

Industry Update

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

Volume 27

Executive Summary – Monthly Recap

As we closed out the busy month of January with CES, followed by the shortest month of the year, and bid farewell to another epic Olympic Winter Games and Super Bowl, there is a remarkable amount of energy in the industry. Yes, CES is known for gadgets, as early adopters rush to discover what’s new and exciting in mobile devices, voice technology, VR, AR, IoT and AI. This year, CES didn’t disappoint. From the new 8K resolution TVs, to Nissan’s “brain to vehicle” interface, Samsung’s connected spaces, new VR and AR headsets, voice technology from Google and Amazon, there is something for everyone. It’s hard to ignore the impact of CES in the world of advertising today with the integration and convergence of technology, consumer engagement (capturing and sharing data) and the display of relevant information (including, yes, advertising messages) on all these consumer devices. Yet, what is the expected impact on the work done by advertisers and their agencies? What competencies are needed, and who is in the best position to provide them? Fortunately, the advertising doctor is in: check out our new column about improving the client/agency relationship.



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.

Table of Contents

Talent	page 1
Work	page 2
The Advertising Love Doctor Is In	page 3
Financials	page 4
Keeping up with the fast-paced advertising production community	page 5
Performance and Value	page 7
Agency Mania: don’t panic, it’s a good thing	page 8
Agency Reviews and Roster Changes.....	page 10

TALENT: securing the right talent and resources

Despite expectations for improved global GDP growth in 2018, analysts expect another challenging operating backdrop for the agency holding companies, lowering organic growth expectations. What impact will this have on talent? Will agency holdings consolidate further to strengthen their offering and reduce costs?

- **2017 AdAge Marketers of the Year** is Tito’s Handmade Vodka, citing 7.1% share of the fragmented vodka market, up from 1% in 2011, as a result of remarkable sales growth and brand building efforts and traditional spend on print and outdoor. The client handles most creative in-house but outsources media buying (KSM South) and PR (Praytell).
- **Publicis Groupe** has been aggressively transforming to the new market realities by creating its integrated “Power of One” model (used by clients like USSA and Walmart), launching the AI-powered professional assistant platform called Marcel and by introducing Publicis Spine to help clients target consumers on an individual level.
- The Association of National Advertisers (ANA) acquired the **Word of Mouth Marketing Association (WOMMA)**, a 13-year-old organization that specializes in word of mouth and social media marketing.
- **United Airlines** is moving video content creation in-house to complement work the brand does with agencies like McGarryBowen and Wunderman. The in-house team handles creative content strategy as well as execution. The primary benefit: quicker turnaround time and more efficiency.
- WPP launched a next-generation global brand agency comprised of five of its consultancies and design shops called **Superunion**. The new entity combines WPP’s Brand Union, The Partners, Lambie-Nairn, Addison Group, and VBAT. The entity is comprised of 750 employees across 23 offices in 18 countries, client billings in excess of \$100 million worldwide and a client roster that includes Diageo, FIFA, Ford, Bank of America Merrill Lynch, and Vodafone.
- **Omnicom’s Accuen** was fully embedded in the company’s three big media shops — OMD, PHD and Hearts & Science in 2017, leading to clients opting out of the company’s performance-based programmatic offering.
- Seoul-based agency group **Innocean Worldwide** acquired independent US creative shop David & Goliath. David & Goliath has been creative agency of record for Kia Motors

America for 18 years. The agency is on a similar path as South Korean agency group, Cheil Worldwide, which started as Samsung's in-house agency and expanded with acquisitions, including The Barbarian Group, Iris Worldwide, and McKinney.

- Dentsu Aegis Network creative agency McGarryBowen acquired San Francisco-based **Swirl** to enhance its digital, social and technology capabilities. Swirl clients include Microsoft, CA Technologies, Juniper Networks, eBay, and HTC.
- Media content network **CreativeDrive** acquired the Pia Agency, a creative content agency with clients like HP Inc., DreamWorks, PepsiCo Blizzard, Petco and Sony. PIA will manage CreativeDrive's crowdsourced freelance management system (FMS), which includes 20,000 video creators and journalists in 180 countries.
- Viacom acquired influencer marketing shop **WHOSAY** to bolster Viacom's influencer reach, omnichannel distribution, and advanced advertising tools. The agency has a network of celebrity talent under its umbrella, spanning YouTube up-and-comers to A-Listers.
- **Havas Group** acquired German PR firm Deekeling Arndt Advisors (DAA) after years of close partnerships. The firm will continue to operate under its existing name but will support providing complex communications solutions in the context of digital transformation for its clients.
- Marketing and PR shop Beckerman acquired full-service digital marketing agency **Chicago Digital**, joining a network that already includes Beckerman PR, Antenna, Eco Branding and Paul & Zakheim Associates.
- Shaw + Scott acquired Seattle-based **Loxley CX**, an agency that specializes in CX/UX to boost the digital agency's capabilities in cross-channel and mobile services. Loxley is now a Shaw + Scott brand with three divisions: Loxley, LoxleyCX and LoxleyEd.
- Four agencies—BKV, Hiccup, Umarketing, and unified.agency—merged under one umbrella marketing firm, **The Drum Agency**, to focus on content strategy, technology, paid media, PR, data, and creative innovation. Combined clients include AT&T, Chase, PayPal, Aflac, and Spanx, among others.
- A new shop, **Havas Health Plus**, launched to create advertising and marketing campaigns informed by insights derived from emotion detection technology.
- Endeavor Global Marketing (EGM) acquired branding and marketing firm **160over90**. 160over90's clients include Ferrari and Under Armour.
- WPP consolidated Kantar's four global consultancies (including Kantar Added Value, Kantar Vermeer, Kantar Futures, and Kantar Retail) into one to better compete with consultancies. **Kantar Consulting**, the newly consolidated unit, has over 1,000 analysts and unified consumer marketing capabilities with shopper, sales, and retail consulting.

- Dentsu Aegis Network acquired US-based **HelloWorld**, a promotions and loyalty group with clients like Coca-Cola, Johnson & Johnson, and Microsoft that will roll into Merkle's loyalty division to improve on the agency's people-based marketing offerings.
- Dentsu Aegis Network has acquired San Francisco-based B2B digital media and marketing agency **DWA**. The shop, which includes programmatic, search, social, and demand generation services, will be branded "DWA, a Merkle company."
- Per a new study by Centro, 81% of marketers plan to bring at least some of their **programmatic advertising in-house** over the next 12 months, while 59% said they will no longer outsource their programmatic media-buying to a third party by next year.

