



EXCLUSIVE STUDY

Better to Best:

How Live & Streaming TV Maximize ROAS

Update of Interrupting Disruption

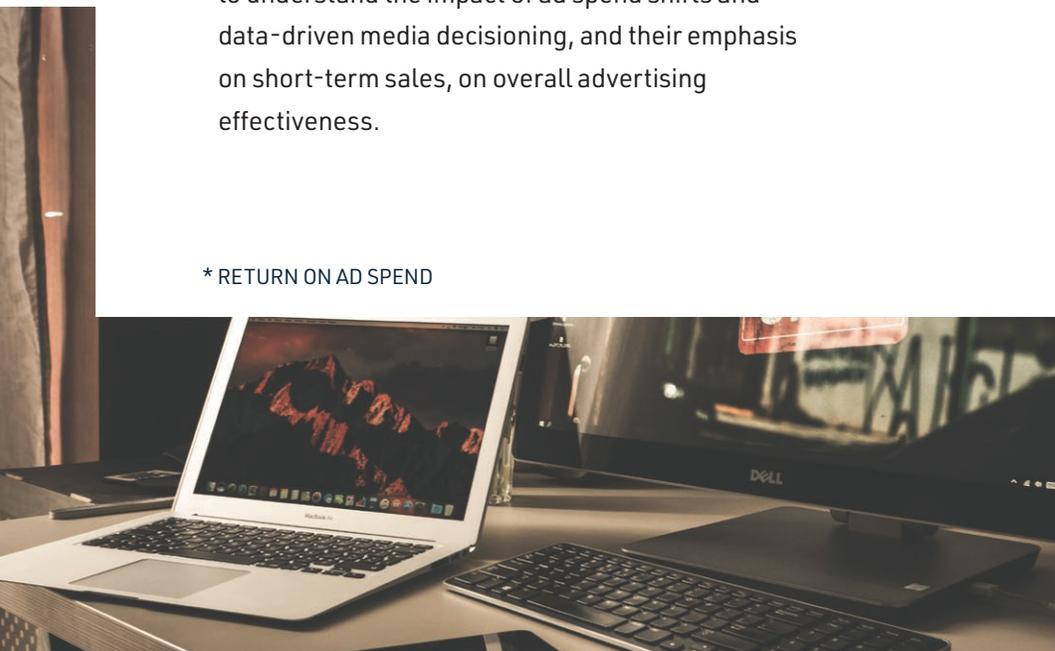


About This Study

In late 2017, FOX began the work on this long-term study of Return on Advertising Spend with a few goals in mind. First was to reverse the overuse of black box models common in advertising ROAS* studies, using advanced analytics grounded in objective methods and the best-available ad spend data. Second was to help advertisers and agencies maximize their ROAS with learnings not only from their own proprietary analyses but also from the findings of other advertisers—and the method FOX has chosen for this report series makes possible such a macro industry view. Third was to understand the impact of ad spend shifts and data-driven media decisioning, and their emphasis on short-term sales, on overall advertising effectiveness.

* RETURN ON AD SPEND

The initial study, Interrupting Disruption, was released in early 2018. Our stated intention at the time was to commit to producing an ongoing, market-level view to continuously assess the evolving response of consumers to advertising media contexts. In the year that followed, McKinsey worked with BHC and SMI to publish a sister study with additional months of data that reinforced and validated our original conclusions. In FOX's latest update, we have revisited our overall analysis and sought to surface more nuance in recommended TV buying tactics.

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ABOUT THIS STUDY

The main findings of the first study, Interrupting Disruption, were:

- 1** TV contributed the majority of sales effect across the three verticals studied (automotive, QSR and CPG), and increases in TV ad spend were positively correlated with increases in sales and market share in almost all cases.
- 2** TV and Full Episode Player (FEP) Digital Video (television-produced digital video) combined to demonstrate higher ROAS for most advertisers compared to other traditional and new media types.
- 3** TV exerted a synergistic effect with all forms of digital media, causing digital to be more effective with TV than it was on its own.
- 4** Branded Entertainment and iconic Sports, particularly NFL, were two specific subtypes within TV that showed the highest ROAS results.

It should be noted that the landscape for media and brands has gone through significant change in the more than 18 months since the prior report. Several marketplace factors impacting sales effects for the three verticals have emerged or accelerated. The automotive industry has been impacted by negative macroeconomic factors and the rise of ride sharing, although the flattened growth in sales for the last few years remains in line with all-time highs. For QSRs, the proliferation of tech-enabled home delivery has been a mixed blessing of increased demand and cost, but brands that have embraced it have enjoyed share growth. In CPG, the onslaught of DTC brands added a new layer of competition. These factors combined with continued shifts in media consumption across platforms necessitated a revisit of our analysis to determine what had/had not changed as well as to identify media types, and sub-types, shown to be worthy of increased investment.

Despite or perhaps because of these changes, the performance of media types continues to favor TV advertising as the most significant driver of sales impact, due in part to its acknowledged role in creating psychological and emotional brand effects that build long-term equity. Of the 22 advertisers studied that qualified based on ad spend levels, despite many exhibiting sales growth, only four of these have shown growth in market share over the last 5.5 years. Although this is largely because of new competition, the fact that our model has consistently used market share as a proxy for brand sales means that it captures this increased pressure of new brand entries over the span of the study but may not fully represent the returns and growth achieved by advertising in these media subtypes while facing increasing competition. Additionally, given continued changes observed in media allocation it is also a byproduct of a shift away from emphasis on branding in favor of capturing leads and short-term sales with lower-funnel media.

ABOUT THIS STUDY

In taking our research further this time to delve into a number of genres and platforms, three forms of video advertising stand out above the rest as ROAS drivers: live television events—namely sports and news—and longform TV-based digital video. TV genres that are typically viewed live benefit from the combined impact of reach, real-time engagement and heightened emotion (sports) or cognition (news) that prove particularly effective for ad attention, while longform digital Entertainment content, which is viewed largely on TV screens, is a reach and appointment viewing extension of linear viewing that engages younger viewers and significantly extends the footprint of its impact.

