

Industry Update

A summary of newsworthy client/agency relationship developments and relevant marketing or agency management trends from the past month.

Volume 43

Executive Summary—Monthly Recap

Super Bowl 2020 was another great display of the industry’s strength and focus with a sold-out inventory. There were complaints about too many movie references; others were moved, while some enjoyed the funny spots.

Either way, no one was left untouched during one of the most televised events of the year. From Procter & Gamble, “When We Come Together” to Budweiser, Microsoft, “Be the One”, “Typical Americans”, Toyota, “Heroes,” Audi e-tron, “Let it Go”, “Groundhog Day,” Doritos, “Cool Ranch,” Amazon Alexa, “Before Alexa,” there was something for everyone.

A number of this year’s Super Bowl ads have been created in-house (Quicken Loans’ Rocket Mortgage, Google’s “Loretta,” P&G’s Secret, and Squarespace’s commercials). 102 million individuals also watched the 92nd Academy Awards, aka Oscars 2020, on ABC and enjoyed ads from the usual suspects, including Cadillac, Adobe, Verizon, Microsoft, Google, Rolex, McDonald’s, M&Ms, Colgate, Hulu, and Intuit.



Bruno Galpois
Co-Founder & Principal
Agency Mania Solutions

Newsworthy reports and recent developments

At AMS, we approach the agency management discipline as four distinct but complementary practice areas—**Talent, Work, Financials,** and **Performance and Value**—which is how we’ve organized industry developments to follow.

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TALENT: Securing the Right Talent and Resources

The Super Bowl showed us that equal representation in advertisements is a fundamental shift in how we produce work, but also how we must approach talent. Google, Microsoft, and P&G all seem committed to change gender stereotypes. An example very close to my heart for various reasons, including the fact that I worked for the tech giant for years, was the inspiring Katie Sowers commercial for Microsoft. Their Super Bowl ad celebrated the first woman to coach in the big game. The push for diversity is good for clients, agencies, and all of us.

- **WPP’s Ogilvy** restructured its operations and laid off 80 employees across nine offices in the US (3.7% of its staff), eliminating a layer of leadership roles and focusing on regional leadership, as a result of increasingly more project-based engagements, the changing nature of its work, and client budget cuts combined with pricing pressure.
- **Adidas’** startup accelerator, Platform A, celebrated its first-year anniversary. The Parisian concept is aimed at transforming Adidas digitally and accelerating innovation with pilots by developing technologies like “Running Care”—a health app dedicated to runners—that can be plugged into the brand’s ecosystem.
- **Dentsu Aegis Network** acquired people-based identification and data services firm, 4Cite Marketing. The unit will keep its name (4Cite) and operate within Merkle, the performance marketing arm of Dentsu Aegis Network.
- **Dentsu Aegis Network** acquired Dallas-based agency Digital Pi, a provider of marketing automation, campaign operations, and consulting services in the B2B sector. The firm will operate within Merkle.
- **MDC Partners** launched a new Anomaly-led “alliance” (it calls “lumbering”) to house some of its digital innovation (Y Media Labs), design and branding (Mono), consumer marketing communications/PR (Hunter), creative experiences (Relevant) and healthcare (Concentric Health Experience) capabilities under one network strong of 1,400 employees.
- Memphis-based agency holding company **Eastport Holdings** merged three of its agencies—Mindstream Media, Southwest Media Group, and Digital Addix—to form a new full-service Dallas-based media shop called Mindstream Media Group with \$500 million in billings. The group operates in several cities. Clients include Samsung, Sony, and The UPS Store.

