

## Examining the Kantar Consulting HFSS Digital Advertising Analysis in DCMS/DHSC Impact Assessment<sup>1</sup>

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### Summary

In 2018, Department of the Health and Social Care (DHSC) and Department of Culture Media and Sport (DCMS) commissioned Kantar to conduct research into the levels of advertising to children of HFSS products on TV and online. That analysis was then used to model the impact of different policy options to reduce children's exposure to HFSS advertising in the DHSC/DCMS Impact Assessment (13013) on introducing watersheds for advertising to children<sup>1</sup>.

The Obesity Health Alliance commissioned Dr Mimi Tatlow-Golden and Dan Parker to review and assess the assumptions and estimates Kantar made for the online portion of the advertising analysis estimates of UK digital food and drink advertising spend (Annex D, pp. 121 – 132), which underlie their estimates of children's HFSS UK online exposure. These in turn are used for subsequent calculations of the impact and benefits of marketing restrictions.

We use industry data sources to examine the Kantar analysis – and to examine the base assumption that spend in digital is a valid indicator of reach.

We conclude that

- a. in all steps but one of the Kantar analysis, the assumptions made, or data sources employed, would result in underestimates of spend and therefore of exposure,
- b. when multiplied up, the underestimate is likely to be very substantial; and that
- c. furthermore, according to industry sources, not only is advertising spend poorly captured in digital media reports, but also it is a poor proxy for advertising reach (exposure).

**As the Kantar advertising spend assessments underpinning this Impact Assessment draw on underestimates of digital marketing spend at every stage of their process, we conclude that children's exposure is significantly underestimated. Drawing on consistent, multiple, highly credible industry sources, we assess children's exposure to be underestimated in this IA by a factor of at least 16 times for the known factors. In addition, it is crucial to note that this just relates to the limited scope of the Kantar analysis, which covered only conventional forms of online advertising. Yet the premise that digital media exposure can be estimated from conventional advertising spend analyses is flawed. Due to current trends for increased unconventional online advertising content and social driven communications, this must result in an underestimate of the entire digital advertising market.**

**For these reasons, children and young people's *actual* exposure to digital HFSS marketing is, we consider, grossly underestimated by this assessment.**

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<sup>1</sup> Annex D, DCMS IA No: 13013 *Introducing a 2100-0530 watershed on TV advertising of HFSS (food and drink that are High in Fat, Salt and Sugar) products and similar protection for children viewing adverts online*  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/786554/advertising-consultation-impact-assessment.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/786554/advertising-consultation-impact-assessment.pdf)

## SUMMARY OF KANTAR METHOD

We have analysed the assumptions and data sources in each step of the Kantar methodology, using alternative industry data sources to assess the assumptions. In this process, we found multiple fundamental challenges to the analysis, summarised here:

Kantar method step	Description of method <i>Data source</i> <b>Issues</b> <i>Inaccuracy level</i>	Kantar calculation	Assumptions supported by further industry data?	Potential inaccuracy
1	Percentage of total (all channel) advertising by food and drink that is spent online. <i>Source: Nielsen Ad Dynamix</i>  <b>Other industry sources estimate all-sector online advertising spend proportions to be 3x higher than Nielsen Ad Dynamix indicates</b> <i>Up to 300% understatement of market size</i>	Food 8% Drink 5%	X	x 3
2	Total (all channel) UK advertising spend by food & drink. <i>Source: Group M and Statista</i>	Food £927m Drink £314m	(✓)	
3	Multiply steps 1 & 2 to calculate UK advertising online food & drink spend  <b>As food &amp; drink online spend percentages used are too low, the online spend estimates are too low (719-913%). Alternative data sources support this is a gross underestimation of annual UK online food and drink ad spend (815%)</b> <i>Approximate underestimate of 800%</i>	Food £74m Drink £15.7m Total £89.7	X	x 8
4	For UK advertising spend online by food & drink, calculate splits for different digital formats. <i>Source: IAB Digital Adspend</i>  <b>Assumes that food and drink online advertising spend patterns follows an all-industry average online spend pattern</b> <i>Understates allocation of spend to display by a factor of 193%</i>	41% display	X	x2
5	Calculate total digital advertising exposures for food and drink by using (dated) industry standard CPM. <i>Source: Group M</i>  <b>CPM is not the common model for management of advertising sales</b> <b>Although a majority of food and drink spend is allocated to search in the Kantar model, no exposure is allocated to search</b> <i>Understates impression count by unknown factor</i>	22 billion impressions	X	Factor unknown