Noteworthy quotes:

- » "We must cement success in areas such as talent management, category management, and customer relationships; and then allow ourselves to evolve to newer strategies such as digitization and advanced supplier management. I believe that the next three to five years will shape this new agenda for the Procurement profession."—Bill Dempsey, Chief Procurement Officer, **MolsonCoors**
- » "The industry's talent-based nature means that it needs to attract different types of expertise with distinct skills. In order to win on the new playing field, brands and agencies now need to pair the right people with advanced technology."—Laura Desmond, founder/CEO of **Eagle Vista & Partners**
- » "I don't think that head-to-head on digital, the consultants currently win. You can't buy creativity, you can't buy digital capabilities."—Sir Martin Sorrell, CEO of **WPP**

WORK: producing great work and outcomes

Brand advertisers are always looking for effective ways to engage and communicate with our consumers. Unilever's 5C framework consisting of consumers, connect, content, community, and commerce, is designed to help marketers navigate the changing landscape and create the stories and services that provide a seamless on- and off-line brand experience for customers. The brand launched over 100 pilots over three years to increase revenue and campaign engagement, while seeking to be more agile, take more risks, and embrace innovation.

- **Big take-aways of CES 2018** for advertisers and agencies: 1) new interfaces and innovative concepts offer new forms of creative brand communications, 2) social and casual entertainment must be core to consumer experiences, 3) voice interfaces are growing in interest in this increasingly connected environment, 4) AR, VR and AI are increasingly more mainstream and are likely to grow rapidly in usage.
- **Publicis Groupe** partnered with Microsoft to further develop the Groupe's artificial intelligence platform Marcel. Microsoft will construct the platform and offer its expertise in AI development and Publicis.Sapient will focus on user experience.

2/12

See how stronger relationships contribute to better marketing. Contact us at www.agencymania.com.

If others in your organization are interested in receiving this Industry Update, please let them know that they can sign up on our site at www.agencymania.com/subscribe.html.

If you have any comments or would like to update or change your contact information, please contact us at subscription@agencymaniasolutions.com.

Column: The Advertising Love Doctor is in

A note from the Advertising Love Doctor: The relationship between a client and an agency is uniquely beautiful and must be tended to just like our personal relationships. At Agency Mania Solutions, we know that client/agency relationships also suffer when partners don't feel heard or respected, resulting in miscommunication and strain that is often hard to overcome. I've devoted my career to making these relationships work and as the Advertising Love Doctor, I am committed to helping advertisers, CMOs and their teams thrive in relationships with all of their agencies. Whether you are the client or the agency, when you begin to see relationship warning signs, I recommend seeking treatment sooner rather than later. I am here to help diagnose and treat the symptoms – large or small – to put your relationship back on track. Please leave your questions here and I will see to it personally that you get the best relationship advice.

A recent submission about (re) building trust:

Dear Advertising Love Doctor,

My agency is recovering from a rough client experience; the client left the team hanging, made promises they couldn't keep and regularly missed meetings. This prevented us from doing our best work, although admittedly, we didn't start out on the best foot. How can we avoid this with a future client?

Thank you,

Damaged Goods

Dear Damaged Goods,

I don't know how many times I've said it but building mutual trust between the agency and client is the only secret to success. I am sorry to hear about your experience, but the good news is that you can learn from this experience and apply learnings to future relationships. Practically speaking, might I suggest instituting and socializing a client/agency partnership code of conduct? How both parties behave in the partnership profoundly impacts the trust and relationship that is formed on day one. By nature, we are often left to our own devices to figure out the right way to interact and collaborate. However, a set of rules outlining the mutual responsibilities and proper practices for the partnership to live by will go a long way toward building trust. Try incorporating a code of conduct into a service-level agreement between the two parties at the outset of the engagement.

Get Well Soon,

Advertising Love Doctor

To submit questions or read recent ones, visit <http://agencymania.com/the-advertising-love-doctor/>

- **Kind bars** gave away \$6 million worth of samples to US consumers instead of investing in production of a Super Bowl commercial. The cost of a 30-second Super Bowl ad reportedly exceeded \$5 million this year. Their screen message claimed: "We don't make great ads. We do make great bars."
- **IGN and GameSpot** engaged in a Twitter battle with two of the gaming world's well-known and biggest rivals, filled with "Easter Eggs" (hidden messages), prompting followers to activate exclusive clips, resulting in 215,000 views of the Twitch livestream and 30,000 chats.
- DDB created a 60-second Super Bowl ad for **Skittles** that will be shown to only one super fan called Marcos Menendez who will then livestream his reaction to the spot via the brand's Facebook account.
- **Amazon's** Super Bowl spot, 90 seconds of airtime promoting its voice-activated offering Alexa, included numerous celebrities, and is considered to be one of the more entertaining spots of the year. The spot was produced by creative shop Lucky Generals and Amazon's internal creative team, D1.

3/12

See how stronger relationships contribute to better marketing. Contact us at www.agencymania.com.

If others in your organization are interested in receiving this Industry Update, please let them know that they can sign up on our site at www.agencymania.com/subscribe.html.

If you have any comments or would like to update or change your contact information, please contact us at subscription@agencymaniasolutions.com.