- Comcast, Charter, and Cox-owned TV ad sales group, **Ampersand**, launched a buying platform leveraging 40m set-top boxes to help brands plan, buy, and measure their addressable campaigns for both local and national TV across linear, on demand, digital video, and over-the-top.
- **Vodafone Group** launched its digital media buying in-house in 2018 and is now handling media (including search and social) in 11 of its 25 markets. The in-house team collaborates with the brand's media AOR, Dentsu Aegis' Carat and WPP's Team Red (led out of Ogilvy UK).
- Digital marketing firm **Brainlabs** (with offices in London, New York, Austin, and Seattle) acquired SEO agency Distilled with the goal to create teams of multi-skilled marketers built around a client's needs. Distilled will spin off its A/B testing product, SearchPilot, as an independently run company.
- **AdEx Network** launched its decentralized advertising platform after testing it with 100 advertisers running roughly 300 campaigns. Unlike traditional ad networks, the platform does not collect or store user information in the cloud.
- **Omnicom Public Relations Group (OPRG)** revealed a strategic alliance with LaVoieHealthScience (LHS) to bring global clients a broader set of integrated health- and science-experienced teams (1,200 health consultants across 14 agencies in more than 100 countries globally).
- Chicago-based **Bounteous** acquired The Archer Group, a specialist expertise design firm with an offering that includes digital strategy, usability research, technology, and media, now operating from Chicago, Wilmington, Denver, Pittsburgh, Toronto, San Francisco, and Berlin.
- **The Liquid Agency** acquired Vignette, an agency with clients like Walmart specializing in offering employee experiences including leadership training, healthcare, app design, and videos, operating from Portland and San Jose.
- **Horizon Media** launched eCommerce data intelligence company, Night Market. The offering allows marketers to improve their online retail performance, across the brand's entire eCommerce strategy, not only advertising.
- **WPP's Wunderman Thompson** acquired marketing technology consultancy XumaK in an effort to strengthen its suite of Adobe-enabled capabilities and experience technology offering.
- **Dentsu Aegis Network** acquired New York-based independent media agency Media Storm in an effort to expand capabilities across key verticals such as media and entertainment, as well as leverage its data and analytics practice and programmatic platform.
- **MDC Partners** launched an agency group known as a "constellation with 5 agencies"—creative shops 72andSunny, CPB, digital agency Instrument, brand strategy and design agency Red Scout, and content creator Hecho Studios—combining the best of creativity, data, strategy, design, user experience, storytelling, and media.
- A new ad agency called **3 Mad Fish** was launched by a few industry veterans "driven by the desire to create meaningful connections." The agency, located in LA and NYC, is focused on experimentation, testing, and iteration, using a proprietary process called "ELI" that puts the consumer at the center of everything they do.
- Per the **In-House Agency Forum**, 72% of advertisers now have an in-house agency (12.5% growth YOY). 54% claim to use less planning around project initiation with their internal agencies than with external agencies. 50%+ claim that their in-house agency isn't adequately funded. 42% admitted they were unaware of their in-house agency's mission.
- Confectionary giant **The Hershey Co.** terminated its relationship with MDC Partners' Anomaly in the US, which is handled by creative agencies McGarryBowen and Droga5, and now only works with the brand in Canada.

Noteworthy quotes:

- » "We've been clear that we need fewer, stronger brands and smaller, specialist brands. I'd like nothing more than for WPP to be recognized as a company with strong brands."—Mark Read, CEO, **WPP**
- » "Our jobs are to serve others."—Marc Pritchard, chief brand officer, **P&G**
- » "We are of course experimenting [with] in-housing adaptations, but we have a huge focus on having the very best relationships and ways of working with our external agencies."—Syl Saller, CMO, **Diageo**
- » "We've really leant into the WPP family, we're committed to that relationship... and within that we ebb and flow."—Maria Koutsoudakis, brand and marketing director, **Vodafone Group**
- » "That's all I really focus on, and that's how this agency is built: End-consumer business dynamics."—Gary Vaynerchuk, CEO, **VaynerMedia**
- » "Clients and agencies can then 'ditch the pitch' and instead ask, in a sophisticated way, 'How are we doing?'"—Michael Farmer, chairman, **TrinityP3 USA**
- » "It's very difficult to change a company. Starting with a clean sheet of paper was quite exciting."—Martin Sorrell, executive chairman, **S4 Capital**
- » "While in-house agencies may be enabled by institutional knowledge, proximity, and creative prowess, they are simultaneously stymied by operating practices and decision-making hierarchies that limit their ability to contribute more fully."—Marta Stiglin, principal, **Stiglin Consulting**
- » "As every corner of the advertising and agency world transforms itself, brands and agencies alike should remember that creativity is the very currency of the industry."—Jay Pattisall, global agency analyst, **Forrester**
- » "At the end of the day, what S4 stands for is a new model, building a new era model."—Martin Sorrell, executive chairman, **S4 Capital**

WHITEPAPER

The Case for Custom vs. Out-of-the-box SaaS

Check out our whitepaper by Bruno Galpois that explains why top advertisers choose custom software for their agency management tools over out-of-the-box at: www.agencymania.com/ams-whitepapers

WORK: Producing Great Work and Outcomes

The Shakira/J.Lo halftime combo generated much buzz and was one of the highlights of the Super Bowl. Only 98 million people actually watched the game, a low figure compared to estimates. The battle was fought and won outside of the game, in social media, pre- and post-game, as is now often the case. Per USA Today's Ad Meter, the ad scoring first place was "Groundhog Day," with Bill Murray starring in a reenactment of his 1993 classic. With the cost of Super Bowl ads on the rise, brands must stretch these marketing dollars as far as they can... and they do.

- **Microsoft's** 60-second 2020 Super Bowl spot called "Be The One" produced by agency McCann features Katie Sowers—the first woman to coach during the big game and the first female coach for the San Francisco 49ers. The spot is designed to empower and inspire the next generation of girls and women leaders.
- Love is in the air. **The Martin Agency** sent a string of personalized Valentine's Day cards on Instagram to all its clients.
- Two advertisers—Bud Light and P&G—offered **viewers their choice of ads** during the Super Bowl. P&G created a one-minute interactive ad (by a company called Eko) called "When We Come Together" that let viewers guide the action (a reported 64 different options) by voting online. Bud Light used digital media as a voting booth for viewers.
- Consulting giant **Accenture** shut down its media auditing arm (only 0.1% of its total earnings) to address rising questions about conflict of interest between its various divisions and offerings. The Accenture Interactive services division is growing rapidly (\$10 billion in revenue in 2019) and is therefore being prioritized.