	Food & drink industry favours native advertising, which is much cheaper <i>Understates impression count by unknown factor</i>			Factor unknown
6	Use desktop/laptop display percentage of products high in fat, sugar or salt as the factor to calculate all digital food & drink HFSS exposure <i>Source: ComScore</i>  ComScore data represents only 9%: desktop and laptop banner display only <i>Underestimates impressions by unknown factor</i>	59% 13 billion impressions	X	Factor unknown
7	Calculate percentage of all HFSS food & drink exposures to children, using panel media use data <i>Source: Kantar CrossMedia</i>  This method is not clearly explained Does not allow for personalised, programmatic advertising Does not reflect known internet usage patterns by children vs adults	5.3% 0.73 billion impressions	X	Factor unknown
<b>PREMISE OF ANALYSIS</b>				
	The analysis works from a <b>false premise</b> , i.e., that digital advertising spend is an indicator of HFSS marketing reach  Industry spend metrics omit much digital marketing activity <i>'Brand activation' spend is 300%+ advertising market</i>  In digital media, because of sharing, spend can generate far greater reach and impact <i>This inaccuracy cannot be estimated, due to lack of data, but is very substantial</i>	---	X	x 3  Factor unknown

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## KANTAR METHOD STEP 1:

### Identify the percentage of total (all channel) advertising by food and drink that is spent online

Kantar used Nielsen Ad Dynamix to estimate the food and drink advertising spend online as 8% of all food advertising and 5% of all drink advertising.

### Issue 1: Other industry sources estimate all-sector online advertising spend proportions to be 3x higher than Nielsen Ad Dynamix indicates

Nielsen Ad Dynamix data indicate digital spend as a very low proportion of all-channel spend.

The Nielsen/WARC data used in the Kantar Analysis estimates the total all-sector UK advertising spend on digital to be 18% of overall (all-channel) advertising spend. Yet other recognised industry sources estimate the UK all-sector digital ad spend proportion as 3 times greater, 52-66%:

- **AA/WARC:** Across all sectors online accounts for 52% of total advertising expenditure<sup>2</sup>
- **DCMS Online Advertising in the UK Report 2019:** In 2017, internet advertising overtook all other forms of advertising (television, press, radio, cinema and outdoor) combined, to reach 52% share of total advertising spend – citing IAB data<sup>3</sup>
- **Group M:** Digital spend is 60%<sup>4</sup>
- **eMarketer UK Digital Ad Spending (March 2019):** Digital has accounted for the majority of media ad spending in the UK for several years—in 2019, its share will be 66.4%<sup>5</sup>

Indeed, Nielsen's own CMO report states that "*digital ad spend has eclipsed traditional channels*". Only one in five respondents (22%) report spending less than 20% of their advertising budget on digital. Indeed, almost all (82% of respondents) "*expect to increase their digital media spend as a percentage of their total advertising budget*", so this trend for greater digital spend will increase<sup>6</sup>. For example the President of Kellogg's Snack has stated they now spend 60-70% of their overall marketing budget on digital platforms.<sup>7</sup>

**There are therefore multiple industry indications that this Nielsen metric only captures a minority of online spend.**

**What could be the reason for this substantial underestimate of digital spend in UK advertising?**

Nielsen's Ad Dynamix website explains they use "*spot monitoring methodology to estimate advertising expenditure across key media*". However, it would be impossible to use spot monitoring methodology to measure most digital advertising. This particularly applies to programmatic advertising – which now accounts for 87% of UK ad spend in the UK<sup>8</sup> and 65% of digital spend globally<sup>9</sup>. Using spot monitoring therefore has the potential to introduce significant margins of error in this data.

**For these reasons, the very low percentages for digital food and drink online advertising spend that are applied by Kantar in this analysis are unlikely to be accurate. This affects the credibility of all the figures that follow.**

## KANTAR METHOD STEP 2:

**Calculate the total UK advertising spend by food & drink**

Kantar estimate total size of UK (all channel) advertising spend by Food & Drink using Group M and Statista data

- Group M and Statista data claim that for total UK (all channel) advertising spend in 2016,
  - food was 5% = £927m

<sup>2</sup> <https://www.isba.org.uk/news/uk-ad-spend-grows-for-19th-consecutive-quarter/>

<sup>3</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/777996/Plum\\_DCMS\\_Online\\_Advertising\\_in\\_the\\_UK.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/777996/Plum_DCMS_Online_Advertising_in_the_UK.pdf)

