The 2018 Recap

Trends to Watch for 2019

Outlook 2019
The First Half of 2018 Went Well; The End of Year Less So—With Trade Wars, Geopolitical Agita, Shutdowns and Stock Market Declines

The economy was strong, unemployment is at historic lows, corporate profits were at record levels and the stock market had a great 10 months.......  

...but concerns over trade wars, tariffs and a looming hard Brexit became reality

Cambridge Analytica and FB shook up the privacy landscape at the end of Q1, while GDPR went into effect at the end of May and California passed a flawed privacy directive in June leading to calls for national regulation by 4Q18

Traditional media spend continued its slow decline

...And then the government shut down
Review 2018: Marketing and Ad Spend Continued to Expand…

2016-2018 U.S. Advertising and Marketing Spend ($BB)

- 2016: $298.8
- 2017: $316.5
- 2018: $332.9

2016-2018 CAGR 5.55%

Source: Winterberry Group spend estimates, revised model 2019
Though Spend Growth Slipped, Falling Beneath Historical Benchmark Growth Rates of 2X GDP For First Time in Three Years

**U.S. Advertising/Marketing Spend Growth Benchmarked to U.S. GDP Growth**

We Changed Our Model—What’s Different?

- We updated our media spending model to reflect where the marketing and advertising industry is moving—adding new/emerging channels to the mix and adjusting our categorization of spend to reflect the language of the market.
- One change we made is to condense the three media spend categories we have tracked previously down to two by combining “measured media spend” with “offline media spend.”

### Previous Categorization

<table>
<thead>
<tr>
<th>Measured Media</th>
<th>Offline Media</th>
<th>Digital Media</th>
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</thead>
<tbody>
<tr>
<td>Television</td>
<td>Direct Mail</td>
<td>Display</td>
</tr>
<tr>
<td>Radio</td>
<td>Event Marketing</td>
<td>Search</td>
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<tr>
<td>Newspaper</td>
<td>Shopper Marketing</td>
<td>Email</td>
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<td>Magazine</td>
<td>Teleservices</td>
<td>Mobile</td>
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<td>Cinema</td>
<td>Lead Generation</td>
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<tr>
<td>Outdoor</td>
<td>Affiliate Marketing</td>
<td>Social</td>
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### New Categorization

<table>
<thead>
<tr>
<th>Offline Media</th>
<th>Digital Media</th>
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<tbody>
<tr>
<td>Linear TV</td>
<td>Display</td>
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<tr>
<td>Addressable TV</td>
<td>Search</td>
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<tr>
<td>Radio</td>
<td>Email/SMS</td>
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<tr>
<td>Newspaper</td>
<td>Digital Out-of-Home</td>
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<tr>
<td>Magazine</td>
<td>Digital Radio</td>
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<tr>
<td>Traditional Outdoor</td>
<td>Digital Video</td>
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<tr>
<td>Direct Mail</td>
<td>Paid Social</td>
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<tr>
<td>Experiential/Sponsorship</td>
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<tr>
<td>In-Store</td>
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</tbody>
</table>

Note: A few categories from the 2018 model were consolidated, including Mobile moving into Display and Cinema into Digital Out-of-Home. Also removed from this year’s model are the Teleservices, Lead Generation and Affiliate spend categories.
Review 2018: Offline Media Spending Was Flat in 2018, Even as Print Media Saw Continued Decline; Addressable TV Spending Accelerated

U.S. Offline Media Spending, 2018 ($BB)
Total: $220.98BB

- Linear TV, $69.9
- Addressable TV, $2.3
- Radio, $14.4
- In-Store, $18.1
- Experiential/Sponsorship, $45.9
- Traditional Outdoor, $8.2
- Magazine, $9.3
- Newspaper, $10.1
- Direct Mail, $42.9

Note: Arrows reflect estimated percentage change in spend, by channel, from 2017 levels.