In fact, premium digital video stands out as the ROAS winner in the latest update in part because it is insufficiently utilized. The data suggest advertisers would do well to maintain their overall digital share and within digital, shift to a more balanced representation of full episode player (FEP) digital video. Digital video enhances TV's strength as an advertising medium and helps to maintain overall viewership and balanced age representation in TV content.

This study's results recommend that advertisers:

- Employ higher spend levels in Entertainment Digital Video, Sports and News, the three media types that were the highest performing in increasing ROAS in these latest results.
- Add full-funnel brand metrics to their ROAS research to ensure that the strength of brands is not being cannibalized by prioritizing on near term effects over branding.

Detailed findings follow.



Summary of Methodology

The largest ongoing study of ROAS ever conducted

Aimed at evaluating drivers of longterm ROAS

All US national TV/digital media spend over 5.5 years

\$2,159,377,876,981 (\$2.2 trillion) in sales measured to date

\$48,134,077,896 (\$48 billion) in advertising spend measured to date

Covers automotive, CPG, and QSR, three verticals that account for about half of all US national ad spend

Focuses on genres within television, while controlling for digital

Fully transparent standard statistical methodology – conclusions based on 95% significance

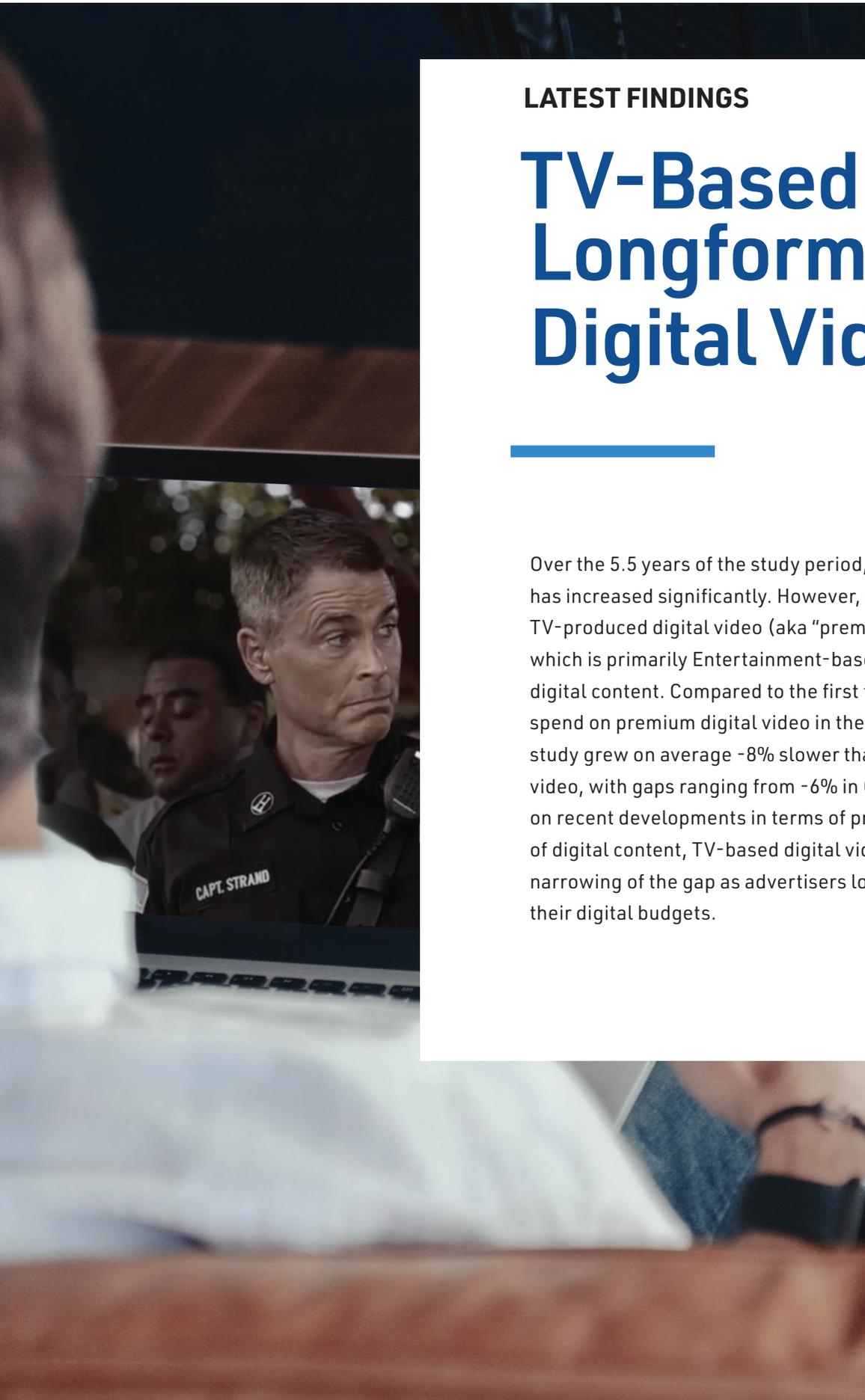
The most robust sales and spend data available – IRI, Polk, NPD CREST, Standard Media Index

Brands studied are all advertisers reported by SMI throughout the 5.5-year period that spent >\$250MM

LATEST FINDINGS

TV-Based Longform Digital Video

Over the 5.5 years of the study period, ad spend on all digital has increased significantly. However, growth in ad spend on TV-produced digital video (aka “premium” or FEP digital video), which is primarily Entertainment-based, has lagged non-premium digital content. Compared to the first two years of the study, ad spend on premium digital video in the most recent 18 months of the study grew on average -8% slower than the rate for non-premium video, with gaps ranging from -6% in QSR to -11% in Auto. Based on recent developments in terms of privacy and growing scrutiny of digital content, TV-based digital video should see a further narrowing of the gap as advertisers look for safe havens to spend their digital budgets.



