The Outlook for Data Driven Advertising & Marketing 2020

Bruce Biegel, Senior Managing Partner
New York, NY || January 16, 2020
Review: Looking Back at 2019

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

Sources: U.S. Bureau of Economic Analysis, The Balance
The Stable Economy Lead to Slow and Steady Overall Advertising and Marketing Growth


Note: Sponsorship, OTT and Influencer Marketing ad spend were not included in 2017 totals
But Not All Channels Had the Same Experience

Direct Mail Volumes, CY2016 – CY2019

- 2016: 85,530,316
- 2017: 81,183,983 (-5.1%)
- 2018: 82,290,525 (+1.4%)
- 2019: 76,200,993 (-7.4%)

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

- Shopper Marketing: $17.3 (-33.2%)
- Experiential/Sponsorship: $47.0 (+3.3%)
- Traditional Outdoor: $8.6 (+6.7%)
- Direct Mail: $41.2 (-3.4%)
- Linear TV: $64.3 (-4.2%)
- Addressable TV: $2.0 (+37.0%)
- Radio: $13.8 (0.0%)
- Newspaper: $12.9 (-12.7%)
- Magazine: $10.8 (-11.2%)

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

U.S. Online Media Spending, 2019 ($BB)
Total: $145.3BB

- **Paid Social**: $36.2, +23.0%
- **Display**: $36.4, +21.0%
- **Search**: $54.8, +19.1%
- **Digital Out-of-Home**: $3.5, +16.24%
- **Email/SMS**: $5.2, +13.2%
- **Digital Video (OTT/Streaming)**: $3.8, +12.6%
- **Digital Audio (Radio/Podcasts)**: $2.9, +12.0%
- **Influencer**: $2.6, +11.2%

**Source**: Winterberry Group Spend Estimates (2020)
Review 2019: Data and Data Services Spend Sees Steady Growth – Except Offline

U.S. Data and Data Services Spending, 2019 ($BB)
Total: $21.7BB

- Digital Media (Data, Analytics, Data Technology)
  - $8.2
  - $8.2
  - +14.4%

- Email Data, Database, Analytics, Hygiene
  - $2.9
  - $2.9
  - +22.4%

- Offline Data (Data, Database, Analytics, Hygiene)
  - $9.0
  - $9.0
  - -5.5%

- TV Data, Analytics
  - $1.6
  - $1.6
  - -1.7%

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?

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

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

- **2016**
  - Not at all data-centric: 0%
  - Not very data-centric: 1%
  - Somewhat data-centric: 17%
  - Fairly data-centric: 40%
  - Extremely data-centric: 42%

- **2017**
  - Not at all data-centric: 20%
  - Not very data-centric: 10%
  - Somewhat data-centric: 26%
  - Fairly data-centric: 30%
  - Extremely data-centric: 31%

- **2019**
  - Not at all data-centric: 0%
  - Not very data-centric: 1%
  - Somewhat data-centric: 10%
  - Fairly data-centric: 30%
  - Extremely data-centric: 24%

Source: IAB-Winterberry Data Centric Org (2020)
...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?”

<table>
<thead>
<tr>
<th>Year</th>
<th>No overarching strategy, and no plans to develop one</th>
<th>No overarching strategy today, but planning to develop one</th>
<th>Has taken steps to develop an overarching strategy, but has not fully implemented it yet</th>
<th>Has developed and implemented an overarching strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>4%</td>
<td>17%</td>
<td>25%</td>
<td>4%</td>
</tr>
<tr>
<td>2017</td>
<td>5%</td>
<td>17%</td>
<td>39%</td>
<td>23%</td>
</tr>
<tr>
<td>2019</td>
<td>6%</td>
<td>25%</td>
<td>53%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: IAB-Winterberry Data Centric Org (2020)
Yet Fewer Organizations Than Ever Report Success in Implementing Such Strategies

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

### Organizations who say they have successfully implemented a data strategy

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40%</td>
<td>23%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Our organization has developed and implemented an overarching data strategy

### Organizations who categorize themselves as “extremely” data-centric

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24%</td>
<td>10%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Our organization is extremely data-centric

