

Nielsen Holdings PLC / Ebiquity PLC Merger Inquiry

COUNTERFACTUAL – NON-CONFIDENTIAL SUMMARY

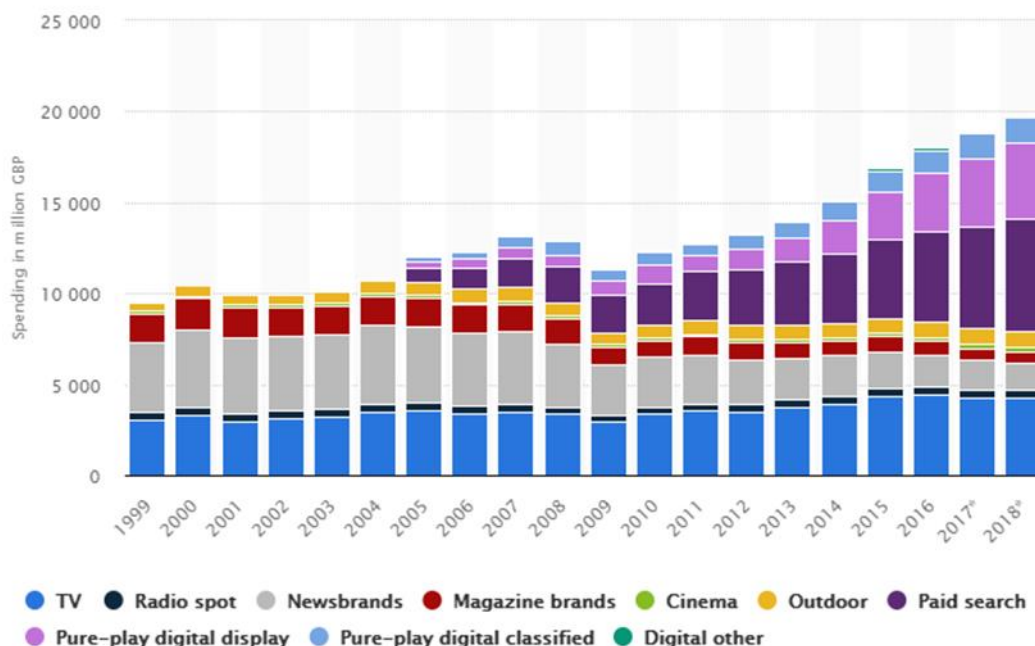
1. Introduction

- 1.1 This non-confidential summary paper sets out the basis for the parties' belief that the conclusion reached by the CMA in its Phase I Decision - that the correct counterfactual was one in which the pre-existing conditions of competition between Nielsen and Ebiquity would prevail - is incorrect.
- 1.2 The paper builds on the information that Ebiquity provided to the CMA during the course of Phase I, including on the following points:
- (a) Current trends in the advertising market (including developments in the methods by which advertisements are placed and how these are monitored);
 - (b) The challenges posed by these developments to all operators within the advertising monitoring market;
 - (c) The substantial funding needed for the technological expertise and innovation required to keep pace with these developments;
 - (d) The pressure on clients' marketing budgets; and
 - (e) Ebiquity's strategy as regards Bloom if the merger were not to proceed.

2. Advertising Market Trends

- 2.1 The market in which advertising monitoring operates is rapidly changing as advertising moves online.
- 2.2 The table below shows digital media channels in the UK now take a higher share of advertising revenue than their traditional counterparts.

UK ad spend by media 1999-2018



i) **Digital Display**

2.3 Monitoring digital display advertising that is not within a ‘walled garden’ (i.e. a service that requires a login to access, such as Facebook or Twitter) has ongoing technical challenges which make accurate and effective capture difficult.

ii) **Non-broadcast and addressable TV**

2.4 Broadcast TV now makes up only 71% of TV viewing, and 16-34 year olds watch more non-broadcast content than broadcast content, clearly paving the way for the future of TV viewing.

2.5 Within broadcast TV, broadcasters are adopting new advertising models. Sky TV, through its Sky AdSmart innovation, can serve different ads to different audiences watching the same programme. AdSmart revenue is up 29% year on year as more advertisers adopt this “addressable” form of advertising. Last autumn, ITV announced a partnership with tech company Sorenson to enable audiences with smart TVs to receive addressable advertising. ITV’s initial pilot went live in Q2 2018. Channel 4’s All4 platform is already only offering addressable advertising to advertisers, and they are also working on rolling this out to broadcast channels.

2.6 The companies which are able to monitor advertising in addressable TV are also using the data for other purposes, such as audience measurement and advertising targeting – meaning that the investment in technology is worthwhile.

iii) **Growth in Marketing ROI / Effectiveness consultancy services**

2.7 Advertisers place ever-increasing scrutiny on their marketing and advertising budgets, and there has been an explosion in the amount of data that an advertiser holds about its customers and their purchasing behaviour in recent years. These two factors mean that more and more companies spend a significant amount of their marketing services budgets on return on

investment studies and econometric modelling to help understand and plan their marketing activities. The market for such consultancy services has expanded rapidly over recent years.

- 2.8 Ad Intel competes for budget with such services, meaning that many companies have stopped or reduced their budgets for Ad Intel or other forms of competitive monitoring to make money available for ROI / Effectiveness work.

3. **Implications**

- 3.1 With the advent of so many digital routes to market, demands on marketing services budgets have proliferated.

- 3.2 As these routes have developed, so too has the need to secure a consistently high level of investment in developing the technology and expertise required to monitor new forms of digital advertising and track the data that brands cannot source elsewhere.

- 3.3 As traditional media advertising continues to decline, high levels of investment are required to focus fully on the developments within the digital ad-monitoring market.

4. **Conclusion**

- 4.1 The advertising industry is experiencing a period of fast-paced and disruptive change, and has become an industry in which all operators must rapidly evolve and adapt the services that they offer in order to remain relevant.

- 4.2 The proposed merger will give Bloom increased ability to fund the technical developments and innovations required to keep up with the changing market in which it operates, and to ensure that services remain available and relevant to clients in the long term.