- Amid pressure from marketers and consumers, Facebook is updating its **branded content policy** to prohibit publishers and creators from being paid to post content that they were not involved in creating. Facebook will further curtail the reach of branded content on Facebook and Instagram that violates the policy.
 - **Unilever Foundry** helps Unilever find partners to bring innovative concepts to market: Skip, the global laundry brand, and emerging French startup and laundry app, Cowash, partnered to create a sharing economy-led laundry experience.
 - WOMMA (a division of the ANA) published its **Social Media Disclosure Guidelines** to ensure brands communicate with audiences ethically and responsibly, reducing the risk of potential legal, regulatory, and financial risk.
 - Per RSW/US's marketer/agency survey, 41% of agencies state that 51% or more of the business they received was in the form of **project work** vs. AOR/retainer type business.
 - **Google** offered web publishers an update to AdSense, which relies on machine learning to manage ad inventory and create new ad placements, an indication that machine learning is being applied in more facets of the marketing world.
 - Advertisers like AT&T and Bayer are exploring the use of **blockchain** to validate their online advertising supply chains at a time where transparency and trust remain key concerns in programmatic.
 - Per **McKinsey & Co.**, global productivity could increase by at least 2% annually for the next decade due to full employment and increasing demand, forcing businesses to work more efficiently.
 - **Briefing** remains a gap: Over 48% of agencies blame clients for missed deadlines, per Function Point. 40%+ of respondents said that productivity isn't tracked efficiently, and the large majority blame communication breakdowns on briefs that are incomplete or inaccurate, with too many requests for last-minute changes.
 - **R/GA** selected nine companies that use Internet of Things technologies to participate in its venture program across a range of opportunities: Smart building sensors, reusable packaging service with trackable products, ad platform to access smart digital billboards, automatic switching of deals for household bills, food spillage indicators to reduce food waste, artificial intelligence for human emotion-sensing product, and others.
 - **Performics** built an Amazon platform, called Caiman, which offers analysis tools, focuses on bidding strategies, auction insight, data, and reporting.
- Noteworthy quotes:
- » “We have developed and learned new ways of working, including procurement and payment practices, as well as trialling new ways of our brands to work in partnership with entrepreneurs.” –Keith Weed, CMO, **Unilever**
 - » “Making the [review] process seamless and transparent for both sides is critical. That can be accomplished by setting expectations about the review at the outset, building a project plan to which everyone adheres, and of course, complete and full transparency.”—Andrea Redniss Senior VP at **MediaLink**
 - » “A pitch is about finding a good fit—and a big part of assessing fit is spending time getting to know each other. When there is a huge list of agencies involved in a pitch, the client can't spend as much time with each agency getting to know them and whether that potential partner is the right one to help them solve their business challenges.”—Abbey Klaassen, CMO at **Dentsu Aegis Network-owned agency 360i**
 - » “Media agencies are very good at spreadsheets, but not at subjectivity. Creative agencies are not only comfortable with subjectivity, they are innately collaborative. The inherent nature of their work is a mindmeld of diverse perspectives.”—Adam Kleinberg, CEO of **Traction**

FINANCIALS: driving efficient use of resources

Deloitte's view is that “applying digital technologies to the procurement function will enable strategic sourcing to become more predictive, transactional procurement to become more automated, supplier management to become more proactive, and procurement operations to become more intelligent.” They reported that 66% of procurement leaders predict that supplier management (including performance, risk, relationship, and innovation), sourcing and operational buying, and business planning and strategy development (including spend analytics and research) will undergo the biggest changes due to digital technology over the next five years. Yet the major barriers of the effective application of digital technology in procurement are the lack of data integration (46%) and the quality of data (45%).

- **Dentsu** was the most acquisitive 2017 company in the marketing/communications category per COMvergence with 23 acquisitions and \$263 million in estimated revenues. Dentsu was followed by WPP (20) and Accenture (14).
- Another big year of **account reviews** is expected with continued focus on media planning and buying assignments and consolidation of agency partnerships or deliverable-based work. Budget scrutiny around fees and media spend will remain a chief focus for many marketers looking to increase the efficiency of their marketing efforts.
- Consumer goods giant **P&G** plans to cut advertising costs by \$400m by implementing new agency models and reducing the number of agencies it works with by 50%. The brand has already reduced the number of agencies it works with from 6,000 to 2,500 since it began its cost-saving spree in 2015, which has since led to \$750 million in agency and production savings. P&G anticipates a total of \$2 billion in savings across marketing productivity efforts through fiscal year 2021. The brand is also changing how it works with agencies, inviting for more “open sourcing” of project work, instead of solely relying on fixed retainers and

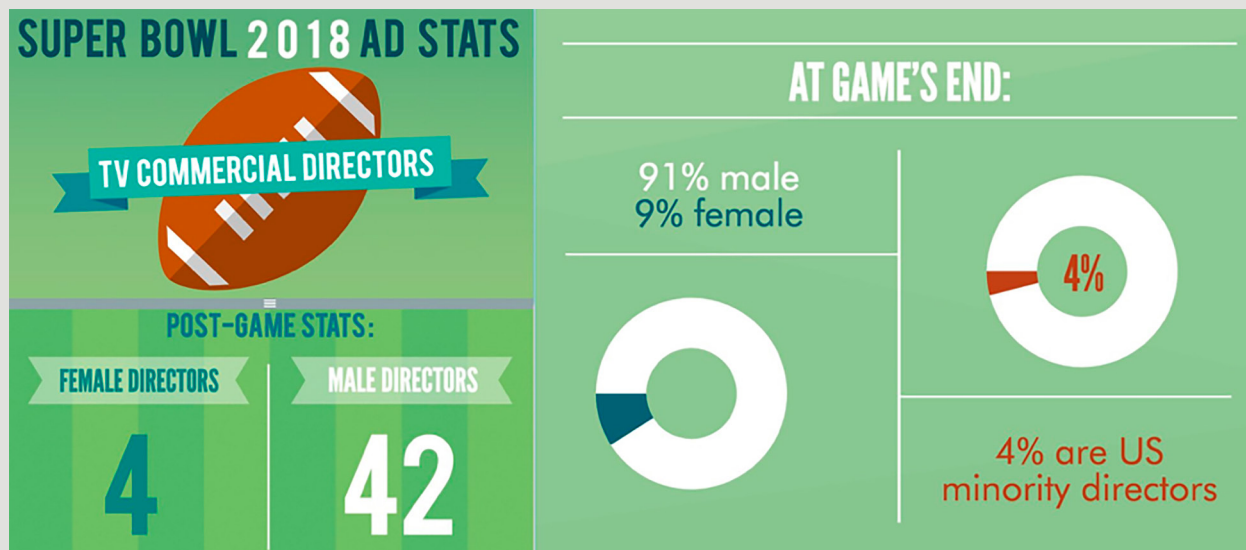
Every year the folks at APR play “Super Bowl Bingo” in an attempt to outdo each other in spotting ad trends in real time. As self-proclaimed ad production nerds, I must admit that we take more joy in this than in the big game itself. So, what did we find in 2018?