LATEST FINDINGS: LONGFORM TV-BASED DIGITAL VIDEO



While premium digital video is far from reaching TV's maturity level, it has several features that are uniquely complementary to TV and, in some cases, a standalone option for advertisers (and viewers), including addressability and a lower ad load. Ironically, technology, which was once feared to lead to the demise of television, is making TV content more accessible than ever and that accessibility is a key factor in driving ROAS. Our findings (fig. 1) show that premium digital video ROAS far outpaces average TV ROAS across all three verticals.

FIGURE 1:

**PREMIUM DIGITAL VIDEO SALES
ROAS MULTIPLE**



vs. total TV average

LATEST FINDINGS

Sports Programming

Television's sight-sound-motion based attention benefits are heightened in sports' real-time, communal experience. Viewers' investment in teams, players and the unfolding of outcomes amplifies excitement, immediacy and a sense of modern heroics in a manner unparalleled in other program types.

The strong ROAS's shown below (figures 2, 3 and 4) for sports are reflective of the impact the passionate viewer experience has on the advertising contained within it and are in line with our prior findings on the NFL.

LATEST FINDINGS: SPORTS PROGRAMMING

QSR in Sports

QSRs are significant spenders in sports and in our analysis, in six of the seven QSR cases, TV sports spend evidenced positive correlation with increased ROAS. In the 7th case, QSR brand D, Sports was correlated with negative ROAS. It should be noted that QSR brand D spent as much on sports as the biggest advertiser in the vertical—three times its size in terms of market share—hence may have overspent; but also that QSR brand D is the only



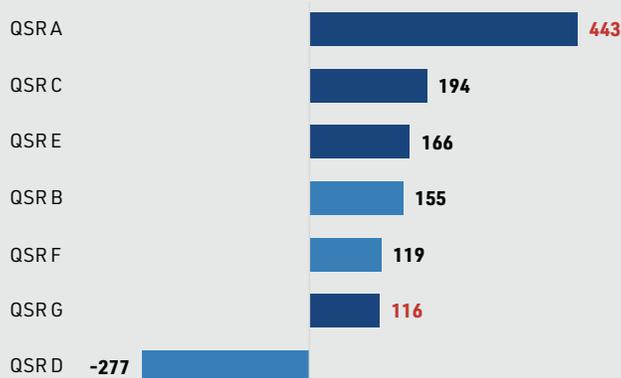
brand in the vertical to gain market share over the 5.5 years of the study. In general, during the study period many new competitors entered the field across verticals resulting in widespread loss of market share, which makes the occasional appearance of cases of negative ROAS unavoidable. The data suggest that sales results would likely be worse for some (i.e., brand D) in the absence of advertising. In QSR for example, only one advertiser averaged lower sales numbers in 2019 than in 2014, but only one advertiser gained market share.

Even with one declining brand, the ROAS impact of sports to QSR brands was +131% above the total TV average for the vertical. In an environment of rapid acceleration of competitive pressure, advertisers across QSR and automotive found the significant reliance on sports to be an engine of

FIGURE 2:
QSR SPORTS ROAS INDEX

continued growth.

36% of QSR total spend was in TV Sports.



Index not statistically significant

vs. total TV average

LATEST FINDINGS: SPORTS PROGRAMMING



Auto in Sports

Most of the analyzed Auto brands (six of nine) showed higher ROAS for Sports compared to overall TV in the category, four at 95% confidence. Auto brand C, which shows negative ROAS, is by far the biggest auto brand in the study and may have reached a point of saturation, although its high absolute amount and concentration of spend may have contributed to its comparatively low rate of sales decline versus the industry. Overall, advertising in sports drove +121% higher ROAS for automotives than the average for total TV.

FIGURE 3:
AUTO SPORTS ROAS INDEX

48% of Auto total spend was in TV Sports.



Index not statistically significant

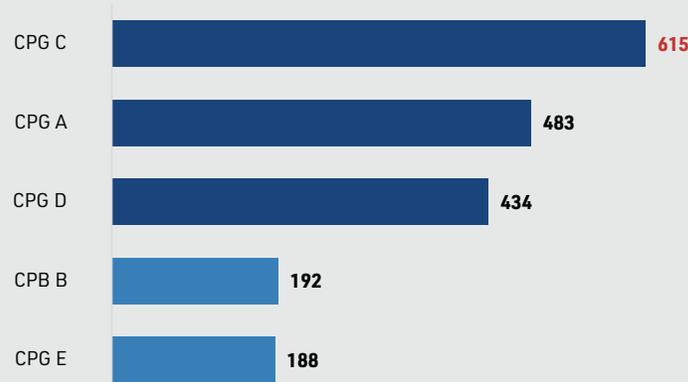
LATEST FINDINGS: SPORTS PROGRAMMING

CPG in Sports

All five qualifying CPG advertisers show higher ROAS from Sports than from TV as a whole, with all but one at 95% confidence. CPG advertiser C, the only one below the statistical threshold, was also the lowest Sports spender in the vertical. Generally speaking, these large CPG advertisers target women and spend only 14% of their total outlay in Sports programming, but this analysis shows significant ROAS upside in increased sports expenditure.



FIGURE 4:
CPG SPORTS ROAS INDEX



Index not statistically significant

LATEST FINDINGS

News Programming

News shares in the live aspect of sports, and although News' engagement of viewers is more cognitive than visceral (except in an election year!) its fans are in many ways as passionate, engaged and in-suspense over outcomes as Sports viewers. In this study we focused on the six 24-hour cable news networks, dominated by the major three (Fox News, CNN and MSNBC). News viewers have singular dedication to specific networks as evidenced by low duplication rates across networks, adding to the reach-building benefits of the genre.