- **Fox** added more commercial time—one commercial break to the game—to Super Bowl LIV to make room for some last-minute advertisers. The network sold out of commercial inventory—with ad units reaching \$5.6 million for a 30-second spot.
- Several brands, including Nike and BodyArmor, paid tribute to NBA star **Kobe Bryant** after his death—along with 13-year-old daughter Gianna and seven others—in a helicopter crash.
- **Snickers** launched its new campaign during the Super Bowl spot, with the hashtag, #SnickersFixTheWorld. The work, which is meant to tackle the world's annoying problems, has been produced by BBDO New York and AMV BBDO.
- **Floresta** (aka Flo) is a 25-year-old virtual influencer and girlbot (claiming to be half Brazilian and half Portuguese) using natural language processing software to hold conversations about environmental issues in the UK.
- WPP content shop **SJR** developed a Strategic Storytelling Index as a means of quantifying how strong their content is and predicting how well it will resonate. The index measures the emotional and intellectual magnetism of brand stories across a scale of Wonder, Wisdom, and Delight.
- **Adobe's** 60-second TV ad broadcast Sunday during ABC's Oscars pushed creative boundaries with a colorful, hypnotic journey, inspired from the 1971 film Willy Wonka & the Chocolate Factory, through the company's slate of graphic design, video and photo editing, and web development tools, but also highlighting its strong partnership with long-term agency Goodby Silverstein & Partners.
- **M&M's** created in-the-moment commercials with agency BBDO and Mediacom, Weber Shandwick, and its internal team Digital Hive for the Oscars, after approaching Disney with animated ads that are meant to feel contextually relevant to what's happening in the live broadcast.
- **HP's** latest campaign "The Most Fabulous Unboxing" with social media influencer Bretman Rock, developed by FF Los Angeles, speaks to the role technology plays in Gen Z's daily lives and addresses the appeals and problems that 18 to 24-year-olds have with their devices.

Noteworthy quotes:

- » "The real problem is data integration. If anything, it increases the role for agencies to understand the ROI of the platforms and how to allocate spend across them."—Mark Read, CEO, **WPP**
- » "We can see a world without ads as we know them today, to the point where people actually look forward to seeing ads."—Marc Pritchard, chief brand officer, **P&G**
- » "It's time to create a responsible media supply chain that is built for the year 2030—one that operates in a way that is safe, efficient, transparent, accountable, and properly moderated for everyone involved, especially for the consumers that advertisers like Procter & Gamble serve."—Marc Pritchard, chief brand officer, **P&G**

FINANCIALS: Driving Efficient Use of Resources

- » “The world is now a stakeholder of every corporation.”
— Amy Fuller, chief marketing and communications officer, **Accenture**
- » “[Being] trust-based is very important ... If you know the person you’re working with has the mindset and the expertise and the commitment that you have, it’s both liberating and invigorating.”—Ryan Reynolds, Canadian-American actor, producer and screenwriter and owner of **Maximum Effort Productions**
- » “Creatives have become so lazy. Stop googling everything. Try the product. Visit the factory. Use the competitor. Call customer service. Go to the sales convention. Talk to promoters and detractors. If you still can’t come up with anything, then ok google the hell out of it.”—Anselmo Ramos, founder/chief creative officer, **GUT**
- » “Paying attention to the three Vs of content—volume, variety, and velocity—can also help brands stay focused on the objectives that make the greatest difference among customers and prospects.”—Peter Kolster, managing director—Accenture Interactive Operations, next gen content services lead, **Accenture**
- » “More content isn’t inherently better. If the content isn’t great, it’s not a great post. You can’t spam your way to good results.”—Ryan Detert, founder and CEO, **Influential**
- » “When the right partner is involved, with shared goals and best-in-class tools—and having support of senior leadership—that change can transform an organization for success.”—Coleman Raymond, manager, global agency strategy, **InterContinental Hotels Group (IHG®)**

Welcome to the Year of the Rat, according to the Chinese zodiac, a symbol of wealth and surplus. Will this be the advertising year of wealth and surplus? Dentsu Aegis Network’s revised 2020 ad-spend forecast predicts 3.8% growth in the US and 3.9% globally, reaching total global spending of \$615.4 billion. That growth has less to do with China as it has to do with the US elections, the Tokyo Olympics, and digital still growing in double digits (11.2%), of which one third is driven by mobile. There’s no set date for Chinese New Year (often ranging from January 21 to February 20), the same way there is no set limit for how big and fast the advertising business is growing.