Source: Winterberry Group analysis of multiple sources, including AdAge, Cadent Consulting Group, eMarketer, IBISWorld, Jack Myers, Outdoor Advertising Association of America, Pivotal Research Group, PwC, Video Advertising Bureau, ZenithOptimedia
2018 Direct Mail Volumes Saw a Slight Uptick, While Spending Remained Flat Due to a Decrease in the Cost of Third-Party Data and Mailing Lists

Source: WG analysis of USPS reported volumes
Review 2018: Growth of Online Media Spending Decelerated Slightly from Prior Year, But Still Robust; Signals Market Maturation

U.S. Online Media Spending, 2018 ($BB)
Total: $111.92BB

- **Paid Social**: 16.7% ($25.2)
- **Digital Video (OTT/Streaming)**: 42.2% ($2.2)
- **Digital Radio**: 20% ($1.9)
- **Digital Out-of-Home**: 11.2% ($3.4)
- **Search**: 17.1% ($45.8)
- **Email/SMS**: 7.5% ($3.4)
- **Display**: 17.9% ($30.1)

Note: Arrows reflect estimated percentage change in spend, by channel, from 2017 levels.

Review 2018: Digital Data Spend Continues Rapid Growth; Offline Data Still Represents Almost Half of Total Spend

U.S. Data Spending in Support of Offline, Email, Display and TV, 2018 ($BB)

Total: $20.09BB

Digital Data*: $7.05

Offshore Data Spending, $9.57

E-mail Data Spending, $1.74

TV Data Spending, $1.73

Note: Arrows reflect estimated percentage change in spend, by channel, from 2017 levels

*Digital data includes: Cross-device display and related data management and analytics services and technologies; display data in this model includes data for paid social advertising in addition to desktop and mobile web display advertising

Source: Winterberry Group spend estimates, revised model 2019
Linear TV held on to the top channel spend, though it’s under attack from OTT—where ad views were up 25%+ last year; furthermore, cord-cutting and “un-bundling” of media services accelerated with OTT growth.

Addressable TV ad spend reached its forecasted $2.3BB in 2018, and growth is expected to continue as data-driven approaches and programmatic capabilities expand.

Digital video ad spending* up 30% to nearly $28BB—nearly 25% of digital ad spending.

Nielsen’s contract negotiations with CBS were just resolved, but the real question remains: what is the future of measurement?

Offline Channel Highlights: Direct Mail Rebounds; Linear TV Slips to Alternative Video Channels

- 2018 direct mail volumes decreased, then increased over the last 6 months of the year—a complete flip from the prior year.
- Paper and postage costs are going to be up in 2019, and logistics costs may also rise due to increases in labor and fuel expenses; these changes likely to drive spending—though not necessarily volume—up. Of course, this is macro-economically sensitive.
- More consolidation is expected as new and existing producers add scale, capability and geographic footprint.
- Linear TV held on to the top channel spend, though it’s under attack from OTT—where ad views were up 25%+ last year; furthermore, cord-cutting and “un-bundling” of media services accelerated with OTT growth.
- Addressable TV ad spend reached its forecasted $2.3BB in 2018, and growth is expected to continue as data-driven approaches and programmatic capabilities expand.
- Digital video ad spending* up 30% to nearly $28BB—nearly 25% of digital ad spending.
- Nielsen’s contract negotiations with CBS were just resolved, but the real question remains: what is the future of measurement?

*Digital video here refers to all digital video spend, including paid video within social networks, social network games and social network apps (per eMarketer, 2018).

Sources: Winterberry Group spend estimates (revised model 2019), USPS, eMarketer, FreeWheel.
Online Channel Highlights: With FB Pain, Amazon Steals Spend from Duopoly; Elsewhere, Programmatic Maintains Share Growth, More Fraud

• Despite more than 2.6BB global accounts, Facebook had a tough year, from Cambridge Analytica to Russian trolls, fake news, troubling data deals with device manufacturers and the 30MM member hack

• Meanwhile, the Duopoly saw a reduction in digital ad spend share from 61% to 57.7%, with Amazon picking up 4.1% (leaving only 38% for the rest); Amazon is expected to grab 7% of share over the next 24 months

• It is estimated that influencer marketing will grow from a $2BB industry in 2017 to a $10BB industry by 2020; marketers cite engagement (90%), clicks (59%), impressions (55%), conversions (54%), and reach (50%) as the most popular measures of influencer success

• Programmatic continued to gain share of digital display buying and reached 82.5% of ad spend in 2018; shift toward in-house teams accelerates

• While ad spend grew across segments of display, growth is slowing and technology/data costs are consuming 25% of each media dollar spent

• While brand safety improved, fraud remains a significant issue, especially as fraud in OTT video is estimated at 19%; overall, $20BB is still lost to ad fraud each year

Sources: Facebook, eMarketer, Adweek, Lingia, Adweek Pixelate, Digiday, Activate
2018 M&A: 3,318 M&A and Investment Transactions, Totaling $186.6BB in Value, Up Y/Y

Total deal value rose 16.6%, up from $160BB in 2017

Activity increased 3.4%, up from 3,210 deals in 2018

Source: Petsky Prunier (2018)
Agency transactions are currently on path to exceed previous years, with 488 deals announced in 2018. Of these deals, approximately 8% were by consulting firms, 9.5% by financial buyers.

