

A low-angle, upward-looking photograph of several tall skyscrapers in a city, likely New York City. The buildings are made of light-colored stone or concrete and have many windows. The sky is a pale, overcast grey. The perspective makes the buildings appear to converge towards the top of the frame.

The Outlook for Data Driven Advertising & Marketing 2020

Bruce Biegel, Senior Managing Partner

New York, NY || January 16, 2020

Review: Looking Back at 2019

2019: Slow, But Steady, Economic Growth, Stock Market Outperformance and More “Story” Than Transformation



Consumer spending was the driver that kept GDP growth positive at an estimated 2.3% (down from 2.9% in 2018)



Unemployment hit historic lows for the second consecutive year, a catalyst for consumer confidence and spending



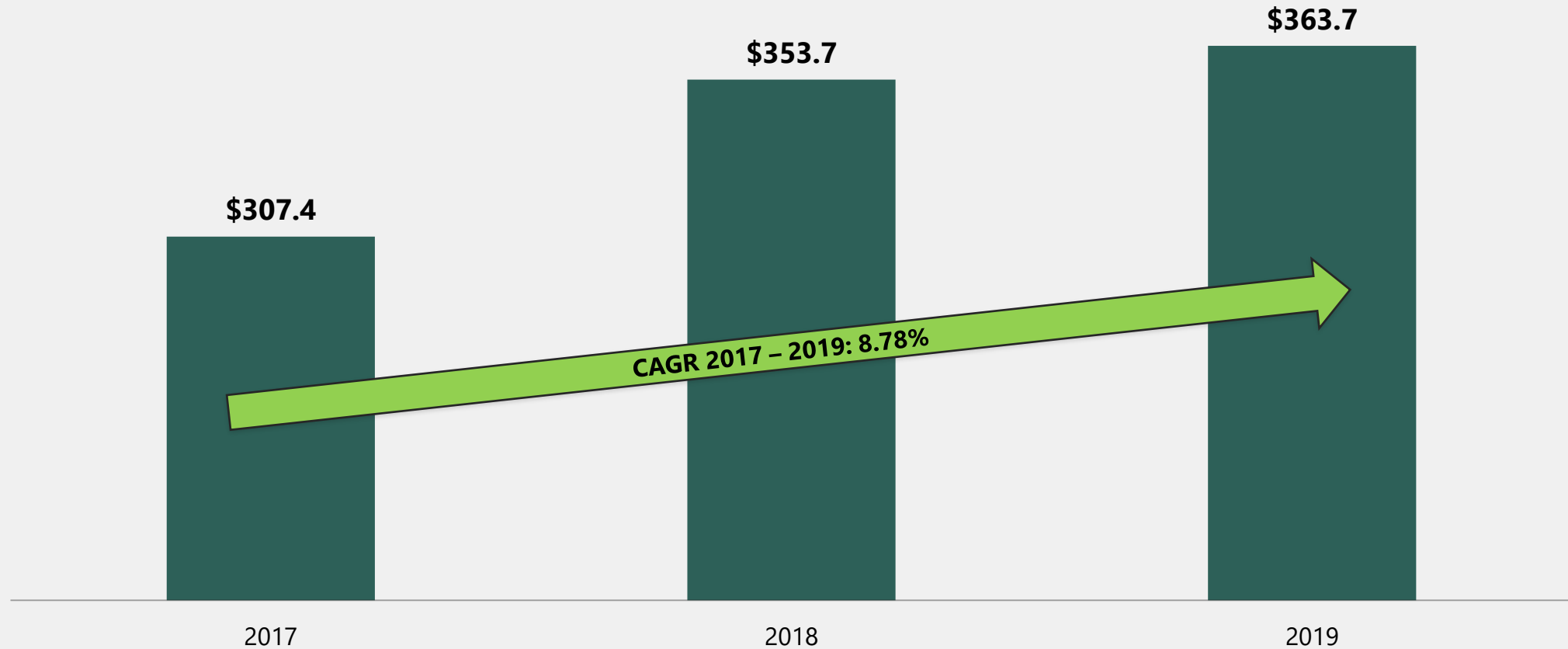
Corporate profits were flat (0.03% YoY) with steadily lowered expectations as the year progressed; **stock markets had a tremendous year**

The stories that we watched:

- The **political** stories were **impeachment and Brexit**
- The **economic** story was **tariffs**
- The **media** story was about **control and privacy**

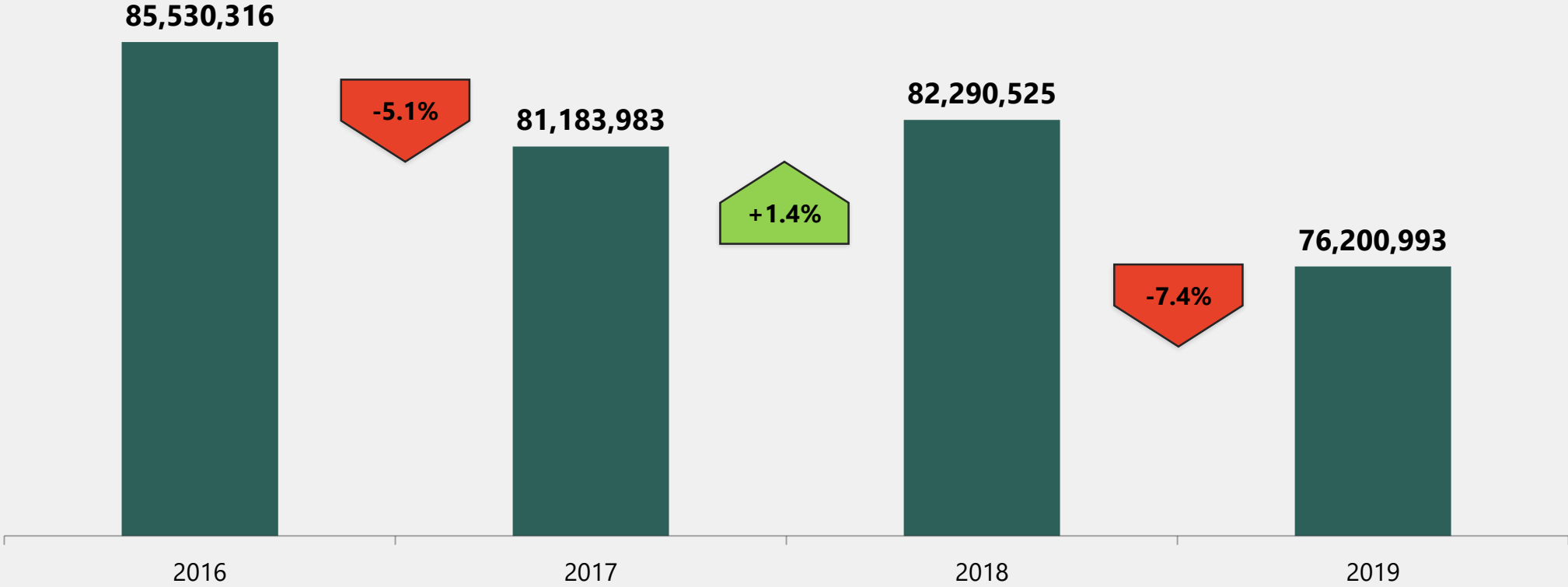
The Stable Economy Lead to Slow and Steady Overall Advertising and Marketing Growth

U.S. Advertising and Marketing Spend, 2017 – 2019 (\$BB)