LATEST FINDINGS: NEWS PROGRAMMING

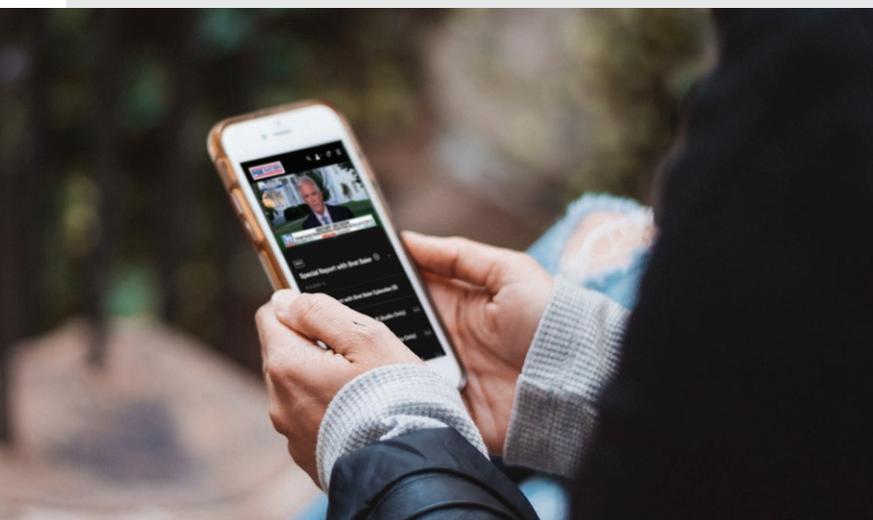
News networks also cultivate high levels of attention and generally enjoy the highest length of tune among TV networks. Although it was our expectation that ROAS's for News could rival those for sports given these benefits, all three of the verticals studied buy very little News, making it difficult in a statistical model to get a clear read with such a small percentage of cases.



Average Spend in News

FIGURE 5:
QSR AD SPEND IN NEWS BY BRAND

Brand	DAYTIME NEWS % of TV Spend	NIGHTTIME NEWS % of TV Spend	TOTAL NEWS % of TV Spend
QSR	0.06%	0.04%	0.10%
AUTO	1.20%	1.61%	2.81%
CPG	0.58%	0.38%	0.96%



We were able to reach statistically significant ROAS's by rolling up the brands within each vertical. Even though those results met statistical criteria, the size of the ROAS's were affected by the low spend amounts run through the model, showing returns per dollar spent that averaged more than \$3000. Directionally, the evidence indicates that News has the potential for strong ROAS across all verticals—with enhanced first-mover advantages at these low levels of utilization. As ad spend on News increases, we expect ROAS's to settle at more reasonable, positive levels.

LATEST FINDINGS: NEWS PROGRAMMING

OPTIMAL ALLOCATION RANGES FOR NEWS: A PREDICTIVE MODEL

Because advertisers in these verticals have little experience with advertising in News, we created a “what-if” optimization system which simulated hundreds of alternative News allocations and predicted, based on the shape of the historical News ROAS curve for each vertical and the ROAS for each allocation, the answer to the question: “how much higher a News allocation does it make sense to test?” The results are as follows, and might be used in designing a test of heavier investment in News:



FIGURE 6:
OPTIMAL NEWS SPEND

VERTICAL	ALLOCATION RANGE
QSR	0.5% - 8.4%
Auto	3.0% - 24.9%
CPG	2.2% - 24.1%

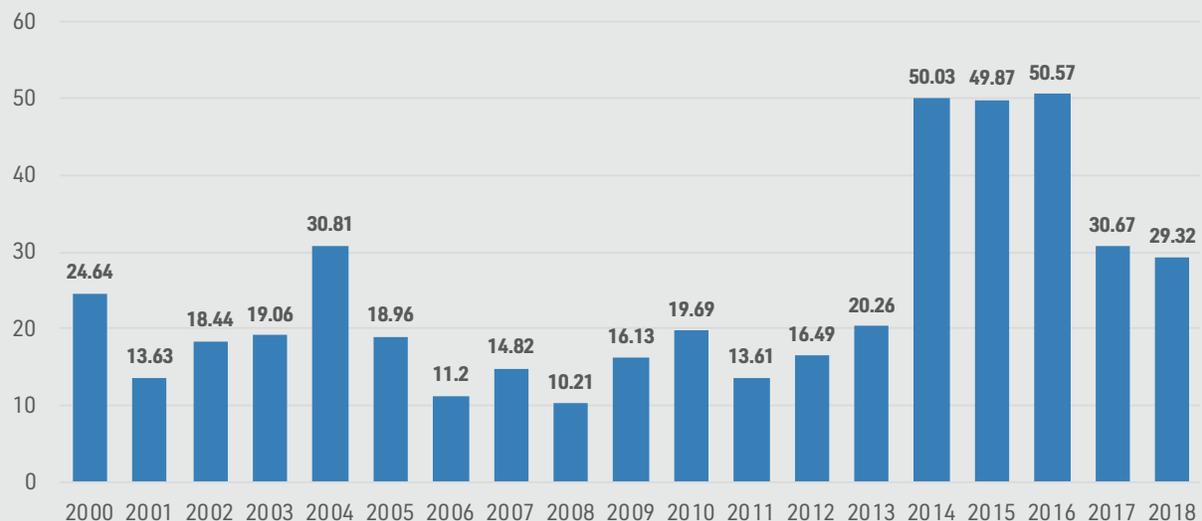
Appendix

I. INDUSTRY TRENDS AND OBSERVATIONS:

AUTOMOTIVE MARKETPLACE IMPACT

Auto recalls accelerated in 2014 coinciding with the continued sharp upswing in vehicle sales post-recession, peaking in 2016 along with sales but negatively affecting the brand equities of a few OEMs. Recent trends reflect a slow decline in sales as US automakers scramble to convert inventory dominance to SUVs and light trucks from cars, spiking the importance of incentives. Ride sharing made an initial dent in sales especially among millennials, hastening the new “mobility company” vs. auto manufacturer identities of larger brands.

