Deloitte.

User Friendly: Season 8, Episode 1
November 2024

Marketing to kids: Strategies to effectively engage young audiences amid evolving regulations

Host: Hanish Patel, Managing Director, Deloitte Consulting LLP

Guests: Eric Berger, CEO, Common Sense Networks

Hanish Patel: I'm Hanish Patel, and this is *User Friendly*, the show where we explore emerging trends in tech, media, and telecom and how they impact business, operations, and the world around you.

The landscape of kids and family advertising and marketing is undergoing a profound transformation. The rapid ascent of digital platforms and the decline in traditional linear TV viewership have significantly altered how children consume content. From scheduling, programming, to on-demand services, gaming platforms, and social media, the shift is monumental.

This fragmentation of the audience presents unique challenges and opportunities for marketers aiming to effectively reach and engage young viewers. But how can stakeholders on both the buy side and the sell side adapt to stay relevant and effective?

Today, I'm joined by Eric Berger, CEO of Common Sense Networks. We'll explore the evolving marketing and advertising strategies that resonate in today's digital-first environment—understanding the regulatory implications impacting the dynamic world of children's advertising—and discuss the importance of co-viewing, where parents and children watch content together across multiple platforms.

So, with that, Eric, welcome to the show.

Eric Berger: Thank you. Great to be here.

Hanish Patel: Alright, so let's just get straight into it and to kick it off, I've got a little bit of a two-part type question. First part being, can you describe the current landscape of children's advertising and marketing,

particularly how the shift from traditional TV to digital platforms is impacting content and consumption?

And then the second part to that is a bit of a follow-up: What strategies are marketers employing to connect with this young, digitally savvy audience?

Eric Berger: Sure. I like to start off by sharing why kids are a really important sector. The prevalence of technology in the hands of these digitally native kids has empowered them to discover and engage on all kinds of platforms.

They watch differently than previous generations, they're more social, they're more interactive. But these kids do have a greater influence and impact as decision-makers within the family unit today. I mean, their dynamic with millennial parents is very different than the Gen Z/Gen X dynamic.

And so, we like to think of these kids as in-home influencers, and that's happening right now. But at the same time, they're forming brand loyalties today as we all did when we were young, which is really important to brands as these kids grow up and have more purchasing power later in life.

So, in other words, it's important to nurture lifetime customers by developing the segment authentically, today. It's a true lifetime value approach, but at the same time, we have to be really cognizant that this is an incredibly vulnerable segment that is worthy of protection and making the effort to lean into these unique ways to connect with this audience.

So, in that context, I'd say there's four quick things that are really different in the market. The first is, and you touched on this, format. So, when it comes to video, they have migrated from long-form to shorter-form content that is topic-based, it's creator-based, it's available on open user-generated platforms overwhelmingly more than other services—and those platforms are designed for adults, so they come with their own limitations.

And then the second is time. I mean, the average child now consumes approximately five hours of media per day, and almost half of that is on interactive platforms.[1] So, it's really shifted from the traditional media.

I mean, even the video piece—90 minutes a day on short form on YouTube; the balance on shorts and TikToks and social and other platforms.

So, big fragmentation going on, as kids moved away from scheduled programming towards these on-demand services, towards these game platforms, towards social media. And if you're a brand or a marketer, it wasn't that long ago that there were three television channels, and it was pretty understood how to do the marketing.

And that's moved to thousands of channels on multiple platforms and formats, very hard to distinguish what's appropriate, but very critical for brands to meet kids where they are, or you just forget being authentic.

I think people forget, and this is sort of the fourth one that's really changed, people really forget that kids are people too—different ages, different life stages, different tastes, different platform preferences—and sort of leaning into that is going to become more and more critical over time.

Hanish Patel: So, firstly, thank you for that backdrop in terms of kind of where we are today and how that's evolved. I want to dig in a bit deeper around that evolution and just particularly kind of the way that the market dynamics are evolving.