Brands Are Not Holding Back on Celebrities: We viewed over 70 spots and 58% of them used celebrities. We already know the price point for a Super Bowl ad, so adding a celebrity of any stature will add considerably to the overall budget. While the celeb buzz can result in a big short-term splash, it is worth seeing if the results persist far enough on the long-tail (or in sales) to justify the budget.

Humor is King: 49% (almost half) of this year’s ads could be categorized as humorous. And Tide makes up for a solid portion of that figure with their attempt to make every Super Bowl commercial a Tide commercial. Brilliant and fun!

We Saw a Lot of Teasers: 35% of the ads were released before the Super Bowl as teasers which may have compelled some people to watch the commercials instead of refilling their snack bowls.

We Did See Diversity: More than 50% of the ads demonstrated diversity on some level, including representation of gender and people of color on camera. However, just four female directors (9%) vs. 42 male directors (91%) of the commercials seems imbalanced. Our very favorite, Alma Har’el, founder of www.freethebid.com directed the Coca Cola anthemic spot. Yay, Alma!



Puppy Monkey Baby: We know that babies and animals are always popular in commercials. However, there seemed to be a significant lack of puppies or monkeys (unless you want to count three spots with horses, a muskox, a peacock, a kangaroo, and a dinosaur). We did get a couple of spots with babies, though!

Some Other Noteworthy Observations:

- Leading consumer category: Automotive, 20%
- Live action production: 92%
- Commercial length: 60-seconds or more per spot, 34%
- Commercials with a licensed track or popular song: 32%

Until next year! And let’s hope 2019 doesn’t lose 30-seconds of quality airtime again.

agencies of record. The end result: a reduction in agency and production fees of \$1.15 billion—from a base estimated at \$2 billion when the process began in mid-2015.

- **Unilever** is also eliminating waste and driving more effective use of budgets. As a result of its zero-based-budgeting efforts, the brand squeezed \$700 million out of production costs in 2017 by making fewer ads and doing more work through its in-house advertising agency called U-Studio, of which half was reinvested by the brand into media and in-store outlays.
- New **Deloitte Global Chief Procurement Officer Survey 2018** indicates that top business strategy for procurement leaders remains cost reduction (78%). 61% delivered better year-on-year savings performance. Levers to deliver value include consolidation of spend (37%), reducing total life cycle/ownership costs (32%), and increasing competition (31%). 65% have limited or no visibility beyond tier 1 suppliers. 51% of procurement leaders believe their teams do not have sufficient capabilities to deliver on their procurement strategy.
- Per ad/marketing research company WARC, **Worldwide advertising** is expected to rise nearly 4.7% to \$572 billion this year—helped by the Winter Olympics, the FIFA World Cup, and the US midterm elections. In 2017, global advertising gained 3% to \$546 billion, a decline from the 3.8% increase in 2016.
- **WPP** spent \$50B on media in 2017, 10% going to Google and 4% to Facebook. The combined media investment in Disney and 21st Century Fox's film and TV studio add up to 6%.
- WPP's GroupM is projecting **global ad expenditure** to increase by 4.3% in 2018 to nearly \$558 billion, mostly fueled by big events like the Olympics and midterm political elections. 94% of ad spend growth will come from digital, accounting for 44% of total ad spend by the end of the decade, per Zenith. GroupM expects that Google and Facebook will be the recipients of 84% of global digital ad investment in 2017.
- In one Tweet, Kylie Jenner wiped out \$1.3 Billion of **Snap's** market value, after tweeting that her usage of the app had declined. The shares fell 5% shortly after the Tweet.
- Per Juniper Research, **advertising spend on YouTube and Facebook** will hit \$37 billion by 2022, up from an estimated \$16 billion in 2017. YouTube reports over 1 billion hours watched per day.
- **China** is the world's second-largest ad market, with an estimated 7.4% growth rate in 2017 or \$80.5 billion, per Zenith. This growth in China is the result of significant increase in advertising and promotional spending by large Chinese advertisers like Alibaba, China's biggest online retailer, which increased 50% to \$1.3 billion.
- Per R3, Accenture, Deloitte, IBM, KPMG, and McKinsey invested \$1.2 billion in **agency acquisitions** in 2017, a 134% increase over 2016. Investments by agency holding groups including WPP, Dentsu, Omnicom, Interpublic, and Publicis declined by 46% to \$1.8 billion. 401 deals were made in 2017 in the marketing communications space, just a slight increase on 2016's 398 deals.

- **Netflix** boosted its advertising investment from \$1.3 billion to \$2 billion, an increase of 54%, with a strong focus on YouTube and Facebook videos.
- **Amazon ad business** is growing rapidly, beating prior estimates. Citi Research projected Amazon's ad business to grow to \$50.6 billion by 2028, up from \$10.2 billion this year. Amazon offers media opportunities including display and video. Amazon's demand-side platform, Amazon Advertising Platform, allows advertisers to buy web, mobile, and video inventory programmatically across Amazon properties and third-party exchanges.
- In search of a challenger to the Google and Facebook duopoly (Google and Facebook accounted for 84% of all global digital spending in 2017), Publicis, Omnicom, and WPP plan to boost their ad spending with **Amazon** between 40% and 100% in 2018, upward of \$800 million, collectively.
- **Anheuser-Busch** is moving its creative advertising and content creation to project-by-project relationships in the US, ending its eight-year AOR relationship with Anomaly, however the firm will handle project work as well. The US agency roster includes Anomaly, VaynerMedia, David, and Mosaic.
- Per Gartner's CMO Spend Survey, **marketing budgets** dropped from a 12.1% share of revenue in 2016 to 11.3% last year. CMOs are under great pressure to prove return on investment and show how they're contributing to growth.
- Per a survey by Conductor, 68% of marketing executives say they plan to **spend more on marketing technology in 2018**. 30% said they will be spending anywhere from 11% to 25% more than what they are already spending. They feel unprepared in the coming year for: (34% mentioned AI, 29% VR or AR, 23% voice search).
- Per Forrester/Evidon report, 48% of advertisers are setting up an initial establishing budget of more than a million dollars for **General Data Protection Regulation (GDPR) compliance**. 58% will have a maintenance budget of about the same amount.