- Per eMarketer, **mobile advertising** reached \$241 billion in 2019 and is expected to reach \$368 billion in 2022.
- **The Super Bowl** generated \$400 million in advertising revenue for Fox. AB InBev (\$41 million), PepsiCo (\$31 million), and P&G (\$30 million) were the three biggest Super Bowl spenders. The National Retail Federation widely over-estimated Super Bowl viewer numbers—expecting twice the adults who actually watched and expecting them to spend more than \$17 billion.
- Over the history of the **Super Bowl**, ad costs grew an average of 6.07% YOY versus audience growth of 3.27%, clearly indicating that ad costs far outpaced the YOY audience growth.
- Per AppsFlyer, **global App Install ad spending** will reach \$118 billion by 2022 vs. \$57.8 billion in 2019. Growth is expected from India, Indonesia, and China, where 900 million people will have access to mobile internet by 2022.
- Per Blockthrough, 763+ million active digital devices (most of them mobile devices but also desktops) operate with an **ad-blocking technology** installed.
- Per Winterberry Group, **advertising and marketing spend** will increase by 7.2% from 2019, reaching \$389.5 billion, fueled by political advertising related to the 2020 presidential election, as well as from the Summer Olympics in Tokyo. Linear TV is expected to increase 1.9% to \$65.5 billion, making it the largest category for offline spending.
- Social media giant **Facebook** agreed to pay \$550 million to settle claims in a class-action lawsuit that it violated an Illinois privacy law by compiling a database of “faceprints” (using photos uploaded by users).
- Social media giant **Facebook** generated \$21.1 billion in revenue in the fourth quarter, a 25% increase YOY, beating Wall Street estimates of \$20.9 billion. Net income slowed to 7% YOY for 2019, compared to 61% the prior year, as expenses grew. Headcount rose 27% YOY to reach 44,942 employees. The brand spent \$9.9 billion in marketing and sales in 2019 (including a major TV campaign), up from \$7.8 billion in 2018.



Check out our unearthed 2020 predictions article to see how closely aligned your CMO priorities match up and its implications for more effective collaboration with your agency partnerships.

This article and others can be found at:
<https://agencymania.com/resources>

2020 Content Creation Trends

APR empowers marketers to transform, modernize, and optimize content production ecosystems.

APR's global Subject Matter Experts have identified the year's top advertising production trends and predictions in the industry that will affect the way content is produced across video, photography, digital, and experiential productions. www.aprco.com

1. THE REUNION: The Convergence of MC&P The reunion of media, creative, and production is necessary to become effective at producing targeted content at scale. We are seeing brands push the barriers, break down the silos, and transform their marketing organizations and operations, including data and technology. What's trending is that some companies are forming Centers of Excellence comprised of stakeholders from various departments to work together to design a way forward that helps evolve the entire organization to support this convergence.

2. #NOFILTER: Client Control Over Content Creation & Distribution Marketers once relied solely on their agency of record to filter ideas, navigate, and manage their landscape of creative production suppliers. Today, there are multiple paths a brand can take to produce content directly and it is a challenge for marketers, marketing procurement professionals, and in-house teams to integrate, decouple, and operationalize the ever-evolving landscape where agencies are no longer the gatekeepers.

3. It Takes a Village (Partnerships) Partnerships will be key for 2020. There is a rise of preferred partners and rosters appearing in client direct-to-vendor relationships. "The value is in the seams" of connecting partners across the content creation ecosystem to effectively manage all the various, often competing, content creation and distribution needs. We predict that it will be increasingly important to consider the interconnectivity of these partnerships, which will allow us as an industry to evolve and have impact, faster.

4. Action Fueled by Transparency While transparency has been top of mind for marketers in recent years, it is now fueling different approaches to production: 1) brands are going direct to suppliers, taking control over the production and execution of content initiatives; 2) advertisers are cutting out the middleman by centralizing bid management to ensure equitable negotiations; and 3) we see the need for agreed-upon taxonomy to avoid confusion about deliverables, platforms, and approaches.

5. Untangle the Talent There are two noteworthy topics in talent: 1) assigning a central point of coordination to track and negotiate all usage rights in one place is still trending, and as a result, rights management tools are on the rise; 2) influencer talent is not only for social anymore, so we predict the need to put more rigor around how to manage, utilize, and produce with influencers.

6. Game On! The gaming population is estimated at 2.5 billion worldwide, which means marketers are going to continue to see more advertising and branding opportunities in the streaming world of video games. As a result, we're seeing production increase for in-game content. Details around production specifications, such as run-time, aspect ratio, resolution, talent and rights implications, etc. all matter in the production planning phase, and can significantly impact the execution.

7. Real-Time Virtual Production Real-Time Rendering has led to a dramatic shift in the production process and enables Real-Time Virtual Production. Here, creators are controlling the entire creative execution process on-set in real-time. The creative control, the creative flexibility, and lack of a lengthy visual FX process means that costs drop, timelines shorten, and creative gets even better. That's a technology revolution that everyone can get behind.

8. THE ECO ECHO: Sustainable Production Best Practices As the impacts of climate change become more prevalent and time-sensitive, companies are stepping up to promote sustainability and eco-friendly practices. On-screen, we see it become a focus in creative messaging; behind the camera, content creators can no longer ignore the impact that production has on the environment. Consultants such as Eco-Set and initiatives like AdGreen offer advice to "green" up productions. Consumer demands are driving these practices and will be here for the long-term, so it's time to add sustainable production best practices to your guidelines.