**Total Global Agency Transactions 2013-2018**

Source: Petsky Prunier (2018)
2018 Agency M&A: Hold-Cos Focused on Adding Digital, Data and Other Niche Capabilities, Such as Healthcare and Marketing Consulting Agencies

- ~47% of total hold-co M&A in 2018 was focused on digital:

2018 Hold-Co Acquisition Targets By Agency Type
2018 Agency and Tech M&A: It’s About Digital and Data Transformation—Again

S4 Capital acquired MediaMonks and MightyHive to launch a new agency thesis: build a “multi-national communication services business focused on growth,” per Martin Sorrell at the time of S4’s launch.

Adobe purchased Marketo to bulk up marketing automation and campaign management.

Salesforce bought MuleSoft and Dataroma to tackle data and platform integrations.

Publicis Groupe acquired Xebia France, an IT consultancy specializing in data, web, cloud technologies, reactive software programming and mobility; Company also announces deal for Soft Computing, a French data services firm.

Quad Graphics acquired creative shop Periscope to expand marketing services.

AT&T bought AppNexus and Time Warner, subsequently launching Xandr to combine the marketing and advertising capabilities of all three.

Acxiom acquired by IPG; LiveRamp spins out as RAMP, a public SaaS technology company.
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Trends to Watch for 2019

Outlook 2019
Customer Experience: Consistency, Trust, Brand Purpose and Innovation Move to the Front

Evidence

• 75% of consumers believe that brands can increase profits and improve society

• 57% of retailers are more concerned with a consistent experience, compared to 38% who are focused on a personalized one

• Brands increase focus on digital innovation and transformation in order to be more agile and better align with customer needs

Implications for Marketers

Privacy will be customer-driven; technology adoption by consumers will drive the change in marketing approaches

CMOs need to focus on brand perception

Agile, accurate execution required

Implications for Suppliers

Digital transformation more important than ever to brands

Need to provide identity, including the ability to recognize, orchestration and execute correctly

Solve for measurement gaps

Sources: Retail Touchpoints, World Federation of Advertisers, The Drum, Edelman, Marketing Week
Digital Shopping: “Buy Anywhere” and With “Anything”

Evidence

- Google Assistant likely to hit 1BB units in early 2019 (including on mobile phones); Alexa has 100MM+ units

- Voice commerce is now $2.1BB (or .04%) of ecommerce, with shoppers most interested in buying household items (19%), meals (15%), and groceries (13%) through voice

- 36% of consumers have conducted a visual search, while 60% report having a higher trust in visual than in text

Implications for Marketers

Voice is not an optimal tool for easily making choices

Must decide what skills to build into the assistants (Alexa, Siri, Google)

Though voice and visual are not right now, it’s not far off and not easier yet

Implications for Suppliers

Need to determine how can you support the collection of data via sensors and devices

Need to figure out how ecommerce platform integration will work with voice and visual

Likely to impact consistent personalization—content, creative and offers

Sources: eMarketer, Publicis Performics Intent Lab, USA Today, The Verge
Connectivity and IoT: To Complement Voice...We Need More Connected Devices

Evidence

• Worldwide shipments of ear-worn devices are projected to pass those of smartwatches by 2022 (158.43MM ear-worn units vs. 115.20MM million watches); hearables (which exclude devices that only play music), went from 2MM units in 2017 to 6MM in 2018

• Sleepables (including sleeping sensors, headbands and facemasks) are likely the next wearables

• At CES 2019, P&G released six new AI-based beauty products, including connected/heated razors

Implications for Marketers

Voice is key, but being able to hear and better leverage voice is also critical; it will not be an “either/or”

The connected home is not just about thermostats—other smart home tech is developing

Think about skills the way you think about apps

Implications for Suppliers

More data, more AI, more complex customer journeys to map—even if the touchpoint is not for buying