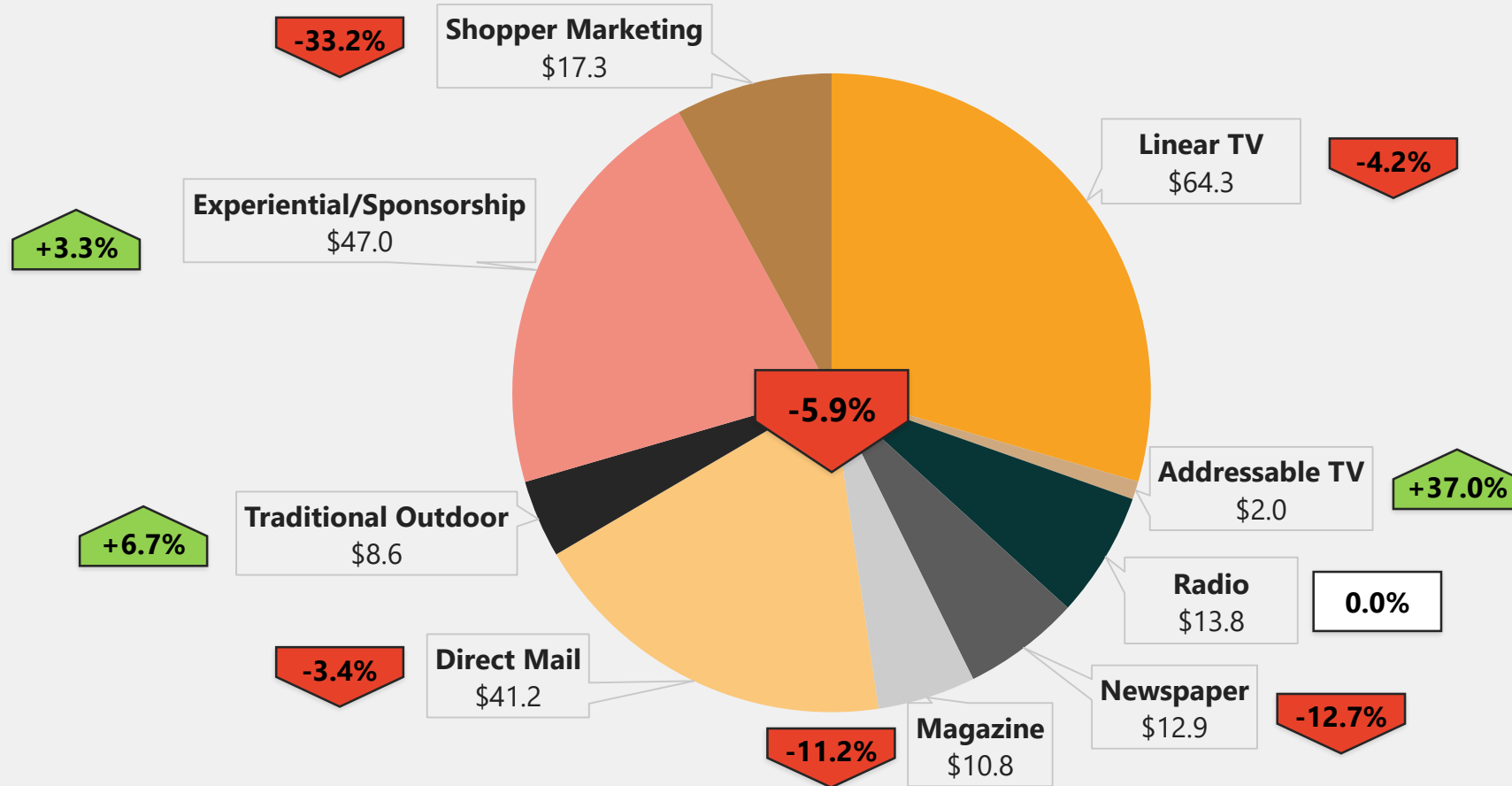
But Not All Channels Had the Same Experience

Direct Mail Volumes, CY2016 – CY2019



Review 2019: Offline Media Spend \$218BB as Direct Mail Decline Continues; Addressable TV Spend Accelerates

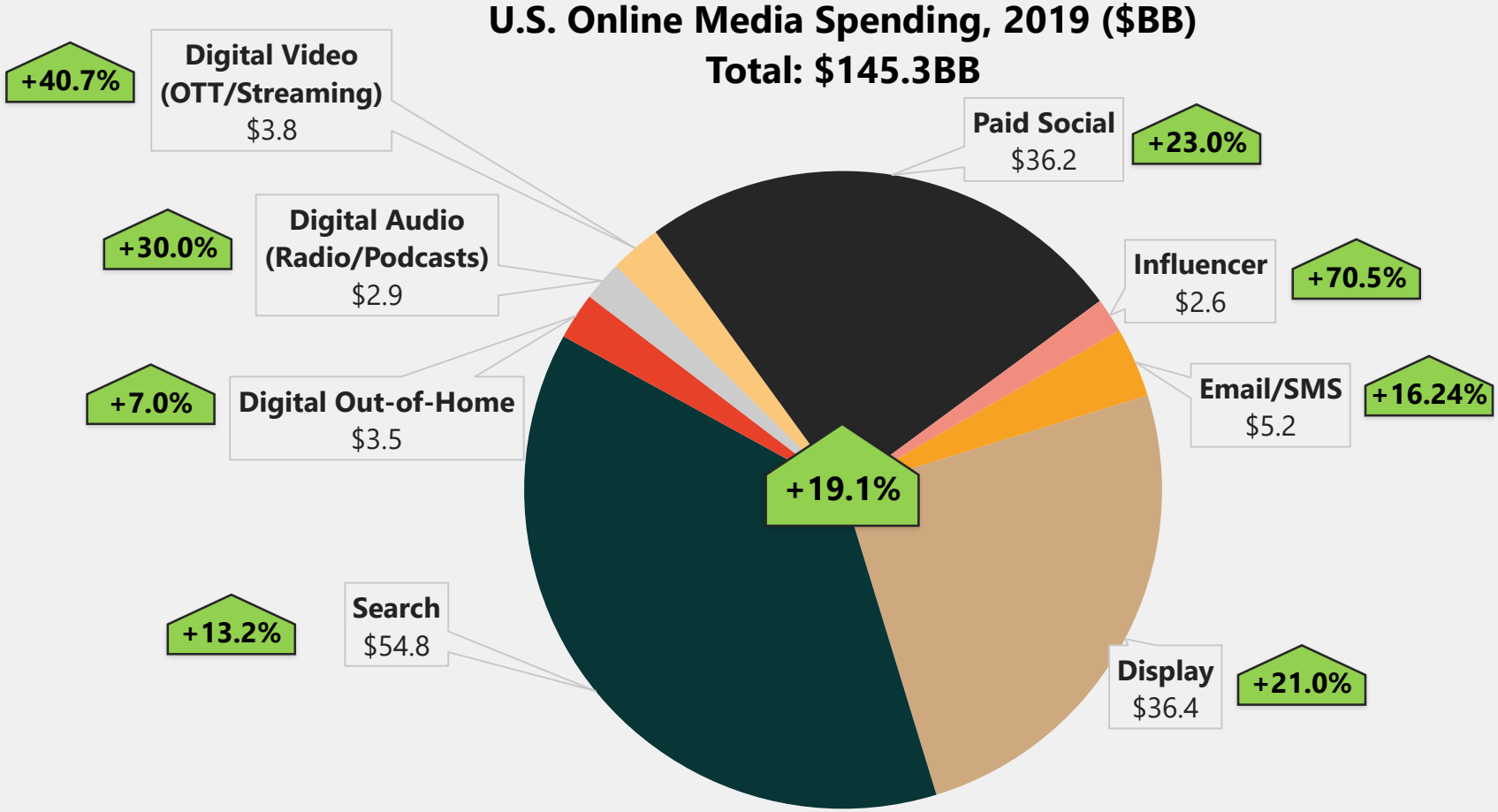
U.S. Offline Media Spending, 2019 (\$BB)
Total: \$218.1BB



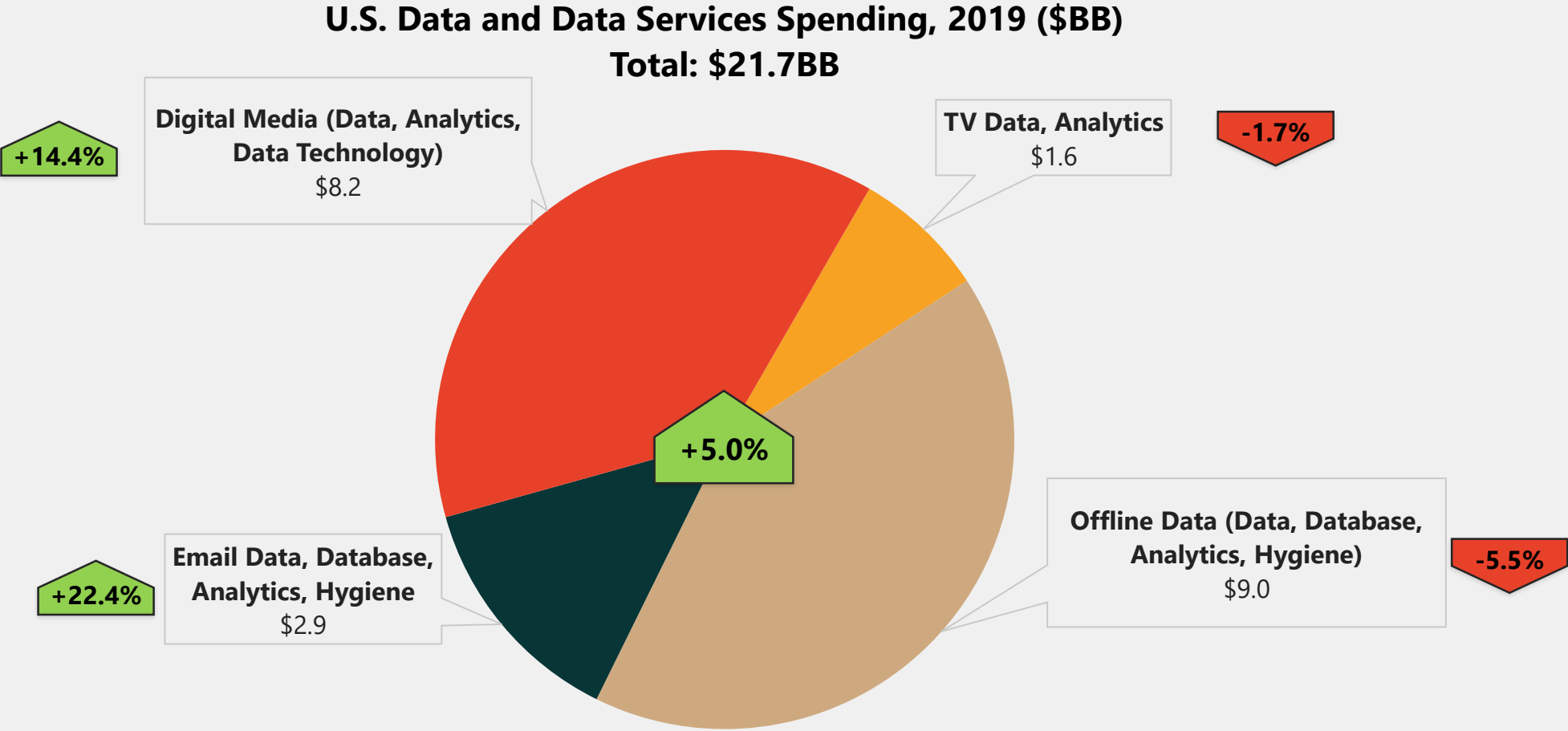
Source: Winterberry Group Spend Estimates (2020)

