

SPOT-ON

POLITICAL ADS and ANALYTICS



The Modern Consultant's Guide to Online Political Advertising

Your 10-Step Roadmap for Navigating
a Changing Digital Environment

INTRODUCTION

2016: THE YEAR THAT CHANGED EVERYTHING

The 2016 election cycle delivered a harsh reality check across the entire political spectrum. President Trump's victory stunned many political consultants in both parties and changed many long-held ideas about digital advertising and political outreach. Some are saying the Trump victory validates the use of traditional outreach tools. Others say that digital is now more important than ever.

The market came down squarely on the side of digital outreach. Going into the 2016 election cycle, analysts estimated digital ad spending would eclipse \$1.5 billion in 2016. And, according to Borrell Associates, which has been measuring the political online ad market for more than 10 years, it did.

According to advertising research firm, Borrell Associates:

"Political was one ad category that remained stubbornly old-school when it came to how money was spent, with the vast majority of dollars going to TV for four solid decades. The 2016 presidential campaign proved, for the first time, that a candidate doesn't have to match or outspend an opponent in TV commercials -- or even in overall funds raised -- to win an election."

If that's true, then how did the digital advertising landscape change after this election?

While President Trump spent \$340 million less than Romney spent in 2012, the 2016 cycle still represented a new milestone for political advertising, topping just under \$10 billion.

For many digital shops, the bonanza did not translate into higher revenues - leading to some criticism of market estimates. However, a closer analysis shows that while the \$1.5 billion spend did materialize, a lion's share went to tech giants Facebook and Google. Both of those firms have multiple sales channels -- some of which can work around resellers.

The fall-out from the miscalculations made by many of these resellers - many of whom added little value to the large firms' initial product - will echo through this year as many close, consolidate or seek new business models.

Okay, so how should consultants and buyers plan their digital advertising strategies for the 2018 election cycle?

To help political consultants and media buyers plan ahead for the 2018 election cycle, Spot-On created this 10-step guide, which illuminates the road ahead and serves as a practical digital advertising framework. Our overriding advice: use this past election cycle as a healthy 'reality check' to reset your online advertising strategies for the years ahead.

BACKGROUND: What we learned. How it can help in 2018

During the two months immediately before the 2016 general election, Spot-On surveyed political ad buyers, campaign managers and media consultants from both parties. What emerged is a portrait of a market still adjusting to the use of digital and online technology.

Key findings from Spot-On's survey include:

- **Digital Spend is Growing.**

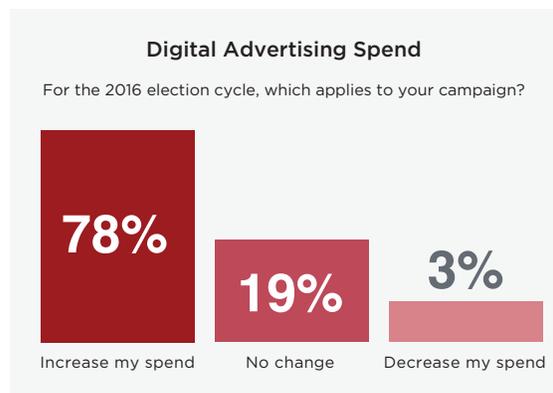
Regardless, of their level of comfort with digital campaigning, 60 percent of those surveyed said that they maintained or increased their spending online in 2016. One in five said they were increasing budgets by 25 percent or more.

- **Young professionals use the digital space better.**

An overwhelming number – 93 percent – of consultants and campaign managers over 45 years of age described themselves as knowing “enough to be dangerous” or “novices.”

Younger professionals, 76 percent considered themselves as “dangerous” or “expert” in their use of digital technology.

While younger consultants and buyers are more enthusiastic about the use of online, we found that many are guided more by vendors they like and trust, rather than by technical savvy or familiarity.



- **Consultants use of media based on experience, not effectiveness.**

The use of technology also differed by age. The majority of younger respondents said digital advertising was better than TV or traditional media when it came to targeting voters. Older consultants were less inclined to rely on digital for reaching voters calling online efforts “an emerging channel.”

Targeting isn't the be-all and end-all of digital ad buying. While it's extremely useful for larger statewide or national campaigns, an over-reliance on targeting can lead to fraudulent ad placement.