Need to watch for how eCommerce/connected commerce will change

Suppliers must have a point of view on connected devices

Sources: Gartner, eMarketer, CCS Insight, Everyday Hearing Blog, VerywellHealth.com
Personalization and Decisioning: AI Rising To Meet Real Time and Right Time Engagement

Evidence

- From 2017 to 2018, worldwide spending on AI and cognitive computing increased by more than 50%—to an estimated $19.1BB worldwide; expected to rise to $52.1BB by 2021.
- The rise of AI could lead to the emergence of ‘consulgencies,’ (consultancy/agency hybrids) that hold expertise in both customer experience and technical integration, development and strategy.
- Retail and banking expected to lead AI spending in 2019, focusing on automated CSRs, expert shopping advisors, automated threat intelligence and fraud analysis use cases.

Implications for Marketers

AI and decisioning require more data; need for real-time, new architecture and deeper AdTech/MarTech integration.
Deeper, faster insights are available—but will they be trackable and auditable?
Voice, natural language processing and visual will require new skills.

Implications for Suppliers

Rise of CDPs, which can process in real-time.
Need to master data integration, personalization and orchestration applications.
Increase in headless applications directed by AI.
Need to deliver omnichannel personalization (eventually).

Sources: IDC, IBM
**Programmatic Media: From In-Housing to Transparency**

**Evidence**

- Programmatic approaches dominate display; *programmatic for video (both digital and linear) is growing*, though the latter is nascent (only 2.5% of all linear is programmatic today)

- Brands are going direct to DSPs, diluting the role of media agencies but not eliminating it; there’s also consolidation of the number of DSPs used (avg of 3.5)

- Rise of in-house support specialists likely dominated by consultancies moving forward (MightyHive, Accenture)

**Implications for Marketers**

Focus remains on improving brand safety, views are secondary

Insourcing evaluation continues—while 62% of marketers report they’ll move some or all in house in the next five years, only 1.4% have fully done so

Partner accountability (media agencies, publishers) and transparency are top of mind

**Implications for Suppliers**

Held to higher and higher standards; *demand for transparency will lead to margin compression*

Will continue to develop improved (and more) uses for data

Onus to *solve accountability/fraud issues and provide enhanced marketing attribution* stays with suppliers

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**Marketers: Why Invest in Programmatic AdTech In-House? (% of respondents)**

- More control: 59%
- Increased revenue stream: 41%
- Greater transparency: 39%
- Better ROI/ROAS: 38%
- Better optimization: 37%
- Increased efficiency: 35%
- More budget going to working media: 29%
- Save on costs/stretches budget: 23%
**Loyalty: It’s About Subscription and Experience**

**Evidence**

- The global loyalty management market was valued at $2.1BB in 2017; it’s estimated to grow to $6.8BB by 2023.
- 36% of loyalty members shop based on program, while 21% scheduled shopping based on enhanced rewards.
- Momentum grows for paid tier/subscription offerings for additional benefits; marketers fund added benefits to enhance brand experience (Ex: Restoration Hardware, Wayfair).
- Recent resurgence of interest in “gamifying” rewards programs to support fun/engagement (Ex: Starbucks).

**Implications for Marketers**

- Loyalty via experiences rising
- Vendor landscape shifting
- More focus on paid subscription options to complement plans for best customers

**Implications for Suppliers**

- Tech trends in loyalty similar to rest of market, including mobile-first solutions and engagement across channels.
- Data collection via programs, with the rising use of machine learning/AI to enable personalization.
- Voice as a new interface.

Sources: Gartner, Accenture, eMarketer, Bond Brand Loyalty, Excentus, Mordor Intelligence
Digital Video & Advanced TV: The Year of Video – Advanced, Connected, OTT, Social and Even Linear

Evidence

• Streaming is currently more about subscription than ads, but rise of ad-supported tiered services could change dynamic

• FB leads video ad spend (with 25% of all U.S. spending), while video ad revenues for YouTube, SNAP and Twitter all rose in 2018—to 73%, 60% and 55% of their U.S. revenue, respectively

• Media corporations all investing in video: Netflix, Apple, Disney (Disney+)

• Xandr (ATT/Warner Media)—pulling data from Turner, Warner, HBO, DirectTV to improve targeting at scale

Implications for Marketers

Half (50%) of marketing professionals ranked programmatic TV as “top of mind” for emerging digital channels (yet only 15-17% have it in media plans)

Need for greater video inventory growth in programmatic

Measurement gaps remain due to lack of standards and Nielsen is still not over....