Note: Shopper Marketing was categorized as "In Store" in 2019; includes merchandising, in-store displays, sampling, retailer-specific coupons/offers and in-store events. Drop in 2019 spending projected by Cadent Consulting Group due to cuts in shopper marketing departments, the transformation of shopper agencies into digital agencies and price reliance. The category is expected to recover slightly in 2020, and then continue to decline forward

Review 2019: Online Media Spending Growth Accelerated Again, But Still Robust By All Measures



Review 2019: Data and Data Services Spend Sees Steady Growth – Except Offline



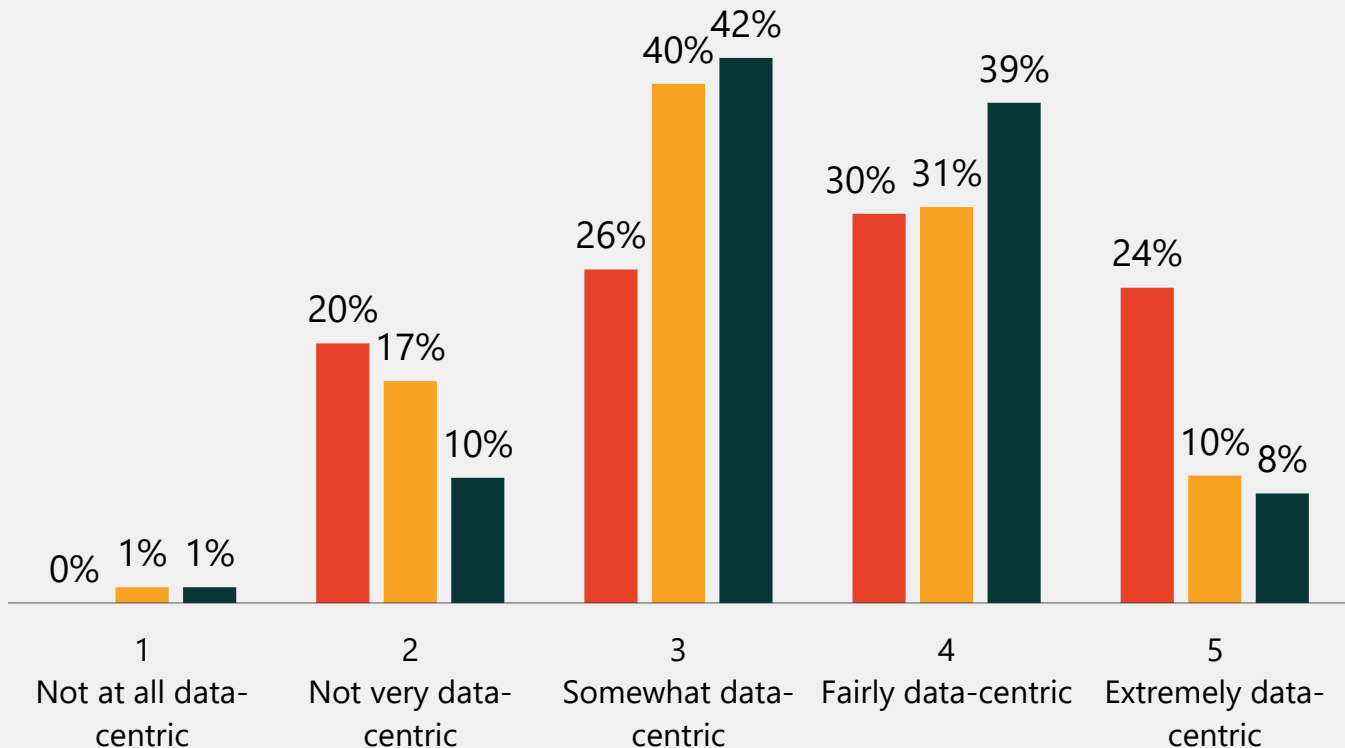
Source: Winterberry Group Spend Estimates (2020)
 Note: Digital Media includes display, video and paid social; TV includes linear, addressable and OTT

The Desire Is There, but Are Brands Really Making Progress in Data Centricity?

“To what extent is your organization ‘data-centric’ today?”

■ 2016 ■ 2017 ■ 2019

Organizations are **slightly more “data-centric” this year than when asked in 2017**— on the whole, industry data centricity is not progressing as envisioned



Average Response:

2016 – 3.58

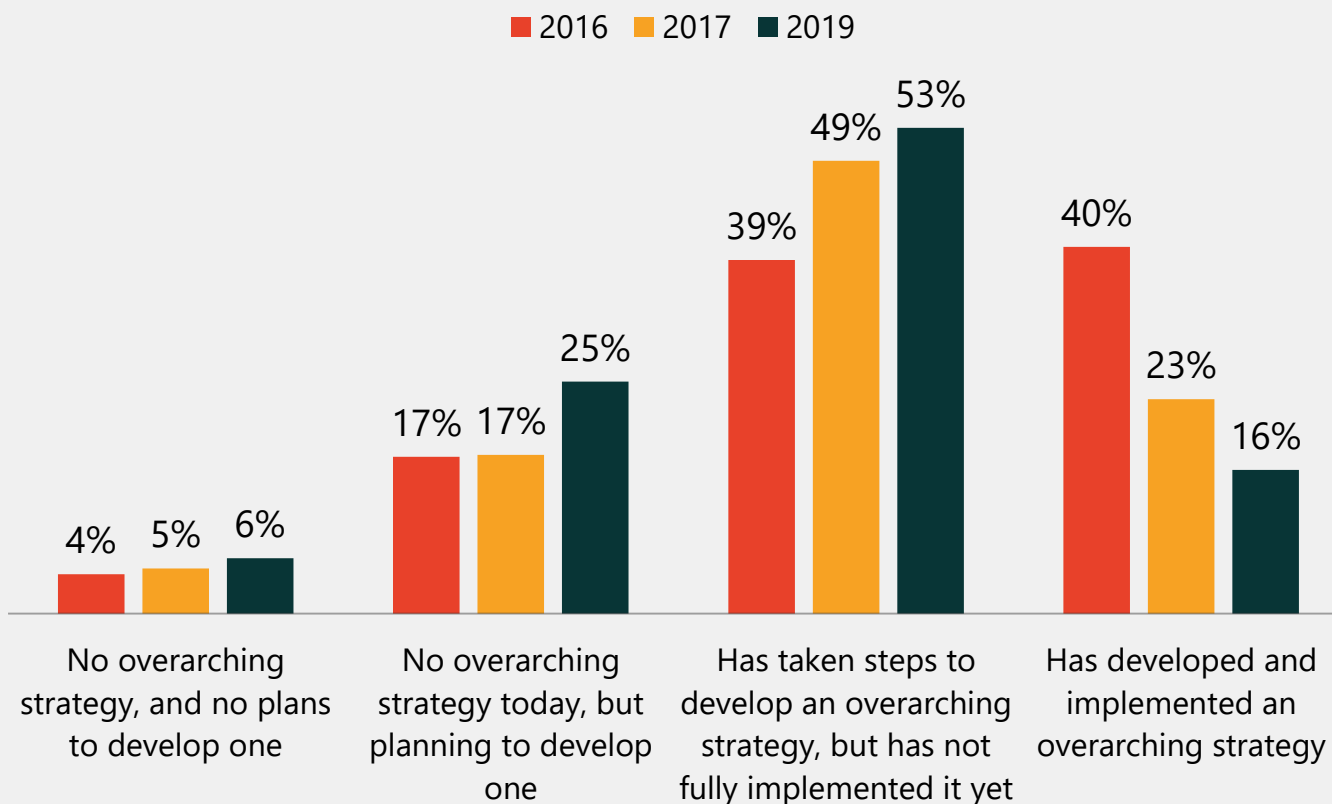
2017 – 3.35

2019 – 3.43

...Though Businesses Remain Highly Focused on Building Strategies to Govern the Use of Data

- **69% of data users** report that their **organizations are taking steps to build and/or implement strategies to govern** their use of audience data
- Driver's include:
 - A desire to **deliver better customer experiences** via consistent, personalized interactions
 - Heightened **regulatory compliance requirements** and need to **honor consumer preferences**; and
 - Increased demand **to better leverage 1st and 3rd party data assets**

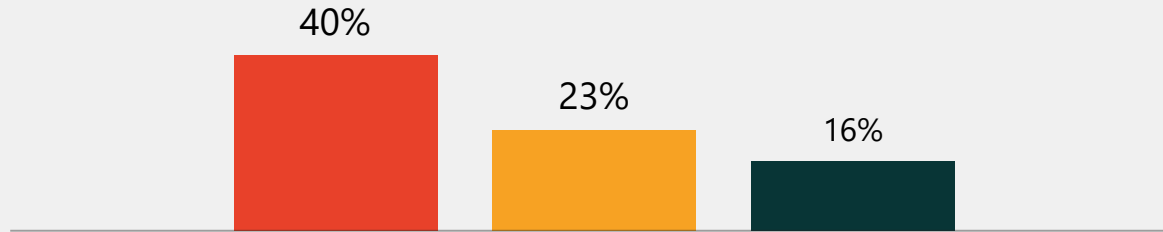
“To what extent would you say your organization has an overarching strategy to govern how it collects, manages, shares and uses audience data?”