Noteworthy quotes:

- » "Moving forward, we intend to take a more balanced approach between fixed retainers for a portion of the work, and project-based fees for other work. Open sourcing in this context means we will look both at our existing agency partner who is on retainer in addition to other agencies on our roster for the project-based assignments to determine the best quality, capability and value for each project."—Tressie Rose, Associate Director, Media Relations & Social Media, Global Company Communications at **Procter & Gamble**
- » "The most satisfying part of my role is aligning well and listening to my customer and internal stakeholders around objectives and expectations, because it is not always a good idea to lead a conversation with "look how much money I can save you."—David Bondi, SVP-Chief Procurement Officer, **Revlon**

» “2018 should be a stellar year for global advertising, with ad investment set to grow at its strongest rate since the post recovery years of 2010 and 2011. All global regions, with the exception of the Middle East, are expected to register growth, supported by key quadrennial events— notably the Winter Olympics in South Korea, the FIFA World Cup in Russia, and the US mid-term elections.”— James McDonald, Data Editor, **WARC**

PERFORMANCE: driving stronger performance and value from the partnership

Various equity firms downgraded their recommendation for the stocks of three of the industry’s biggest agency holding companies —WPP, Publicis and Interpublic—from a “buy” to a “hold,” a result of a wide range of issues about the health of the industry. The rise of big consultancies, zero-based budgeting, and efficiencies measures are without a doubt major contributing factors. Other factors included fee compression, maturation of digital media, in-housing of some creative and media functions, and heightened contractual scrutiny in the wake of last year’s reports on fee transparency.

- Elon Musk’s bold marketing move included launching a **Tesla** Roadster into orbit via the Falcon Heavy rocket. The YouTube video showing live views of a dummy named Starman sitting in the vehicle’s driver seat as it floats through space has been viewed over 11 million times.
- **LinkedIn** is conducting a roster-wide assessment of its ad agencies, possibly looking to reduce the number of agencies it uses, following its acquisition by Microsoft for \$26.2 billion.
- MediaPost’s Creative Agency of the Year is **MullenLowe Mediahub** for the second year in a row. MullenLowe Mediahub established a creative media unit within the agency that it calls the Radical & Druptive/media innovation group. Recent wins include MTV, Chipotle, Remy Cointreau, PODS, and Staples.
- MediaPost’s Media Agency of the Year is **Havas Media**. The agency has been known to contribute to more transparency in the media supply chain as well as consumer self-targeting. The agency introduced a more collaborative approach that breaks down walls between media, creative, data, and technology called “The Village.”
- MediaPost’s Social Media Agency of the Year is **The Media Kitchen**. The agency is known for its innovative approach to media planning, a process called “signals planning,” leveraging signals from first, second, and third-party data.
- YouTube and Facebook are considered the first- and second-most **effective video platforms** for marketing per Wyzowl (79% of marketers considering YouTube effective, compared to 58.5% for Facebook). Others include webinar (38%), Instagram (32%), and LinkedIn (28%).

- **Spotify** was named AdAge’s 2018 in-house agency of the year. **MRM/McCann** was named AdAge’s 2018 BtoB agency of the year. Its Purple Briefs program enabled thousands of employees to find solutions to client needs in a matter of 48 hours. **Assembly** was named AdAge’s 2018 media agency of the year, strong of 12% YOY revenue growth combined with new clients, including Transamerica and Belkin, as well as the consolidated Boehringer Ingelheim account, all totaling \$500 million in new billings.
- AdAge issued their **2018 agencies to watch**. On the list: BBDO, DDB, Edelman, Essence, FCB, Giant Spoon, Joan, McGarryBowen, O’Keefe Reinhard & Paul, and Rokkan.
- Sportswear giant **Nike** initiated a “reverse auction” style global review process via its global procurement department in which it is collecting rate information. Roster agencies are being asked to provide new information on their rates and capabilities. The brand works with a wide range of agencies including R/GA, Wieden+Kennedy, Anomaly, Laundry Service, The Program, and Mindshare.
- Association of ad-industry trade groups, the **Trustworthy Accountability Group (TAG)** says its method can cut online ad fraud by more than 83 percent. The industry average for invalid traffic across display and video is 12%.
- Per a new report about **agency reviews** by Vennli, 40% of marketers report putting their businesses up for review every one to two years, with 47% saying two to four years is the typical length of their relationships. 70% expect agencies involved in the pitch process to have conducted primary research, and among the agencies that win more than 50% of their new business pitches, 89% say they use primary research when developing their pitch.

Holding company financial results:

- » **MDC Partners:** MDC Partners’ 2017 full-year revenue increased 9.2% to \$1.51 billion, with organic growth of 7%, driven largely by CPG brands, such as Hershey’s, General Mills, Coca-Cola, Del Monte, and Dean Foods. Global accounts comprise 14% of the network’s business, with clients such as IKEA, Electrolux, and eBay.
- » **Omnicom:** Net income was down 5.2% to \$1.09 billion on a 0.9% revenue decline to \$15.3 billion. The holding company believes the net income decline to be the result of the new tax law. Full-year organic revenue growth was 3%.
- » **Interpublic Group:** Full-year revenue reached \$7.8 billion, with organic growth of 1.8%.
- » **Denstu:** Dentsu Aegis Network produced \$5.2 billion in new business wins for the year, a new record. Wins included Jaguar Land Rover, a piece of A-B InBev, and Subway. The group posted gross profits of 9.2%, mainly due to acquisitions. Organic growth was just 0.1%.
- » **Publicis Groupe:** For the full year, organic growth was up 0.8%, while consolidated revenue was down 0.4% to 9.69 billion euro (\$11.85 billion). Key wins included Walmart, USAA, Motorola, and Lowe’s.

See how stronger relationships contribute to better marketing. Contact us at www.agencymania.com.

If others in your organization are interested in receiving this Industry Update, please let them know that they can sign up on our site at www.agencymania.com/subscribe.html.

If you have any comments or would like to update or change your contact information, please contact us at subscription@agencymaniasolutions.com.

