

Industry Update

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

Volume 32

Executive Summary—Monthly Recap

As we approach the end of year holiday season, Seattle-based Amazon hit \$1,000,000,000,000 in value. Following Apple, Amazon's value has surpassed a trillion dollars and is now one of just two American companies to reach that status. It seems to be an unstoppable force: Amazon generates \$178 billion in annual revenue, capturing half of every ecommerce dollar in the US. It greatly matters to us marketers as Amazon Advertising is growing fast and furiously, allowing brands and Amazon-specialized agencies to collaborate and tap into the giant's vast ecosystem. As dollars shift, the media landscape and clients' expectations continue to evolve. Finding the right agency partner becomes critical for advertisers, and the numbers are staggering. Per COMvergence, 66 major (spend >\$10M) media pitches—or moves without a review—took place during the first half of 2018, totaling \$5.7B or 30%+ YOY, indicating that it's increasingly challenging for incumbent media agencies to defend and retain an existing account. In Q3 2018, agency reviews added up to \$1.3B including those from Hilton, LVMH, Lenovo/Motorola, Mars, Northwestern Mutual, Papa John's, and Shell.



Bruno Gralpois
 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

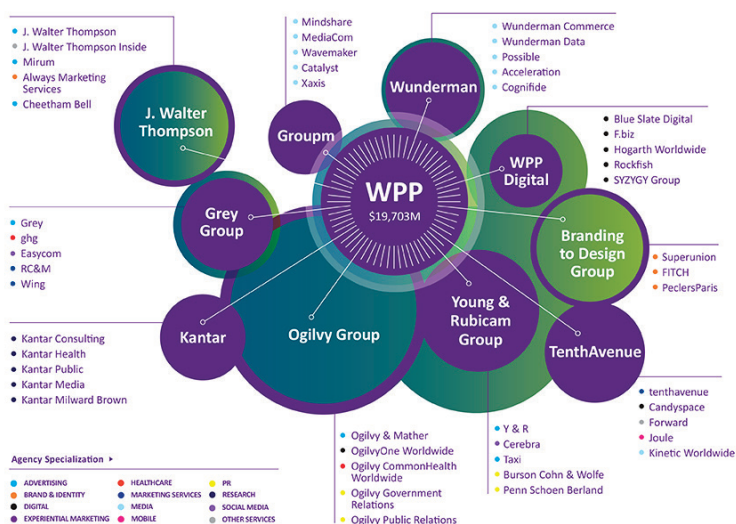
WPP's CEO appointment and the future of the holding company has not failed to create much buzz and speculation across the industry. If you have an opinion about what the holding company should do to address its revenue and margin pressure, feel free to share it with Mark Read, the new CEO. Mark is all ears. Read the trade press and you will soon realize that there have already been countless opinions offered. Given WPP's weak financial results, expect bold moves to drive costs down and streamline operations (consolidation, assets being sold, fewer brands, more focus on higher margin businesses, etc.) as recently announced with the merger of Y&R and VML.

- **WPP** finally appointed its new CEO, Mark Read, a familiar face to the holding company and an industry veteran. Read served as co-chief operating officer since the departure of former CEO Martin Sorrell. The excitement was tempered. Just 24 hours after the announcement, WPP's shares dropped 8.6% as its earnings and outlook disappointed investors. Restructuring is likely in many areas of the WPP business with lower margin services, especially in the US.
- WPP formed **VMLY&R**, merging two iconic shops Y&R and VML, to offer a streamlined, "contemporary, fully integrated digital and creative offering to clients on a global scale." The new entity, strong of 7,000 employees, will merge capabilities ranging from creative, technology, and data services. VMLY&R will not have a single headquarters, but will have major offices in key geos.
- WPP's digital agency **Wunderman** acquired ecommerce consulting agency 2Sales, a "one-stop Amazon solution" that deploys automated processes to optimize content generation, sales and promotions across Amazon platforms. The unit will be aligned with Wunderman Commerce, which includes Salmon, Possible Commerce, and Marketplace Ignition.
- Amazon rebranded its offering under the name **Amazon Advertising** to simplify, which includes Amazon Media Group, Amazon Marketing Services, and Amazon Ad Platform.
- **Adobe** acquired marketing platform provider Marketo for \$4.75 billion to more aggressively compete in marketing services against Salesforce, Microsoft, Oracle, SAP, Google, Facebook, and others. It hopes to offer one-stop, cloud-based services that connect consumer interactions through channels such as search, social media, email, and video.