FIGURE 7A:
AUTO RECALLS (U.S., millions)

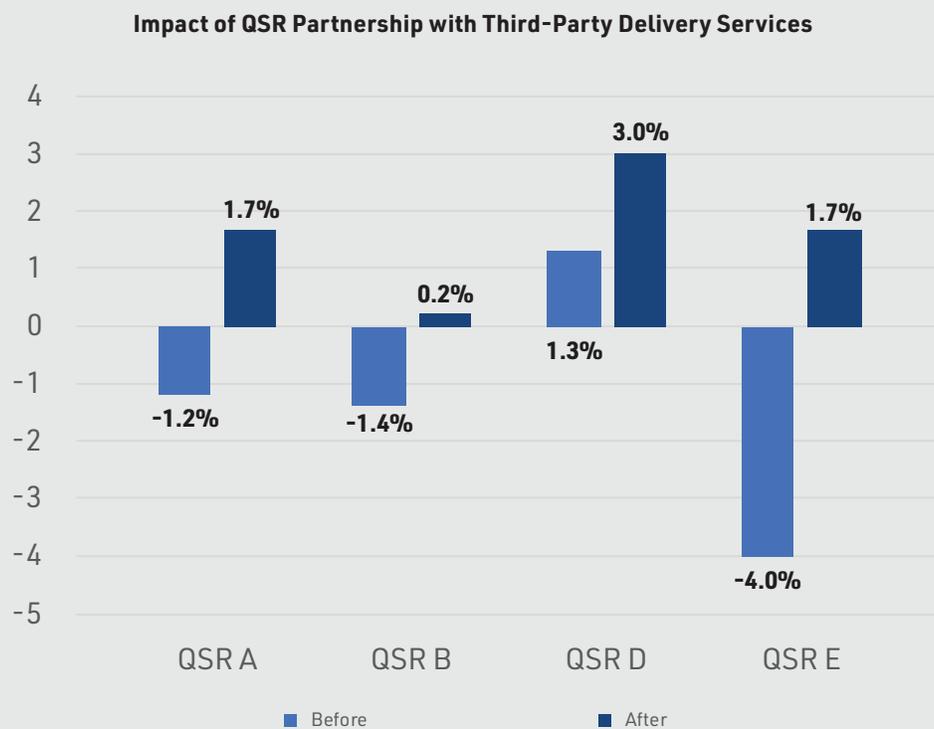


APPENDIX: I. INDUSTRY TRENDS AND OBSERVATIONS:

QSR MARKETPLACE IMPACT

In QSR, technology-based home delivery became a reality, positively affecting the chains that did it best.

FIGURE 7B:
MARKET SHARE GROWTH %



Courtesy of McKinsey & Company

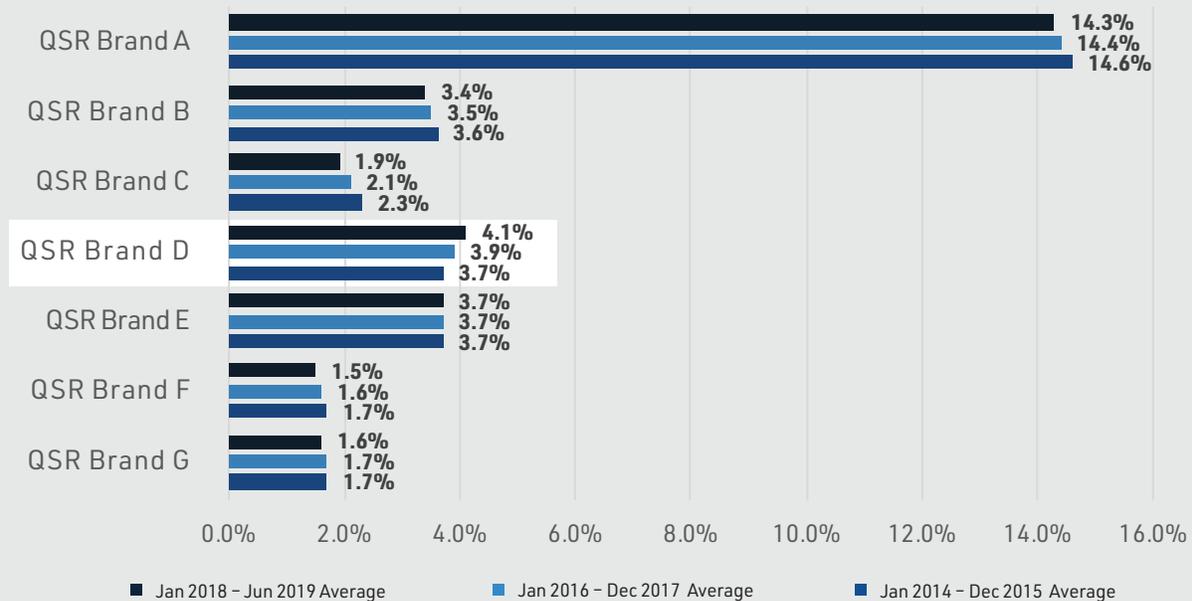
APPENDIX: I. INDUSTRY TRENDS AND OBSERVATIONS:

MARKET SHARE BY VERTICAL

Across the three verticals, brand shares generally declined with the exception of a few marketers able to grow against the tides of mushrooming competition.

FIGURE 8A:

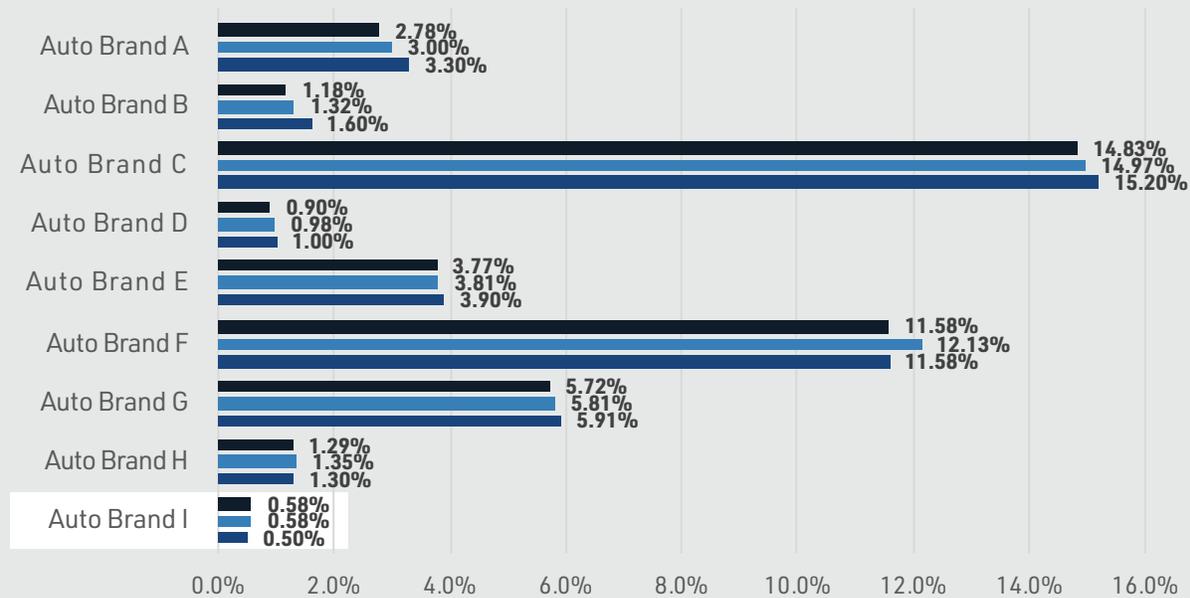
QSR MARKET SHARES - Top Bar = Most Recent Period



APPENDIX: I. INDUSTRY TRENDS AND OBSERVATIONS: MARKET SHARE BY VERTICAL

FIGURE 8B:

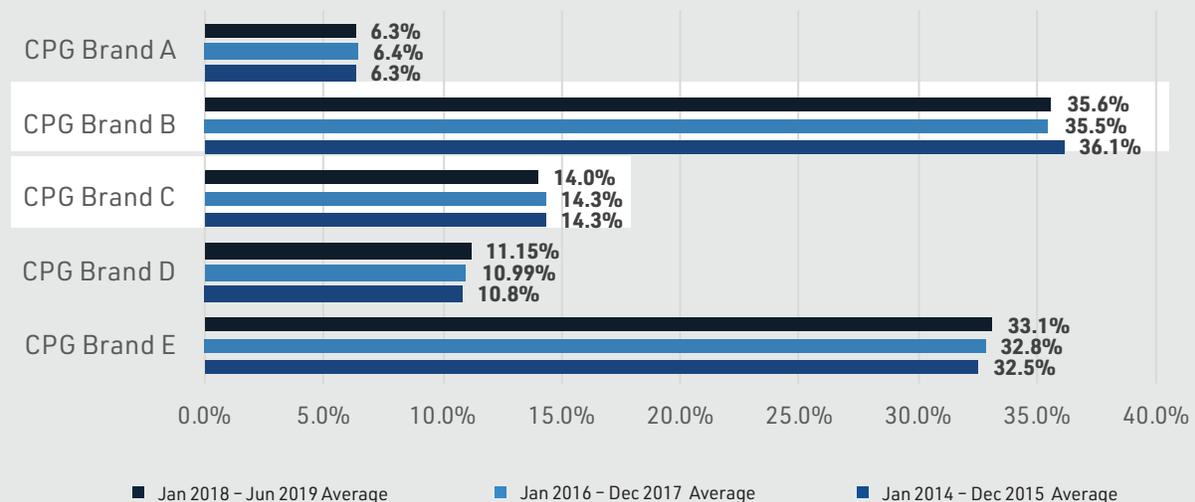
AUTO MARKET SHARES - Top Bar = Most Recent Period



Private labels continued to hound CPG, and DTC brands emerged to add a new layer of competition.

FIGURE 8C:

CPG MARKET SHARES - Top Bar = Most Recent Period



■ Jan 2018 - Jun 2019 Average ■ Jan 2016 - Dec 2017 Average ■ Jan 2014 - Dec 2015 Average

These advertisers were the only high spending CPGs SMI measured throughout the 5 1/2 year period, and so are treated as though they together constitute the market.

APPENDIX: I. INDUSTRY TRENDS AND OBSERVATIONS:

SHARE OF AD SPEND BY VERTICAL

While Sports already commands the lion's share of allocation in QSR and Automotive it continues to drive effectiveness and warrant maintaining or growing spend in most cases. News is visibly underspent given the considerable upside in expanding investment, and, as the most impactful ROAS-driving subtype, TV-based digital video also is an as yet underutilized extension of entertainment TV that heightens its performance.

FIGURE 9A:
QSR

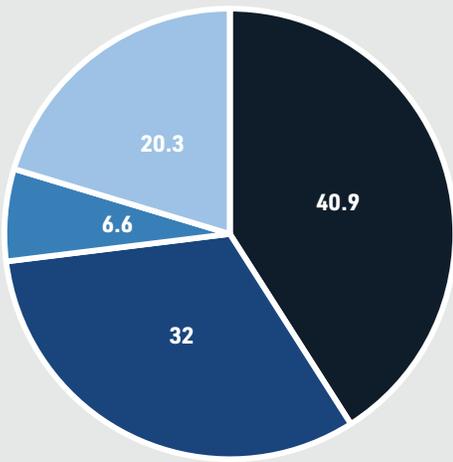


FIGURE 9B:
AUTO

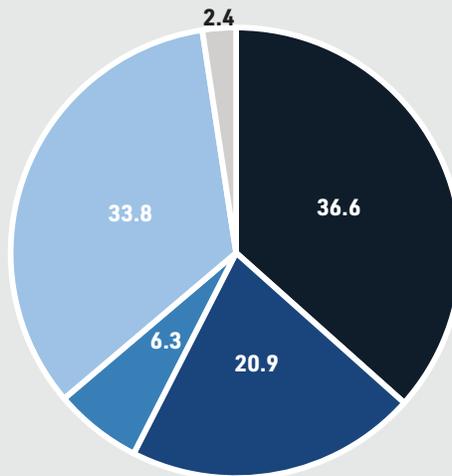
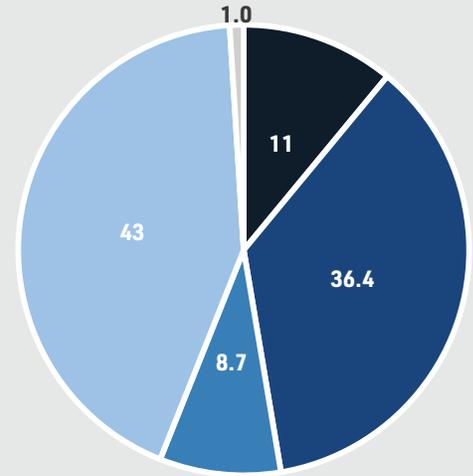