9. Is D&I in Your DNA The content production world is beginning to put consistent, actionable plans in place to make diversity, equality, inclusion, and female empowerment a reality. These themes are resonating both on-screen and behind-the-scenes, so it is important to incorporate D&I best practices into casting and productions specifications.

10. Region Spotlight: Vietnam Economic factors have contributed to many marketers taking advantage of producing digital content and app development in Vietnam. The Vietnamese government has placed great emphasis on pushing their market to the forefront of the digital space, with a strong desire to drive a digital economy. Digital development, coding, and content production have witnessed strong growth in recent years with many agencies looking to grow their capabilities and hub offerings. (And, the street food is delicious!)



- Tech titan **Amazon** reported \$4.8 billion in ad services and “other revenue” in the 4th quarter, a 41% increase YOY but still a small share of the \$87.5 billion revenue the company reported in Q4 or the \$280.5 billion it generated in 2019.
- **Google** reported Q4 Google search and other ad revenue of \$27.2B (+17% YoY) and cloud revenue of \$2.6B (+54% YoY). 2019 gross margin reached 68% and EBITDA 44.6%. Google spent \$18 billion in sales and marketing (or 14% of revenue) in 2019 and is expected to spend \$22 billion in 2020. Revenue is projected to be \$191 billion in 2020.
- **Google YouTube** is gaining sizeable scale with a 10% share of total revenue. The service generated \$15bn in advertising revenue over 2019 (a 36.5% increase YOY) and 20 million paid subscribers. YouTube ad revenue in Q4 reached \$4.7B (+31% YoY).
- Per Databox, marketers plan to devote **the most time/budget** in 2020 to the following: 1) content marketing, 2) video marketing, 3) social media marketing, 4) SEO, 5) advertising, 6) influencer marketing, 7) email marketing and 8) other (chat marketing, voice marketing, link building, etc.).
- **Pinterest** exceeded \$1 billion in revenue for the first time and recorded 335 million monthly active users in 2019. YOY revenue in Q4 went up by 46%. Dynamic retargeting capabilities, shopping ads, and Pinterest Verified Merchant contributed to the firm’s revenue growth.
- **Twitter** reported revenues increased by 11% YOY to \$1.01 billion, passing the billion-dollar mark in a quarter for the first time. Monetizable daily active users (mDAUs) grew to 152 million.
- **Facebook** reported 2019 revenue was \$71bn, a 27% YOY growth. The brand reported a 35% increase in ad impressions (from 140 million businesses using their services, including 4 million using Stories) with only an 8% increase in user growth (strong of 2 billion Facebook users now) and a 5% reduction in ad prices.
- **Publicis Groupe** reported a 9.3% increase in net revenue or \$10.78 billion for 2019, despite organic revenue declining by 2.3% (- 3.5% in North America). Growth in net revenue is due to the \$4.45 billion Epsilon acquisition (and acquisitions such as Xebia, Soft Computing, and Rauxa) and new wins (Disney, Novartis, LVMH). Organic decline was due to various budget cuts and the continuing effects of media account losses. Publicis Groupe’s net revenue in Q4 went up 15.2% to \$3.16 billion (2.87 billion euros). Organic growth in Q4 was 4.5%.
- **Omnicom** reported a 2.2% revenue decline for 2019 (to \$14.9 billion) due to foreign exchange rates, but organic growth was 2.8% (Healthcare went up 9.5%, advertising went up 4.5%, CRM Consumer Experience 1.6%, but CRM Execution & Support went down 3.2%, and Public Relations 2.0%). In the fourth quarter, revenue was up 1.3% (\$4.4 billion) and net income up 4%. Organic revenue growth was up 3.5%.
- **Interpublic Group** reported full-year 2019 revenue of \$10.2 billion, a YOY growth of 5.2% and organic growth of 3.3%, mostly driven by the US and international markets, with the exception of APAC, as well as growth in media, data, and tech services with McCann, FCB, and MullenLowe Group leading in terms of contribution. Key 2019 wins included: Valvoline, Hawaiian Airlines, Pinterest, Bayer, and Avis Budget Group. In the fourth quarter, revenue was up 1.6% and organic growth was up 2.9%.
- **Dentsu Group** reported an organic revenue decline of 1% for the full year 2019, the result of poor performance in Australia, Brazil, China, France, and UK. Net revenues were up 0.7% but net profit dropped 22%. The Americas region was the highest-performing region with 2.4% increase in organic revenue. The holding company cut 3% of its workforce. It also consolidated and simplified its business across three major business lines: creative, CRM, and media.