- **Salesforce's Dreamforce**, described as "the Cannes for marketing technology people" welcomed over 170,000 individuals this year and announced a strategic partnership with Apple empowering "every business to build powerful apps and customer experiences possible only on iOS." The CRM leader also announced a partnership with Amazon Web Services, Inc. (AWS) to introduce new product integrations to dramatically simplify how customers can securely share and synchronize data across AWS and Salesforce services.
- **Deloitte Digital** acquired AI marketing specialist Magnetic Media Online to bolster the digital agency's personalized content and customer engagement expertise. The company analyzes the attributes of 350+ million live user profiles with real-time inventory supply and bid opportunities to determine the optimal mix for each consumer interaction.
- Netherlands-based digital production company **MediaMonks** (another Martin Sorrell company) launched a new R&D division called MediaMonks Labs focused on cutting-edge innovation and rapid prototyping leveraging technology like AI, VR, and voice technology.
- AT&T announced its new unit **Xandr** under the slogan 'Make Advertising Matter,' combining AT&T's advertising and analytics offerings, including its AdWorks addressable division and the newly acquired ad tech giant AppNexus.
- Publisher **Gannett's USA Today Network** acquired a few agencies, ReachLocal, SweetIQ, and WordStream, that serve local businesses and provide them agency-like solutions such as search, social media, websites, and more.
- **Walt Disney** revamped its advertising sales activities for a new integrated organization, a new advertising group spanning its entertainment, sports, news, and kids linear and digital TV and radio businesses.
- Per the Bureau of Labor Statistics, **digital media jobs** reached an all-time high of 232,300 in July, while traditional media employment dropped. US ad agency employment reached 204,100 jobs, its highest level since 2000.
- Per **AdExchanger's** Alison Weissbrot, new models are challenging the traditional holding company ones. Firms like The&Partnership, Engine Group, Stagwell Group, and Local Planet are emphasizing "collaboration, flexibility, and agility across disciplines" instead of scale.
- Per Cella and The BOSS Group, a growing number of **in-house agencies** report into marketing or communications for better strategic alignment. Only 47% of in-house creative teams survey their clients at least once a year.
- **IBM** launched AI-powered technology based on artificial intelligence for advertising, marketing, automotive, customer service, human resources, supply chain, and other industries. The platform, which is called Watson Assistant for Marketing and WEATHERfx Footfall with Watson, cuts down the time it takes for marketers to analyze data, including weather and location, and integrates it with audience data, reducing campaign waste.
- Previously independent Miami-based **Republica**, which offers advertising, strategy, PR, social, digital, media buying, and media planning services, was acquired by Havas and will be renamed República Havas. República is now part of the Havas Creative network in North America.
- Ex-Nike executives launched **CO-Lab**, a Portland, Oregon-based creative agency focusing on design strategy to work with companies from brand and product development to the consumer experience.
- **Interpublic Group** successfully completed its \$2 billion acquisition of Big Data company Acxiom Marketing Solutions. The new IPG subsidiary operates as a stand-alone unit and now represents 8% of IPG's revenues.
- **Publicis Media (PM)** launched its global Commerce practice earlier this year, responsible for working with all agency brands, including Starcom, Zenith, Digitas, Spark Foundry, Blue 449, and Performics in various regions. The new entity brings a blend of media, sales, content, data, and tech expertise in the expanding retail marketing space.
- **MDC's Allison+Partners** acquired PR and digital agency OneChocolate Communications and its offices in London, Munich, and San Francisco to expand the agency's global footprint and expertise in consumer, B2B, and technology sectors.
- Forsman & Bodenfors and Kirshenbaum Bond Senecal + Partners merged under one brand now called **Forsman & Bodenfors**, retiring the KBS name in use since 1987. The move is expected to combine creative, tech, and media in a way that unlocks creativity for the entire 700+ employee agency.

