

A low-angle, upward-looking photograph of several tall skyscrapers with many windows, creating a sense of height and urban density. The buildings are rendered in a slightly desaturated, light brown and grey color palette.

# *Outlook for Advertising, Marketing and Data 2022:* **The Rally Will Continue**

Bruce Biegel, Senior Managing Partner

January 20, 2022

# About Winterberry Group

Winterberry Group is a strategic consultancy specializing in **advertising, marketing, data, technology** and **commerce**.

With our deep industry, operational and M&A expertise **we bridge strategic growth and tactical execution**.

Our market insight and intelligence provides unprecedented **speed to action**. Through our highly collaborative approaches, **we enable knowledge transfer and actionability**, giving our clients a competitive edge and driving increasing employee, client and shareholder value.

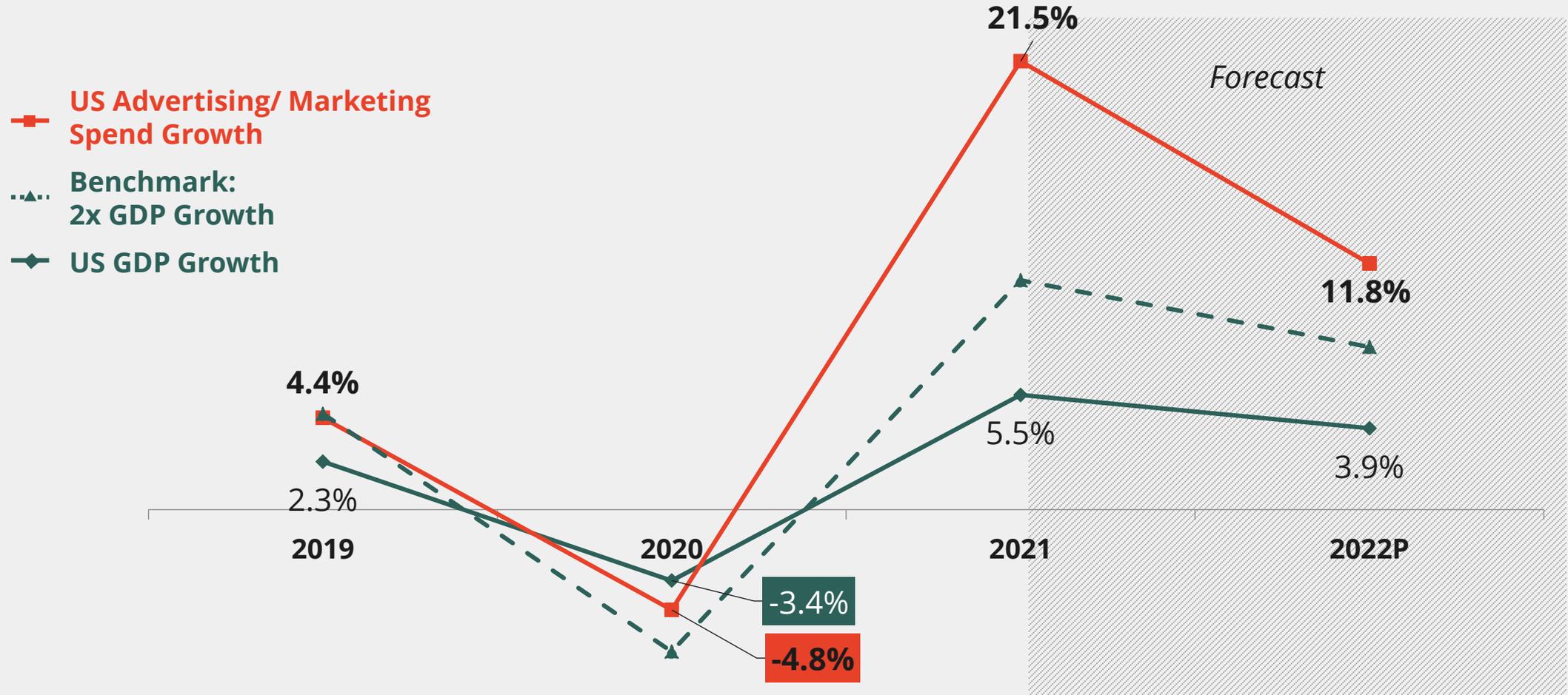


— *Looking Back at 2021: US Economy*  
**Rebounds; Marketing Investment**  
**Accelerates**

# What a Difference a Year Makes

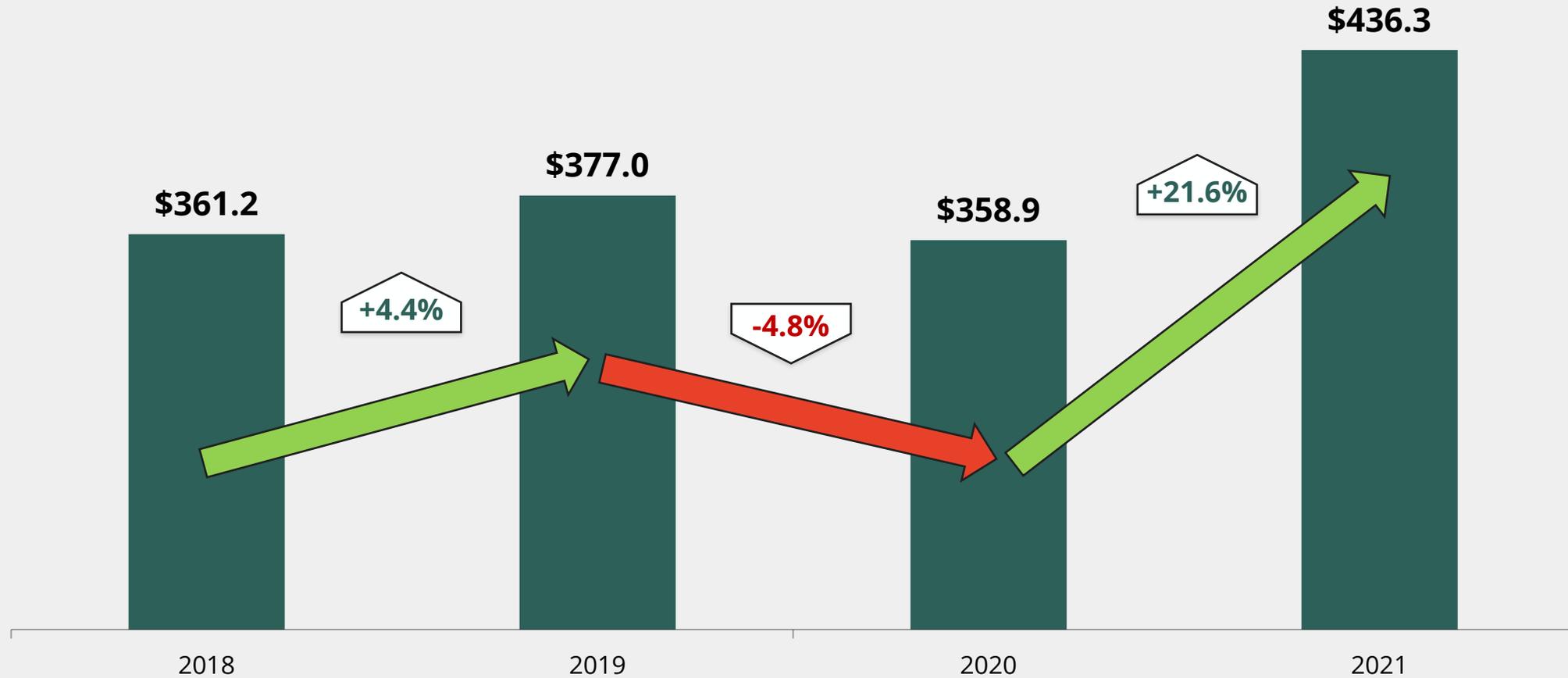
## US Marketing Spend Growth Benchmarked to GDP Growth