Noteworthy quotes:

- » “As agencies we have to cowboy up and just say I’m not going to accept these terms—go do it somewhere else. Do it with your in-house agencies.”—Rob Schwartz, CEO, **TBWA\Chiat\Day New York**
- » “I believe that with all of the content that’s being created out there, you have to focus on co-creation of content as a marketer.”—Stephanie Buscemi, CMO, **Salesforce**
- » “By talking about how to get credibility in the boardroom all the time we were perpetuating this problem of ‘do we have credibility?’”—Syl Saller, CMO, **Diageo**
- » “‘Digital’ and ‘traditional’ activities are often viewed by the outside world as two separate things, while in reality there are few marketers who budget for activities or select their agencies in such a siloed way.”—Brian Wieser, global president, business intelligence, **GroupM**
- » “This year’s Super Bowl TV time cost an average of \$5.6 million per 30 second spot. Do these expenditures justify the result? My answer: absolutely not.”—Elijah Schneider, CEO, **Modify**

PERFORMANCE: Driving Stronger Performance and Value from the Partnership

Did the Coronavirus make the marketing and advertising industry sick? It's too early to say what the impact will be. Yet, we know that the industry is looking incredibly strong, with continued growth, transformation, and a healthy level of M&A activity and many new agencies entering the space... and some exiting due to conflicts. As Accenture decided to close its media auditing division, the industry is wondering if less oversight (with fewer players) is better than a conflict of interest (due to the nature of the Accenture Interactive services and its media duties). As the world of advertising contemplates the phase-out of behavior-tracking cookies, many are wondering what alternative methods marketers will rely on.

- **Interpublic Group** was named to the 2020 Bloomberg Gender Equality Index (GEI) for the first time, and to the Human Rights Campaign (HRC) Corporate Equality Index (CEI) for the 11th time. **WPP** was also named in the GEI for the second year running. **Publicis Groupe** and its US agencies received the "Best Place to Work for LGBTQ Equality" accolade by receiving a perfect 100 rating on the HRC Corporate Equality Index.
- Per The CMO Club, the most important **metric for marketing department success** remains awareness (51%), followed by sales (32%), media ROI (29%), lead generation (27%), retention (23%), and program ROI (19%).
- Joy Falotico was named MediaPost's 2019 **Automotive Marketer of The Year** for successfully transforming Ford Motor Co.'s Lincoln luxury division into a competitive player and for her role as CMO of Ford Motor Co.
- The American Advertising Federation named **IBM** as the 2020 corporate honoree to the Advertising Hall of Fame. This is the 11th company to ever be recognized as part of the Hall of Fame.
- Per Barry Byrne, senior director, global marketing procurement at Adidas and chairperson of the Sourcing Board at the World Federation of Advertisers, **top 10 rules** include: 1) Research (Everything starts with strategy), 2) Budget based on investment not cost, 3) Great ideas can come from anywhere, 4) Invest in briefing, 5) Creative must be adaptable and fit for purpose, 6) Build a robust production model, 7) Award winning creative drives sales, 8) Share, adapt, repurpose, reuse content, 9) Recognize agency partners, 10) What you put in is what you get out!
- Per **Campaign US**, best Agencies of the Year winners (2019) included: Advertising (Wieden+Kennedy), Brand Experience (Optimist), PR (Day One), Digital Innovation (Huge), Media (Essence). Independent agency of the year 2019: Mother. Agency Network of the Year 2019: McCann Worldgroup.
- Based on USA Today's 'Ad Meter,' Ipsos' live emotional measurement, and YouTube's "Most Viewed," **most popular Super Bowl ads** (ranking in the top 10 of at least two of the three sources mentioned), this year were Jeep's "Groundhog Day," Hyundai's "Smaht Pahk," Doritos' "Cool Ranch," Amazon's "Before Alexa," Kia's "Tough Never Quits," and Google's "Loretta."

Noteworthy quotes:

- o "At a time when CMOs are spending almost as much on customer experience as they are on media, brands need smarter approaches for optimal budget allocation."
—Debbie Morrison, managing director global partnerships & events, **Ebiquity**
- o "It's not about me running the agency relationships or making the decision, but because I see a situation where people just aren't saying to each other that the work isn't good enough."—Syl Saller, CMO, **Diageo**
- o "We just have the ability to be nimble and go. A lot of it's just about speed, more than anything."—Ryan Reynolds, Canadian-American actor, producer and screenwriter and owner of **Maximum Effort Productions**
- o "Speed is how we can accelerate and be faster in everything we do, from production to our go-to-market strategy."—Brice Lefevre, general manager, **Adidas France**
- o "Breakups are difficult, but that doesn't mean they can't be amicable. The best resource on your account is your current partner."—Jonathan Kim, group director, digital engineering, **The Media Kitchen**
- o "All too often clients can be quick to blame the agencies [for business performance] and our approach is to say, 'okay, let's make sure we have the very best agencies in the world. But what can we do to be a better client?'"
—Syl Saller, CMO, **Diageo**
- o "Putting a relationship in review at the end of a contract is bad business for both parties. It is not 'good governance.' It does not improve quality. It only reduces fees and generates false expectations. There's a better way to be commercially responsible."—Michael Farmer, chairman, **TrinityP3 USA**



Check out this new article by Bruno Galpois titled "**You Can't Shrink Your Way to Greatness**" at: www.agencymania.com/resources

At a time when corporate restructuring, zero-based budgeting, and other cost-cutting initiatives make up most headlines, reducing a large part of advertisers' marketing budgets—namely agency fees—is without a doubt very tempting. However, asking agencies to cut their fees, without careful consideration or understanding of the downstream implications, is a bit like cutting the tree you are sitting on.

