THE POSSIBLE

Automation and artificial intelligence could squeeze a lot more money out of advertising sources, if media is willing to invest in them.

THE HIGH-DRAMA race between candidates running for the U.S. presidency is expected to mount as more debates take place over the coming months. And with that will come a huge increase in the amount of money that political marketing teams invest in advertising – most notably TV stations, where the majority of spending traditionally takes place.

Kantar is projecting a 34% increase in 2020 election spending across all forms of media compared with the 2016 election cycle, to $6 billion. This means exciting revenue growth for sellers and a growing momentum to rapidly place and run ads – particularly in swing states.

However, "spending" $6 billion is not necessarily a straightforward process. As all political agencies know, less than 100% of the intended advertising investment is actually spent during a campaign. Hundreds of millions of dollars could be left on the table. Additionally, a portion of the advertising that runs during the campaign may not meet the agency's business rules, resulting in credits to the agency for ad dollars not invested.

It's easy to pinpoint the main problem: outdated back-office technology, particularly in the television industry, which is plagued by manual processes and work-arounds that cause errors and slow transactions. Those issues have real revenue implications.

While this holds true for all forms of television, it's mission critical for local broadcast stations, whose perennial ad client categories – like automotive and telecommunications – have been in a low-growth to flat mode, on average, in recent years. What's more, while some marketers that had delved into digital solutions are now investing more of their budgets in television, digital's much easier buying processes continue to give TV a run for the money.

Several companies that provide automated and artificial intelligence solutions are bent on helping media companies transform the ad buying and selling processes so that heavy-lifting tasks are handled in ways that are accurate, accelerated and in-flight.

For media companies using legacy workflow and software systems, the challenge in implementing the new solutions

DREAM

By JOAN FITZGERALD

generally boils down to two areas.

The first is competing technical priorities. Media companies that know they need to invest in automation are pulled in many directions as they also expand digital advertising and create consumer services using new technology, like ATSC 3.0.

The second is the concern that automation will introduce new transaction fees, like digital advertising has experienced. In that realm there is a significant transaction "tax" paid to ad tech companies for each transaction. The investment bank Luma Partners estimated the transaction tax to be as high as 40% back in 2017. Television media companies don't want to repeat the mistakes of their digital counterparts.

Despite those difficulties, the promise of automation and artificial intelligence is tantalizing. When executed properly, they make sure that 100% of the advertising dollars are invested so that media sellers can reclaim lost revenue.

This helps eliminate three different problems:

- Credits for advertisements that didn't run or didn't run correctly;
- Make goods – in other words, additional ad placements for spots that were either preempted or didn't match guaranteed audience levels;
- Write-offs for issued invoices that were successfully contested by buyers or not paid due to ongoing disputes about discrepancies.

AGENCY PERSPECTIVE

Agencies that manage fast-moving accounts also should be motivated to bring AI and automation into their backend systems to execute transactions more quickly and with more accuracy, and without spending more money to accomplish this.

"Our goal is to improve the workflow process to create more efficiency and effectiveness for our clients. Our clients want the right outcomes for their brands, and they need results right away. We need to be able to transact faster and more accurately without increasing the cost of doing business," says Karine McMaster, vice president, director of advanced local media at Dentsu Aegis.

But that only will solve part of the problem for them. An executive at a political agency told me that his team was still doing invoice reconciliation – interrogating station sellers about invoices line-by-line to determine how much credit the political client was owed – a full nine months after the 2018 election concluded.

Invoice reconciliation is a significant problem at all advertising agencies, not just political agencies. It is time-consuming and labor-intensive. Because of this, less than 100% of the clients' money is invested. Automation and AI find errors before they become problems in the invoice, which is a big win for buyers and sellers alike.

"We want to buy media with more precision to deliver a better response to advertising for our advertisers," says Kyle Roberts, president of Smart Media Group. "It's critically important that we get data faster to drive our investment decisions, so we can make sure all of our client dollars are invested."

That perspective is shared by many different types of marketers, from fast-moving brands to direct response advertisers. If a clothing retailer needs feet in the stores for a sale on Friday, it won't do the buyer much good if the ads are run the following Monday.