Noteworthy quotes:

- » “We need to be a fitter company as we go into this future. And we are examining all parts of our business to be more efficient, to be more fit. And part of that is our relationship with the agency. Is the model we are working with today, is that the most efficient model? We don’t know if it is or it isn’t. But it is a substantial enough part of our business that it needed to be part of that fitness exercise.”—Kumar Galhotra, CMO, **Ford Motor Company**
- » “Hiring the wrong agency or the wrong team simply because they were cheaper isn’t going to grow the brand or business. Chances are the relationship won’t last long, meaning the marketer will likely run another review and onboard another agency within a short period of time.”—Casey Burnett, founder and managing partner of **The Burnett Collective**
- » “How we really evolve our marketing mix with our agency partners in creative, in media, in public relations, how we use design in new and different ways, and how all this is underpinned by data and evidence-based [marketing] is really where we try and take marketing and that’s very exciting.”—Andrew Clarke, CMO and Customer Officer, **Mars**

Agency Mania: don’t panic, it’s a good thing! - Patricia Berns, Agency Relations Consultant

“I’ve got a bad feeling about this.” Han Solo, Star Wars: Episode IV – A New Hope, May 25, 1977

It’s been 41 years (yes 41 years!) since Harrison Ford uttered the sentence that has become so famous. Today in 2018, agencies around the globe express this same feeling, perhaps even using that same language! Ask yourself, even if you didn’t say it, is that what you are thinking? Today, advertising is less trusted than ever! Facebook and Google are eating up large shares of agency revenue. Amazon is looming large on the scene with every new venture they launch. Take for example their partnership with Berkshire Hathaway and JP Morgan. The goal of this new venture is to form a healthcare company that will aim to service the US and be “free from profit-making incentives and constraints.” No doubt they will not be reaching out to high margin agencies to help launch their business. In one day, the market value of 10 major publicly listed health insurance and pharmacy stocks fell by a combined value of \$30 million in the first two hours of trading. Let’s translate that into what it could mean for the multitude of healthcare agencies who thrive in Healthcare World. Agency CEOs with large healthcare clients are definitely thinking – if not saying – “I’ve got a bad feeling about this.” And this is just one sector shift that poses a threat to agency status quo. We find ourselves at a curious tipping point. Virtually every day we see the latest headlines that declare dramatic advertising changes are imminent. For example: WARC.com, February 28th “P&G cuts advertising spend by another \$400m.” On the competitive side of our world, Accenture has become one of the fastest growing “agency” groups with deep digital capabilities. The Big 5 Consultancies have deep pockets and are quickly growing their capabilities. We ask ourselves, “But do they have the requisite strengths to strategically and tactically understand consumer behavior and brand building?”

To come out on top, agencies must spend more time talking the language of business, commerce, and transformation. Elevating the conversation back to a place where marketing investment is seen and acknowledged as a proven driver of business growth. This approach demands a laser focus on effectiveness in business terms, not just weighing the value of a track record of industry awards. Consulting firms are well schooled in focusing on business outcomes at the intersection of business and technology. However, many have yet to master the art and science of sustained, long-term brand-building. To compete with the likes of Accenture, Deloitte, and others, Agencies must begin to act more like businesses themselves. We’re superb at staying close to developments in our own industry, touting creative awards, following which Managing Director moved to which agency, who merged with whom, etc. What if agency team leaders operated more like business owners and applied that kind of thinking to skills that are more commonly viewed as portfolio management, and we became “growth architects” for our clients? It’s not really an “either/or” question but one that is more about thinking differently and shifting the messaging to combine “business acumen” and “creativity.” We have the unique ability to craft a platform that combines our:

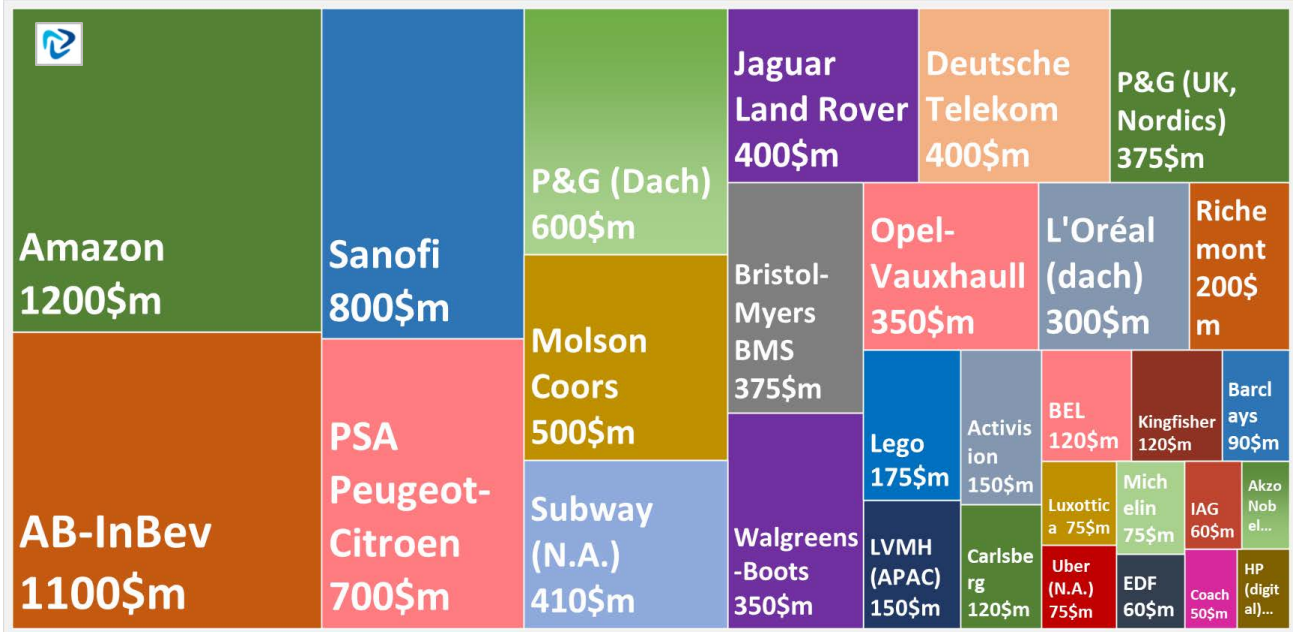
- Unique strength and experience in human understanding,
- Amazing flare for storytelling and brand building, and
- Business focused accountability

Virtually all major agency networks today enjoy two key advantages, they have both the ear of the CMO and, if properly applied, the resources to deploy and impact the success of that CMO. What will marketing/advertising look like in 2020 when 70% of media spend is digital, delivered programmatically and consumable on a small screen? Now is the time to reimagine your model. The next 18 months are going to be fascinating! Let’s imagine we’re all saying, “Wow, I’ve got a great feeling about this!”