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AGENCY REVIEWS AND ROSTER CHANGES

Per our friends at COMvergence, here are 10 key takeaways on agency acquisition deals in 2019:

For more information about major developments and achievements from these agencies or the summary below, please contact lisa.spielman@comvergence.net

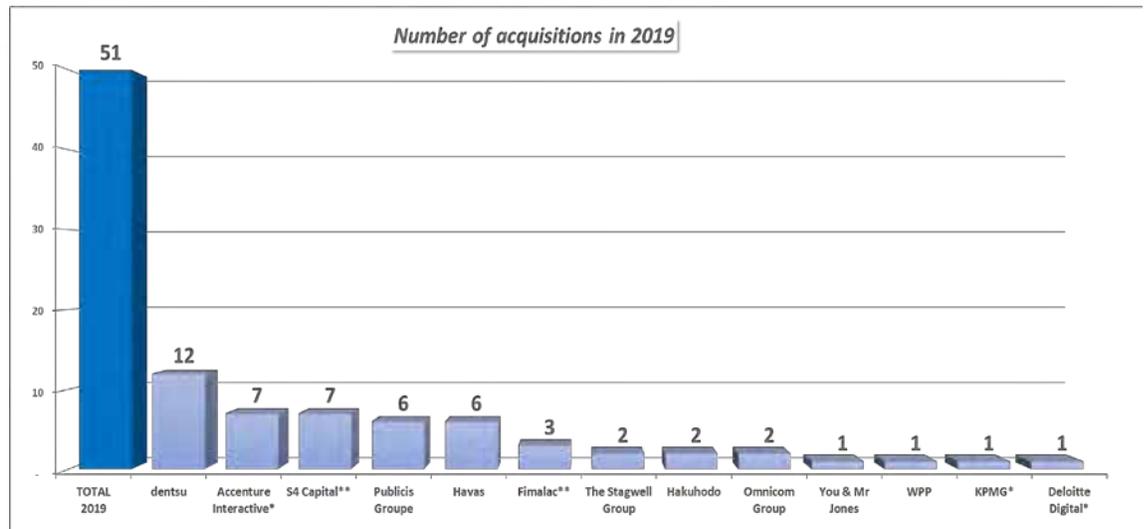


10 KEY TAKEAWAYS ON AGENCY ACQUISITIONS DEALS IN 2019

- 1 51 agencies were acquired by 13 companies (5 Hold Cos., 3 Mgmt Cons., 5 by other players)
- 2 27 agencies were acquired by the Hold Cos. vs. 9 by the Mgmt Cons. and 15 by other players
- 3 43 agencies were fully acquired (84% of the total deals recorded)
- 4 18,685 total staffers (of which 58% in the data and 30% in the digital segments) were absorbed
- 5 Europe was the most attractive zone in terms of acquisitions with 20 deals (39% of the total)
- 6 12 (out of 51 agencies) were acquired by Dentsu (24% of the total), totaling 3,154 staff
- 7 Accenture has been the most acquisitive consultancy firm with 7 deals, totaling 1,270 staff
- 8 Epsilon (Publicis Groupe) was the largest deal in 2019: 9,000 staff and revenue of \$2.2B
- 9 Ugam Solutions (Dentsu) was the 2nd largest deal in terms of staff: 1,840 (\$54M revenue)
- 10 USA remains the most attractive country with 10 deals (20% of all the total deals recorded)

MARCOM AGENCY ACQUISITIONS

WHICH FIRMS HAVE BEEN THE MOST ACQUISITIVE IN 2019?



*Management Consultancy
**Digital Media Investment Firm

Disclaimer: The reviews listed often capture larger review activity reported in the industry trade press, which we understand to be only a subset of total review activity. Specialist reviews (digital, social, PR, etc.) are rarely reported in the trade press. Also, due to the increasing number of project reviews (versus AOR/retainer reviews), many of those are not receiving media attention and therefore are not included here.