<sup>4</sup> <https://www.groupm.com/news/groupm-uk-advertising-will-surpass-ps20-billion-first-time-2019>

<sup>5</sup> <https://www.emarketer.com/content/uk-digital-ad-spending-2019>

<sup>6</sup> <https://www.nielsen.com/us/en/insights/reports/2018/cmo-report-2018-digital-media-roi-measurement-omnichannel-marketing-technology.html>

<sup>7</sup> <https://www.youtube.com/watch?v=DnBT89UJNc>

<sup>8</sup> (eMarketer 2018) <https://www.emarketer.com/content/in-europe-programmatic-ad-spending-is-growing-by-double-digits>

<sup>9</sup> <https://marcommnews.com/65-of-digital-media-to-be-programmatic-in-2019-according-to-zeniths-ad-spend-report/>

- drink was 1.6% = £314m

These data are supported by other sources.

### **KANTAR METHOD STEP 3:**

#### **Calculate total UK advertising spend online by food & drink sectors**

Kantar take the Group M & Statista data for the total advertising spend for Food, £927m, & Drink £314m (total £1,241m), and multiply these by the estimate from Nielsen of the percentage each sector spends on online advertising (Food 8% and Drink 5%) -

This gives a total of £74m & £15.7m – a combined total of **£89.7m**

**Issue II: As food & drink online spend percentages used are too low, this means that the online spend estimates are too low**

The Kantar/Nielsen estimates of 5% (drink) and 8% (food) of total advertising spend if spent online are too low by very substantial margins (as detailed in **Issue I** above).

Therefore, the £89.7 million figure is likely to be a considerable under-estimate.

If we applied the more widely accepted 52-66% of total advertising spend on digital to the same combined total overall spend for food and drink (£927m + £314m = £1,241m) we arrive at an estimated total online spend for food and drink of **£645m-£819m** per year, a figure more closely in line with other sources, see below.

This is of such a magnitude difference to the £89.7m assumed by Kantar as to give strong reason to question the base that drives all Kantar's subsequent calculations.

**Issue III: Alternative data sources also suggest this is a gross underestimation of the proportion food and drink represents of annual UK online ad spend**

As this estimated spend differential is 7-9 times greater, it is worthwhile to double check against a different set of industry data sources to review it.

The **IAB (Internet Advertising Bureau) annual Digital Adspend Study 2018** is a more comprehensive report than Nielsen Ad Dynamix, that uses **actual bookings data** from UK media owners, intermediaries and agencies. It is independently audited by PWC and adopted as the official figures for online advertising by the Advertising Association since 1997. It tells a very different story. A full copy is freely available here: <https://www.iabuk.com/adspend>

IAB data (2018) state that the **entire UK digital market** is worth £5.249bn for display advertising. (i.e. online advertising excluding search and classifieds).

The IAB report does not include data for food and drink alone, only as part of a wider FMCG (Fast Moving Consumer Goods). FMCG is reported as 11.54% of the entire UK digital market = £605m.

How does FMCG differ from food and drink? The IAB report defines it as including household FMCG but not beauty or healthcare products. Statista indicates that food and drink represent 82% of FMCG advertising spend overall.<sup>10</sup>

We might therefore reasonably apply the assumption that 82% of the UK £605m annual spend on digital display by FMCG is for food and drink, therefore **£496m**

**Furthermore... this data does not include grocery (retail)**

The £496m annual UK digital **food and drink** spend inferred from the IAB and Statista data above is clearly substantially more than the Kantar estimate of £89.7m. Yet it does not reflect all possible sources of food/drink online marketing in the UK, as it does not include **grocery retail**.

The IAB data for digital also state digital display spend for **retail** as a whole is £572m.

This includes both grocery and non-grocery retail. We do not have data to split this spend between grocery and non-grocery. However, Ebiquty's The Advertising Report list all channels UK retail spend at £1.81bn. This indicates that at least 20% UK retail advertising spend is grocery, as Tesco spend £73.9m, Asda £59.5m, Morrisons £51.8m, Sainsburys £44.4m, Aldi £48.8m and Lidl £70.5m (total for just six grocers = £348.9m or 19.3% of retail ad spend)<sup>11</sup> If applied to the IAB digital spend data for retail, this estimate results in an additional retail/grocery food & drink spend of **over £110m/year online**.

**And still furthermore... nor does this include restaurants (including quick-service)**

In addition, the IAB data lists a further £125m (2.38%) of **digital display** advertising by **restaurants** which should be included in any calculation of food and drink advertising online. For example **McDonalds alone spend £122mm on (all channel) advertising in the UK** in 2018.<sup>12</sup>

Taken together, these estimates drawn from IAB data generate a reasonable assumption that a **total UK online spend for food and drink including grocery retail and restaurants is £731m**.