TOP 30 GLOBAL / REGIONAL MEDIA PITCHES & MOVES COMPLETED IN 2017

TOTAL MEDIA SPEND: \$BN 9,5

* The reported amounts include ad spend for the 28 key markets covered in this report.



COMvergence tracking the global MarCom industry

January 2018

CONFIDENTIAL

©2017

FY 2017

GLOBAL NEW BUSINESS RANKINGS based on total NEW BUSINESS VALUES incl. Retentions

Leading AGENCIES



Leading GROUPS



COMvergence tracking the global MarCom industry

2017

CONFIDENTIAL

Edition 6

PART 1 - EXECUTIVE SUMMARY & RANKINGS

See how stronger relationships contribute to better marketing. Contact us at www.agencymania.com.

If others in your organization are interested in receiving this Industry Update, please let them know that they can sign up on our site at www.agencymania.com/subscribe.html.

If you have any comments or would like to update or change your contact information, please contact us at subscription@agencymaniasolutions.com.

AGENCY REVIEWS AND ROSTER CHANGES

According to the latest data by our partner and research firm **COMvergence**:

- Per COMvergence, 1,100+ global, regional and local media pitches and moves were completed in 2017 across 25 key markets (28 countries). In terms of overall results based on total New Business Values (new clients wins + retentions – losses): Carat leads the agency ranking, followed by Mindshare (2nd) and Vizeum (3rd). Dentsu Aegis Network tops the media group league, followed by GroupM (2nd) and Mediabrand (3rd).
- The US has dominated the media pitch activity in 2017, both in terms of spend volume (\$8.9 billion) and number of account moves assessed (98). US-North America reviews account for 69% of the total spend put in play last year.
- The average retention rate (across the 28 countries) has declined to 26% vs. 31% in 2016.

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.

- Sports drink giant **Gatorade** selected Work & Co. to handle digital innovation and consumer engagement, following a review. TBWA and VML will continue to support the brand with their various creative and media efforts.
- Packaged deli meat company **Land O’Frost** selected Merkley+Partners as its media AOR. Creative remains with hyclMerge and shopper marketing with TPN.
- **Dunkin’ Donuts** kicked off a review of its US creative business. Incumbent agency Hill Holliday has been working with the brand for 20 years. No matter the outcome, Hill Holliday will retain the media duties. DigitasLBI will continue to handle digital duties.
- Food and snack giant **Mondelez International** kicked off a review of its North American media agency business. The account is currently split between Carat and Publicis Groupe’s SMG. Carat, which handles Europe and Asia-Pacific assignments, will defend.
- Tech giant **Microsoft** kicked off a review of its media account. Dentsu Aegis Network has been handling search advertising and media buying and planning since 2014.
- **Office Depot**, which also owns OfficeMax, kicked off a review to handle a set of integrated services (branding, creative, media buying and planning, digital and app development). The brand currently works with Zimmerman Advertising which it named AOR without a review less than a year ago, ending its relationship with McCann.

- **The Vatican** named Accenture Interactive as its strategic partner to create a new online identity without a review. The agency will handle this relationship as a multi-phase project.
- Hospitality giant **Hilton** hired Omnicom’s TBWA to handle its global creative duties. Fold 7 worked on portfolio campaigns for the past two years and remains an important part of Hilton’s agency roster. The advertiser will continue to work with other agencies including Fold 7, GSD&M, HZDG, and The Martin Agency.
- Another hospitality giant **Hyatt** launched a global creative review to find an AOR to handle its many brands including Grand Hyatt, Hyatt Regency, Hyatt Place, and others.
- Food conglomerate **Kraft Heinz Company** selected McGarryBowen, part of Dentsu Aegis Network, as the new creative AOR for its Planters brand.
- Automaker **Mercedes-Benz** selected Publicis Groupe as its new global agency of record following a year-long review as the brand seeks to increase synergies worldwide on its digital platforms in 40 global markets. In the US, Germany, and China, Publicis Group will work closely with those agency partners, Merkley+Partners, Antoni and BBDO China. Publicis Groupe created a specialized unit called Publicis Emil, drawing talent and expertise from the Groupe’s Power of One network and agencies across Publicis Communications, Publicis Media, Publicis.Sapient, and Publicis One. It replaces incumbent BBDO Worldwide, its AOR since 2007.
- Global stationery, lighters, and shavers brand **BIC** hired Merkley+Partners as its US media-planning and buying agency lead with a focus on digital and social strategies.
- Insurance company **Aflac** launched a review of its creative account. The new agency will replace incumbent agency Publicis.
- Texas-based department store **JC Penney** recently parted ways with McGarryBowen, its agency of record since 2015, and selected New York-based Badger & Winters.
- **Carl’s Jr. and Hardee’s** selected Havas as their new AOR following a review, and replacing incumbent 72andSunny which held the account for over six years. The agency will handle digital, social, TV, radio, and online video content.
- **Bridgestone Europe** selected m/SIX, backed by WPP, and The&Partnership to handle its media business, replacing incumbent UM.
- Broadcast network **Telemundo** and cable channel **Universo**, both brands of NBCUniversal Telemundo Enterprises, selected Publicis Media-owned agency Spark Foundry to handle online and offline media buying, replacing incumbent Horizon Media, which held the account for 11 years.