Implications for Suppliers

Attribution even more of a challenge due to lack of standardized measurement

Buying process across connected, linear and addressable is still being standardized

Targeting and segmentation remain a challenge, particularly with addressable inventory constraints

Sources: eMarketer, Forrester/ANA, Freewheel, Pivotal
Identity (Data):
Identity Solutions Are a Combination of Data, Services and Technology

[Image of a flowchart with various data points and processes]

- **Ingestion**
  - CRM files
  - Digital behavioral data
  - Social media interactions
  - Email addresses
  - Transaction history
  - Device IDs
  - Location data
  - In-app activity

- **Management**
  - Disparate data inputs are collected from their respective sources and standardized for distribution to central storage repositories

- **Resolution**
  - Data is stored in appropriate PII and/or non-PII central repositories; unique IDs are assigned and data may be anonymized; data is enhanced and hygiene occurs

- **Output**
  - Data is processed with aim of establishing a universal view of the audience member; processing includes:
    - Matching
    - Suppression
    - Hashing/tokenization
    - Linking
    - Validation

- **Activation**
  - Universal view of audience members, comprised of profiles that represent individuals (based on PII and/or non-PII data) or households, with all relevant attributes and identifiers linked to that profile

Disparate data inputs are collected from their respective sources and standardized for distribution to central storage repositories.

Source: Winterberry Group, “Know Your Audience” white paper, August 2018
## Identity (Data):
### Identity Use Cases are Continuing to Expand

<table>
<thead>
<tr>
<th>Use Case</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td><strong>Primary “Current-State” Use Cases</strong></td>
<td></td>
</tr>
<tr>
<td>Audience Insights and Segmentation</td>
<td>Leverage audience information, including CRM, digital behaviors, demographic information and declared and inferred interests, among others, to group customers into subdivisions for targeted marketing</td>
</tr>
<tr>
<td>Email Personalization</td>
<td>Leverage audience behaviors and attributes to personalize email content and customize product recommendations to meet audience interests and need</td>
</tr>
<tr>
<td>Location-Based Targeting</td>
<td>Using mobile, location and device data, deliver content to registered customers with offers and messages when they are in the vicinity of a certain location</td>
</tr>
<tr>
<td>Measurement and Attribution</td>
<td>Overlay digital campaign exposure data with CRM and purchase data to measure results</td>
</tr>
<tr>
<td>Offline-to-Online Targeting</td>
<td>Send online messages to audiences that visited in-store or at a physical location and registered</td>
</tr>
<tr>
<td>Personalization on Paid Media</td>
<td>Supply individualized advertisements to audience members based on behaviors, attitudes and location data</td>
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<tr>
<td>Retargeting on Paid Media</td>
<td>Using interest and intent data, deliver messages and offers to customers that promote a previously viewed, but not yet purchased, product</td>
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<td><strong>Less Widely Adopted Use Cases</strong></td>
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<tr>
<td>Addressable TV Advertising</td>
<td>Programmatically serve ad content to different audience segments watching the same TV program, based on behavior, interest and attributes</td>
</tr>
<tr>
<td>Audience Suppression</td>
<td>Remove select audience members and groups from marketing campaigns in order to improve the likelihood that only interested/relevant consumers will receive a specific piece of marketing</td>
</tr>
<tr>
<td>Improved Customer Service</td>
<td>Allow for consistent customer service across all touchpoints (on websites, via email, within the call center, etc.) via better understanding of customer journeys and brand interactions</td>
</tr>
<tr>
<td>Online-to-Offline Targeting</td>
<td>Retarget audiences that visited and registered on digital properties via offline marketing methods, such as direct mail outreach</td>
</tr>
<tr>
<td>OTT and “Connected TV” Advertising</td>
<td>Programmatically serve ad content to different audience segments on internet-based streaming services and internet-enabled TV, based on log-in information, behavior and attributes</td>
</tr>
<tr>
<td>Personalization on Websites</td>
<td>Provide audience members with tailored content and offers on company’s owned property (i.e. website)</td>
</tr>
<tr>
<td>Product Development</td>
<td>Refine new product roadmap and product improvement schedules based on consumer engagement insights</td>
</tr>
</tbody>
</table>

Source: Winterberry Group, “Know Your Audience” white paper, August 2018
Identity: Identity Continues to Grow and Mature

Evidence

• First party data is the at the center of identity and 60% of marketers believe that CRM databases are the most important tools in supporting identity-related efforts.