- **Everyone thinks the other party's doing better. They're not.**

There was no difference across the political parties when it came to the use or deployment of digital advertising. Regardless of affiliation, those polled shared the same primary concerns about measuring the effectiveness of online campaigns. At the same time, these professionals struggle to understand the variety offerings available and how best to use them.

This confusion is across the board. And it's the main reason we've created this guide. Knowing what you're buying and what it's going to do for your campaigns is the first step in being savvy and well-informed customers.

Key findings from Spot-On's research include:

1. There is no "digital" silver bullet.

Over the past few years, every candidate, elected official and consultant has become enamored with a shiny new digital toy. In 2008 it was the "Google surge" where consultants thought they were buying "all of Google's inventory" on election day. Then came the race for "likes" on Facebook. In 2008 voter file matching came to the forefront.

The use of "big" data, analytics, automation and sophisticated segmentation, is real, yet it doesn't work at every campaign level.

As political consultants plan for 2018, they should not put all of their eggs into one "digital basket" or rely on one vendor to meet every online need. Before adopting any technology approach, consultants and candidates should first establish some tangible goals for their digital advertising program: Are you trying to boost awareness? Is your goal to build an accurate database of voters in your district? Are you targeting specific segments of the population? The answers to these questions are different for a Congressional race than they would be for a statewide ballot measure – regardless of budget.

No single solution exists that will meet the unique set of campaign requirements. With this understanding and a clear definition of goals, campaigns should leverage a mix of best of breed technologies, digital channels, data sources and best practices.

2. Digital will elbow into the linear TV landscape.

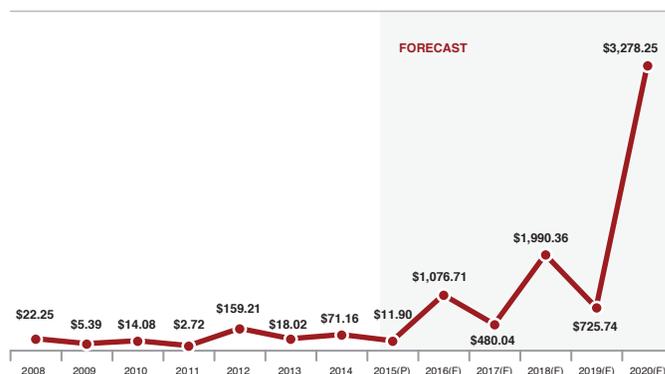
Targeting voters using programmatic ad buying platforms was an important driver of political ad spending during the 2016 cycle – with mixed results. The campaign that won the presidential race used its own – not 3rd party – data for its online targeting. And the campaign that lost used large databases drawn from years of party research and modeling.

According to Borrell Associates 2016 election post-mortem traditional broadcast TV spending fell nearly 20 percent this cycle compared with 2012, from \$5.45 billion to \$4.4 billion in 2016.

That said, television will remain an important channel – yet within a broader digital context. Specifically, video will be consumed cross-device (smartphones and other devices), including game consoles and traditional set-top boxes, all offering streaming services. This means all campaigns need a holistic strategy.

This is important as voters age. Younger voters will continue to push new online platforms (with Snapchat being eyed as the next shiny thing). Those younger voters aren't considered politically reliable and in 2016 many stayed home. But consider this: A first time voter in 2008 is now 26 and will be 30 for the next presidential election. That voter will be more familiar with streaming services than traditional TV 'stations.'

U.S. TOTAL ONLINE/ DIGITAL POLITICAL AD SPENDING, IN \$ MILLIONS, 2008-2020



Source: Borrell Associates, "2015 to 2016 Political Advertising Outlook"

3. Mobile technology and its promise.

In a multi-screen world, content is consumed on demand, everywhere and anywhere. The impact and visuals from digital video offers tremendous opportunities to the candidate or cause. In fact, video advertising garners much higher engagement rates compared to traditional display ads.

Mobile video has some challenges – several vendors want the aspect ratio for a vertical phone, not a horizontal TV set, and viewer engagement can vary wildly. A YouTube viewer will tolerate longer ads; those seeing ads in mobile apps want placements than can be easily skipped.