Yet Fewer Organizations Than Ever Report Success in Implementing Such Strategies

Organizations who say they have successfully implemented a data strategy

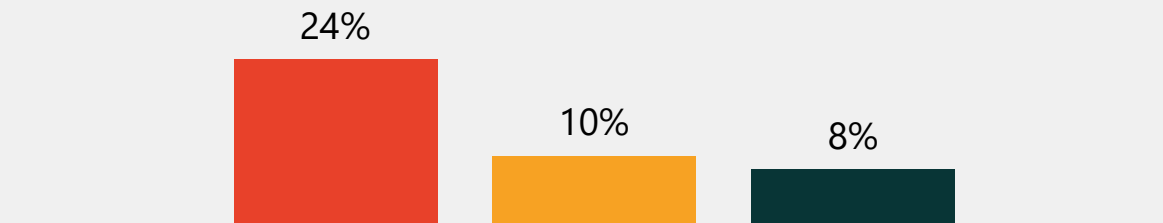
■ 2016 ■ 2017 ■ 2019



Our organization has developed and implemented an overarching data strategy

Organizations who categorize themselves as “extremely” data-centric

■ 2016 ■ 2017 ■ 2019



Our organization is extremely data-centric

Barriers to implementation include:

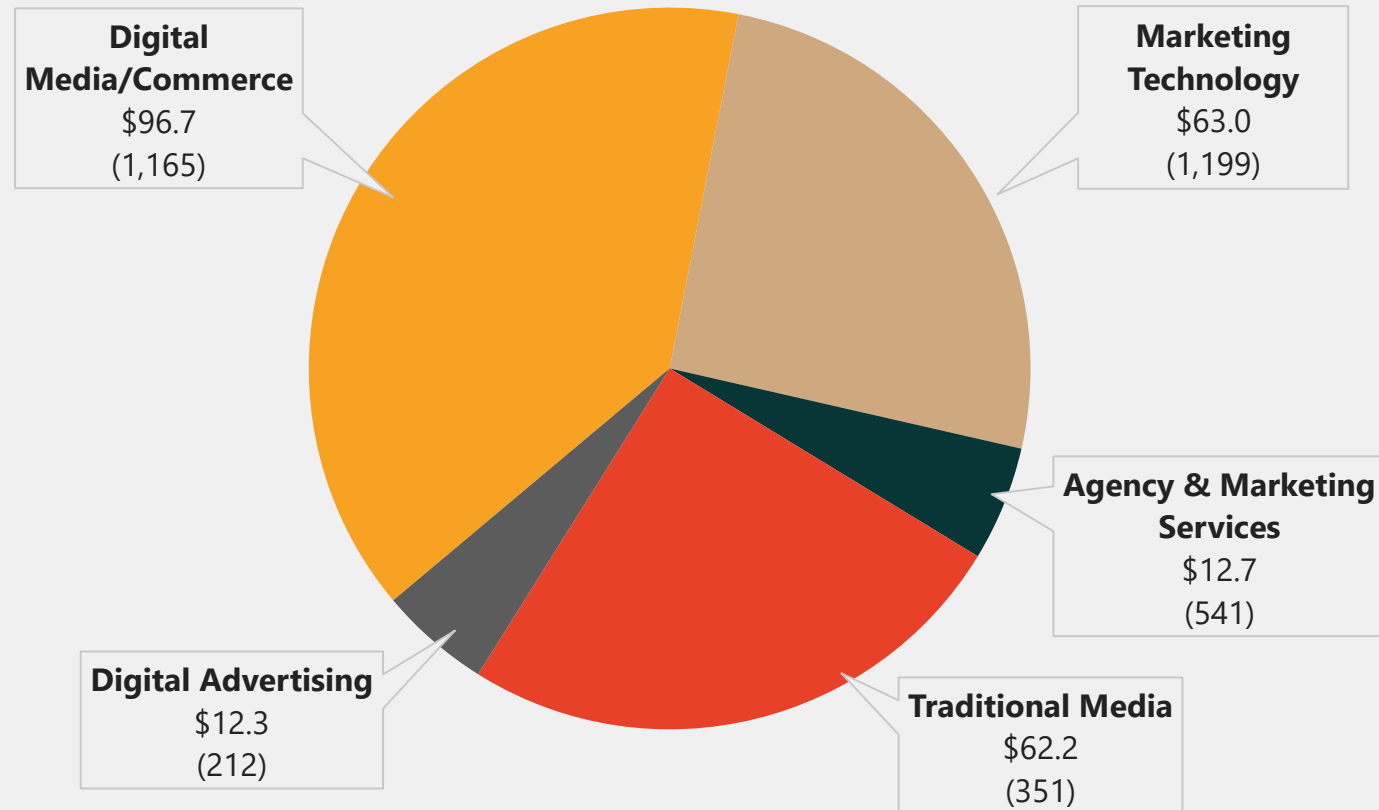
- Realization that **enterprise-wide data strategy implementation is a complex undertaking**, requiring **the collaboration of marketing, product, legal, technology and corporate stakeholders**
- The **proliferation of data** and the expansion of advertising and marketing use cases; and
- Of course **Regulation driving demand for compliance**

2019 M&A: 3,468 M&A and Investment Transactions, Totaling \$246.9BB in Value, Up YoY

M&A and Investment Activity, 2019 (\$BB)
Marketing, Media and Technology Industries (# of Transactions)

Total deal value rose 32.3%, up from \$186.6BB in 2018

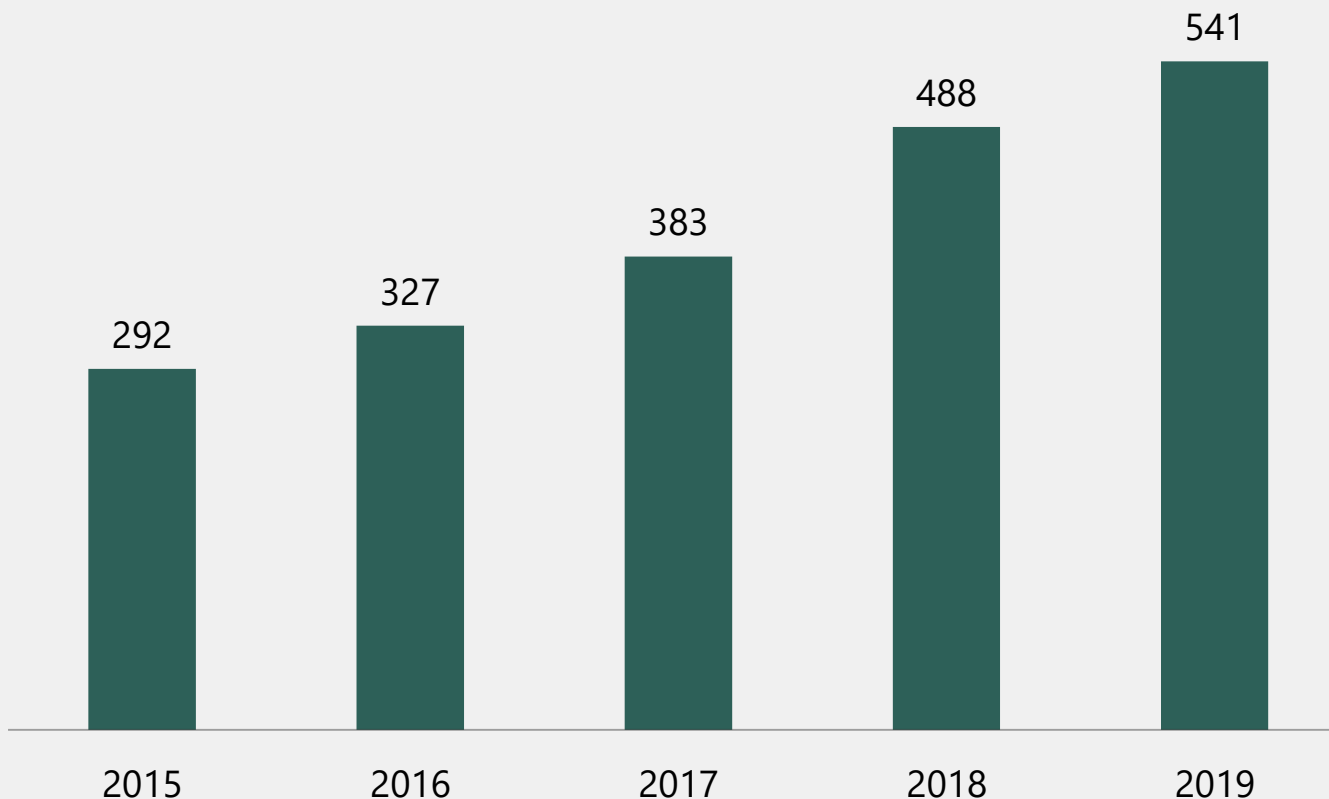
Activity increased 4.5%, up from 3,210 deals in 2018