• To meet threat from “walled gardens,” ID consortiums—which enable insight pooling—are on the rise.

• Successful identity use still elusive, with only 15.3% of marketers reporting consistent, accurate efforts.

• Identity solutions spend forecast to grow from $0.89BB in 2018 to $2.6BB in 2022.

Identity Solutions:

“The coordinated activation of platforms, data and supporting services (both provided by third parties and sourced from among marketers’ in-house resources) that support persistent recognition of audience members across devices and other promotional and transactional touchpoints. At their core, identity solutions aim to create and maintain persistent profiles of individuals and/or households within an audience.”

Implications for Marketers

Gaps in the ROI analysis, use case education and access to first-party data holding back growth acceleration.

Access to data from walled gardens inhibits improvements in attribution via identity.

Questions on data governance and privacy regulation must be resolved.

Implications for Suppliers

Technology developers, data providers and consulting partners should deliver greater value by helping to educate the market and demonstrate investment ROI.

Source: Winterberry Group, “Know Your Audience” white paper, August 2018
AdTech/MarTech: No Slowdown in Investment; More Choices, More Overwhelming Than Ever

- 6,829 marketing technology companies in 2018, up 27% from 2017
- 2018 saw big deals for Adobe, AT&T and Salesforce—will we have a pause in 2019?
- AI, CDP, Voice and Connectivity are some of the fastest growing sectors

Source: Chief Marketing Technologist Blog, 2018
MarTech: Customer Data Platforms—What Are They?

CDPs Defined: A data management system that creates a database of customer profiles which are typically: comprehensive (able to ingest, link and store data from multiple disparate systems), persistent (able to update data in an ongoing and always-on stream) and actionable (stored data can be leveraged by other systems for activation and analytics across marketing channels).

Key Components/Capabilities:

- **Data Ingestion and Aggregation**
  (first-party, second-party data and third-party data from offline, mobile (e.g. SDKs) and digital sources (e.g. tag management))

- **Data Activation**
  (audience segmentation, predictive analytics; may also include personalization, performance reporting, and customer journey management)

- **Identity resolution/integration**
  (user identity matching via key management, may include probabilistic and/or deterministic matching and data integration; Or offer ability to connect to external providers for third-party identity and attribute data matching)

- **Data Hygiene**
  (data cleansing, merging, matching, deduping, appending and standardization)

- **Segmentation**
  (create and manage of rule-based segments; advanced features may include automated segment discovery, predictive analytics and propensity models, and the ability to import and deploy custom models built in external advanced analytics or data science environments)

- **Marketing Activation and Orchestration**
  (send segments, with instructions for activating them, to executional tools and personalize messaging based on unique profiles)

- **Analytics/AI/ML**
  (development of predictive/prescriptive analytics and ongoing optimization)

- **Customer Database and Data Repository**
  (providing toolset for PII management by consumers i.e. rights and preferences)

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Source: Upcoming Winterberry Group-ANA Customer Data Platforms white paper, 2019
MarTech: Customer Data Platforms—Significant Growth and Confusion

Evidence

• **90+ CDP platforms currently**, up from 24 in 2016; rise partially due to changing CDP definitions
• **49% of marketers report using a CDP today**; additional 39% plan to use in two years
• ~$1BB of venture funding invested already; $1BB+ in revenue forecasted within five years
• Currently **additive to the marketing stack** and are not replacing existing technology
• Primarily a **mid-market solution**, combining CRM/digital data capabilities with applications

CDP Provider Categories

- **Analytics-Centric**
- **Data Processing and Identity Resolution**
- **Data Management**
- **Application-Centric**

Implications for Marketers

Understand that CDPs **have a role to play in the tech stack, but are NOT the stack**

CDPs provide the ability to **increase the real time use of data**, better leverage AI and manage privacy restrictions

Implications for Suppliers

Solution integrators are needed to help **develop data strategy and provide vendor selection guidance**

Need to **work with IT** to integrate and manage the CDPs

**Must develop an understanding of where CDPs fit within the ecosystem**

*Sources: Winterberry Group spending estimates, CDP Institute, Salesforce, Forbes Insights/Treasure Data, The Relevancy Group*
The difference between agencies and consultancies continues to decline—will no longer be a "thing" in two years. End-to-end solutions (from strategy through execution) compete with specialty models for CMO attention. Challenge remains: how to measure benefits of in-housing?

