **1. Growth vs. decline – a changing media environment**

Total media spend continues to tick upward, with a global study by Dentsu Aegis estimating growth of 4,3%, taking global media spend to US\$587 for 2018. Digital technology will continue to disrupt and drive innovation in the way brands connect with consumers. Globally, digital's share of total media continues unabated, predicted to grow to 37,6%, knocking TV at 35,8% off the top spot for the first time.

Within digital, social, search, VR and AI continue commanding increased marketing spend. The Dentsu Aegis study notes that in 2018, paid search media spend will exceed that of print. Today, advertising placements are visible on platforms that just a few years ago were virtually unknown and inexistent.

TV still rules the roost in the South African market according to PwC's Entertainment and Media Outlook: 2017-2021, An African perspective. The report estimates total advertising spend of R48,8b for 2018, with digital growing by an impressive 14,3%. It would be prudent to keep in mind however that Google and Facebook account for the large majority of digital ad revenue. Other growth areas, albeit at a slower rate, include cinema, radio and out-of-home. Magazines and newspapers are set for negative growth.

In the South African context, it is not necessarily the case that the growth in digital is 'new' ad spend from increased budgets. Rather what we are seeing is the redirecting of funds to digital at the expense of other platforms.

Unlike the global trend, television is nowhere near being kicked out of the top spot in South Africa, as it is still seen as a more effective option in reaching consumers, particularly considering the questions around the measurement and effectiveness of digital platforms. However, whichever way we look at it, digital continues its disruptive attack on tradition. Even within out-of-home, digital plays a leading role headed into 2018. Locally, approximately 25% of out-of-home revenue is currently generated by digital. This is expected to grow to over 40% by 2021.

So while digital continues its assault on the industry, it is imperative to keep in mind that within the South African context, brands need an integrated approach. World Wide Works research shows that roughly only one-third of the population are internet users, leaving the vast majority of South Africans not exposed to and more likely than not, unaffected by digital campaigns.

## 2. Integration and cooperation

Digital first is the mantra of many, but we should be talking integration, and cooperation. In an increasingly fragmented media landscape, multi-channel approaches become critical. We need to consider not only reach and frequency, but impact too. And this can only be achieved through multiple brand touchpoints along the consumer journey. Agencies and marketers need to ensure that campaigns are targeted to ensure maximum ROI, there is no doubt. Weighing up the most effective way of ensuring this however means truly understanding the brand objectives and not simply riding the wave of the latest trending media platform.

This feeds into the need for effective cooperation between agencies and their clients, ensuring a strong and stable relationship exists between the two organisations. The fluidity of the market, the needs of the client, and the creative outlets available to agencies need to be in synch. In a continually evolving media landscape, this becomes ever more critical.

## 3. The regulatory environment

As we move into 2018, one of the key areas within the regulatory environment for agencies will be the deadline for compliance with Marketing and Communications (MAC) Sector Charter. The industry needs to truly transform, including ownership, and we have already seen changes coming to the fore. However the deadline date will see plans fast tracked with a view to meeting the requirements of the charter.

Importantly, we will see increased funds being allocated to skills upliftment and education in the sector. This is a critical element within the process of transforming the industry. For too long, brilliant creative minds have been excluded for economic reasons and 2018 will be a watershed year that sees a change.

The charter's greatest value-add will be the birth of a very specific mindset. One that recognises the importance of investing in the future of the profession and industry at large.

## 4. Economic and political instability

We can hypothesise on market values, talk about consumer segments and discuss the benefits (or not) of disruptive technologies in terms of making informed decisions on new campaign elements. However, brands and their agencies are to one extent or another subject to the one big unknown. The economic environment, and the political instability that impacts on it. Difficult trading conditions are going to continue into 2018, and they could be exacerbated by political pronouncements and movements.

International ratings agencies have a role to play in how the country is viewed from an investment perspective, and should investment levels take a dip, our fragile and stagnant economy will suffer further. This will impact directly on our industry as budgets are curtailed, investment plans are altered and higher levels of unemployment lead to more difficult trading conditions.

It has been a difficult year for the industry as a whole and it would seem that 2018 is set to deliver even more challenges. Whether they be global or local influences that affect our industry, we need to continue finding creative solutions for brands. Solutions that resonate with consumers and reinforce the value of our profession within the marketing mix.

## ABOUT ODETTE VAN DER HAAR

Odette van der Haar joined Publicis as the MD from 1 September 2019, before which, she was the CEO of JWT Jhb. She was also CEO of the Association for Communication and Advertising (ACA) ([www.acasa.co.za](http://www.acasa.co.za)), the industry body of the SA advertising and communications sector, and previously headed up Sentech's Advertising, Events and Sponsorships portfolio...

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