Top Agencies IN THE WORLD

► BY REVENUE



2/12

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AGENCY MANIATM
SOLUTIONS

Strategic Partnerships Delivered.

Noteworthy quotes:

- » “When I came we had 43 agencies. I said I don’t know how we can run this business with 43 agencies. We reduced the number of agencies and we got the right agencies. We got the right people on the right agencies. We work more with people than agencies. I think that’s everything in the business that we do... having the right people and right partners that want to work together.”
—Diego Scotti, EVP and CMO, **Verizon**
- » “Talent keeps me up at night. Finding talent is huge and a very big challenge. Marketing in the past three to five years has dramatically changed. There are all these specialties that a marketer has to be good at. We’re looking for super-human beings, and these super-humans aren’t readily available.”
—Raja Rajamannar, Chief Marketing and Communications Officer, **Mastercard**
- » “I’d like to see any of our clients looking to outsource anything to consultants or bring them in-house—they should have a conversation with us. I think we can very effectively develop solutions with them.”
—Mark Read, CEO, **WPP**
- » “Knowing your core strength and being able to articulate it is also important when reinventing. Historically, agencies have been great at doing this for their clients but terrible at doing this for themselves. Clients are constantly confused by the agency and network offerings.”
—Ida Rezvani, Senior Partner, WPP Global Client Leader Team IHG, **WPP**
- » “When it comes to in-sourcing, I think you’re looking to make sure there’s a layer of expertise in your organization that will allow you to be creative, to be relevant, to deploy your media in the right way. So there is definitely an argument, and, if you will, an increasing movement to bring things like data and advertising in house, but how sustainable is that?”
—Jonnie Cahill, CMO, **Heineken USA**
- » “We’re not in the advertisement business. We’re in the engagement business.”
—Nick Brien, CEO, **Dentsu Aegis Network Americas**
- » “In the “Mad Men” days, the creative guy like Don Draper was in charge. He sat at the head of the table. Today, that no longer is true. The creatives don’t sit at the head of the table. The people who sit at the head of the table are the people who have the data. The media agency, the media buyers, the people who buy the ads and shape their strategy and target the ads on particular people—they are the dominant forces at the agency.”
—Ken Auletta author of **Frenemies: The Epic Disruption of the Ad Business (and Everything Else)**
- » “As we joyfully continue to go in-house, let’s not make the same mistake and kill brand and business building while chasing low marketing operational cost.”
—Maarten Albarda, Senior Lead, **Flock Associates Limited**
- » “The industry has done a bad job helping clients understand the different types and domains of data and technology. Hyperbole abounds here and the result is some clients thinking they need to consider in-housing everything.”
—Evan Hanlon, US president [m]platform, **GroupM**
- » “We’re not trying to manage 400 different independent companies, so I’m not sure why we have to have 400 different independent brands. We need enough brands to manage client conflict but not so many that it makes the business impenetrable to understand.”
—Mark Read, CEO, **WPP**
- » “The consultancies don’t compete with the ad agencies, but what they tend to do is go after clients at senior levels. So that could be CEO, CFO, CMO, CIO, or CTO, or the sales organization level and lay great emphasis on digital transformation or digital change. Or digital disruption. And try to and secure large-scale projects whilst agencies tend to slug it out at, let’s say lower levels, for smaller projects.”
—Martin Sorrell, Executive Chairman, **S4 Capital**
- » “We’ve seen that indie brands are more competitive and hungrier than holding company brands. These agencies have a clear position and competitive approach that keeps resonating.”
—Greg Paull, co-founder and principal, **R3**
- » “The value of our business is the ability to generate ideas to inspire consumers, to develop visions around how companies can grow, and I do think that agencies are better qualified to do that than consultants that tend to write hypotheses at the beginning of the project then spend the next three months proving the conclusion they’d come to at the start of the process.”
—Mark Read, CEO, **WPP**