2019 - 2022P



# Review 2021: The COVID Recession of 2020 Led to an Advertising Onslaught in 2021

## US Annual Advertising and Marketing Spend 2018 - 2021 (\$BB)

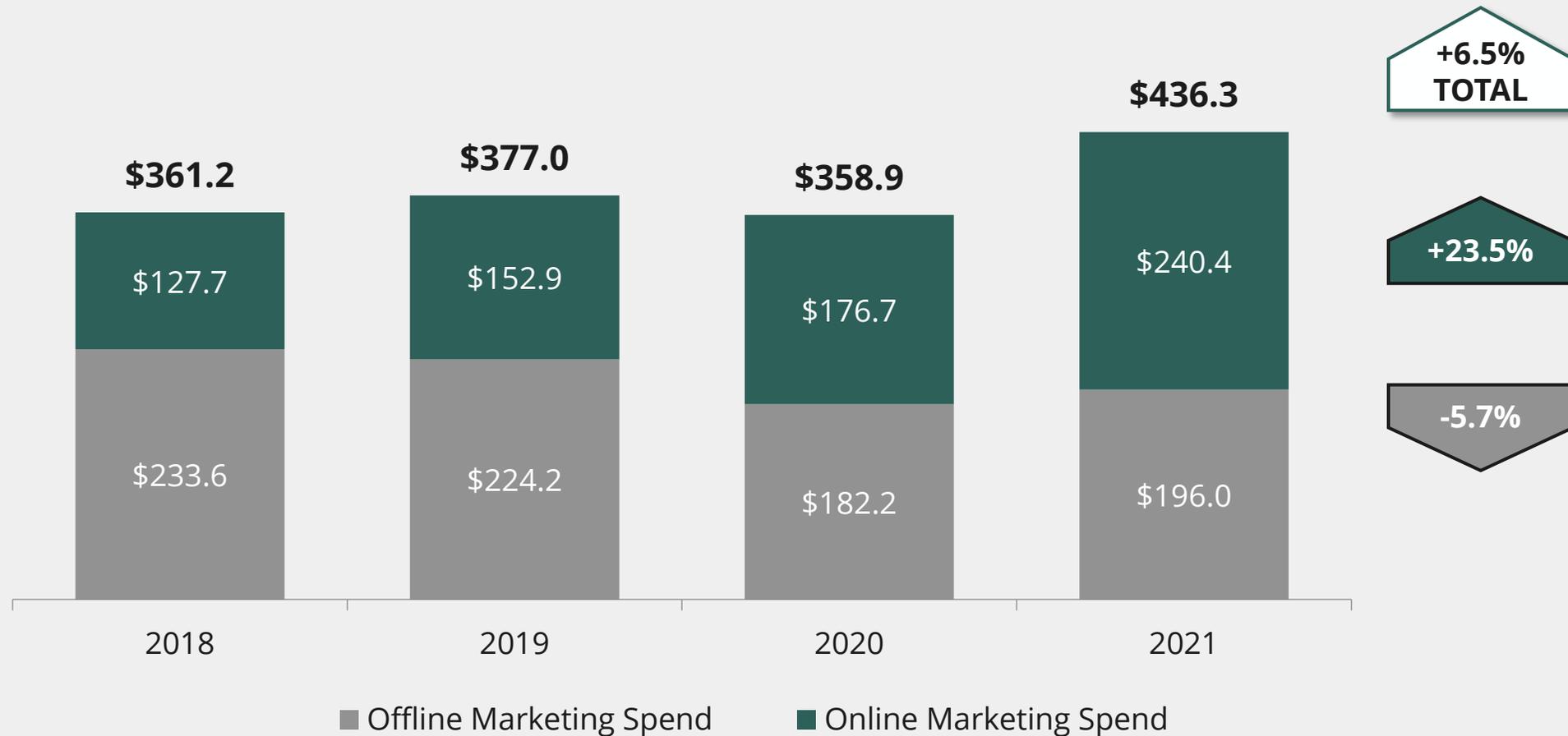




# Review 2021: Spend Not Only Eclipsed 2019 Levels, Analysts – (including WG) Missed Forecasts With Continuous Growth Revisions

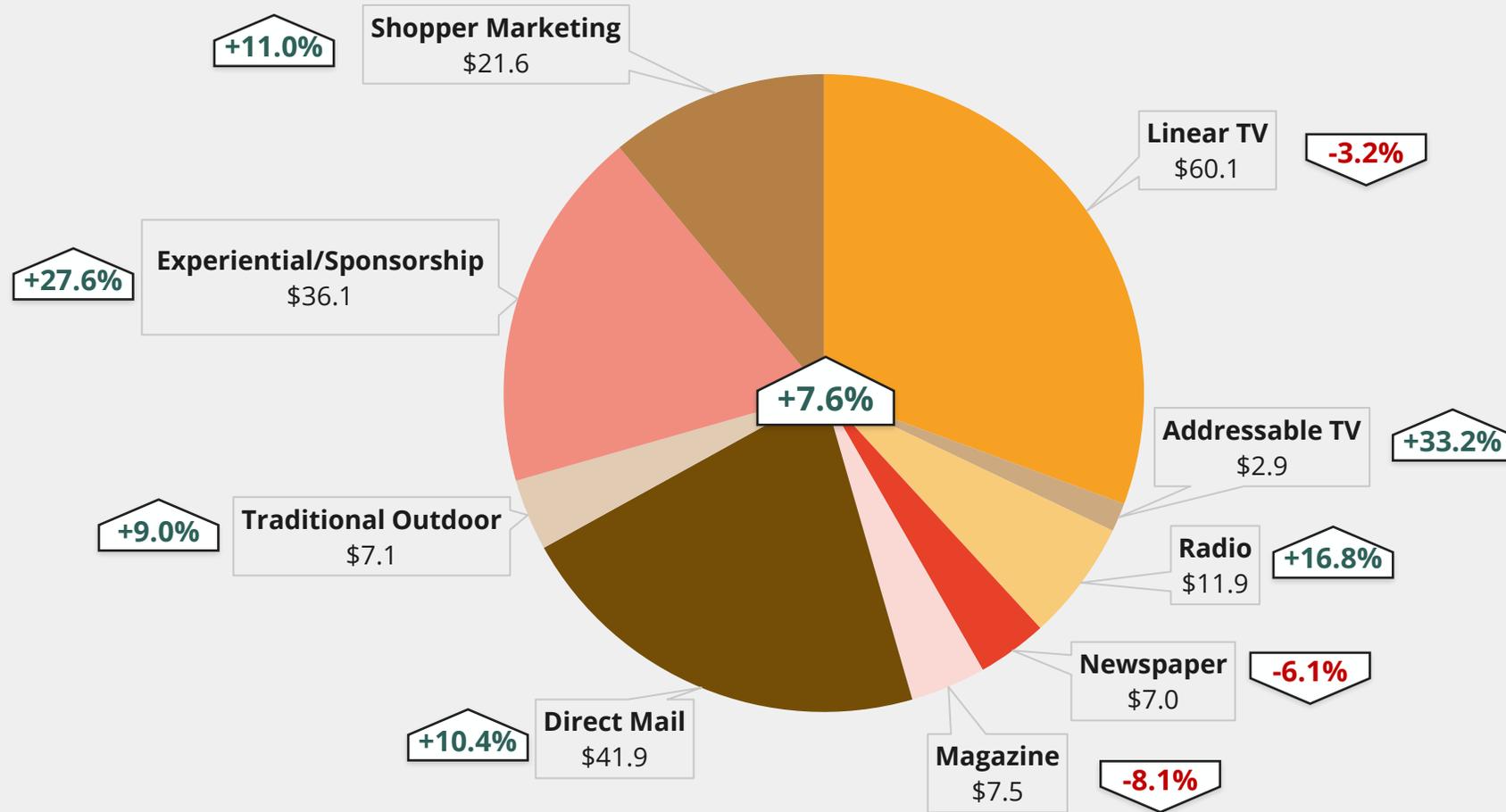
**US Marketing Spend on Offline and Online Channels**  
2018 – 2021 (\$BB)

CAGRs (2018-2021):

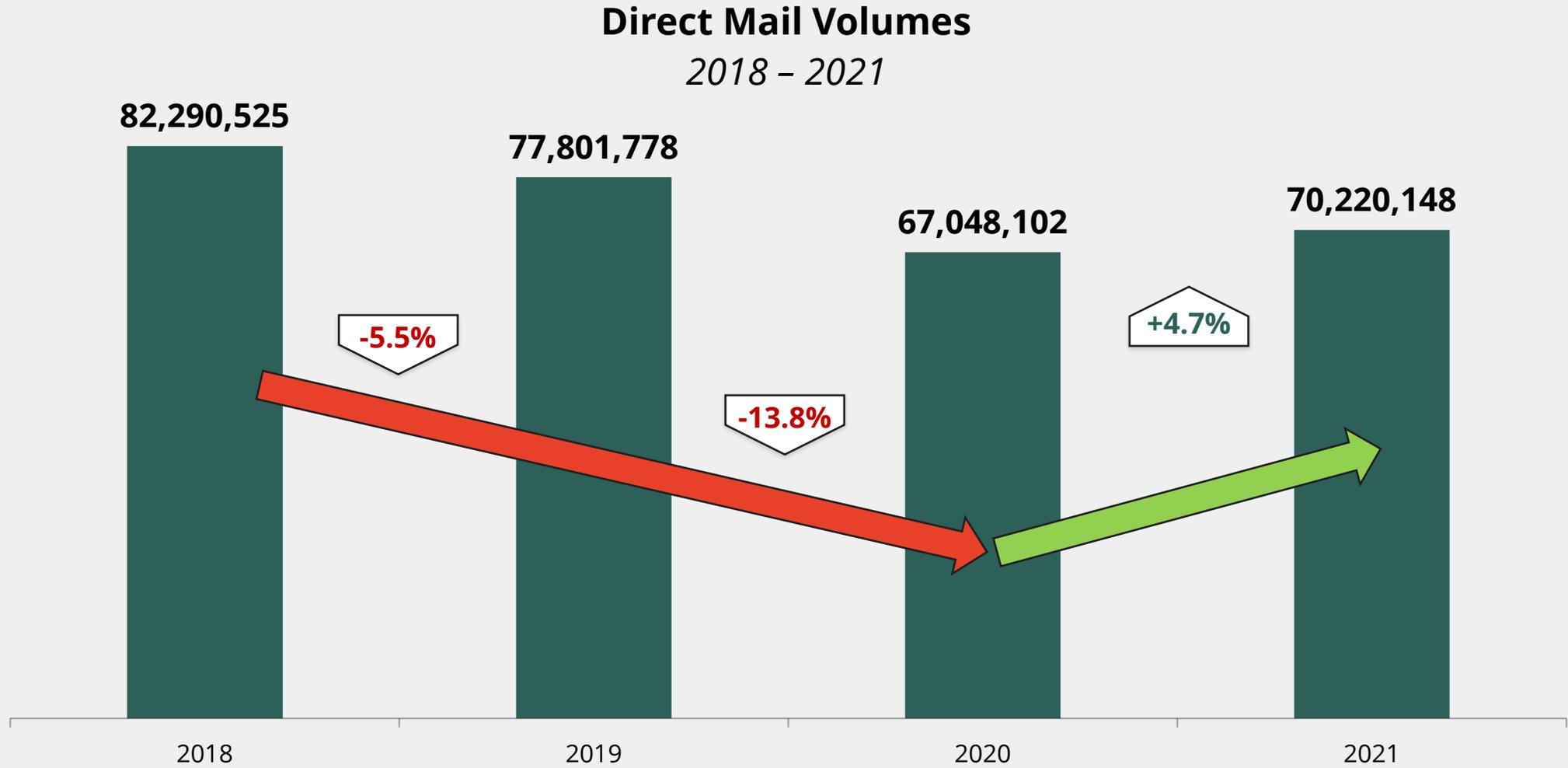


# Review 2021: Spend on Offline Channels, Mostly Flat Pre-COVID Revised for 4Q20 Upward Revisions, Rebound Significantly In 2021