2019 Agency M&A: Heightened Competitive Intensity Continued to Fuel Significant Agency Deal Volumes

Total Global Agency Transactions, 2015 – 2019

- Of these transactions, **approximately 84% were by strategic buyers** compared to **16% by financial buyers**
- Only **35% of transactions** from the holding companies were “digital” focused



Macro Trends to Watch in 2020

The Experience Economy: Meaningful, Personalized Experiences with Brands

Digital customer experience consulting spend is expected to **exceed \$5BB** in the U.S. in 2020

Evidence

Consumer preferences shift from purchasing goods to experiences; **6.3% growth** in spend on experiences

Evidence

Social sharing of experiences with family and friends

Evidence

Most important attributes to build brand trust: **reliability** (40%), **relevance** (32%) and **credibility** (29%)

Marketer Implications

Increased use of experiential elements that cross physical and digital

Marketer Implications

Omnichannel recognition and **personalization to drive engagement**

Marketer Implications

Continued emphasis on **brand trust and delivery of human based experience** (CX/LX)

Mobility: The Portability of Experiences Across Connected Devices

89.6% of U.S. internet users **have a smartphone**

29.5% of U.S. internet users **have connected cars**

20.6% of U.S. internet users **have activity trackers**

10.4% of U.S. internet users **have connected thermostats**

Evidence

Connected devices per person **increasing to 20+** with **26.7BB connected devices**

Evidence

Increasing convenience of **connected travel and connected homes**

Evidence

Mobile ticketing, event amplification

Marketer Implications

Data integration and the **rise of identity graphs**

Marketer Implications

Extension of experiences across locations

Marketer Implications

Investments in evolved app design and functionality through **digital product innovation**

Influence: Reviews, Recommendations and Influencers

93% of consumers say **online reviews impact their purchasing decisions**, while 82% of consumers note they will **read a product review prior to purchasing an item online**

Evidence

20% of global internet users follow celebrities

Evidence

85%+ of consumers trust family and friends above all others (employees, online reviews and influencers) for **product recommendation**

Evidence

15% of influencers who sign on to publish, **don't**

Marketer Implications

Creative incentives to increase volume and quality of customer reviews

Marketer Implications

Leverage influencers for **brand discovery and volume**

Marketer Implications

Increasing urgency to **monitor fraudulent activity** across all types of product promotion and reviews

Direct Disruption: “Buy Direct”

The Five (5)-Year Growth of DTC retail is 4 times that of retail market revenues (7.64% vs. 1.78%) through 2019

Evidence

Continuous rise (and sale) of **DTC brands and unicorns** creation of

Evidence

Disintermediation of traditional distribution channels

Evidence

Delivery as a competitive advantage; **subscription-based after-markets**

Marketer Implications

Rising costs of paid social inhibiting cost effective customer acquisition; digital-first approaches **are not scaling**

Marketer Implications

BOPIS and BORIS: The **integration of front-end and back-end** technology solutions

Marketer Implications

Ability to execute **real time data integration for product customization**

Video: Advanced TV (ATV), All Terrain Video



Are we witnessing **the death of the channel paradigm?**

Evidence

Online video spend to pass \$25BB in 2020; Average time spent watching increased from 79 to 103 minutes (2017-2019);

Evidence

Streaming wars accelerating subscription and ad-supported tiered services

Evidence

Social video demand scaling across formats:
Instagram, TikTok, FB, YouTube, Snap

Marketer Implications

Programmatic video buying and use of advanced TV increasing across platforms

Marketer Implications

Return of the infomercial (long form video) and emerging short forms

Marketer Implications

Brand safety, measurement gaps, transparency and ad fraud

Loyalty: More Fluid Than Ever?

73% of U.S. consumers are more likely to recommend a brand **with a strong loyalty program**

Evidence

70% of loyalty is constantly up for grabs

Evidence

77% of consumers now retract loyalty faster than they did 3 years ago

Evidence

Growth in **paid tiered/subscription** offerings across loyalty programs

Marketer Implications

Recalculating the cost of loyalty; omnichannel focus: **email, web and in-store** as top 3 touchpoints

Marketer Implications

Platforms **move on from points to CX**; in-store/online discounts, free shipping, VIP experiences, early access to ticket sales

Marketer Implications

Focus on the customer not fulfillment; **employee/channel management**

Privacy: Fastest Rising Concerns Among Consumers

30% of brands say they are **compliant now**; **another 19%** said they would be **ready by end of 2019**

Evidence

Personal information as a concern **rises from 13th to 7th in 3 years**

Evidence

Not Just CCPA - multiple states **in the regulatory process – penalties**

Evidence

Google, Apple, Twitter **restrict data for “tracking”** (or was it measurement?)

Marketer Implications

Managing (integrating) data across internal silos; validation of data sourcing to verify provenance

Marketer Implications

Compliance require; validation of requests, employee training and **consent management solutions**

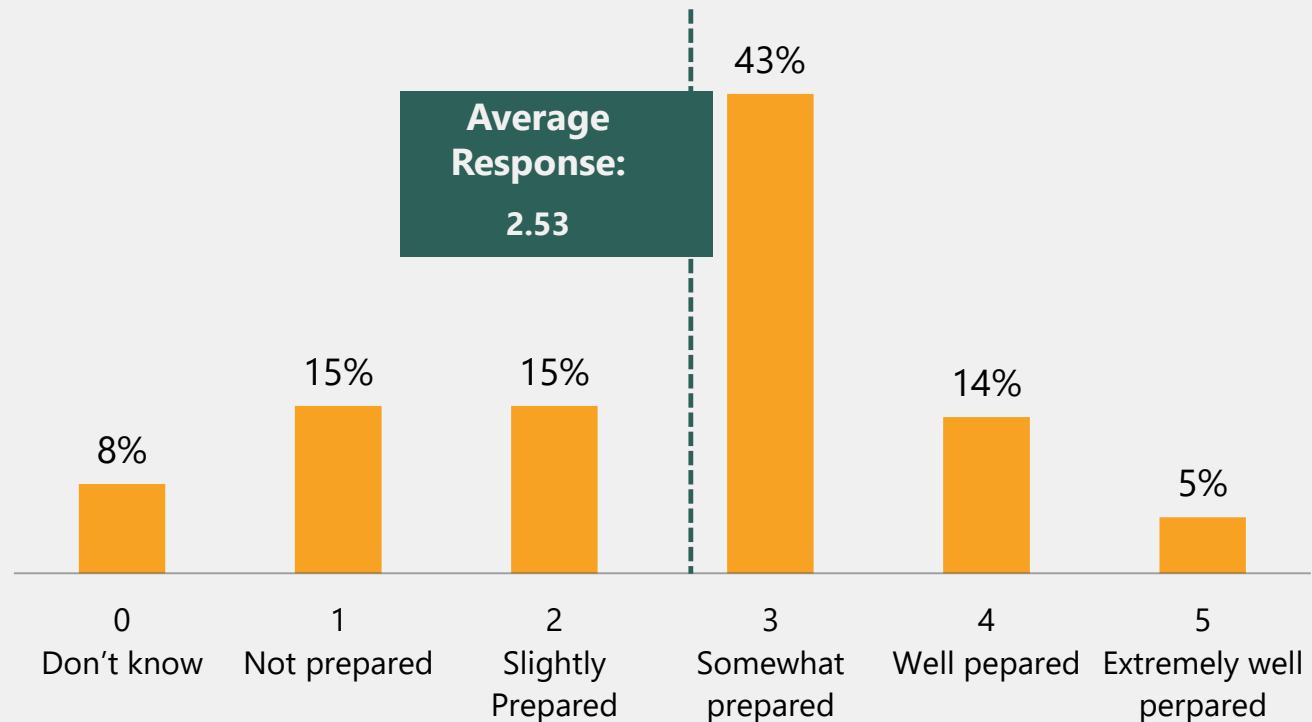
Marketer Implications

More gaps in data for measurement and attribution

Privacy: Over 80% of Companies Are Not Well Prepared for CCPA

“How prepared is your organization to deal with recently passed and/or enacted regulation relating to individual consumers’ personal data?”