And you touched upon how the creators are needing to adjust, but if we look at those content creators, content publishers, what's that big impact that's taking place when they're really looking at kids and the family ecosystem overall?

Eric Berger: A lot of the creators that we work with, they've really had to stretch themselves to be on a variety of platforms for a lot of reasons, and one of those is just a very practical reason of bringing in more revenue into their business.

If you're not playing the algorithm game and being bid up on your core platform where you start to move to other platforms, you're dealing with some of those discovery challenges, but at the same time, you need to be there to bring in other revenue.

And so, from conversations in the market, a variety of publishers and creators felt that their organizations are just not prepared for the future, particularly in terms of needing these diverse skills and adaptability across the multiple platforms. Again, just going back to as opposed to [those] more straightforward TV-centric strategies.

So, navigating these new technologies like AI-driven content development are critical in order to scale. These publishers are challenged to deliver everything that a brand wants or else sometimes brands will move on. There's only so many publishers that they can work with.

And so, as a publisher, you need to partner and offer a breadth of products—more products than you used to offer to a brand—across TV, YouTube, social, Roblox, fast channels, so that you can be competitive.

Hanish Patel: So, let's kind of stick with the advertising side of it and, Eric, you mentioned a couple of those challenges as well, but if we think about this rapidly changing environment that you have highlighted upfront, and particularly when we think about children's advertising, how are the brands and advertisers trying to address the challenges posed by the regulated environment?

Eric Berger: Well, first let me just comment on this regulated environment and just some of the key laws that govern what can and can't be done because I think there's always some confusion around that. So, in the United States, it's COPPA, the Children's Online Privacy Protection Act, and in Europe it would be GDPR, the General Data Protection Regulation.

And at the highest level you can think of this regulation as about privacy. A brand or a platform cannot use any personally

identifiable information, PII, to target a child without the express permission from the parent.

And so, this is for 13 and under in the US and 16 and under in Europe. All the things are moving very quickly in the United States right now to raise that age to 16 as well, which would have a pretty profound impact on marketing to 13- to 16-year-olds.

So, what brands can do is target a piece of content that is a proxy for the child versus targeting the child themselves. So, we call that contextual content targeting. Kids are an important group and they're worthy of our protection.

And so, yes, there is regulation that comes with that, but we can really lean into this audience in new and interesting ways. And we find with the brands that we work with that, sure, they need to be educated a bit more, stretched a bit more, but ultimately, we look at this as a positive outcome for everybody due to those short-term benefits we mentioned before, those in-home influencers and the long-term benefits of building brand loyalty and tapping into future spending patterns.

Hanish Patel: So, it's really about getting smart about targeting the content and not the kids.

Eric Berger: The most savvy brands do recognize that these kids are people, too, and not a single homogeneous demographic, and what's funny is we don't talk about adults this way. We acknowledge their unique characteristics and psychographic attributes, but kids are no different—a 2-year-old is vastly different than a 10-year-old.

Some kids like sports, others like science and math, artistic pursuits, video games. I mean, this is the way brands need to be thinking about reaching kid audiences through a much tighter, contextual content alignment with their various interests and lifestyles.

And if that means that brands need to use more third-party content data solutions that allow them to align their brand more effectively with content and services, then so be it. But again, the savvy brands are moving in that direction and recognize those unique qualities of this market.

Hanish Patel: I was just thinking about my own household and my two [kids] and just the various things that are, I guess, competing for their time. The fragmentation that was mentioned earlier and just where you talked about kind of building that loyalty over time and evolving strategies—to use your phrase, "Kids are people, too," Eric.

Eric Berger: And I would just be remiss if I didn't say that as all this change is taking place, you just need to be careful about ensuring that kids can separate the content from the advertisements' call to action, which admittedly gets harder with all of these interactive experiences, but it is just one of those things about the kids market and the privacy rules that we need to be cognizant of as we move in this direction.