**US Offline Marketing Spend, 2021 (\$BB)**  
**Total: \$196.0BB**



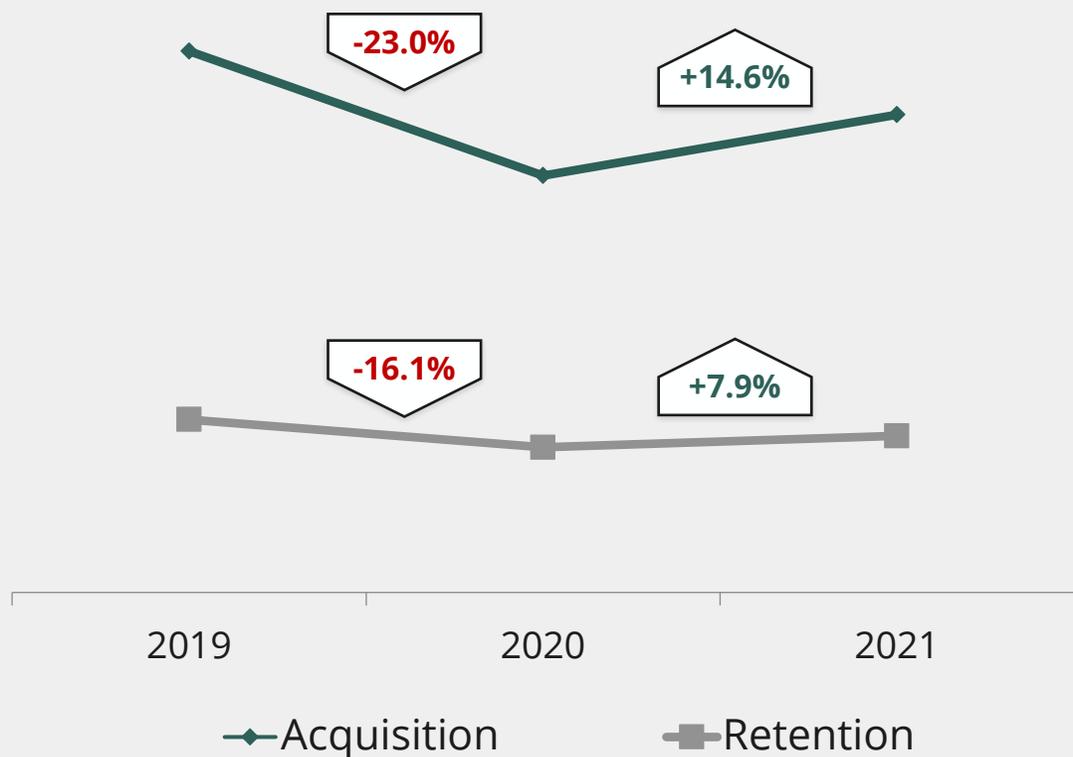
# Review 2021: Direct Mail Volumes Rebounded From a Low in 2020 With A Ramp in 2Q21 and Continuing for the Balance of the Year





# Under-The-Numbers: Acquisition Mail Up 14.6%, Now Accounts for 80% of Mail; Loyalty/Cross-Sell Gains Off-Set Systemic Declines

Percent Change in Acquisition and Retention For Marketing Mail  
2019 - 2021

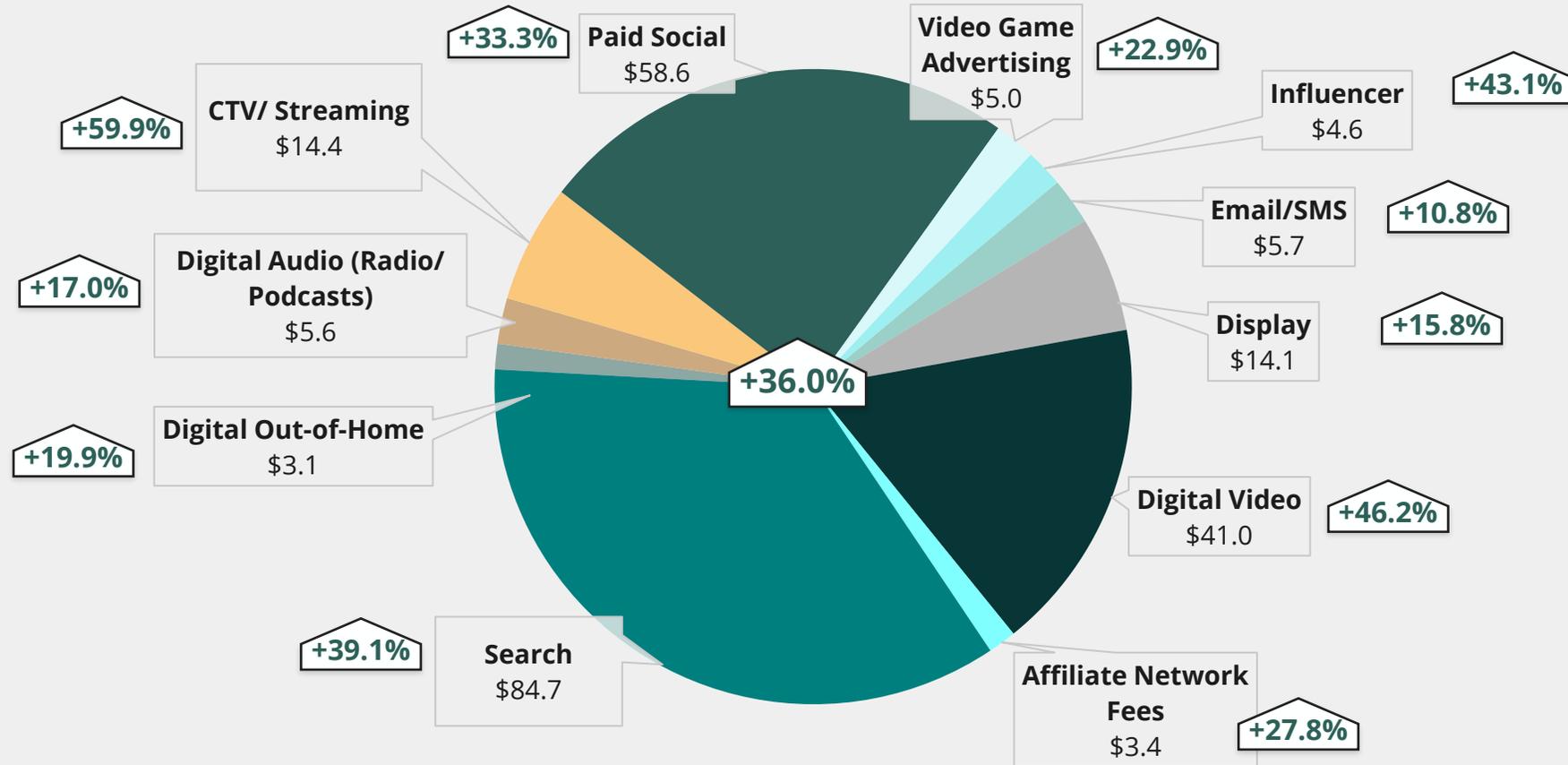


- Acquisition mail approaching 2019 volumes after 14.6% growth in 2021
- Follow-up (-25.7%) and renewal mailing (-23.4%) experiencing the **sharpest declines across retention formats**
- Cross-sell (14.1%) and loyalty (10.1%) mailing **leading the surge in retention mail's 2021 comeback**

Source: Mintel/ Comperemedia

# Review 2021: Shift to Video Formats Across Channels was the Prime Catalyst; Marketers Follow the Digitally Engaged Consumer

**US Online Marketing Spend, 2021 (\$BB)**  
**Total: \$240.4BB**

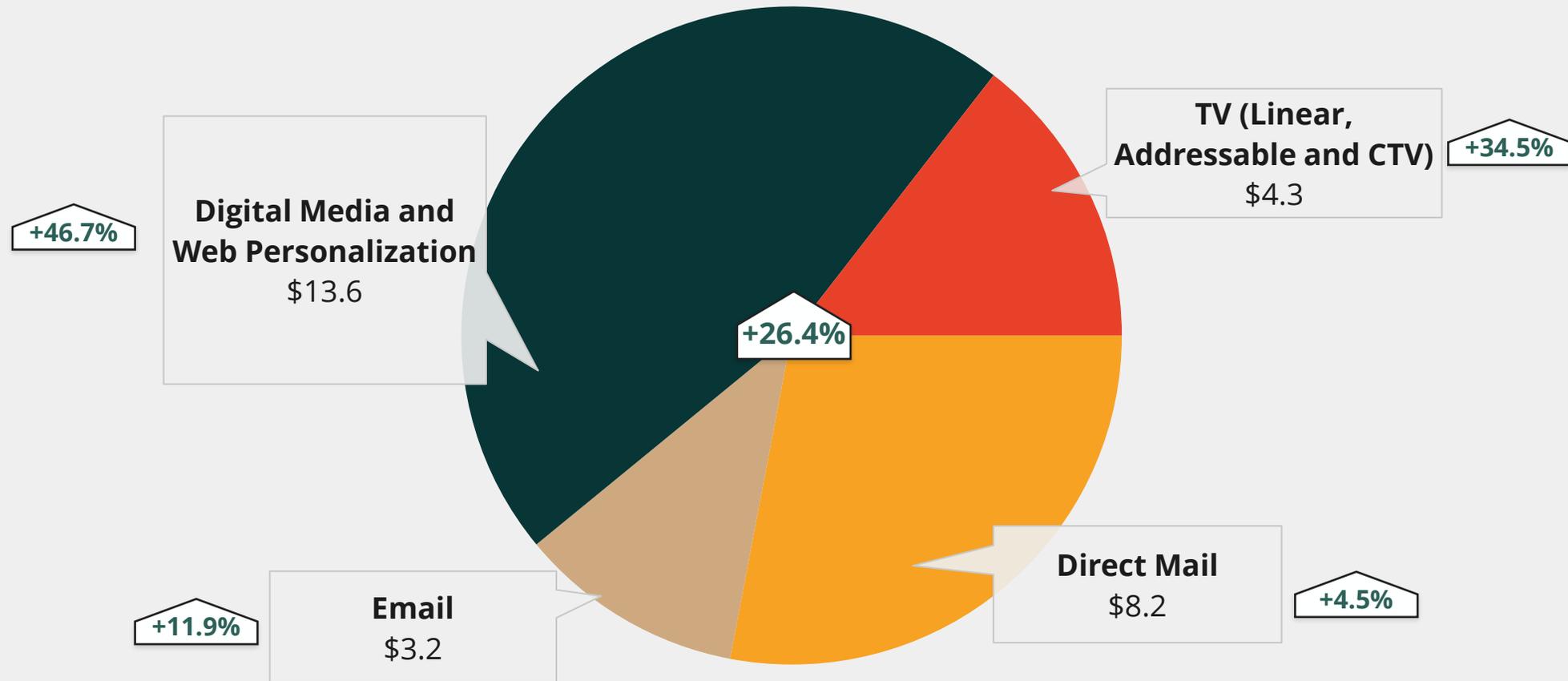


Source: Winterberry Group Spend Estimates (2022)