This figure is **over 8 times greater** than the Kantar calculations used for subsequent analyses. Yet it is also within the range estimated above, for the total online spend for food and drink of **£645m-£819m** per year.

Taken together, these assumptions and estimates drawn from industry sources lead us to query the credibility of the Kantar approach.

In addition to the major queries summarised above, however, there are assumptions informing the subsequent steps of the Kantar analysis that introduce still further potential underestimates of advertising spend and impressions, and these are summarised next.

<sup>10</sup> <https://www.statista.com/statistics/452411/advertising-expenditure-by-industry-sector-in-uk/>

<sup>11</sup> <https://www.campaignlive.co.uk/article/tesco-above-the-line-ad-spend-surges-rivals-retrench/1461635>

<sup>12</sup> Nielsen: <https://www.thedrum.com/news/2019/02/12/sky-unilever-and-pg-slash-uk-traditional-ad-spend-brex-it-approaches>

## KANTAR METHOD STEP 4:

Calculate the split of UK food/drink advertising spend online across different digital formats

To estimate a spend split across the various online formats within food and drink online advertising, Kantar applies an IAB report split for overall advertising spend.

	Proportion of Spend <sup>9</sup>	Digital Market Spend £m	Digital Food/Drink Spend £m
Display banners desktop	8.9%	894	8.0
Display banners mob	4.1%	418	3.7
Display video - pre roll	6.7%	671	6.0
Display video outstream	8.9%	900	8.0
Other display video	0.4%	38	0.3
Native	10.2%	1,032	9.2
Sponsored	1.2%	124	1.1
Other display	1.0%	101	0.9
Search	57.7%	5,821	51.8
Classified	N/A	1,470	N/A
Other	0.8%	84	0.8
Total		11,553	89.7

**Issue IV: Assumes that food and drink online advertising spend patterns follows an all-industry average online spend pattern**

This analysis makes the assumption that the food and drink sectors' pattern of advertising spend, across different online formats, mirrors other sectors' average online advertising spend. For all industry, paid search is **£6.566 bn**, compared to **£5.249 bn** for display, i.e, 44% of all advertising spend excluding classified.

However, this split is not relevant to food marketing. The assumption is discredited by the **IAB report** itself which reports that **CPG** (Consumer Packaged Goods, which include food and drink) skews heavily towards digital display: £605m is display; £103m is paid search, **making display 85% of spend, close to double the industry wide figure used by Kantar.**

The distribution of spend for all advertising across different formats clearly cannot be used to model individual industry sectors: patterns differ greatly. The implications of this assumption are unknown as the data is not available, if food & drink followed a similar pattern to the overall CPG category which it dominates, this would mean a near doubling in overall exposure.

## KANTAR METHOD STEP 5:

Calculate the total exposure of digital advertising for food and drink using (dated) industry standard CPM

The number of food and drink online ad impressions is calculated next in the Kantar analysis, drawing on above assumptions, and then applying Cost per Impression (CPM, a charge for each time an advert is displayed to a person) data for different advertising formats. This results in a measure of 22bn impressions, and is taken to reflect a measure of exposure by the entire UK population to digital food and drink advertising.

	Proportion of Spend <sup>9</sup>	Digital Market Spend £m	Digital Food/Drink Spend £m	Estimated Individual Impressions (m)
Display banners desktop	8.9%	894	8.0	994
Display banners mob	4.1%	418	3.7	465
Display video - pre roll	6.7%	671	6.0	271
Display video outstream	8.9%	900	8.0	1,601
Other display video	0.4%	38	0.3	34
Native	10.2%	1,032	9.2	18,361
Sponsored	1.2%	124	1.1	N/A
Other display	1.0%	101	0.9	225
Search	57.7%	5,821	51.8	N/A
Classified	N/A	1,470	N/A	N/A
Other	0.8%	84	0.8	150
Total		11,553	89.7	21,951

#### Issue V: CPM is not the common model for management of advertising sales

Less and less advertising today is sold using a CPM model. CPC (Cost per Click, a charge each time the advert is clicked) is now prevalent and heavily favoured by Facebook and Google<sup>13</sup> who dominate the market.<sup>14</sup> The use of an outdated and little used model for correlating spend and exposure of digital advertising undermines the credibility of the model.

The implications of this failing are unknown.