Hanish Patel: So, in terms of differentiation between, let's say, the content and the advertising. During the current period that we're in, not something goes by without someone mentioning AI, so I'm going to mention it and kind of differentiating between the use of AI and otherwise.

How can buy-side and sell-side organizations leverage AI to one, improve the performance of, say, contextual marketing and advertising effectiveness, particularly as this landscape is evolving and, as you mentioned, being able to differentiate for the audience between what is advertising and what is content? Where do you think AI has a role in this?

Eric Berger: Great question. Well, let me just start with the contextual content matching at scale. So, today, marketers use existing tools offered by platforms to target an ad against a piece of content that's a proxy for the child as I mentioned.

The problem is the tools are oftentimes just scraping the keyword data provided by the creator that is vague at best and inappropriate at worst. And so, we hear from brands all the time about media waste. They want to reach an 8-year-old with a sports-related toy, let's just say, but instead their ad shows up in front of preschool content because the tools aren't effective enough.

And so, we found that by adding enriched metadata at the video level—not at the channel level, but the video level—we can enable a hyper-contextual match with better alignment. That means no or little waste, which is way more efficient, and the match makes the creative that the brands have invested in more effective as well.

So, that said, you're limited by the scale of this human review and the ability to add metadata to go down that path. But if you have a combination of human plus technology, we can train these GenAI tools on human metadata to be able to recognize similar and appropriate content with rich texture at a massive scale.

So, essentially using this technology, we can categorize the whole sea of content that is appropriate for kids across platforms and suddenly make it usable, make it efficient, make it safe for marketers, for the first time.

So, what does that mean? It means that brands can reach deeper to find more content that aligns with the campaigns without hitting the usual suspects. The usual suspects, I mean, they'll go down the list of the top 25 channels and they'll bid or buy on those, and those can carry high prices as a result, and it doesn't really give them much breadth or differentiation.

But now, with this data, they can go deeper—or they can create lists that they use or refine their existing lists through the use of AI to better plan and optimize their campaigns. So, that's AI and all the contextual content matching.

In addition, the buy-side orgs are really trying very hard to develop robust data and analytics sets and skill sets to analyze large datasets and identify these trends, these patterns, these insights to better understand audience competition, measure ROI, optimize marketing strategy—and AI really fits in well here in optimizing all of the analytical capabilities.

And then the third place there we see it from our partners is on the creative side. So, AI really assisting in creating varied content formats quickly, such as video clips, images, text-based ads, all tailored to different platforms.

Hanish Patel: So, I'm going to pivot slightly. I know we could really go long on this whole AI topic, but I'm going to pivot us to a slightly different angle, if I may. If you think about the shift of particularly the younger consumers and their preferences towards, say, social media videos, live streams, what kind of challenges do you see that brands are facing when they're trying to collaborate with these content creators or the in-home influencers, particularly in the light of kind of that growing influence that these creators have on the ultimate buying journey overall?

Eric Berger: It shouldn't discourage brands because there's ways to do this right. What I think what you're saying, and we always say, is just choose wisely. You can't have creators that are doing what we would call overt consumerism.

So, just really mixing the brand with the content in a way that is not only inappropriate, but it just leads to increased materialism. If not done appropriately, it's confusing for the child, and moreover, it's really frustrating for the caregiver.

You don't want these materialistic behaviors to come through as the kids are trying to enjoy content or learn from the content. So, it's all about separating the brand message from the content effectively. So, the execution is key, but the selection of the content creators is really key as well.

Hanish Patel: So, I think what I'd like to do as we kind of bring this to a close is, Eric, earlier on you touched upon how in the US it's 13 and under, potentially going to 16 soon and already in Europe at 16.

So, kind of sticking with that, with the potential stricter regulations on the horizon, how can buy-side, sell-side stakeholders effectively adjust their strategies to meet the new consumption habits as we described, even with our own kids in the home—how they're the influencers, how they're looking at different formats, different mechanisms to get their content.