Note: Display refers to banner ads that appear on desktop; affiliate network fees exclude media and platform costs

# Review 2021: Data, Identity, Services and Platforms Spend All Saw Robust Expansion, Gaining Share As a Percent of Media to 12.3%

US Spending on Data, Identity, Data Services and Platforms, by Channel, 2021 (\$BB)  
Total: \$29.3BB



Source: Winterberry Group Spend Estimates (2022)

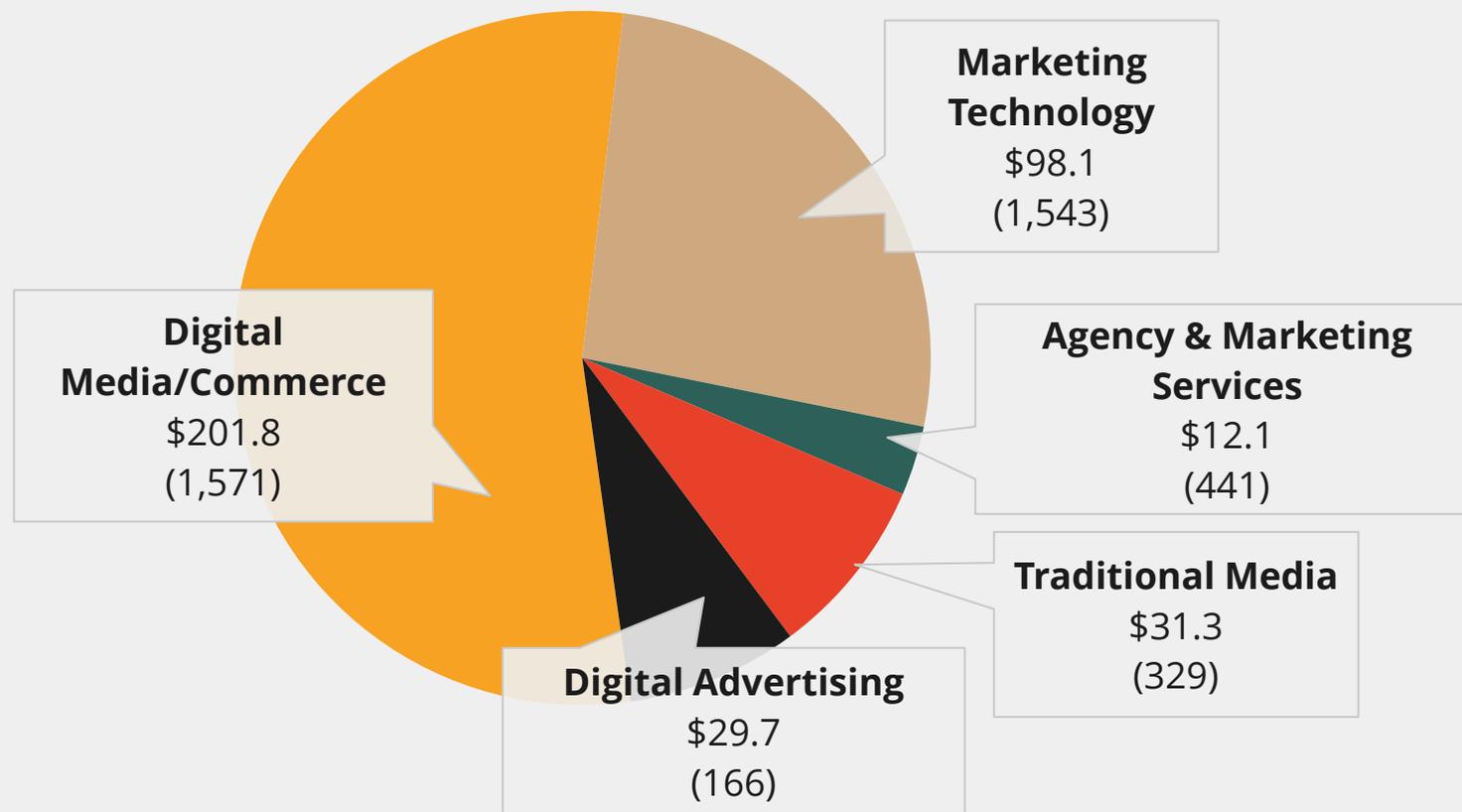
Note: 'Web Personalization' includes web and app; 'Digital Media' includes display, video and paid social; 'TV' includes linear, addressable and CTV; 'Data, Identity, Data Services and Platforms' includes analytics (modeling, measurement and attribution), spend on CRM, CDP and DMP platforms, database management and hygiene, excludes cloud hosting services

# 2021 M&A: A Record 4,050 M&A and Investment Transactions Totaling \$373.0BB in Value, up in Both Categories From 2020

## M&A and Investment Activity, 2021 (\$BB) Marketing, Media and Technology Industries (# of Transactions)

**Total deal value increased 148.2%**, up from \$150.3BB in 2020

**Activity increased 41.9%**, up from 2,855 deals in 2020



# 2021 M&A Themes: Focus on CX, Creative, Programmatic and Retail Media

Agency Holding Companies	Data and Technology		Private Equity		
<p><b>2021</b></p> <p><b>Acquired &amp; Consolidated:</b></p> <p>Into ".Monks"</p>	<p><b>Mar 2021</b></p> <p><b>SITECORE</b> Acquired</p> <p><b>BOXEVER</b> &amp; <b>FOUR51</b></p>	<p><b>July 2021</b></p> <p><b>mediaocean</b> Acquired</p> <p><b>flashtalking</b> for \$500MM</p>	<p><b>Mar 2021</b></p> <p><b>VISTA</b> EQUITY PARTNERS Acquired</p> <p><b>triplelift</b> for \$1.4BB</p>	<p><b>Nov 2021</b></p> <p><b>AEA</b> Acquired</p> <p><b>Hero</b> DIGITAL</p>	
<p><b>Jul 2021</b></p> <p><b>PUBLICIS GROUPE</b> Acquired</p> <p><b>CitrusAd</b></p>	<p><b>Jul 2021</b></p> <p><b>dentsu</b> Acquired</p> <p><b>LiveArea</b> for \$250MM</p>	<p><b>Oct 2021</b></p> <p><b>CM Group</b> Merges with</p> <p><b>CHEETAH DIGITAL</b></p>	<p><b>Aug 2021</b></p> <p><b>NMC</b> NEW MOUNTAIN CAPITAL LLC</p> <p>Investing in</p> <p><b>bounteous</b></p>		
<p><b>Aug 2021</b></p> <p><b>THE STAGWELL GROUP</b> &amp; <b>MDC Partners</b> Completed merger as</p> <p><b>STAGWELL</b></p>		<p><b>Dec 2021</b></p> <p><b>CRITEO</b> Announced to Acquired</p> <p><b>IPONWEB</b> for \$380MM</p>	<p><b>Dec 2021</b></p> <p><b>Microsoft</b> Announced to acquire</p> <p><b>xandr</b></p>	<p><b>Sept 2021</b></p> <p><b>APOLLO</b> Acquires</p> <p><b>verizon media</b> For \$5BB, rebrands as Yahoo</p>	

***Macro Trends :***  
**What's Driving the Market**



## Trend: Accelerating Focus on More Integrated, Holistic Experiences

Trend



**Consumers expect consistent and exceptional experiences.** To meet expectations, brands are increasing focus—and spend—on digital experiences, platforms and personalization.

Impact

**Marketers seek acceleration of omnichannel integration;** going beyond digital transformation and customer experience to a holistic brand experience requires faster “de-silo-ization” of marketing, servicing and supply chains.

## Trend: The Need for Consistent Content Everywhere

Trend



In an **"always on" world**, consumers demand **quality content at scale** across channels. Brands focus on **speed to content, quality control and cost**.

Impact

All creators of content have to consider the **who and where before the what**—thinking downstream utilization at the point of creation, building and delivering assets across formats and touchpoints.



## Trend: Rise of Connected Commerce and Retail Marketplaces

Trend



The concept of DTC has changed: **digital and physical shelves are integrating inventory, BOPIS and BORIS** while brands are simultaneously reallocating spend across upper and mid-funnel, **focusing on retail and other media marketplaces.**

Impact

**Retail media ad spend projected to double from \$20BB in 2020 to \$40BB in 2022;** not just about AMZN, WMT, TGT and BBY—marketplaces can be regional, national and cross-border, forcing the media conversation towards outcomes from impressions.