#### Issue VI: Although a majority of food and drink spend is allocated to search in the Kantar model, no exposure is allocated to search

However, another major issue follows on from the use of CPM rather than CPC. As search advertising is sold on a CPC, by using a CPM model Kantar cannot attribute any exposure to search advertising. Kantar therefore make the surprising decision to attribute zero exposure/impressions to search, discounting search to zero.

Having earlier estimated 57.7% of all online food and drink advertising to be search, it appears therefore, that the Kantar assumptions and modelling result in the exclusion of over half of online food and drink advertising.

#### Issue VII: Food & drink industry favours native advertising, which is much cheaper

Using this CPM data Kantar assume that **display banners desktop** cost an average of £8.05 per 1,000 impressions whereas **Native** (advertising in the content feeds of social media) costs only 50p/1,000 impressions – making Native 16 times cheaper than desktop display. Therefore, in Native, the same spend gives 16x more exposure. This is, we believe, a reasonable assumption from a good source.

<sup>13</sup> <https://www.promisemedia.com/online-advertising/best-revenue-deals-cpm-cpc-or-cpa>

<sup>14</sup> <https://www.campaignlive.co.uk/article/google-facebook-command-nearly-65-uk-online-ad-market-2021/1580126>

However, the IAB report cited above specified that CPG (Consumer Packaged Goods, which include food and drink) favours social media channels (68% of display spend, compared to 58% for all sectors) and in these channels, native is more prevalent than banners. Therefore the ratio of native to display used is wrong and so will underestimate the overall exposures.

Once again, this suggests that at almost every step of the chain of premises and inferences in this analysis, exposure is significantly undercalculated.

## KANTAR METHOD STEP 6:

**Calculate what percentage of all food & drink exposure is for products high in fat, sugar or salt.**

Drawing on above assumption of 22 billion food and drink exposures Kantar use advertising data from ComScore and the Nutrient Profiling Model to calculate what percentage are HFSS.

The analysis concludes that 59% (13 billion) are HFSS.

**Issue VIII: ComScore data represents only 9%: desktop and laptop banner display only**

ComScore data for advertising are very specific, applying only (i) to some devices: desktop and laptop (ii) and one advertising format: banner display advertising. This represents only 9% of overall online advertising spend.

Indeed, it may represent an *even lower* proportion of food and drink online advertising spend. As noted above, IAB data indicate that different industry sectors favour different online advertising formats. Food and drink in particular favour social media channels which are (i) predominantly accessed by mobile and tablets and (ii) employ native advertising. Consequently the ComScore data has potential for a significant margin of error. It is likely to – even within its own limited parameters – generate underrepresentation of food and drink and advertising.

Furthermore, it may also particularly underrepresent HFSS product advertising such as confectionery and soft drinks. These are likely to be targeted to the youth audience via their preferred devices and channels – and young people favour internet access via mobile/tablet rather than desktop/laptop.<sup>15</sup> For example, among 5-15 year old children in the UK, 75% use tablets and desktop/laptop use is in decline; and most have a social media profile, half by age 12 (despite being underage), and 100% by age 15 (Ofcom, 2018<sup>16</sup>).

## KANTAR METHOD STEP 7:

**Calculate what percentage of all HFSS food & drink exposures are to children**

Finally, drawing on the above chain of assumptions that generate an estimate of just 13 billion annual UK HFSS food and drink exposures, Kantar use their own CrossMedia tool to estimate the percentage that is made to children. This estimates that children are exposed to only 5.3% of HFSS advertising (0.73bn impressions).

<sup>15</sup> <https://www.statista.com/statistics/377808/distribution-of-facebook-users-by-device/>

<sup>16</sup> Ofcom, 2018

### Issue IX: This method is not clearly explained

The underlying data used by Kantar to make this calculation is not provided and so cannot be analysed.

### Issue X: Does not allow for personalised, programmatic advertising

Kantar's site states that CrossMedia uses "integrated techniques to tag and measure web, video and apps" but that this is "still in its early days"<sup>17</sup>. Indeed, Kantar's description of CrossMedia in Annex D of the impact assessment consultation document indicates that CrossMedia employs panel survey data, drawing its exposure inferences from "respondent-level answers to surveys asking about socio-demographic features and media behaviour patterns" (p. 127). Rather than a measure of advertising exposure, it is therefore a measure of media/website consumption that must assume that all visitors to a given website see the same advertising.