What can they be doing to really adapt towards these consumption habits that are evolving and potential stricter regulations on the horizon?

Eric Berger: So, we think there's five things that are effectively a blueprint for both publishers and marketers looking to reach Gen Alpha. And they have to do with media buying, with data analytics, with the content creation, dealing with regulation but setting up the organization itself.

I mean, I'll just start with media buying and optimization. The whole pre-campaign planning and mid-campaign optimization using this hyper-contextual content data solutions really is the only way to effectively meet kids where they are and reflect this concept that we've been talking about, that kids are people, too, with their own tastes and their own passions. It helps you to avoid media waste.

So, that's one of the things that we feel is really critical as it relates to this media buying and optimization.

Eric Berger: And it's a lot about making choices, for both the publishers as well as for the brands, about where they want to develop the skills in-house and where they need to seek out partnerships. But it's not really a choice that you need to be able to be putting content out, again, either to attract brands as a publisher or to reach kids as a marketer.

And so, it's working your way through platform by platform and lining up where these capabilities are going to come from on the content creation side.

Hanish Patel: So, Eric, talk more about some of the other items on your list.

Eric Berger: And as it relates to regulation, I mean these laws are going to continue to evolve, and they're already intimidating for many, and some aren't participating. Some of the largest streamers aren't participating in advertising to kids under 13, and we want to make sure that there's a healthy ecosystem where kids and families have access to content, and advertising plays a really important role in that, where creators are getting monetized.

And so, it's important to work through this, and we don't want brands to be caught off guard as laws extend protections up to age 16 in the US. And so, partnering with people who can help you navigate in ways to take advantage of these in-home influencers today that build a lifetime value to tomorrow in a safe and compliant manner is a very important recommendation that we have for others.

And then the last one is just the organizational capabilities. As you think about all of this—the content creation, the data analytics, the media buying that we've talked about—building these cross-functional teams is critical to address the complex challenges in kids and family advertising.

And so, setting up a marketing or publishing organization that reflects this new Gen Alpha world versus just tinkering with an old school media model, which is what we see in a lot of organizations, is critical for brands and for publishers moving forward.

Hanish Patel: I mean, we've certainly unpacked a lot here when it comes to the evolving world of children's advertising, as we move from more kind of traditional TV to digital platform.

Certainly, a continued changing of the landscape and particularly how they're advertised—not to, but how they can be exposed to advertising so to speak—and the adapting consumption habits for them and what those potential challenges may well be for those content creators, content publishers, the impact of regulation and compliance of, and even where AI has a clear role and opportunity here with regard to advertising and marketing of.

It's very interesting the way that you covered the challenges, the opportunities, that they're facing through that and the takeaways as someone as a brand or a publisher needing to adapt their strategies to effectively reach and engage those younger viewers, complying with those regulations, and bearing in mind, they are the in-home influencers of what that means in the buying journey.

This has been a fantastic episode to really kind of touch upon all of those areas and unpack a lot of information here for our listeners. So, with that, I really want to thank you, Eric, for joining me today and offering your perspectives. And to all of our listeners, until next time, happy listening.

Thanks for listening to *User Friendly*. To subscribe or listen to more episodes, search for Deloitte User Friendly in your favorite podcatcher, or find us online at userfriendly.deloitte.com. If you like what you hear, please rate us on Apple Podcasts and leave a review.

Endnotes

1. Qustodio by Qoria, *Born connected: The rise of the AI generation – Annual data report*, 2023.

Explore more episodes of *User Friendly* at:

userfriendly.deloitte.com

Deloitte.

This podcast is produced by Deloitte. The views and opinions expressed by podcast speakers and guests are solely their own and do not reflect the opinions of Deloitte.This podcast provides general and educational information only and is not intended to constitute advice or services of any kind. For additional information about Deloitte, go to deloitte.com/us/about.

About Deloitte
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States, and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

Copyright © 2024 Deloitte Development LLC. All rights reserved.
9634909