- In the beginning there was chaos...then **came GDPR to shone the light on the darkness of data collection** – and it was good (though open to interpretation)...
- And from the west (coast) came **CCPA where it was written that after 6 months the offenders will be punished** – and it will be righteous...
- And on the 7th day of the seventh month, **there shall be federal regulation...but probably not**



Spotlight: Data, Technology and Services

Spotlight on Analytics: Insights and Attribution Still a Challenge

Evidence

80% of CMOs increasing spending on predictive analytics

Evidence

45% of brands not comfortable with [their] attribution results

Evidence

280,000 positions open for data analysts on LinkedIn

Supplier Implications

Analytics practice development (in-house and outsourced); the ability to **handle data in a privacy compliant manner**

Supplier Implications

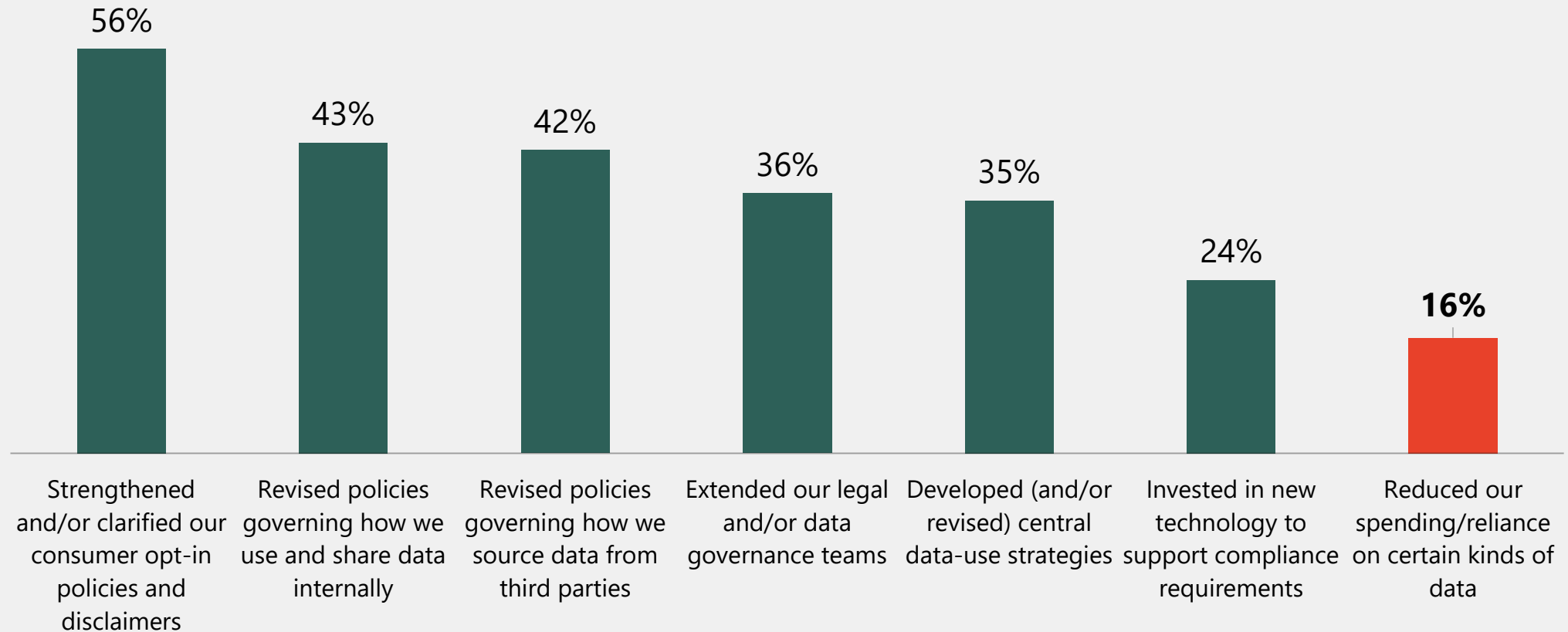
\$6.7BB forecast spend on analytics and insights in 2020 with spend moving near/offshore; **55% of brands site DS as a weakness**

Supplier Implications

Insights with a seat at the (customer journey) table; **model development** to predict experiences

Despite Regulatory Anxiety, To Date, Few Organizations Have Reduced Spending on Data

“Which of the following actions has your company taken to address new/potential data privacy regulations?”



Spotlight on Decisioning and AI: Is 2020 the Year of Integration?

Evidence

\$11BB invested globally in the last 5 years in AI, driving significant increase in the number and choice of platforms

Evidence

Massive **proliferation of structured and unstructured insights (scaling of data)**

Evidence

80% of marketers believe AI will revolutionize marketing in **the next 5 years**

Supplier Implications

Silos across paid, earned and owned channels **inhibit consistency**

Supplier Implications

Real-time decisioning increasing, **but how is measurement (and auditability) impacted?**

Supplier Implications

If the **decision engines are disconnected**, the orchestration **complexity cannot be solved**

Spotlight on Marketing Platforms: What Is the Next “CDP”?

Evidence

\$1BB+ spend on CDPs in 2020; 3000+ implementations in the last 3 years

Evidence

75% of all CDPs are really applications that needed to manage data

Evidence

Still very limited options for integrated campaign management solutions that span **paid, earned and owned media**

Supplier Implications

Desire **more consistency** across touchpoints; **inhibited by platform complexity** and brand **silos**

Supplier Implications

Decisioning against **stacks and point solutions**; **cannibalization of CRM databases accelerates** in 2020

Supplier Implications

Limited number of providers with skills that span channel execution and data management

Spotlight on Content: Creative, Content and Context All Rising

Evidence

Global **content spend** forecasted at **\$355BB** in 2020; +**16.1% CAGR (13.1% U.S.)**

Evidence

53% of marketers say **deeper personalization of content is a top priority**

Evidence

41% prioritize expansion of content versioning across owned properties; challenges of adding **voice search**

Supplier Implications

Dynamic creative across formats is still challenging to execute

Supplier Implications

Ability to **manage complexity and scale** of production cost effectively/efficiently – **more offshore movement**

Supplier Implications

Contextual targeting where data is scarce or constrained by privacy is rising in importance

Spotlight on In-Housing: Is It Systemic or Cyclical? Probably Both

Evidence

47% of marketers have **partly moved programmatic in-house**; control (59%) and transparency (39%); 15-30% savings

Evidence

69% of marketers are looking to or have already moved strategy in-house

Evidence

13% of marketers have already tried to in-house and brought programmatic back out

Supplier Implications

Providing **choice and efficiency** in execution, improved **strategy and optimization**

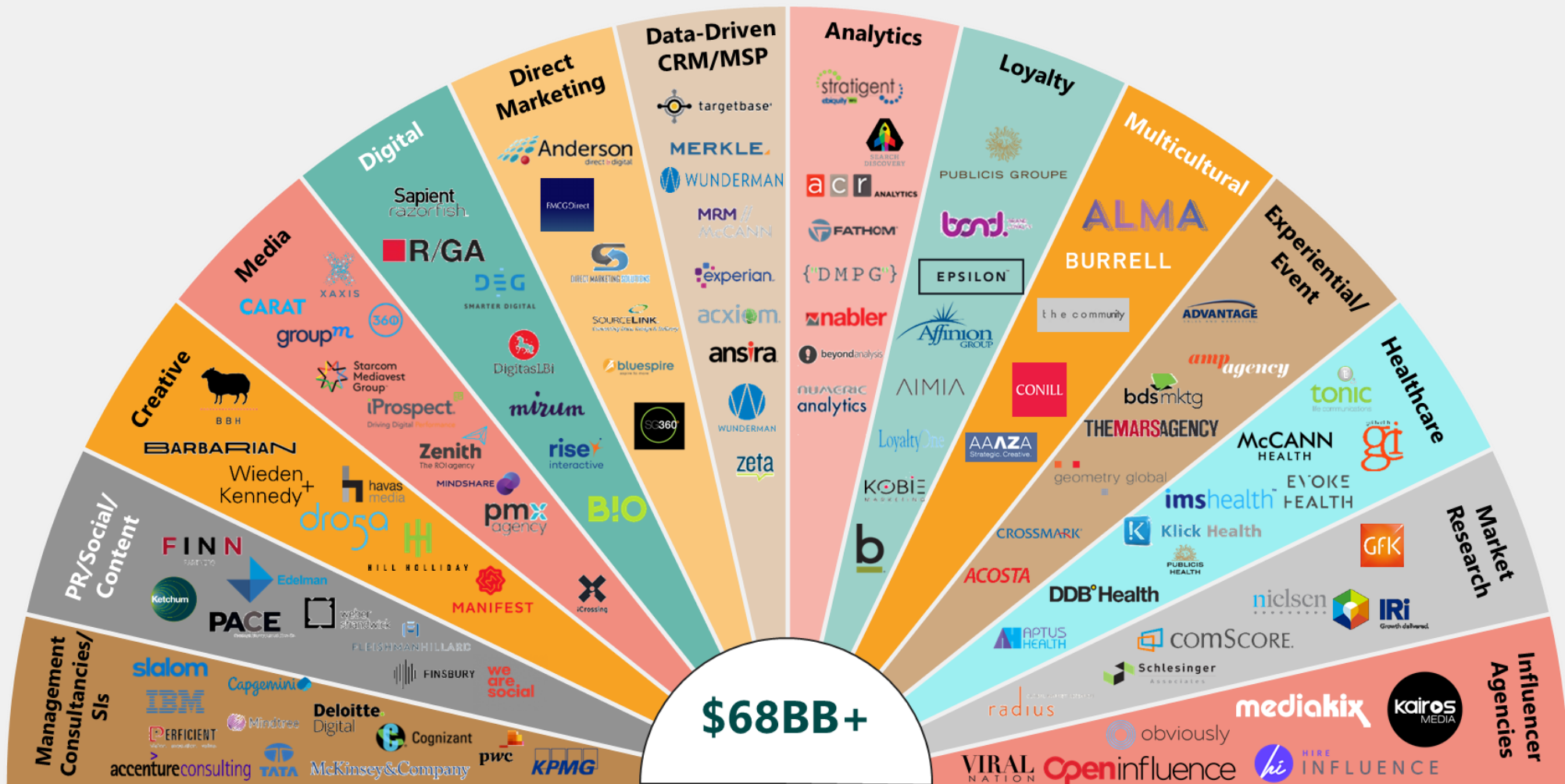
Supplier Implications

Providing a balance of in-house, on-shore and off-shore to **mitigate cost arguments**

Supplier Implications

Managing for cyclical rotations over 18-36 months

The Challenge for Brands Is Deciding on the Mix of “Agency” Services to In-House – And Do It Well



Spotlight on Agency Services and Digital Transformation: What Will Be Different and What Will Not?