However 87% of online advertising in the UK is not placed in this manner – instead, it is placed programmatically based on the usage, profile and preferences of individual users. This means that people with particular demographics and interest profiles will be exposed to different advertising and this creates the likelihood of significant error in this analysis.<sup>18</sup>

### Issue XI: Does not reflect known internet usage patterns by children vs adults

The estimated 5.6% HFSS advertising seen by children appears very low, given that 18.9% of the UK population are under 16.<sup>19</sup>

UK children are active users of the internet<sup>20</sup>. Data on their digital media use is currently collected by Ofcom with three metrics: internet (average 15 hours weekly), gaming (average 10 hours weekly) and mobile (average 10 hours weekly), summing to a possible 35 hours weekly – yet how much of these times overlap, and how much time is spent using applications and in settings that generate advertising exposure is not clear. UK adults' weekly online average use is 24 hours, but note that this includes working hours during which one can assume that applications used are not advertising-heavy<sup>21</sup>. Therefore it seems likely that UK children and adults may be broadly similar in their internet usage, and that the percentage of advertising seen proportionate to population seems low.

Note that all the factors above, indicating a gross underestimate of online spend in this analysis, still apply. This query applies to the *proportion* of digital HFSS ad impressions that are seen by children compared to adults.

**Overall, therefore, at every step, our application of industry data suggests that throughout the analysis, the spend, splits and impressions have been substantially underestimated, at times by a**

<sup>17</sup> <https://www.kantarmedia.com/uk/our-solutions/audience-measurement/cross-media/how-do-we-measure>.

<sup>18</sup> eMarketer 2018

<sup>19</sup> ONS

<sup>20</sup> OFCOM Children & Parents Media Use and Attitudes 2017, 2018 <https://www.ofcom.org.uk/research-and-data/media-literacy-research/childrens>

<sup>21</sup> OFCOM Adults Media Use and Attitudes 2018 <https://www.ofcom.org.uk/research-and-data/media-literacy-research/adults/adults-media-use-and-attitudes>

factor of 8. The cumulative effect is one of grossly underestimating spend in the UK food and drink digital advertising market.

## SPEND VS REACH

### **Fundamental challenge to the validity of using spend metrics to estimate children's exposure to advertising in digital media**

#### **Issue XII: Industry publications recognise that 'only a fraction' of online spend is captured**

*"an increasing proportion of [online advertising spend] is not yet audited... share of voice can usually only be measured using audited media spends... Media auditors such as Nielsen do try to measure online ad spend, but it is extraordinarily difficult, and it is widely acknowledged that they only capture a fraction of what clients are spending online."* (Binet & Field/IPA 2017, p.39)<sup>22</sup>

A fundamental issue with the analysis is that the Nielsen Ad Dynamix spend estimates, or indeed the much greater estimates from AA/WARC and eMarketer data (cited above) **do not measure the reach of, or expenditure, on the many new forms of digital communication that exist**, as they are not considered "advertising" in the conventional sense. This is because they integrate (rather than interrupt) marketing messages into the online experience, content and conversation. These "brand activations" are estimated to be 3 times the size of the advertising market as a whole.<sup>23</sup>

Widespread reporting of case studies in these fields suggest disproportionately high use of these techniques by food and drink particularly HFSS products and brands. For example:

- **Influencer Marketing:** employing influential people to promote a brand, product or service through their social media channels. Ad Week estimate this will be a \$10bn industry by 2020<sup>24</sup>. Influencer marketing is an increasingly mainstream strategy for major brands that anchors a '\$600 billion brand-activation practice' that has grown from more rudimentary sales promotion practices and is now **3 times the size of the advertising industry itself**<sup>25</sup>. Importantly, **food is the second most active industry** in influencer marketing<sup>26</sup>. Note that influencers are known to be **particularly effective marketing strategy with children** and young people. Ads with a celebrity presence result in a 16% greater impact on brand awareness than those without and 'Gen Z' are significantly more receptive than other generations to content featuring celebrities and social media celebrities.<sup>27</sup>

<sup>22</sup> Media in Focus: Marketing in the digital age New Learnings from the IPA Databank. In association with Google, Thinkbox & IPA. IPA, 2017

<sup>23</sup> WARC, 2018, [https://www.warc.com/content/paywall/article/event-reports/influencers\\_anchor\\_600billion\\_brandactivation\\_practice/121629](https://www.warc.com/content/paywall/article/event-reports/influencers_anchor_600billion_brandactivation_practice/121629)

<sup>24</sup> <https://www.forbes.com/sites/forbestechcouncil/2019/02/13/calculating-the-true-size-of-the-influencer-marketing-industry/#3298be4f658d>