Source: IAB-Winterberry Data Centric Org (2020)
2019 M&A: 3,468 M&A and Investment Transactions, Totaling $246.9BB in Value, Up YoY

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

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

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

- Digital Media/Commerce: $96.7 (1,165)
- Marketing Technology: $63.0 (1,199)
- Agency & Marketing Services: $12.7 (541)
- Digital Advertising: $12.3 (212)
- Traditional Media: $62.2 (351)

Source: CGF/Petsky Prunier (2019)
2019 Agency M&A: Heightened Competitive Intensity Continued to Fuel Significant Agency Deal Volumes

- 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

Source: CGF/Petsky Prunier (2019)
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**

**Evidence**
- Connected devices per person increasing to 20+ with 26.7BB connected devices
- Increasing convenience of connected travel and connected homes
- Mobile ticketing, event amplification

**Marketer Implications**
- Data integration and the rise of identity graphs
- Extension of experiences across locations
- Investments in evolved app design and functionality through digital product innovation

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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

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**.

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**Evidence**

- 20% of global internet users follow celebrities
- 85%+ of consumers trust family and friends above all others (employees, online reviews and influencers) for product recommendation
- 15% of influencers who sign on to publish, **don’t**

**Marketer Implications**

- **Creative incentives to increase volume and quality of customer reviews**
- **Leverage influencers for brand discovery and volume**
- **Increasing urgency to monitor fraudulent activity across all types of product promotion and reviews**

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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 creation of unicorns

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

Sources: Winterberry Group Revenue Estimates (2020), Bureau of Economic Statistics
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?

Evidence
- 70% of loyalty is constantly up for grabs
- 77% of consumers now retract loyalty faster than they did 3 years ago
- 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
- Platforms move on from points to CX; in-store/online discounts, free shipping, VIP experiences, early access to ticket sales
- Focus on the customer not fulfillment; employee/channel management

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

Privacy: Fastest Rising Concerns Among Consumers

- **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

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

Sources: Osterman Research (2019), eMarketer (2019)
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 shine 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

Average Response: 2.53

Don’t know: 8%  
Not prepared: 15%  
Slightly Prepared: 15%  
Somewhat Prepared: 43%  
Well prepared: 14%  
Extremely well prepared: 5%

Source: IAB-Winterberry Group Data Centric Org (2020)
Note: Data includes the California Consumer Privacy Act and the EU’s General Data Protection Regulation
Spotlight: Data, Technology and Services
## Spotlight on Analytics: Insights and Attribution Still a Challenge

### Evidence
- **80% of CMOs increasing spending** on predictive analytics
- **45% of brands not comfortable** with [their] attribution results
- **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
- **$6.7BB** forecast spend on analytics and insights in 2020 with spend moving near/offshore; **55% of brands site DS as a weakness**
- **Insights with a seat at the (customer journey) table; model development** to predict experiences

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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?”

- Strengthened and/or clarified our consumer opt-in policies and disclaimers: 56%
- Revised policies governing how we use and share data internally: 43%
- Revised policies governing how we source data from third parties: 42%
- Extended our legal and/or data governance teams: 36%
- Developed (and/or revised) central data-use strategies: 35%
- Invested in new technology to support compliance requirements: 24%
- Reduced our spending/reliance on certain kinds of data: 16%

Source: IAB-Winterberry Data Centric Org (2020)
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

Sources: Winterberry Group Spend Estimates (2020), IBM, IDC
## Spotlight on Marketing Platforms: What Is the Next “CDP”?

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<thead>
<tr>
<th>Evidence</th>
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</thead>
<tbody>
<tr>
<td>$1BB+ spend on CDPs in 2020; 3000+ implementations in the last 3 years</td>
<td>75% of all CDPs are really applications that needed to manage data</td>
<td>Still very limited options for integrated campaign management solutions that span paid, earned and owned media</td>
</tr>
</tbody>
</table>

### Supplier Implications

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Desire more consistency across touchpoints; inhibited by platform complexity and brand silos</td>
<td>Decisioning against stacks and point solutions; cannibalization of CRM databases accelerates in 2020</td>
<td>Limited number of providers with skills that span channel execution and data management</td>
</tr>
</tbody>
</table>

## 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.)**
- 53% of marketers say **deeper personalization of content is a top priority**
- 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
- Ability to **manage complexity and scale** of production cost effectively/efficiently – **more offshore movement**
- **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
- 69% of marketers are looking to or have already moved strategy in-house
- 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
- Providing a balance of in-house, on-shore and off-shore to mitigate cost arguments
- 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?