# Trend: Finding Balance in a More Regulated, Privacy-First World

Trend



**Privacy and data regulation accelerates.** Regulators, browser changes, consumer choice impact targeting and attribution. **It's about** direct relationships in a **first-party world.**

Impact

**Does identifier deprecation matter?** Its about control, competition and choice. No national privacy legislation this year—but an activist FTC.

euronews.next

**WhatsApp rewrites its Europe privacy policy after a record €225 million GDPR fine**

WSJ PRO

**France Fines Google, Facebook for Privacy Violations**

Regulator issues penalties of \$169 million against Google and \$67 million against Facebook for making it too hard to reject cookies

THE VERGE

**Google fined €50 million for GDPR violation in France**

The CNIL said Google's data consent policies aren't easily accessible or transparent

**FTC Imposes \$5 Billion Penalty and Sweeping New Privacy Restrictions on Facebook**

July 24, 2019

FTC settlement imposes historic penalty, and significant requirements to boost accountability and transparency

Bloomberg

**Amazon Gets Record \$888 Million EU Fine Over Data Violations**

- Luxembourg watchdog wields new powers with highest data fine
- Fine follows probe based on complaint by French privacy group

## Trend: Linear & Advanced TV - Colliding and Converging

Trend



The growth of **connected video consumption across places, channels and devices** is about seeking higher engagement. Video spend expected to reach \$130BB in 2022 across linear, digital video and CTV—**where 72% of marketers see growth.**

Impact

Reaching the consumer across any device or platform **will continue to drive** consolidation of media providers and demand to integrate buying—improving the ability to manage reach/frequency and **transforming measurement.**

# Trend: Influencer Marketing in Transformation Still Seeks Brand Suitability, Measurability

Trend



Who owns the influencer relationship between **creative, paid media and digital commerce** with the rise of social commerce happening? A convergence of influencer and affiliate marketing.

Impact

**With \$11BB in 2022 spend**, its about speeding the path-to-purchase, shortening the buying cycle and enabling social commerce. How hard will it be to manage experience, creators, suitability, safety and measurement?

## Trend: The B2B Digital Shift Continues Its Accelerated Expansion

Trend



From 2019 to 2020, B2B digital spend grew 50% year over year and another 29.4% increase in 2021. B2B eCommerce is expected to grow at a 17.9% CAGR and hit \$1.9 trillion by 2023—doubling from 2019

Impact

B2B performance marketing will reach ~\$30BB this year. Demand generation and ABM continue to be top of mind with an increasing adoption of programmatic intent. **Content consumption up by 20%**, and the focus is on reach, quality and privacy.

## Trend: Do you Get Gaming? Real Life and the Metaverse

Trend



There are **227MM video game players (consumers)** in the US spending nearly **\$180BB in 2021 across mobile, console and PC**. In-game ads are still primarily mobile as brands partner with gaming providers to capitalize on the next digital frontier.

Impact

Advertising in video games is expected to reach **\$5.8BB in 2022**. Building worlds in the **Metaverse** is not new, though this, along with **NFTS, AR/VR and immersive experiences**, are the next big thing—but hardware has to catch up.

## Trend: The Great Resignation and Talent Supply Chains

Trend



**In 2020 they were** let go, retired, sent home, saved by government subsidy and taken off the road. **In 2021 many decided not to come back (or come back differently...and more expensively).**

Impact

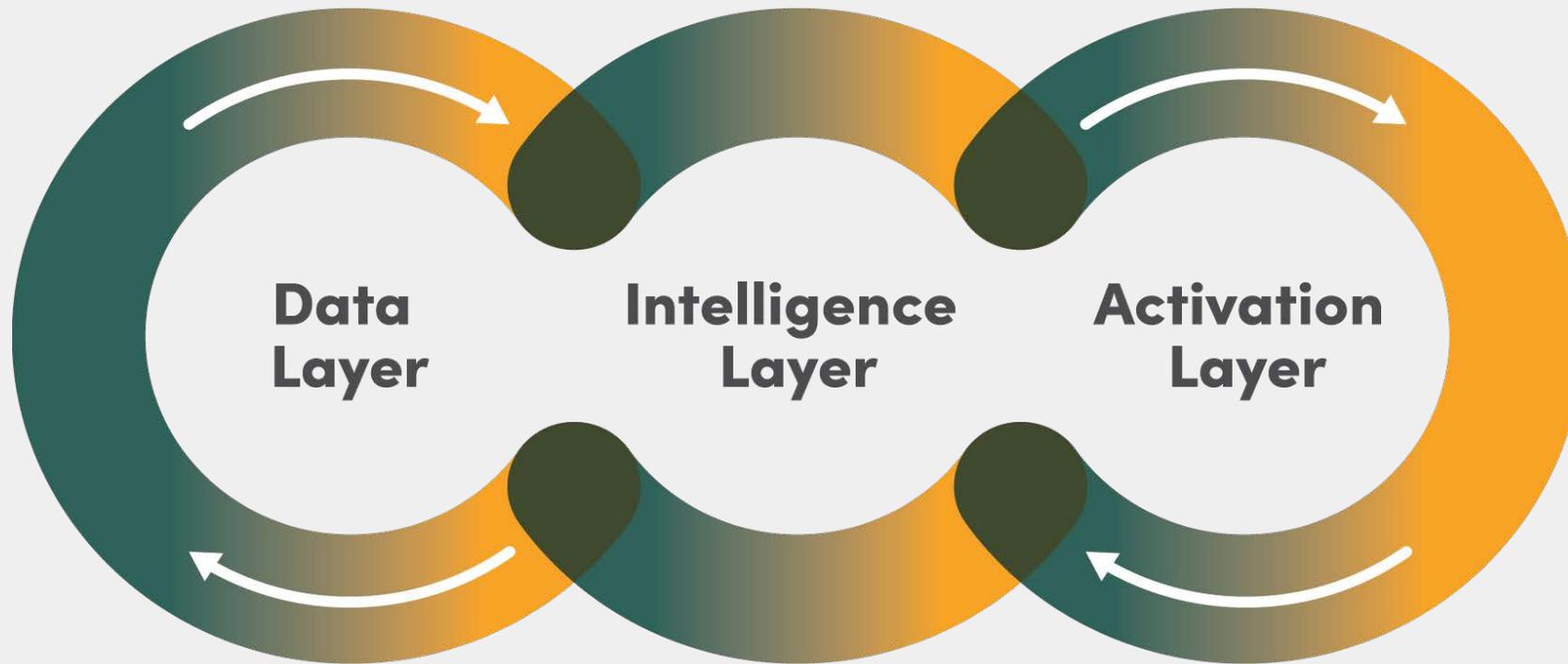
**2022 is still very much about talent**—it is about the right skills, having enough people to manage profitable growth with consideration for DEI, ESG, WFA (work from anywhere), in-house, on-shore and offshore.

= *Data, Data Services & Data*  
**Technology: Fast Times in the Data**  
**World**

A silhouette of a person climbing a rock face is visible on the right side of the slide, set against a light background that transitions into a dark grey background on the right.



# A (Re)View of The Data-Technology Relationship



At the data layer, **customer and prospect data is ingested, consolidated and standardized** with the end goal of using the data for analysis and activation

At the intelligence layer, **marketers and advertisers leverage customer profiles** to drive insights, gain audience intelligence and inform a range of marketing and advertising decisioning-related use cases

At the activation layer, **marketers and advertisers use applications and platforms** to communicate across outbound (email, display or Advanced TV) and inbound (website, app, or customer service) channels.

# Identity: Losing Identifiers, the Race to First Party Relationships and Contextual Rising



The delay of cookie deprecation pushed out transformation, yet with Apple iOS, ATT (along with Edge, Firefox, etc.) and state-based privacy regulation, **cookies are going away anyway.**

Identity marketing solutions, platforms and services spend reached **\$5.44BB in 2021—nearly 2x 2018 spend.**

The ID market continues to evolve based on privacy and ecosystem adoption, **but going forward 4 primary solutions are likely to be leveraged:**

- First-party cookies
- Email centric identifiers (UIDs)
- Cohort solutions (FLOCS and other birds)
- Contextual solutions

# Data Management: Adoption of CDPs, Clean Rooms and an Improved Data Layer Integration

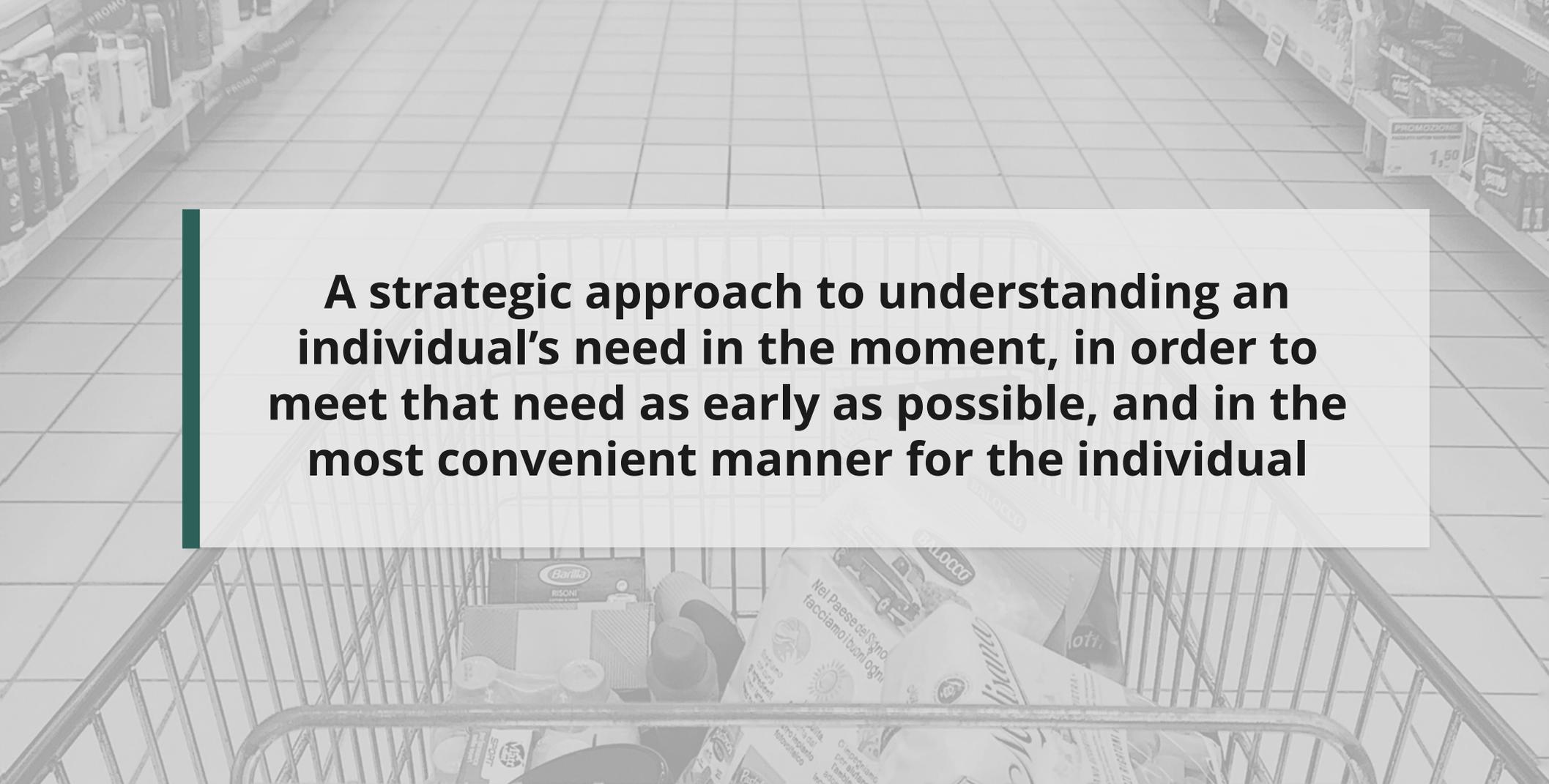


Fueled by the transformation of marketing data use cases and channels, **spend on data technology reached \$7.9BB in 2021, a 35.2% increase from 2020.**

**Market consolidation and rapid growth will continue through 2022** as the CDP (frequently adjacent to a CRM) becomes the hub of personalization, activation and measurement.