Direct response advertising agencies have their own particular problems. They play an unwelcome game of "chicken" with their advertising investments by making educated guesses regarding how much advertising to order, knowing that TV stations are likely to bump some of the ads in favor of other spot advertisers that pay them more money.

Unfortunately, the percentage of unaired ads varies. Let's say the brand's budget for advertising is $70,000. To spend $70,000, a direct response client's agency may have to place an order worth $80,000, or $90,000 or $100,000. And it could take months to determine the actual cost of a campaign.

It all boils down to a "lose-lose-lose" situation for buyers, sellers and advertisers. Advertisers expect that the dollars they allocate to advertising will be invested. When that doesn't happen, they don't meet their communication goals with consumers. When buyers invest less than 100% of the advertiser's money, they don't meet client-service-delivery goals for the advertiser and receive a lower commission. When sellers place less advertising, their revenue is reduced.

THE STATION POV

Sources at leading broadcast TV station groups estimate that revenue lost due to invoice reconciliation is between 1% and 6% annually. Based on Kantar's estimate that the local TV industry garners $18.2 billion annually, the shortfall due to discrepancies is between $182 million and 1.2 billion.

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Many types of discrepancies can occur, including the wrong creative message; an ad that did not run in the right time period; a spot used in the wrong rotation or pattern; or the wrong number of ads placed.

One major TV station group finance manager estimated that creative errors alone – when the wrong commercial ran – accounts for between 7% and 10% of all lost revenue.

In many instances, agencies discover that discrepancies have occurred after a campaign has run. Automation and AI allow for in-flight reconciliation, because buyers and sellers are able to track potential problems in real-time or near real-time.

To understand the significance of this, consider that today the number of manual tasks in the back-offices of agencies and television stations is staggering. Local television ad sellers require staff to key-enter crucial ad-buying data and business-rules information from agency buyers. Then they need to personally email performance reports to agency buyers.

Communication regarding advertisements that didn't run or didn't run correctly is time-consuming, requiring multiple phone calls and emails between buyers and sellers. Additionally, when advertising is preempted and does not run, approvals by the agency to authorize the changes aren't automated and can take days or weeks.

There is another speed bump: when crucial transactional information is stored at each individual television station instead of in a centralized location at the station group level, finance executives face hurdles in obtaining the data they need to quickly and effectively measure business performance.

Critical historical data about the inevitable changes that happen during a campaign are not at their fingertips. They can't quickly determine the status of every advertisement in the invoice.

Politicians often describe idealistic worlds as they lay out how they intend to change opportunities for Americans in their speeches. Like them, I foresee a day and age with significant changes, but my scenario could be much easier to obtain than electioneering promises.

Imagine a world in which invoices are clean, accurate and discrepancy-free. Reconciliation requires a simple sign-off by the agency finance team so that invoices are paid immediately. In-flight reconciliation is possible. In fact, media problems might even be eliminated before a campaign begins. Automation and AI are key to making those dreams come true.

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SHOULDERING THE LOAD

MANY COMPANIES HAVE MATERIALIZED IN RECENT YEARS THAT ARE INTENT on helping media buyers and sellers perform various tasks using automation or artificial intelligence (AI). Generally, they do this in three different ways:

Manual tasks – Automation excels when it is used to replace time-consuming, tedious, repetitive actions that lead to errors and slow decision-making. Quite simply, it gathers and centralizes the data required for expert decision-making much faster than humans can. It finds errors instantly.

Large data sets – AI is extremely beneficial when the volume of data for analysis is simply too large for humans to handle in a timely manner, given the immediate turn-around that's required in today's transactional environment.

Consider that thousands of advertising buyers each run tens or hundreds of advertising campaigns in a short time period. AI establishes a translation layer between buyers and sellers so that naming conventions and business rules don't get in the way of seamless, real-time transactions.

Problem solving – AI is able to identify a set of possible solutions to tough media problems so that staff members can focus on selecting the right solution and spend more time on revenue-generating, client-focused activities.

As part of the process, AI interrogates large datasets and creates a set of possible solutions instantly, much faster than humans can create them. Make no mistake, people ultimately decide upon the optimal solution, analyzing choices and assessing trade-offs.

Once the solution is selected, automation can store the solution to memory so that it can be reused where needed. Once solved, always solved.