Evidence

\$50BB+ in 2020 for agency services and digital transformation

Evidence

Consultancies and holding company M&A to continuously buy/build capabilities

Evidence

Continued investment in new service delivery models and “alternative” agency networks

Supplier Implications

Shifting from retainer to project continues increasing service delivery challenges

Supplier Implications

Talent acquisition by consultancies and agencies vs tech platforms (FB, Google, Amazon), **new ventures and brands**

Supplier Implications

Constant change management to adjust models for capabilities and profitability

Spotlight on M&A: Low Interest Rates, Slow Organic Growth, Stable Profit Picture – No Slowdown in 2020

Evidence

\$300BB of new capital raised in 2019 by PE and VC funds, 25% higher than prior records

Evidence

Consolidation of Adtech, **eCommerce** Martech as the shakeout continues

Evidence

Investment over exit: number of exits was the lowest in 8 years

Supplier Implications

Strategic buyers in services still outspend financial buyers; looking for **scale, new capabilities**

Supplier Implications

Buyers seek fast growing segments but are more wary of “trend” investments with long paths to profitability

Supplier Implications

50% recession risk keeps buyers vigilant and plans longer term; **CCPA** is making **investors/buyers anxious**

Advertising and Marketing Spend: Outlook 2020

=

Outlook 2020: High Probability for Solid Growth

- **U.S. GDP growth is estimated at 1.9%**, continuing growth slowdown
- **Fed tightening on hold** for the election year and fear of contraction
- Below-target **inflation**
- Limited tailwinds indicate that **growth must be earned or bought**

Outlook Dependencies:

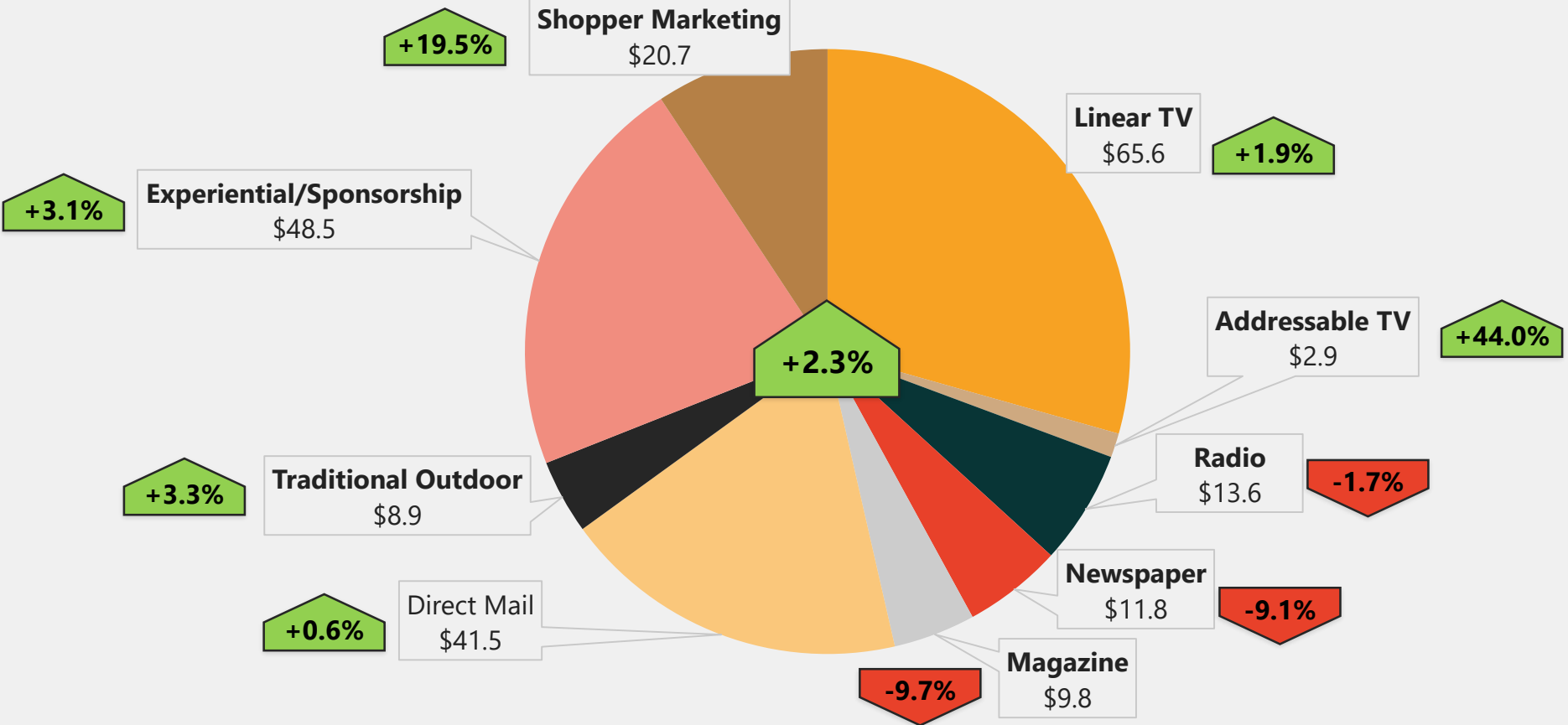
- Global macro-economic risk
- Election cycle (\$10BB of spend)
- Negative earnings growth (-2%)
- Tariffs - reduction?

**U.S. Advertising and Marketing Spend
2017 – 2020E (\$BB)**

Year	Spend (\$BB)	YoY Growth (%)
2017	\$307.4	15.1%
2018	\$353.7	2.7%
2019	\$363.4	7.2%
2020E	\$389.5	

Outlook 2020: Offline Media Spending Projected to Grow; Elections, Olympics Offset Linear Decline

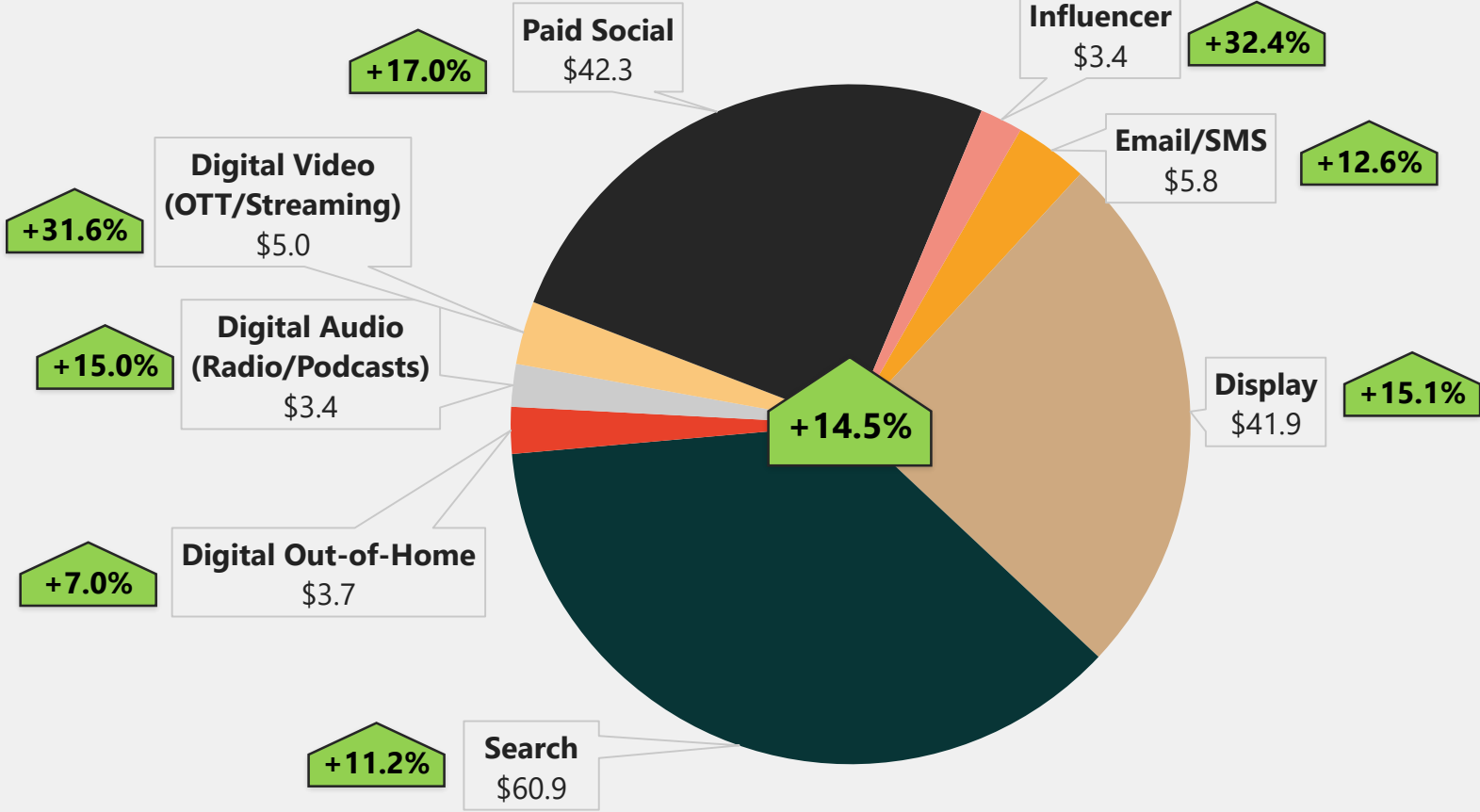
U.S. Offline Media Spending, 2020E (\$BB)
Total: \$223.1BB