**Evidence**

- Integration of agency groups within hold-cos (Omnicom, Publicis, WPP) likely to increase efficiency and focus, sale of non-core assets.
- SIs keep buying creative and programmatic firms.
- Marketers continue their in-housing shift, with 78% of marketers reporting some form of an in-house team today, up from 58% five years ago.
- Most often brought in-house: content, creative strategy, analytics, media strategy, programmatic and social.

**Implications for Marketers**

The difference between agencies and consultancies continues to decline—will no longer be a “thing” in two years. End-to-end solutions (from strategy through execution) compete with specialty models for CMO attention. Challenge remains: how to measure benefits of in-housing?

“Senior executives at PwC, Accenture Interactive and KPMG [said] they are not trying to displace agencies or steal talent. They have urged agencies to stop worrying about the emergence of marketing services within the consultancies and instead focus on doing their jobs.” –The Drum

**Implications for Suppliers**

- More focus on CX on the front-end.
- Greater need to integrate creative, brand and technology.
- Consider integrating onshore and offshore solutions, with a buy/build and partner approach.
- Continuous search for efficiency with automatable, repetitive tasks and offshoring.
Agencies:
Turning to Data to Drive Growth, Compete Against “Walled Gardens”

• The “walled garden” media and commerce platforms (FB, Google, Amazon) are a major competitive challenge to agencies due to their significant command of media attention, advertising dollars and vast amounts of consumer data.

• Agencies’ efforts to expand data capabilities—particularly their building/buying assets that can resolve for audience identity—allow them to begin to compete with the walled gardens’ scaled data.

• Efforts to improve attribution/measurement capabilities will also help the agencies compete.

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WPP Consolidates All Global Data Assets in One Place as Digital Media Race Heats Up

IPG Mediabrands Built A Data Stack That Operates Across Walled Gardens

Dentsu
In Anticipation of a Fully Addressable Future, Dentsu Aegis Network Announces the US Rollout of People-Based Marketing Platform M1

ADWEEK
Omnicom Launches Marketing and Insights Platform to Track Consumers Across All Practices
**GDPR and California Consumer Privacy Act: Adoption Challenges Remain as Privacy Became a Critical U.S. Issue**

### Evidence

- **Effective May 25, 2018 (GDPR) and January 1, 2020 (CCPA)**
- **47%** of marketers say their policies, procedures and documentation are now in line with GDPR; **45%** report they are only partially complete and **5%** haven’t started
- **Only 33% of companies are confident** that they can identify all of the data they have on each person
- **European Commission urges national U.S. privacy legislation** in order to “strengthen the protection of our citizens when their data is transferred abroad”

### CCPA

- Provides consumers control over data compiled by commercial “brokers,” and imposes new management protocols on these businesses
- Personal information is defined as anything that could be associated or linked with an individual or household
- Applies to businesses that have revenue >$25MM or derive 50% of revenues from audience data
- Provides rights to consumers to opt out of having their personal information used commercially
- Will serve as a model and precedent for other states’ data privacy regulations

### Implications for Marketers

**Significant risk to** reputation and revenue; lawsuits have started

With multiple state regulations in process (in addition to CCPA), marketers will be faced with **grim choices**: abandon relevant marketing or try to comply state-by-state

*Align and work—don’t pray for national regulation*

### Implications for Suppliers

Suppliers—including storage providers—are **liable for violations**

While technology platforms (CDPs) and authentication providers release tools to solve for better management, **the service and governance architectures need focus**

*Like marketers—don’t hope for national regulation*

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**Sources:** Second annual review of the U.S.-European Privacy Shield, GDPR Implementation Review - IT Governance
M&A 2019: All Signs Point Towards More Investment and Greater Deal Volume

Evidence

• **Major moving pieces** in the agency and data landscape— who’s up in 2019: *Epsilon, MDC and Kantar*

• VC exits to rise with significant IPOs (of direct listings)— WeWork, Slack, Uber, Lyft

• Rise of DTC brands will lead to consolidation by bigger DTC brands

• 76% of corporate execs expect to close more deals next year than in 2018; sentiment even stronger among the PE crowd—87% of whom anticipate making more deals