Mobile has also offered the opportunity to tightly target – or "geo-fence" ad placements. This can be a handy GOTV tool for polling places and other gatherings. But, as with many nascent technologies, the ability to directly reach individuals is over-sold and often over-promised. It can also raise the cost of ad placement and can diminish the "social pressure" aspect of an out-reach effort.

Also, let's be clear. We all know phones are mobile devices -- but so are iPads and tablets!

4. Design everything for the cross-connected viewer.

According to the Pew Research Center, 66 percent of voters are now viewing political content online. For candidates and campaigns, reaching voters where they are most engaged — via mobile and web — can only be accomplished with a highly focused multi-screen strategy.

In 2018, political consultants should produce ads that are fluid across devices since it's clear that the popular 're-purposing' of static mail pieces isn't as effective as it was when political ads were an online novelty back in 2008.

It's also a good idea to think about the intimacy of online viewing. Someone watching an ad on a bus with headphones is the only person seeing that ad — so producers can worry less about high quality production and more about message delivery that's compelling for that one-on-one interaction.

5. No more dumb banners! Rich media rules!

The move away from broadcast television means that online ads need to become as dynamic and engaging as a 30-second spot. So here's some good news. Those dramatic push-down video banners selling Apple computers that you see on the front page of USA Today and the New York Times? They can run on other outlets — same drama, same production values.

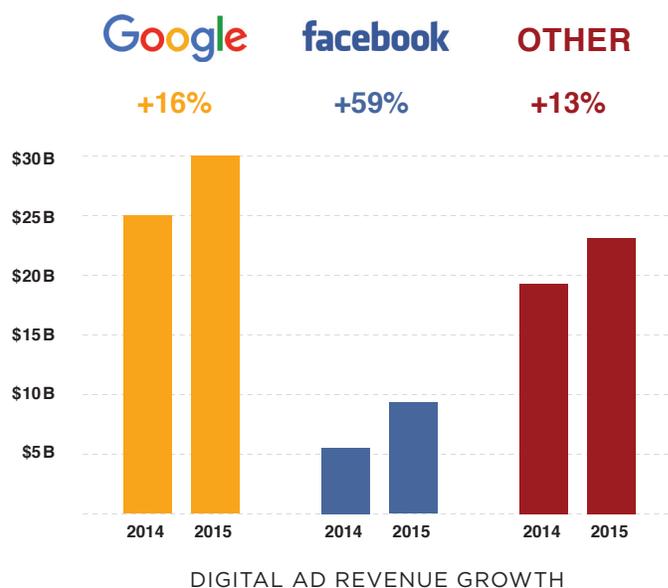
The cost for online placements like these varies greatly depending on the size of the audience. Which means that a 30-second TV ad can be cut down to a dramatic 10-seconds and run online on your local outlet of record. That same 30-seconds can also be used as a "pre-roll" placement on a cable news web page with the audio running on an Internet radio site (with or without banner ad support).

In other words, rich media offers a whole new way to engage voters — for a fraction of the cost that you may have assumed those big brand advertisers were paying.

There are some changes where consultants may need help with technical details: The death of flash banner ads means animated banners need special coding. And outlets can have different specs for different types of 'rich' media. But a professional placement firm should be able to handle these challenges seamlessly.

6. Facebook and Google will remain dominant.

During the 2016 election cycle, Facebook and Google were the clear digital winners. Facebook's ease of use, targeting tools and real-time feedback created a turnkey platform for campaigns to target its more than 162 million U.S. users. As a result, there is almost no reason to use an outside vendor for any Facebook effort. Those young persons who voted for the first time in 2008? They are now entry-level staffers and they're conversant with the buying platform and its implementation.



Source: KPBC Internet Trends 2016

Google has established dominance across the desktop and mobile platforms — not just with search and keyword ad buying long favored by political consultants — but with other channels like YouTube and its 'back end' purchasing platforms, AdX and DoubleClick Bid Manager. The YouTube channel has over 200 million US-based users that spend hundreds of millions hours a day watching video, mostly on mobile devices.

Given their broad reach and scale, the Facebook and Google duopoly will continue to consume a majority of digital advertising budgets. But that doesn't mean they're the only game in town.

7. Get social – and you can do it yourself.

For some politically insightful data points, social media can be your best friend, especially if it's used early in a campaign.