**Implementation and management skills shortages** may hamper brands' ability to fully leverage their investments.

# Putting the Layers Together: Customer Journey Management

A grayscale photograph of a shopping cart filled with groceries, including a box of Barilla risotto, a bag of flour, and a bottle of oil, positioned in a supermarket aisle. The cart is the central focus, with shelves of products visible in the background.

**A strategic approach to understanding an individual's need in the moment, in order to meet that need as early as possible, and in the most convenient manner for the individual**

# And How Should We Think About Customer Journey Use Cases?

Campaign Centric

Journey Centric



Basic Communications



Optimization of Prospect Journey



Omnichannel Communication



Optimization and Orchestration of  
CX

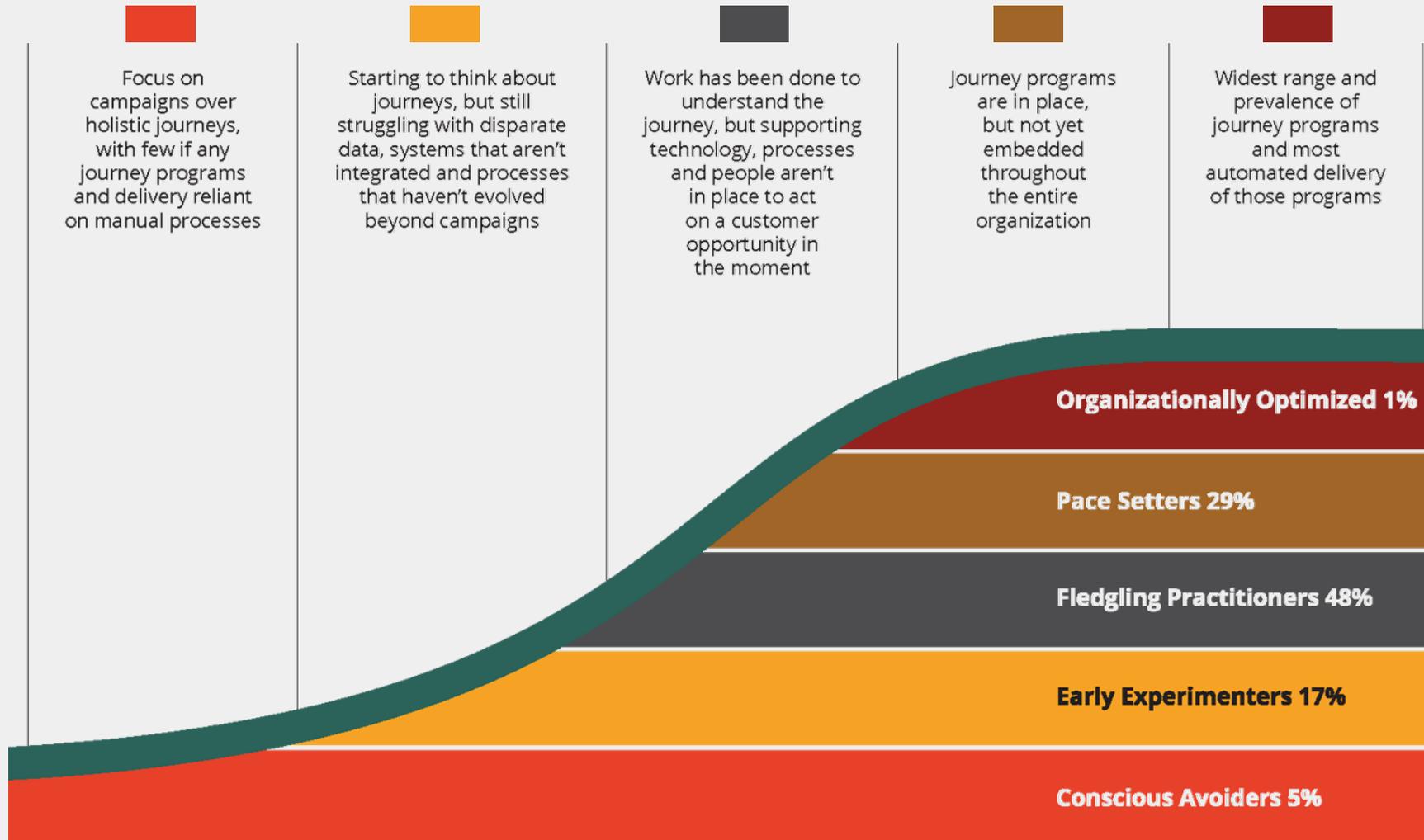


Personalization of Customer Service



Optimization of Abandoned  
Journeys

# The Customer Journey Management Curve: We Are Very Early



Source: Winterberry Group's "The Evolution of Customer Journey Management, For Marketing and Beyond" (2021)  
Note: n=156 brand marketers and marketing decision-makers

# Is It the Year of Attribution Yet?



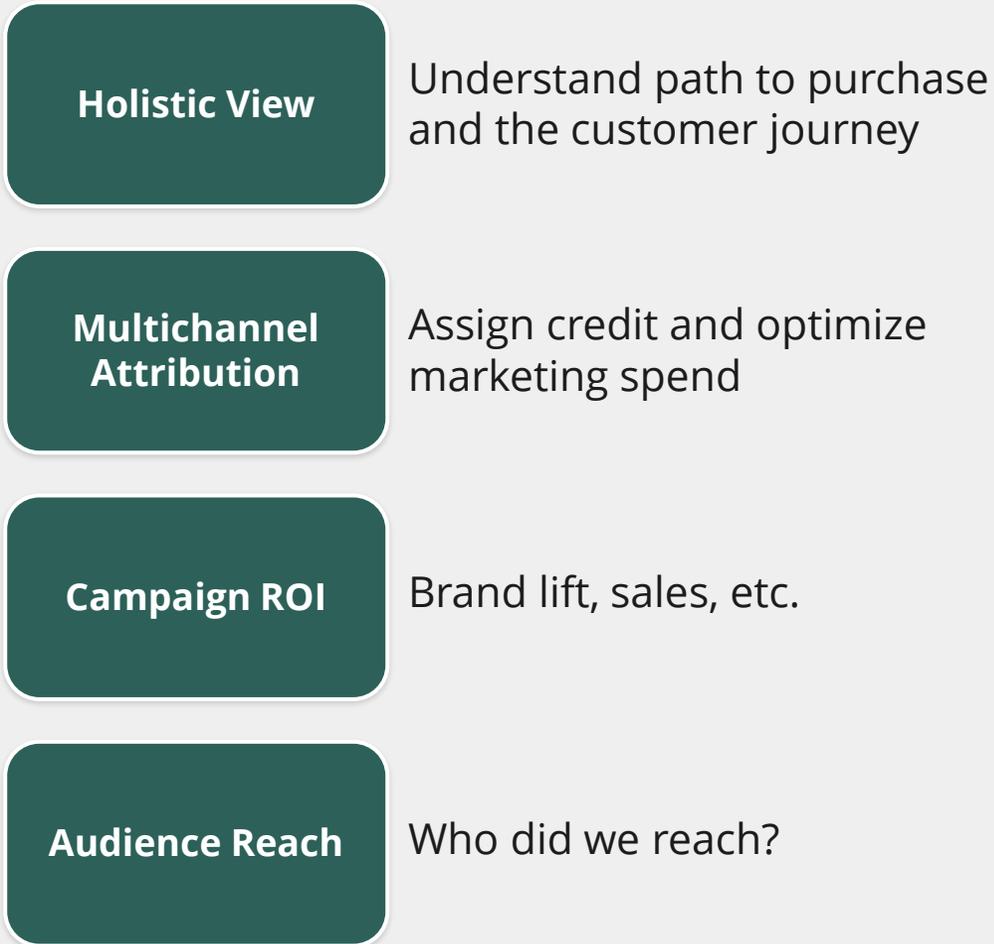
**Spend on analytics**, from prescriptive and predictive through measurement and attribution, **eclipsed \$7.5BB in 2021, up \$1.0BB (16.7%) from 2020.**

Attribution is still near the top of everyone's wish list yet faces headwinds...