Source: Winterberry Group Spend Estimates (2020)
 Note: Shopper Marketing was categorized as "In Store" in 2019

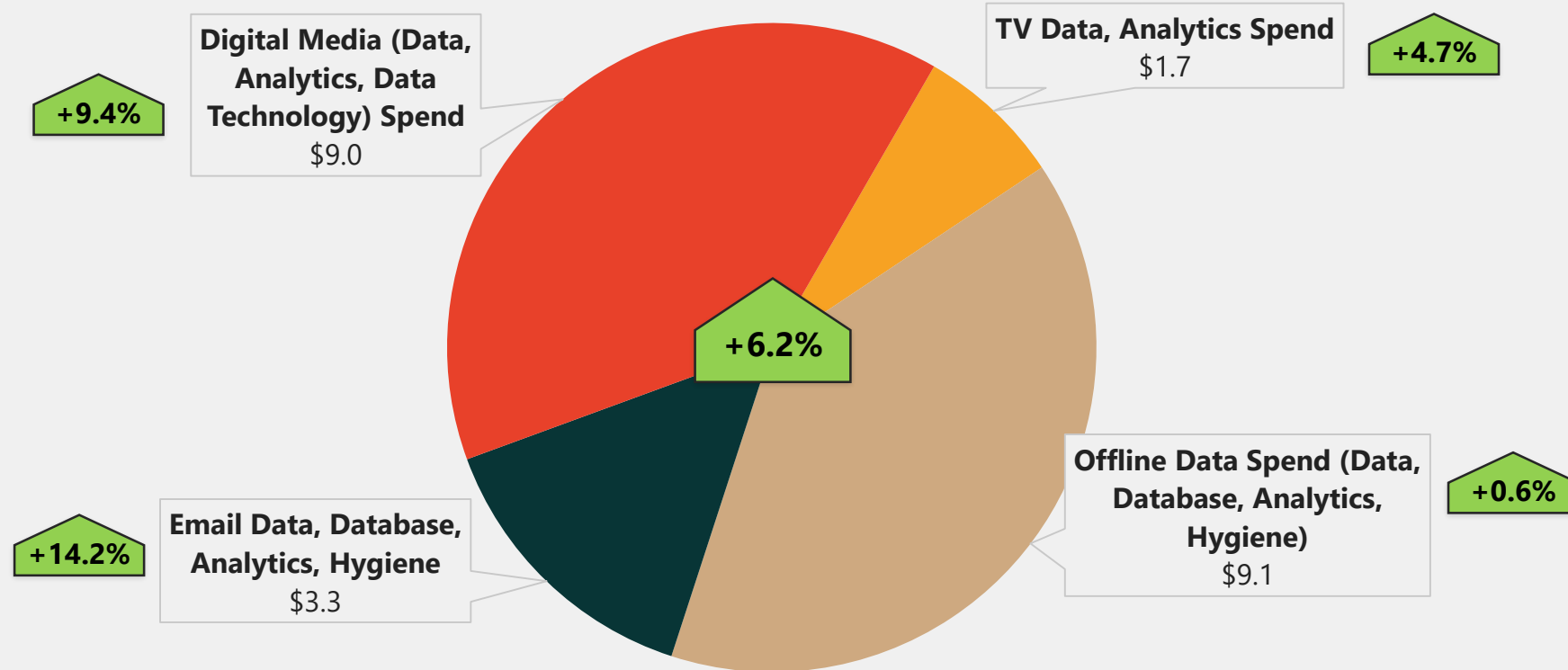
Outlook 2020: Digital Channels Continue to Mature, See Moderate Growth Rates; Social Almost 25% of Total

U.S. Online Media Spending, 2020E (\$BB)
Total: \$166.4BB



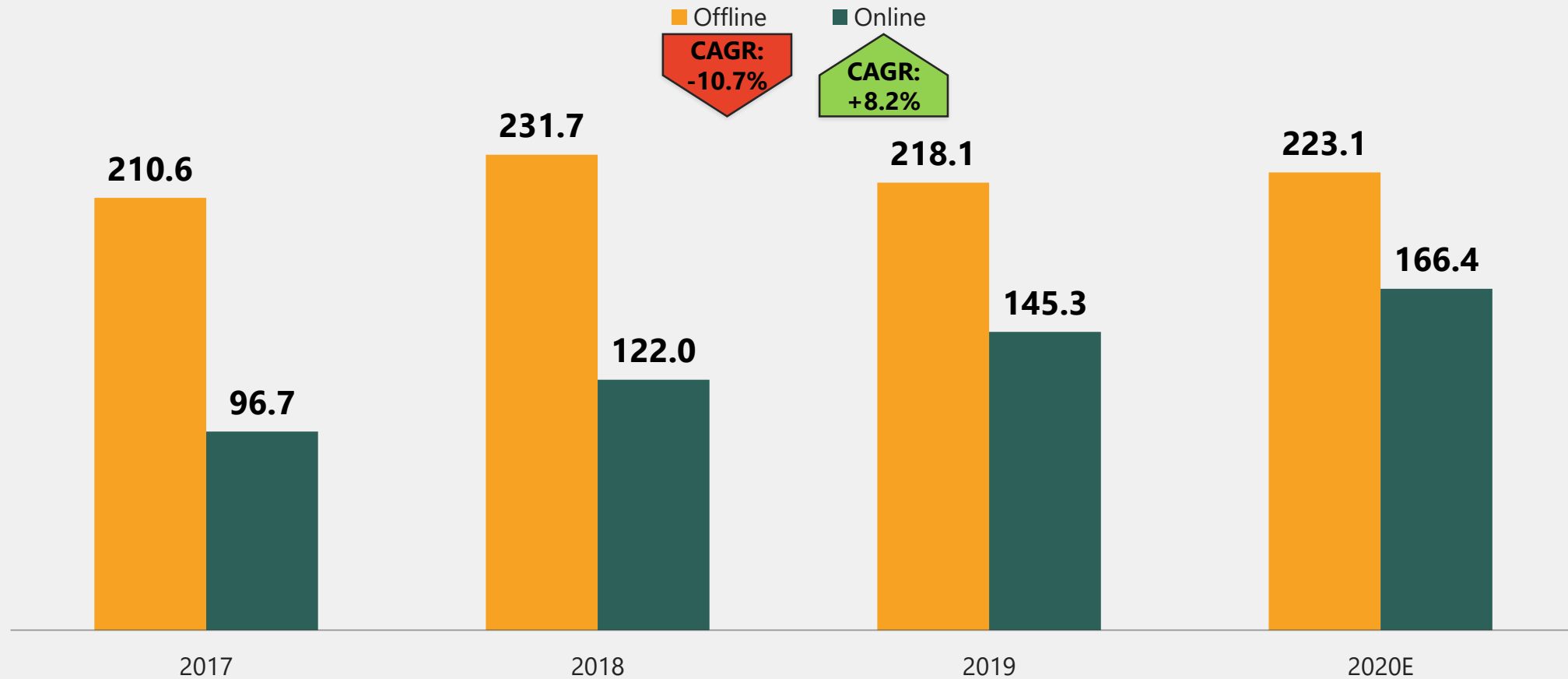
Outlook 2020: Projected Spend on Data and Data Services Continues Growth; CCPA Reaction A Wildcard

U.S. Data Spending in Support of Offline, Email, Digital Media and TV, 2020E (\$BB)
Total: \$23.0BB



Outlook 2020: While Digital Media Passed Traditional – Total Offline Will Remain On Top - For A Few Years

U.S. Advertising and Marketing Spend, 2017 – 2020E (\$BB)





Thank you.

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