Implications for *Marketers*

Brands/publishers consolidate to gain scale in ecommerce, data and delivery of audiences

More service provider capabilities at scale

Consolidation and investment still leave lots of choice, challenging brands in tech, data and digital transformation

Implications for *Suppliers*

More sources of capital on- and off-shore to fuel growth

More risk to client accounts from consolidation

More challenging to pick niche technology partners and differentiate service offerings

More competition from formerly indirect competitors

*[Sources: R3, Pitchbook, Deloitte]*
The 2018 Recap

Trends to Watch for 2019

Outlook 2019
Outlook 2019: Cloudy With a Chance of Growth; More Data-Driven Focus, Regulation Likely

- U.S. GDP growth is estimated at 2.3%, down from 3.0% in 2018—about where we were in 2017
- The unemployment rate is currently at 3.7%, the labor market is tightening and minimum wage is up in multiple states, moving inflation—but the fear of inflation vs. the fear of recession has the Federal Reserve pausing
- Concerns over a 2H19 recession is priced in the equity markets, while the shutdown continues and we debate needing walls around us...

- Dependencies:
  - Shutdown
  - Trump
  - China
  - Mueller
  - Congress
  - Brexit

U.S. Advertising & Marketing Spending, 2016-2020F

<table>
<thead>
<tr>
<th>Year</th>
<th>Spend ($BB)</th>
<th>YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$298.8</td>
<td>&gt; 6.0%</td>
</tr>
<tr>
<td>2017</td>
<td>$316.5</td>
<td>&gt; 5.2%</td>
</tr>
<tr>
<td>2018</td>
<td>$332.9</td>
<td>&gt; 5.3%</td>
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<tr>
<td>2019F</td>
<td>$350.53</td>
<td>&gt; 4.9%</td>
</tr>
<tr>
<td>2020F</td>
<td>$367.7</td>
<td></td>
</tr>
</tbody>
</table>

Outlook 2019: Offline Media Spending Projected to Remain Flat in 2019, as Direct Mail Rallies and Growth of Addressable TV Begins to Stabilize

U.S. Offline Media Spending, 2019E ($BB)
Total: $221.25BB

- Linear TV, $69.2
- Addressable TV, $3.0
- Radio, $14.4
- Newspaper, $8.8
- Magazine, $8.0
- Direct Mail, $44.3
- Traditional Outdoor, $8.3
- In-Store, $17.8
- Experiential/Sponsorship, $47.5

Note: Arrows reflect estimated percentage change in spend, by channel, from 2018 levels

Source: Winterberry Group analysis of multiple sources, including AdAge, Cadent Consulting Group, eMarketer, IBISWorld, Jack Myers, Outdoor Advertising Association of America, Pivotal Research Group, PwC, Video Advertising Bureau, ZenithOptimedia
Outlook 2019: Digital Channels Continue to Mature, See Moderate Growth Rates Once Again; Social Almost at 25% of Total Online Media Spending

U.S. Online Media Spending, 2019E ($BB)
Total: $129.27BB

Paid Social, $29.4 (16.6%)
Display, $34.4 (14.4%)
Digital Video (OTT/Streaming), $2.6 (15.5%)
Digital Out-of-Home, $3.7 (11.4%)
Search, $53.3 (15.5%)
Email/SMS, $3.6 (7.2%)
Digital Radio, $2.2 (20.0%)

Note: Arrows reflect estimated percentage change in spend, by channel, from 2018 levels

Outlook 2019: Spending on Digital, Email and TV Data Continues to Grow; Offline Data Remains Flat But Maintains Its Large Share of Spend

U.S. Data Spending in Support of Offline, Email, Display and TV, 2019E ($BB)

Total: $21.27BB

- Offline Data Spending, $9.66
- Digital Data Spending, $7.85
- E-mail Data Spending, $1.96
- TV Data Spending, $1.80

Note: Arrows reflect estimated percentage change in spend, by channel, from 2018 levels

*Digital data includes: Cross-device display and related data management and analytics services and technologies; display data in this model includes data for paid social advertising in addition to desktop and mobile web display advertising

Source: Winterberry Group spend estimates, revised model 2019
Outlook 2019: Online Media Spending Surpassed 50% of Offline Spending for the First Time in 2018; Likely to Reach ~60% in 2019

U.S. Advertising and Marketing Spend by Category, 2016-2019E

Source: Winterberry Group spend estimates, revised model 2019
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