- Luggage brand **TravelPro** selected United Collective as its AOR, following a review. The agency will handle brand strategy, creative, digital advertising, and content production.
- **Capital One** and Omnicom Group-owned DDB have parted ways after 16 years. DDB's Chicago office first won Capital One's US creative business in 2004. Horizon and Dentsu Aegis Network's 360i will continue to handle media.
- **Xerox** selected Stagwell Group's Code and Theory to handle its creative duties, following a review, replacing incumbent WPP's VMLY&R. WPP's Wavemaker will continue to handle media for the brand.
- Toymaker giant **Hasbro** consolidated its global media buying and planning business with WPP-owned GroupM's MediaCom, replacing incumbent since 2013 Omnicom Media Group's OMD. MediaCom handled LATAM duties previously.
- DTC mattress and pre-IPO brand **Casper** selected Omnicom Media Group's PHD as its media AOR, following a review.
- High-end fashion label **Burberry** kicked off a global media review—for its media planning and buying duties. The incumbent since 2013, Dentsu Aegis, is defending.
- **Boiron USA** selected New York City creative shop Walrus as its creative AOR for its homeopathic pain reliever line of Arnicare products without a review. The agency works with clients like HBO, Staples, Amazon Go/Kindle, Paypal, and more, but also has relevant category experience working for other health clients.
- Direct-to-consumer hearing aid **Eargo** hired New York City's Huge as its creative AOR, following a review. The brand chose the agency based on their strategic experience, innovative thinking, and willingness to challenge them.
- **Bank of America** consolidated its advertising business with a dedicated Publicis Groupe team called GroupeConnect (essentially built around the creative agency Leo Burnett and focused on communications planning and media), replacing incumbent since 2015 Interpublic Group of Cos. Hill Holliday. Core drivers were a focus on a data-driven creative approach and efficiencies.
- **Virgin Hotels** selected indie shop Joan Creative as its new AOR following a review. The agency will handle brand strategy, video/audio, design, experiential, and digital.
- **I-Health** selected Terri & Sandy as its integrated advertising AOR for its Culturelle probiotic brand following a review, replacing incumbent Grok. The new agency will collaborate with the firm's media agency, Crossmedia.
- Burger chain **Smashburger** hired Partners + Napier as its creative and media AOR, following a review, after consolidating both creative and media under one discipline. The brand previously worked with creative agencies on a project basis and handled media in-house.
- Password management software provider **Dashlane** selected Dentsu Aegis Network's Dentsu X as its media AOR. The agency will focus on leveraging a data-driven approach to advertising, using Dentsu Aegis Network's proprietary database of personally identifiable information, M1.
- **Oil-Dri Corporation of America** selected Cramer-Krasselt (C-K) as its AOR for Cat's Pride, a cat litter and accessories brand, following a review and replacing incumbent Magnani. The agency will handle the brand's advertising, brand planning, public relations, social media, and digital marketing, and partner with the brand's media agency, GYK Antler.
- Health and wellness company **Pharmavite** hired Publicis New York as its AOR for its Nature Made vitamins brand, following a review. The agency will handle branding, creative across media platforms, eCommerce, social media, data analytics, and measurement.
- Mexican food brand **Cacique** selected Gallegos United as its AOR following a review. The work was previously handled in-house. The agency will handle brand strategy, creative development across all media channels, and social media.
- Luxury tequila brand, **Escudo Águila Real (EAR)**, selected startup and multicultural shop Upstreamers as its new AOR, a "hybrid" between a consultancy and traditional ad agency, without a review.
- Boston-based pet treat brand **Polkadog** hired New York-based shop Newhouse to be its first AOR. The agency, which has offices in LA and Portland as well, will handle integrated marketing communications for the brand.
- Seattle, Washington-based wine maker **Ste. Michelle Wine Estates** selected Publicis Groupe's Team One as its lead agency following a review. The agency will handle advertising, social, and media planning and buying.
- Beauty-focused personal care brand and operator **European Wax Center** selected independent New York-based agency Crossmedia as its media AOR. The agency will handle communications planning, analytics, and cross-channel media planning and buying.

Agency Roster Summary

Client	Incumbent	Change/Scope	Focus Area	New Agency	Review?
Bank of America	Hill Holliday	Advertising	U.S.	GroupeConnect	N
Boiron USA		Creative	Global	Walrus	N
Burberry	Dentsu Aegis	Media	Global		Y
Cacique	In-House	Brand, Creative	Global	Gallegos United	Y
Capital One	DDB	Creative	U.S.		N
Casper	PHD	Media	Global		Y
Dashlane		Media	Global	Dentsu X	N
Eargo		Creative	Global	Huge	Y
Escudo Aguila Real		Brand, Creative	Global	Upstreamers	N
European Wax Center		Media, Planning	Global	Crossmedia	N
Hasbro	OMD	Media, Planning	Global	MediaCom	N
I-Health	Grok	Advertising	Global	Terri & Sandy	Y
Oil-Dri Corporation of America	Magnani	Brand, Media	Global	Cramer-Krasselt	Y
Pharmavite		Brand, Creative	Global	Publicis New York	Y
Polkadog		Brand	U.S.	Newhouse	N
Smashburger	In-House	Media, Creative	Global	Partners + Napier	Y
Ste. Michelle Wine Estates		Advertising, Creative	U.S.	Team One	Y
TravelPro		Strategy, Creative, Digital Advertising, Content Production	Global	United Collective	Y
Virgin Hotels		Brand, Strategy	Global	Joan Creative	Y
Xerox	VMLY&R	Creative	Global	Code and Theory	Y

Disclaimer: The AMS Monthly Industry Update is a summary and analysis of newsworthy agency/client developments picked up in recent trade related publications and news media.

10/10

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