<table>
<thead>
<tr>
<th>Evidence</th>
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</tr>
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<tbody>
<tr>
<td>$50BB+ in 2020 for agency services and digital transformation</td>
<td>Consultancies and holding company M&amp;A to continuously buy/build capabilities</td>
<td>Continued investment in new service delivery models and “alternative” agency networks</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supplier Implications</th>
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<th>Supplier Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shifting from retainer to project continues increasing service delivery challenges</td>
<td>Talent acquisition by consultancies and agencies vs tech platforms (FB, Google, Amazon), new ventures and brands</td>
<td>Constant change management to adjust models for capabilities and profitability</td>
</tr>
</tbody>
</table>

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

Source: Pitchbooks News (2020)
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?

<table>
<thead>
<tr>
<th>Year</th>
<th>Spend ($BB)</th>
<th>YoY Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$307.4</td>
<td>15.1%</td>
</tr>
<tr>
<td>2018</td>
<td>$353.7</td>
<td>2.7%</td>
</tr>
<tr>
<td>2019</td>
<td>$363.4</td>
<td>7.2%</td>
</tr>
<tr>
<td>2020E</td>
<td>$389.5</td>
<td></td>
</tr>
</tbody>
</table>

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

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

- Linear TV $65.6 (+1.9%)
- Addressable TV $2.9 (+44.0%)
- Radio $13.6 (-1.7%)
- Newspaper $11.8 (-9.1%)
- Magazine $9.8 (-9.7%)
- Direct Mail $41.5 (+0.6%)
- Traditional Outdoor $8.9 (+3.3%)
- Experiential/Sponsorship $48.5 (+3.1%)
- Shopper Marketing $20.7 (+19.5%)

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

- Paid Social: $42.3 (+17.0%)
- Digital Video (OTT/Streaming): $5.0 (+31.6%)
- Digital Audio (Radio/Podcasts): $3.4 (+15.0%)
- Digital Out-of-Home: $3.7 (+7.0%)
- Search: $60.9 (+11.2%)
- Email/SMS: $5.8 (+32.4%)
- Display: $41.9 (+12.6%)
- Paid Social: $42.3 (+14.5%)

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

- **Digital Media (Data, Analytics, Data Technology) Spend**
  - $9.0
  - +9.4%

- **Email Data, Database, Analytics, Hygiene**
  - $3.3
  - +14.2%

- **Offline Data Spend (Data, Database, Analytics, Hygiene)**
  - $9.1
  - +0.6%

- **TV Data, Analytics Spend**
  - $1.7
  - +4.7%

Note: Digital Media includes display, video and paid social; TV includes linear, addressable and OTT
Outlook 2020: While Digital Media Passed Traditional – Total Offline Will Remain On Top - For A Few Years


<table>
<thead>
<tr>
<th>Year</th>
<th>Offline</th>
<th>Online</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>210.6</td>
<td>96.7</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>231.7</td>
<td>122.0</td>
<td>-10.7%</td>
</tr>
<tr>
<td>2019</td>
<td>218.1</td>
<td>145.3</td>
<td>+8.2%</td>
</tr>
<tr>
<td>2020E</td>
<td>223.1</td>
<td>166.4</td>
<td></td>
</tr>
</tbody>
</table>

Note: Sponsorship, OTT and Influencer Marketing Spend were not included in 2017 total
Thank you.

Bruce Biegel, Senior Managing Partner
bbiegel@winterberrygroup.com
(212) 842 – 6030
winterberrygroup.com
115 Broadway, 5th Floor
New York, NY 10006
@WinterberryGrp