FIGURE 9C:
CPG



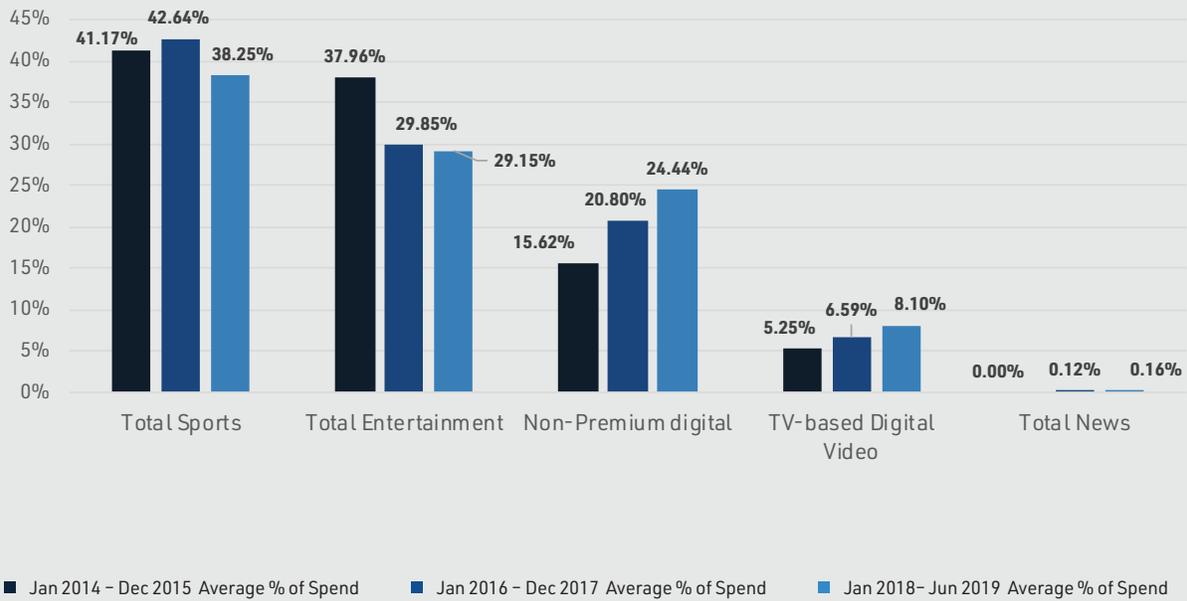
- Total Sports
- Total Entertainment
- TV-based longform digital video
- Non-premium digital video
- Total News

APPENDIX: I. INDUSTRY TRENDS AND OBSERVATIONS:

MEDIA SUBTYPE SPENDING TREND: 5.5 YEARS

Illustrates the relative steadiness of sports spending in QSR and the fact that non-premium digital growth has outpaced more effective premium digital video.