<sup>25</sup> Precourt, G. Influencers anchor \$600-billion brand-activation practice. Event Reports, ANA Brand Activation Conference, April 2018 [https://www.warc.com/content/article/event-reports/influencers\\_anchor\\_600billion\\_brandactivation\\_practice/121629](https://www.warc.com/content/article/event-reports/influencers_anchor_600billion_brandactivation_practice/121629)

<sup>26</sup> <https://cdn2.hubspot.net/hubfs/4030790/influencerDB-State-of-the-Industry-2018.pdf>

<sup>27</sup> Kantar Millward Brown AdReaction study (2017):

- **Advergaming** is the use of a brand or product within game play, such as Pokemon Go which has driven 500m visitors to sponsors' locations such as McDonalds<sup>28</sup> - or McDonalds' integration into the popular Farmville game used by 215m people on Facebook<sup>29</sup>.
- **Social Media Channels.** Food and drink companies have invested heavily in building their own social media channels on popular social media sites such as Facebook, Instagram and Twitter and 69% of 12-15 year olds, and 18% of 8-11 years have a social media profile<sup>30</sup>. For example, Coca-Cola has 107m followers on Facebook meaning that each post it sends has the potential to achieve a similar reach to an advert on the US Superbowl. McDonalds define social as a "*two way street allowing dialogue, kinship and collaboration*"<sup>31</sup>. This is not advertising in any conventional sense as measured by Kantar.

**These significant and growing forms of communication created and managed by HFSS brands are very appealing to children and young people and are totally excluded from consideration in both the Kantar Analysis and the consultation impact assessments.**

#### **Issue XIII: In digital media, because of sharing, spend can generate far greater reach and impact**

Partly because of uncaptured spend as outlined above, but also because of the very substantial extra reach that can be achieved by sharing of social media and other online content, spend is a poor indicator of:

- how many people are reached by digital marketing activity, and
- the impact it has on them

For example, Facebook Q4 2018 earnings data are reported to show that ad prices decreased by 2%, yet *impressions were up by 34%*<sup>32</sup>. This indicates the fundamental fallacy of relying on an ad spend/impression equation to assess HFSS digital advertising to children and young people.

**Taken together, Issues I and II present a fundamental challenge to the premise of the entire analysis, which is that it is valid to assess spend as a means to estimate reach.**

The entire digital ecosystem is premised on engaging **media users** to disseminate content, leveraging network effects possible in new media, dramatically expanding reach and at the same time dropping the spend required to reach potential customers with advertising. In addition, as noted above, new forms of marketing are now predicated on new models of marketing, such as **influencers** and the '**brand activation**' market which is **3 times the size of the entire advertising market**.

<sup>28</sup> [https://techcrunch.com/2017/05/31/pokemon-go-sponsorship-price/?guccounter=1&guce\\_referrer\\_us=aHR0cHM6Ly93d3cuZ29vZ2xlLnVrLnVrLW&guce\\_referrer\\_cs=-EWwYHze73hTGn93V8DRA](https://techcrunch.com/2017/05/31/pokemon-go-sponsorship-price/?guccounter=1&guce_referrer_us=aHR0cHM6Ly93d3cuZ29vZ2xlLnVrLnVrLW&guce_referrer_cs=-EWwYHze73hTGn93V8DRA)

<sup>29</sup> <https://www.brandchannel.com/2010/10/08/mcdonalds-bets-the-farmville-on-social/>

<sup>30</sup> OFCOM Children & Parents Media Use and Attitudes 2018

<sup>31</sup> <https://www.youtube.com/watch?v=Uu-mAJpBJU>

<sup>32</sup> Gesenhues, A. January 1st, 2019. Facebook ad revenue tops \$16.6 billion, driven by Instagram, Stories <https://martechtoday.com/despite-ongoing-criticism-facebook-generates-16-6-billion-in-ad-revenue-during-q4-up-30-yoy-230261>

Industry data provides evidence that in digital, paid advertising achieves **greater reach for less investment**. Although such information is commercially sensitive and closely guarded, it can be viewed when marketers share information when submitting campaigns for awards<sup>33</sup>. The major industry **WARC awards** noted in 2018 that lack of budget was no hindrance to success. Campaigns with “no or negligible budget” that successfully tap into “news, memes and broader cultural trends” can be widely shared. Recent examples showcased at WARC annual awards are the UK KFC Dirty Louisiana Burger campaign, that achieved 75m impressions from a spend (not given) expected to generate 18m impressions, reaching over 1 in 3 internet users in the UK alone<sup>33</sup>. At Halloween 2018, Fanta engaged with teens, distorting content on Instagram, Facebook and Snapchat, becoming one of Snapchat’s most successful brand activations and yielding a significant rise in year-on-year sales in several Western European countries<sup>34</sup>.