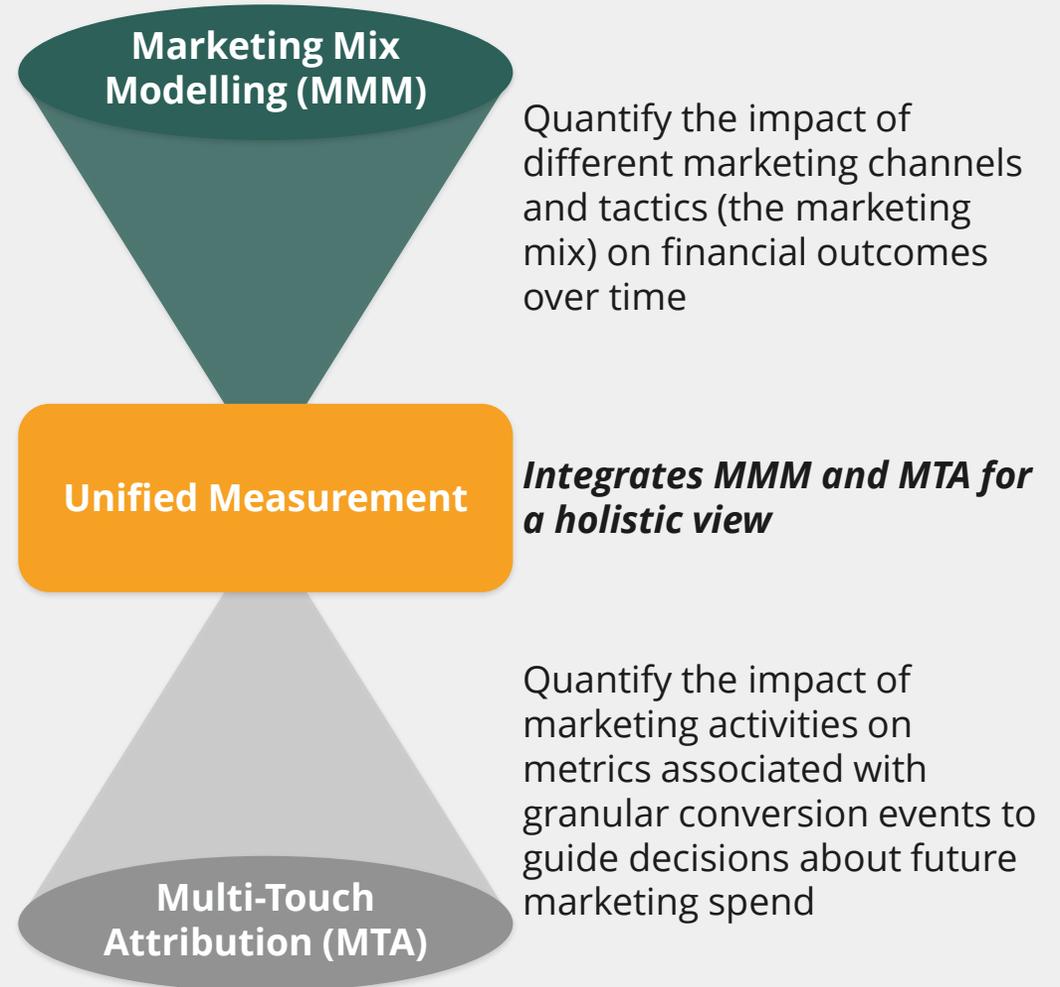
- Losing identifiers continue to pressure MTA
- Walled garden "black holes"
- Evolving standards in "TV/CTV"
- Insufficient analytics talent

# The Changing Needs of Measurement and Attribution

## Marketing Measurement Hierarchy



## Measurement and Analytics Approach







# *Outlook for Spending 2022: Following the Money*



# Outlook 2022: High Probability for Solid Growth, With Marketing Ad Spend Up Double Digits For Second Consecutive Year

- **US GDP growth is estimated at 3.9%**, continuing the de-acceleration of growth
- **Fed will give the US a series of interest rate hikes, designed to combat the effects of inflation**—a number expected to grow at 3.5% (Democrats) or 7% (Republicans),
- **The FTC is going to keep the pressure on “controlling” the major social and ad platforms** in the name of privacy and competitive markets

## Outlook Dependencies:

- COVID vaccine penetration and the next wave’s impact on employment
- Easing of supply chain challenges
- Global macro-economic and political risk
- Mid-term elections—just how nasty this time?

US Advertising and Marketing Spend  
2019 – 2022P (\$BB)

Year	Spend (\$BB)	YoY Growth (%)
2019	\$377.0	-4.4%
2020	\$358.8	21.6%
2021	\$436.3	11.8%
2022P	\$487.8	



# Trend: VC and PE Have Loaded Up With Cash—Making for Another Year of Active M&A

Trend



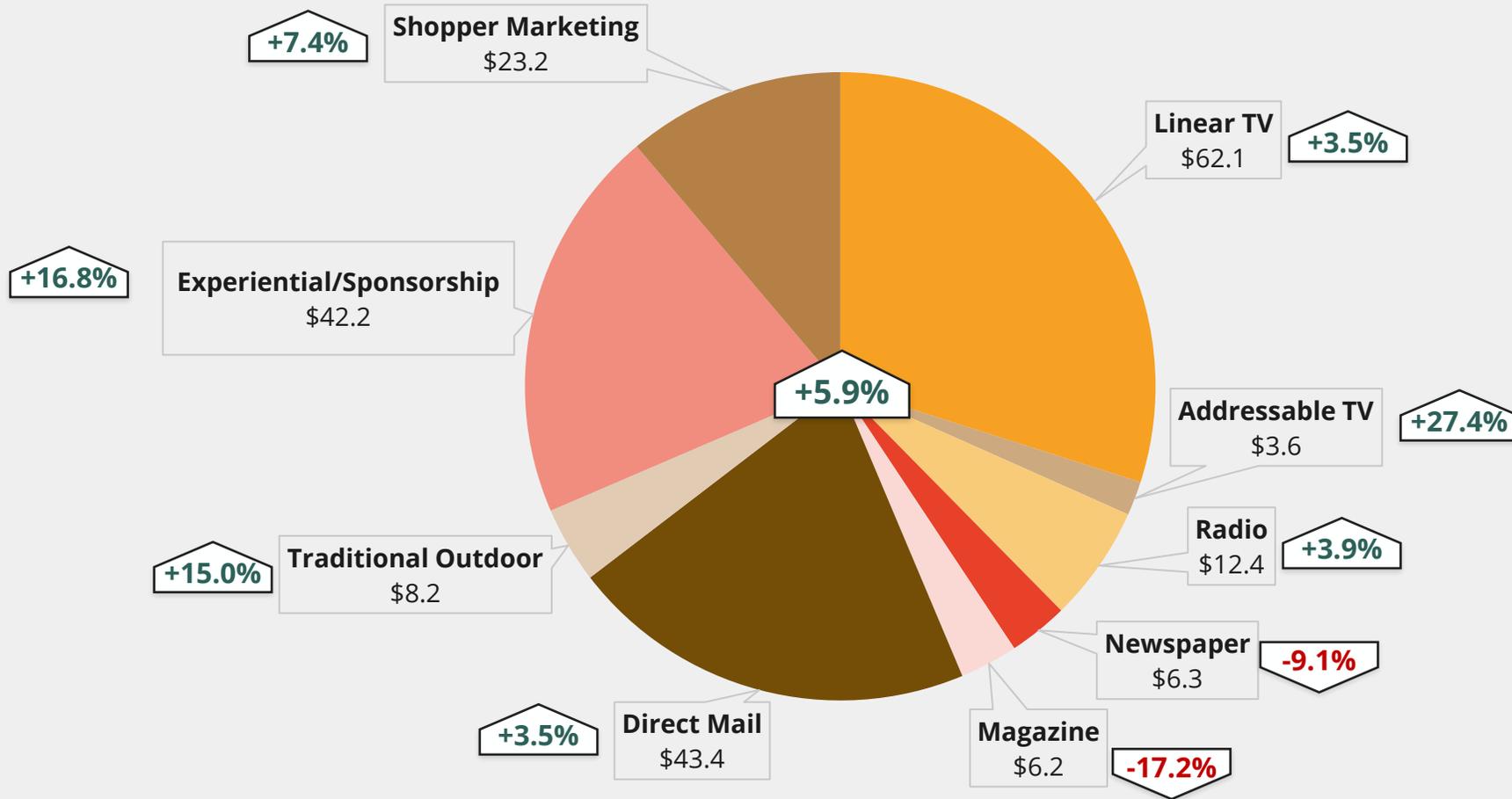
**VC funds raised \$130BB in capital: investments were \$349BB and exits reached \$177BB in 2021.**

Impact

**Valuations rose throughout the year and the supply of available capital is higher than ever**—market pullbacks for internet related equity (Platforms, Adtech, MarTech), could put valuations under pressure eventually.