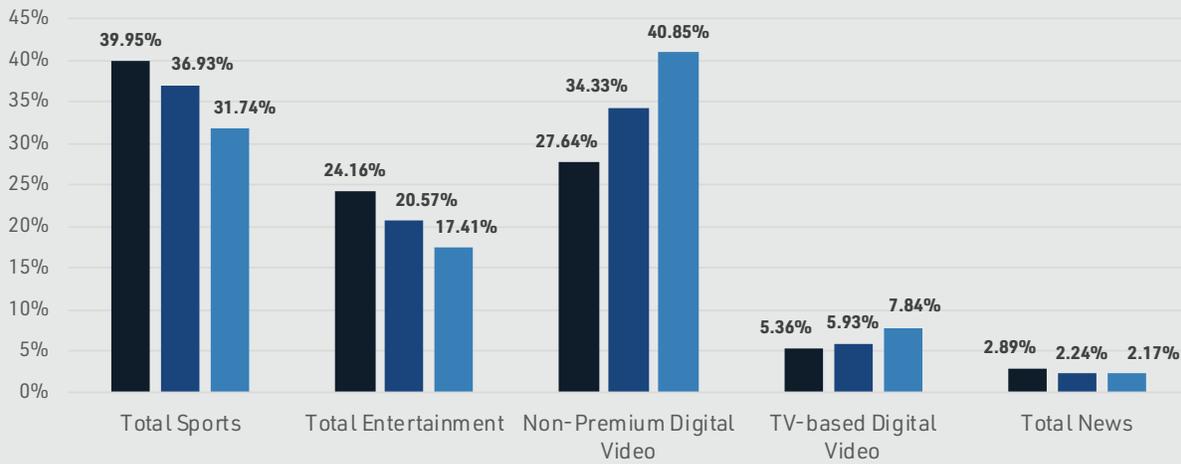
FIGURE 10:
QSR SHARE SHIFTS



APPENDIX: I. INDUSTRY TRENDS AND OBSERVATIONS: MEDIA SUBTYPE SPENDING TREND: 5.5 YEARS

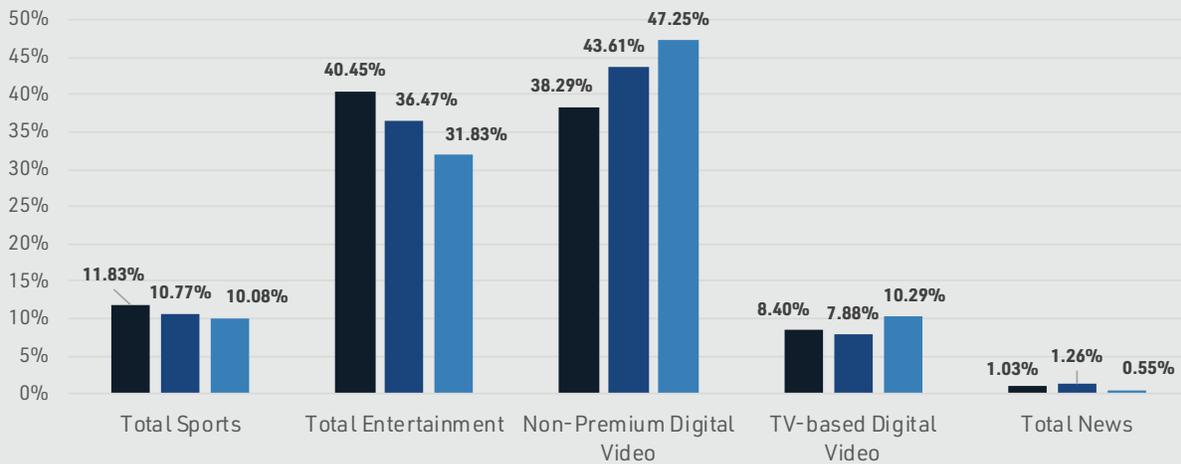
Spend in non-premium digital now exceeds automotive spending in sports.

FIGURE 11:
AUTO SHARE SHIFTS



Similarly, non-premium digital spend in CPG exceeds that for multiplatform entertainment.

FIGURE 12:
CPG SHARE SHIFTS



■ Jan 2014 - Dec 2015 Average % of Spend ■ Jan 2016 - Dec 2017 Average % of Spend ■ Jan 2018 - Jun 2019 Average % of Spend

II. METHODOLOGY

Vertical/Category Data Sources



Quick service restaurants

NPD CREST is the industry standard for the QSR vertical and provided weekly sales data to SMI.

Consumer Package Goods (CPG)



IRI provided weekly CPG sales numbers to SMI, while SMI ad spend data is monthly in nature

Monthly sales data were estimated by prorating NPD's and IRI's weekly sales data.



Automotive

For legal reasons, Polk provided the automotive sales numbers to SMI in the form of price ranges. Averages were derived for use in calculations.

Some Motor Vehicle Bureaus stopped reporting price information. An algorithm was created and utilized which calculated the average price based on the past sales price for those vehicles by make/model/type/year.

For exotic cars (e.g. Lamborghini) a general sales price range of >\$110,000 was provided in the dataset. Through extensive search activity, SMI updated the dataset with actual prices.

APPENDIX: II. METHODOLOGY.

Vertical/Category Analysis – Time Series Regression

- 1** Time series multiple regression analyses were performed using standard Microsoft Excel extensions. Utilized time series regression models on all brands in the SMI U.S. data pool that spent at least \$250MM in U.S. advertising during the period January 1 2014 through June 30 2017. All brands studied during this period continued to be studied during the subsequent extension periods. SMI at the start of this period did not cover all major agencies as it now does, and this resulted in the exclusion of a few major CPG advertisers that would have met the spend criteria. CPG was analyzed at the advertiser level and “market share” construct was based on the sum of the CPG advertisers studied.
- 2** Because there is an inherent lag from the time brands advertise to the time it reflects on sales, analysis started by finding the “best fit” lag time for each media subtype for the category and for each brand, signifying how many months after spending correlation between spend and sales became significant.
- 3** The lagged ad spend variables were used in regression with sales (by market share %) as the dependent variable. Seasonal effects were also considered, after finding that brand-level sales data has its own monthly trends, even outside of market trends by vertical. Therefore, typical regression looks like:
$$\text{Sales} \sim \alpha_1 + \beta_1(\text{National TV}) + \beta_2(\text{Premium Video}) + \beta_3(\text{Non-Premium Video}) + \beta_4(\text{Search}) + \beta_5(\text{Social}) + \beta_6(\text{Internet Radio}) + \beta_7(\text{Print Digital}) + \text{indices for seasonal and monthly trends}$$
- 4** The beta associated with each variable is Advertising Elasticity of Demand (a form of ROI) which quantifies how much demand changes with an extra dollar in advertising. This approach along with using market share brings brands on the same scale regardless of their size. Because the effects of a single ad dollar are negligible, the incremental effects with shifts of \$10MM in advertising are shown.
- 5** Software was created to find the optimal TV and digital allocations within each vertical—a % allocation where any deviations from which, higher or lower, would be expected to result in decreased market share growth. This was done by iterating through every possible allocation for TV and digital from 0% to 100% by .1% increments.

About Fox Corporation



Fox Corporation produces and distributes compelling news, sports and entertainment content through its iconic domestic brands including: FOX News Media, FOX Sports, FOX Entertainment, and FOX Television Stations. These brands hold cultural significance with consumers and commercial importance for distributors and advertisers. The breadth and depth of our footprint allows us to deliver content that engages and informs audiences, and to develop deeper consumer relationships and create more compelling product offerings. FOX maintains an impressive track record of news, sports, and entertainment industry success that will shape our strategy to capitalize on current strengths and invest in new initiatives. FOX is dedicated to serving its advertisers by providing learning and guidance on optimizing media environments to deliver marketing objectives, and has been an active sponsor of primary research in partnership with the best objective third party research, analytics and data companies. For more information about Fox Corporation, please visit www.FoxCorporation.com.



Bill Harvey is a well-known, classically trained media researcher known for his innovations across all media types and adherence to ARF best practices.

Fox engaged Bill Harvey Consulting to perform this study to the highest standards of scientific accuracy and objectivity, and to set new standards for **100% transparency**.