In France and the USA, the direct return on investment for online Coca-Cola and Cadbury campaigns is reported to have been about four times greater than for television campaigns; e.g. in a Coca-Cola campaign in France, Facebook accounted for 2% of marketing cost but 27% of incremental sales. Facebook ads in 14 campaigns generated nearly triple the ad recall as compared with control groups; and econometric analysis of fast-moving consumer goods brand marketing (including food and drinks) in Europe found that combining online marketing with other media magnified returns on television (by 70%) and on cinema (by 71%)<sup>35</sup>

Indeed, Coca-Cola’s Chief Digital Officer now the need to take advantage of how consumers “participate, actively and co-create” as “experience makers”, something that happens “tens of thousands of times a day because of their love and their community with the brand”<sup>36</sup>.

## CONCLUSION

In conclusion therefore, the Kantar advertising spend assessments underpinning this Impact Assessment draw on underestimates of digital marketing spend at every stage of their process, resulting in a gross underestimation of the food/drink digital advertising market. As a result, children’s exposure is significantly underestimated. Given the consistency of contrary data from multiple, highly credible industry sources, we estimate children’s exposure to be underestimated by a factor of at least 16 times for the known factors, increasing the estimated annual exposure of children to HFSS advertising online from 13bn to at least 208bn. **Please note this does not include increased exposure from brand activation and other factors listed above, for which the data is unavailable but will still further increase estimated exposure by significant factors.** For this reason,

<sup>33</sup> WARC (October, 2018). *Effective Social Strategy Report. Lessons from the 2018 WARC Awards* <https://www.warc.com/content/paywall/article/warc-exclusive/effective-social-strategy-report-lessons-from-the-2018-warc-awards/123652>

<sup>34</sup> Mark Freeman, Will Hossner, Rebecca Evans & Laigah Aslam. *Fanta: Taking Over Halloween. WARC Awards, Entrant, Effective Social Strategy, 2018.* <https://www.warc.com/content/paywall/article/warc-awards/fanta-taking-over-halloween/120379>

<sup>35</sup> The World Health Organization Regional Office for Europe (November 2016). *Tackling food marketing to children in a digital world: trans-disciplinary perspectives.* Geneva, WHO [http://www.euro.who.int/\\_data/assets/pdf\\_file/0017/322226/Tackling-food-marketing-children-digital-world-trans-disciplinary-perspectives-en.pdf](http://www.euro.who.int/_data/assets/pdf_file/0017/322226/Tackling-food-marketing-children-digital-world-trans-disciplinary-perspectives-en.pdf)

<sup>36</sup> Andrew Birmingham (2018, March 30). *Coca-Cola Is Transforming Into A Digital-First Business. Here’s Why.* <https://which50.com/coca-cola-transforming-into-a-digital-first-business-heres-why/>.

children and young people's *actual* exposure to digital junk food marketing is, we consider, grossly underestimated by this assessment. As the Impact Assessment relies on the Kantar HFSS advertising exposure estimate to calculate health and financial benefits of HFSS marketing restrictions, the underestimates we identify have implications for the estimated benefits of the proposed HFSS marketing restrictions.

#### **Dan Parker**

Dan spent 20 years working in the digital advertising and marketing of food. He launched the Sunday Times & The Times online in 1995, and was one of the original founders of the UK Internet Advertising Bureau and the New Media Effectiveness Awards. As Owner and Chief Executive of digital agency Sponge his clients included Coca-Cola, McDonalds, Walkers, Cadburys, Tesco, ASDA and Sainsbury's. In 2016 Dan closed his agency and launched Living Loud which campaigns for reform of junk food marketing, and to use the power of advertising to inspire people to make healthier choices.

#### **Dr Mimi-Tatlow Golden**

Mimi is Co-Director of The Open University's Centre for Children and Young People's Wellbeing *CCW@OU body, mind & media* and a Lecturer in Developmental Psychology and Childhood; she was formerly a food writer and journalist. Mimi is a lead author of the ground-breaking World Health Organization report *Tackling food marketing to children in a digital world: trans-disciplinary perspectives* and she consults for WHO and Unicef on the challenges presented by digital food marketing to children and young people among other topics.