- **Dish Network** selected The Richards Group as its new creative agency, following a review, and replacing incumbent Camp & King, which declined to participate in the review.
- **Vichy**, the skincare and beauty brand that is part of L'Oréal's Active Cosmetics Division, selected McCann Paris to handle its global advertising and marketing communications account.
- Jewelry marketer **Pandora** selected Mindshare for North America media planning and buying duties, replacing incumbent Mindshare's sibling agency Maxus, which merged with MEC to form Wavemaker. The merger presented a conflict as MEC handles media chores for Tiffany & Co.
- Fast-food chain **Subway** consolidated its entire North American media and creative business with Dentsu Aegis Network after a review. Carat is expected to manage Subway's media planning and buying across North America, and McGarryBowen will take on creative. Prior to its decision to consolidate, the brand had long-standing partnerships with various agencies, including 17 years with MediaCom, 14 years with MMB, and 10 years with Carat.
- **MTV** selected MullenLowe Mediahub as its US media agency of record. Mediahub will provide offline and digital media planning and buying services. The MTV win is Mediahub's eighth new client win in 2017, following its selection by Chipotle, Rémy Cointreau, Staples, and others.
- **Atom Tickets**, the startup movie ticketing platform that is backed by major studios Disney, 20th Century Fox Films, and Lionsgate, named Deutsch as its first creative agency of record. The work includes brand strategy, creative, and production responsibilities.
- Food giant **Del Monte Foods** selected MDC agency Doner, following a review. The agency will handle strategy and creative across traditional, digital, social, web, CRM, and shopper marketing for all Del Monte brands. The brand consolidated its marketing services under incumbent Epsilon when it named the agency its creative agency of record in 2016.
- Loan company **LendingTree** selected R2C Group as its new media shop following a formal review, replacing incumbent Oxford Road. The agency will handle media planning, buying, and analytics for TV and radio.
- App-based ride sharing giant **Uber** selected GroupM's MediaCom as its North American media agency of record, replacing incumbent Initiative, which did not defend the assignment.
- Car maker **Jaguar Land Rover** selected Dentsu Aegis Network to service its global media account after a review, replacing incumbent Mindshare who have had the assignment for 17 years.
- Pizza giant **Domino** named The Community as its US Hispanic agency of record, following a review. The agency will handle traditional, social, digital, and mobile.
- Online travel agency **Orbitz**, owned by Expedia, hired Havas as its agency of record, following a review involving 10 agencies. The agency will handle creative content, digital, and social responsibilities.
- Travel platform **Expedia** consolidated its global ad account with Publicis-owned agency Saatchi & Saatchi, following a three-month trial assignment. The brand previously worked with a roster of five agencies across worldwide markets. Jointly managed through Saatchi & Saatchi's headquarters in London and Saatchi & Saatchi's Team One office in Los Angeles, the agency will handle all brand advertising campaigns inclusive of TV, digital video, and display, social media, and outdoor, and partner with Publicis Groupe's production house, Prodigious.
- Food giant **Mars** launched a global consolidation review of its media agency business. Mars currently has a three-agency structure operating globally across its three business segments: media planning is handled globally by WPP's GroupM MediaCom. Media buying is locally contracted, with Publicis Media's Starcom handling the majority of local markets, and Mediacom and OMD handling the rest.
- Online financial services firm **Quicken Loans** launched a review of its media business. The brand has relied on its in-house marketing agency and various agency partners in the past. The brand worked with Pitch and Fallon on the creative side.
- High-end audio equipment maker **Bose** selected a custom-built team of WPP agencies to lead its global advertising and marketing efforts, following a review. The agency will handle creative, media, digital marketing, and localization production. In 2015 Bose appointed WPP's Grey as its global creative agency, following a review. Prior to the appointment, Bose created ads in-house or used agencies on a project basis. In 2014 Bose consolidated media agency duties with three shops.
- **Dish Network** launched a creative review. Incumbent Camp + King, the company AOR since 2015, was invited to defend in the review but declined to participate.
- Oil and gas giant **Shell** kicked off a review of its global creative and media business after working with a WPP team consisting of JWT and MediaCom for many years (over two decades for JWT). In 2005, WPP created a "Team Media for Shell" to handle media planning and buying for three of its business groups.

Agency Roster Summary

Client	Incumbent	Change/Scope	Focus Area	New Agency	Review?
Aflac	Publicis	Creative		TBD	Y
Atom Tickets	N/A	Creative		Deutsch	N
BIC	N/A	Integrated	US	Merkley + Partners	N
Bose	Grey	Integrated	Global	Custom WPP agencies	Y
Bridgestone Europe	UM	Media		m/Six	N
Carl's Jr and Hardee's	72andSunny	Integrated		Havas	Y
Del Monte Foods	Epsilon	Integrated		Doner	Y
Dish Network	Camp & King	Creative		The Richards Group	Y
Dish Network	Camp & King	Creative		N/A	Y
Domino's	N/A	Integrated	US Hispanic	The Community	Y
Dunkin Donuts	Hill Holiday	Creative	US	DigitasLBi	Y
Expedia	5 agencies worldwide	Integrated	Global	Saatchi & Saatchi	Y
Hilton Worldwide	N/A	Creative	Global	TBWA\Chiat\Day	N
Hyatt Hotels Corp	N/A	Creative	Global	TBD	Y
Jaguar Land Rover	Mindshare	Media	Global	Aegis Network	Y
JC Penney	McGarryBowen	Creative		Badger & Winters	N
Kraft Heinz	N/A	Creative		McGarryBowen	N
LendingTree	Oxford Road	Media		R2C Group	Y
Mars	Starcom	Media	Global	MediaCom	Y
Mercedes-Benz	BBDO Worldwide	Digital	Global	Publicis Groupe	Y
Microsoft	N/A	Media		Aegis Network	Y
Mondelez International	SMG	Media	North America	Carat	Y
MTV	N/A	Media	US	Mediahub	N
Office Depot OfficeMax	McCann	Integrated		Zimmerman Advertising	Y
Orbitz Expedia	10 various agencies	Integrated		Havas	Y
Pandora	Maxus (merged w/ MEC to form Wavemaker)	Media	North America	Mindshare	N
Quicken Loans	Fallon Worldwide	Creative		Pitch	Y
Shell	MediaCom	Integrated	Global	JWT	Y
Subway	McGarryBowen	Media	North America	Carat	N
Telemundo Universo (NBCUniversal Telemundo Enterprises)	Horizon Media	Media		Spark Foundry	N
The Vatican	N/A	Digital		Accenture Interactive	N
Uber	Initiative	Media	North America	MediaCom	N
Vichy	N/A	Integrated	Global	McCann Paris	N

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.

See how stronger relationships contribute to better marketing. Contact us at www.agencymania.com.

If others in your organization are interested in receiving this Industry Update, please let them know that they can sign up on our site at www.agencymania.com/subscribe.html.

If you have any comments or would like to update or change your contact information, please contact us at subscription@agencymaniasolutions.com.