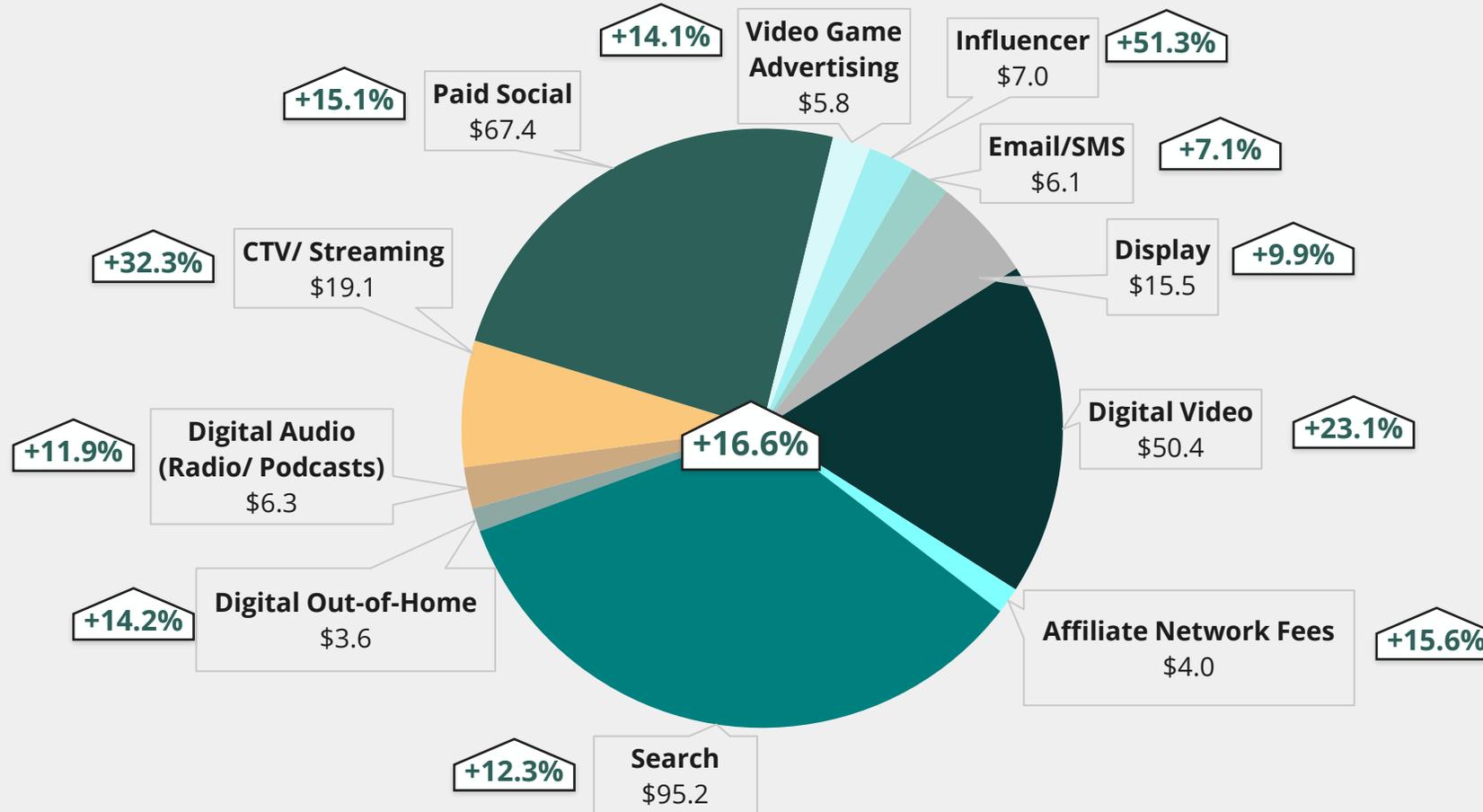
# Outlook 2022: Linear Gets a Boost from Election Cycle, DM Benefits from Omnichannel Commerce

**US Offline Marketing Spend, 2022P (\$BB)**  
**Total: \$207.6BB**



# Outlook 2022: More Digital Tailwinds as Continued Corporate Profit Growth Fuels Investment—More Video All the Time

US Online Marketing Spend, 2022P (\$BB)  
**Total: \$280.3BB**



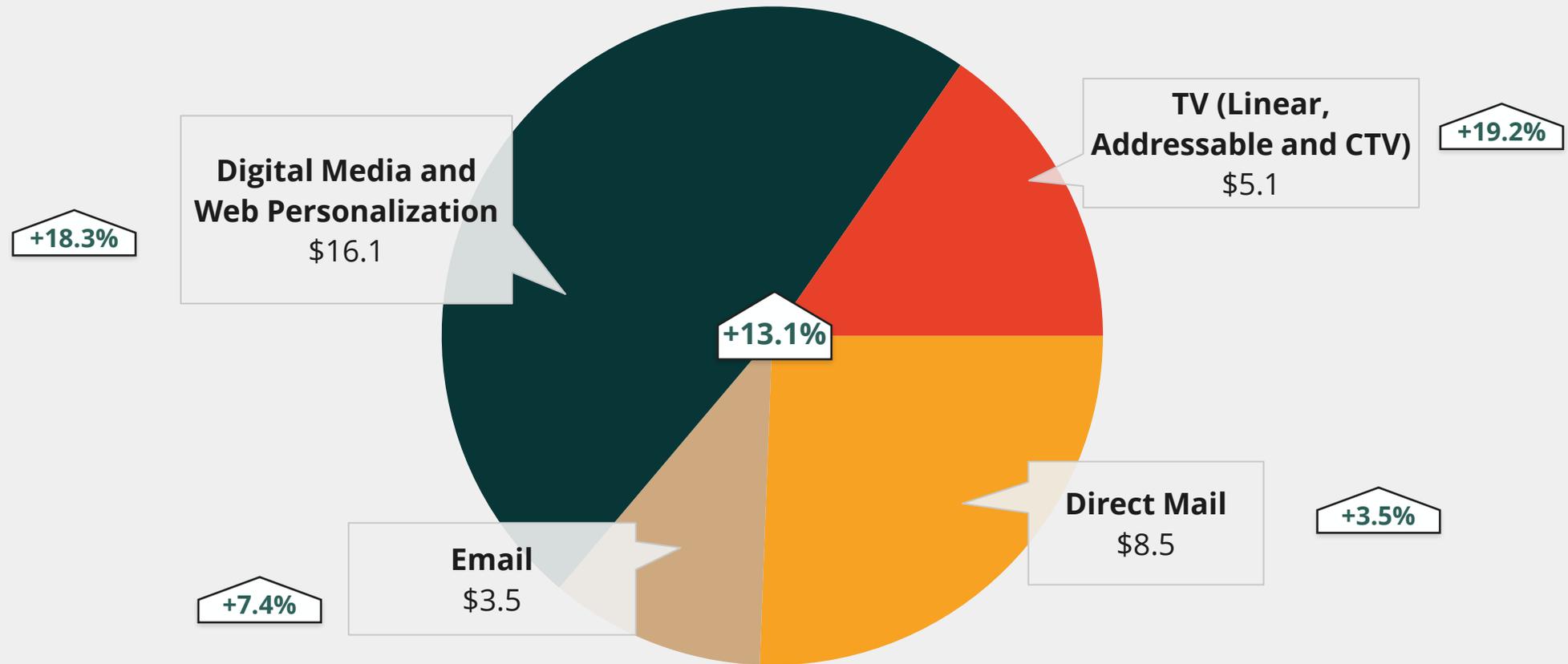
Source: Winterberry Group Spend Estimates (2022)

Note: Display refers to banner ads that appear on desktop; affiliate network fees exclude media and platform costs



# Outlook 2022: Fueled By Digital Tailwinds, Enhanced Omnichannel Data Solutions- Identity and Data Spend Sees Strong Growth

US Spending on Data, Identity, Data Services and Platforms, by Channel, 2022P (\$BB)  
**Total: \$33.1BB**



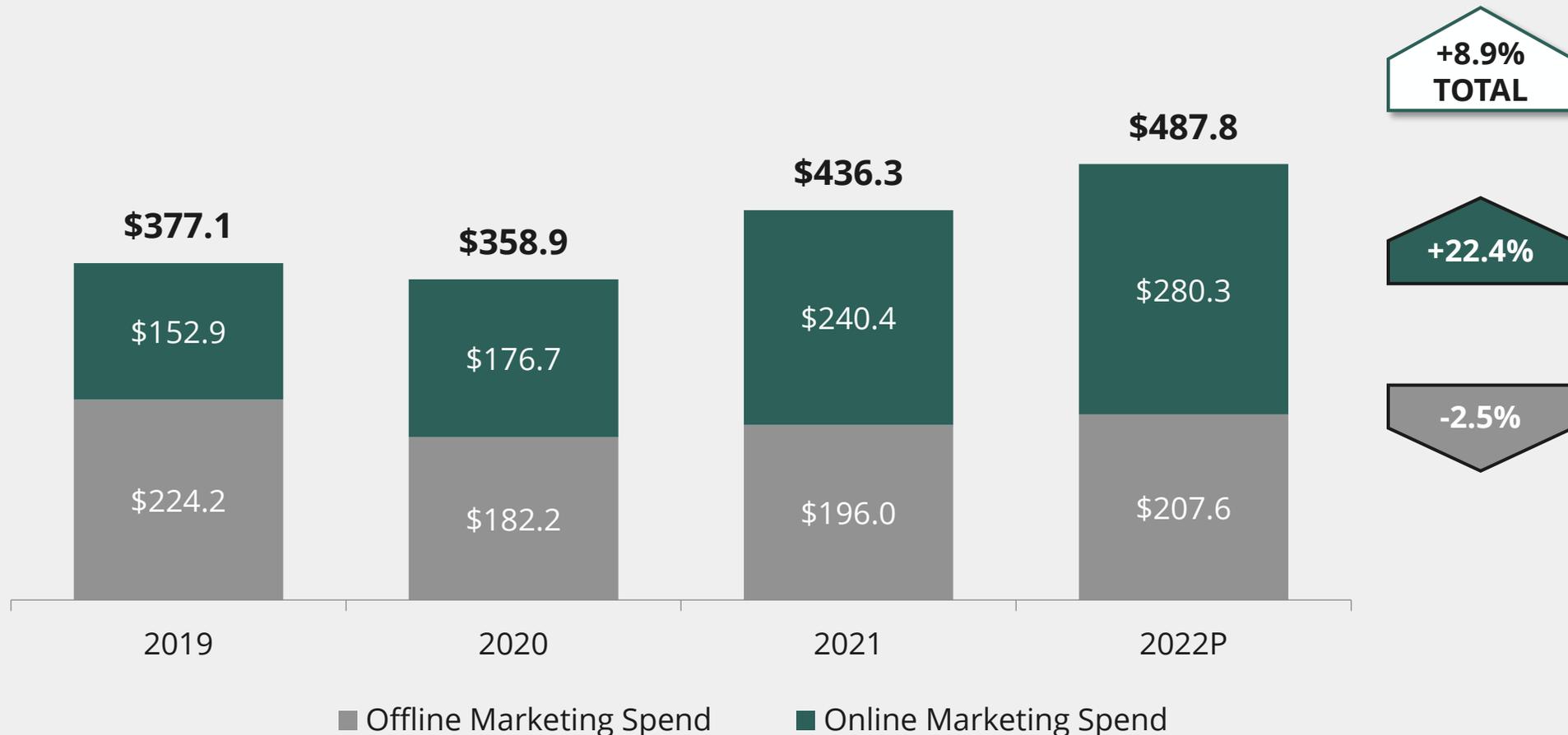
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# Outlook 2022: Adding Another \$50BB, Driven By Economic Expansion—Have We Reached Peak Growth and Transformation?

US Marketing Spend on Offline and Online Channels  
2019 – 2022P (\$BB)

CAGRs (2019-2022E):





**Thank you.**

**Bruce Biegel, Senior Managing Partner**

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