“Over 10 billion sharing and syndication events take place each month over social media”

A big data footprint is being created every minute through each like, comment and share. Political consultants and campaign managers are finding new ways to synthesize this data to provide voters with a seamless user experience as they move between channels and devices – spanning desktop computers, mobile devices or smart tablets.

According to *The Washington Post*, Senator Rob Portman was perhaps the 2016 poster child for creating a winning combination of a home-grown data warehouse and analytics to support targeted campaign ads and voter outreach. Building the right mix of data and analytics to support your digital advertising efforts does not happen overnight and requires a long-term vision – and sometimes multiple campaigns. Here too, the human element – experience and knowledge not just of a vendor but also a community or state – becomes extremely important to customize the right approach.

8. “Roll your own” data.

No two campaigns are created equal. As such, campaigns need to examine their data and targeting with an eye on the campaigns to come, not the ones from the past.

In 2018, each campaign should take a focused approach to building the right mix of data, demographics and other analytics for field, ad placement, GOTV and fundraising drives. Having the right data – and using that information for ad placement – can help deliver maximum impact from the paid advertising budget.

With the ubiquity of mobile, we are living in a “cookie-less” world, where “cookies” – online tagging methods that rely on voter registration information – are less useful. Cookies sit within the code that's used to display a desktop web browser. But more and more online access comes via tablets and phones which use a different kind of technology. Cookies can't work in that environment. They are not reliable and can lead to fraudulent ad placements.

9. Dramatic changes in Ad Tech will affect political resellers.

Over the past two years, brand advertisers have become increasingly frustrated with online ad performance. Why? Ad fraud. More than a half the time, ads saw fraudulent traffic created by people who make money by creating dummy IP addresses and “machine-generated” clicks, commonly referred to as “bots.”

Recently, brand advertisers have started to fight back and are demanding better reporting accountability and transparency. As a result, the ad tech industry has consolidated with fewer players and programmatic direct platforms emphasizing quality placements that are verifiable.

The rise of “fake news” content farms – sites set up to attract a specific kind of political viewer – is part of this trend. An ad targeted at a “likely” voter with a “voter-match cookie” is more likely to show up on a “fake news” site than it is on a legitimate outlet that attracts regular voters.

“In a Private Exchange vs. Programmatic world, the human element will still remain an essential component across the digital value chain”

So, for political ads in particular, the human element will still remain an essential component. With the continuation of fake news and click-baiting, one-on-one relationships combined with direct buys will protect advertisers while ensuring the ability to secure the best inventory.

10. Hacking isn't going away. Security of ALL data is going to become more important.

This past year, hackers exposed the vulnerabilities common in almost every organization that eschews basic tech security. If you're not taking steps to protect the data that fuels your campaign, you're asking for trouble.

This is basic stuff: Make everyone use passwords; change them periodically. Put sensitive information behind firewalls – on your computers but also your office Wi-Fi routers and storage devices. If a vendor offers an extra layer of security, use it.

All the best laid plans will go up in smoke if a hack exposes campaign strategies, denigrates the quality digital campaign data or compromises important information.

ON your mark....

During this off-year election hiatus, every political consultant should brush up on their digital skills – using the time to bolster digital aptitude will pay tremendous dividends down the road. Those that prefer to stick their head in the sand and wistfully yearn for “the good old days of broadcast television advertising” will be sorely disappointed.

Consultants should become digitally versant in the following four areas:

1. Know your vendors:

Their strengths and weaknesses. Vendors with complementary strengths can and should work well together.

2. Ask questions:

Candidates and consultants need to hold their vendor partners accountable for managing their digital advertising spend with measurable results. Getting the brush off? Ask yourself “why?”

3. Be discrete using “data”:

Not all data has to come off the shelf. Voter lists can be handy for field and mail but not useful for small online campaigns.

4. Look at Rich Media:

Think about using video in all placements. The cost isn't prohibitive; the pay-off is huge.

ABOUT SPOT-ON

Spot-On is a cloud-based political ad buying platform based in San Francisco. The firm's clients are all over the country and include advocacy and lobbying efforts as well as candidates and campaigns.

Spot-On Contact: Chris Nolan cnolan@spot-on.com