WORK: producing great work and outcomes

Sports retail giant Nike captured the headlines. They launched a bold new campaign that commemorates the 30th anniversary of Nike's "Just Do It" tagline, led by its agency Wieden+Kennedy. The ad reads, "Believe in something. Even if it means sacrificing everything." Kaepernick has not been signed by a team since entering free agency in 2017 because of his role in protests, kneeling during the national anthem to protest racial inequalities. Nike received mixed feedback: it won support for it with some demographics but in social media, "#JustBurnIt" indicated that others didn't appreciate the stand Nike took. The day of the announcement, Nike stock fell 3.17%, inviting much debate about the role of brands in political activism. However data by Edison Trends later on revealed that the campaign coincided with a 31% jump in online sales for the retail giant. Was this campaign a brilliant marketing play or a bad move? Time will continue to tell, but most people think Nike found the right recipe to capture the narrative and engage with millennials.

- Per The CMO Survey, only 21% of marketers think their brand should take a stance on **political issues**. 70% believe it has a positive effect on gaining and keeping customers. Yet those who believe their brand should not take a stand mostly feared that it would have a negative effect on the company's ability to attract and retain customers and partners (67.8%) or it would make the company stand out in the marketplace in a way that was unwanted (59.5%).
- **Brand malaise:** It appears many brands are looking to revamp their name to match their new vision. For example, global wellness company and the world's leading commercial weight management program Weight Watchers changed its name to "WW," and food retailer Dunkin' officially dropped "Donuts" from its brand name.
- Streaming service **Netflix** introduced a new concept allowing viewers to decide how their favorite show will end starting with the Emmy-winning science-fiction anthology series and upcoming season of "Black Mirror."
- **Creativity contest by Kia.** Over the past 23 years, innovation and design have been at the heart of the Kia brand. Kia is inviting college students to design a creative ad for the Stinger showcasing its unique place in the automotive industry. Six finalists will be chosen to have their work featured in Ad Age and one grand prize winner will receive a \$10,000 scholarship and a trip to Cannes Lions 2019.
- The **Common Language Marketing Dictionary** managed by the Marketing Accountability Standards Board is a great resource for defining marketing terms. The dictionary defines some 1,800 terms, generating 11,000 uses per month.
- **Arby's** made the Guinness World Records for having the world's smallest ad, which was etched onto a single sesame seed. The ad, created by Arby's agency Moxie and the Georgia Tech Institute for Electronics and Nanotechnology, measured 38.3um x 19.2um, or 735.36 square micron in area.
- Agency **Matchfire** focuses on what motivates people to act, give, or buy, leveraging public APIs and machine learning to enrich customer data and personas to deliver personalized content. They launched a platform called Experience Happiness for LG Electronics to equip youth with happiness skills.
- Instead of relying on typical targeting criteria like demographics or even behavioral data, mood and tone are new **targeting criteria** being adopted by publishers, including USA Today, ESPN, and The New York Times. The technologies rely on artificial intelligence (AI) to determine consumers' emotional states.
- **BBH's** decision to withdraw from its SAG/AFTRA contract, with which it had been a signatory for two decades, was received with much protest from SAG/AFTRA members and the talent community. The agency cited "the need for speed, agility, and greater efficiencies" in how it must produce work to compete and have the most flexibility.
- WPP-owned **Mindshare** launched the first phase of its blockchain program, in partnership with Zilliqa, MediaMath, Rubicon Project, and Integral Ad Science to develop the first prototype called "Project Proton."
- SAP, Microsoft, and Adobe announced a data alliance, called **Open Data Initiative**, making it easier for clients running their applications to get a better overview of the customer. The alliance will enhance interoperability and data exchange between their platforms—Adobe Experience Cloud and Adobe Experience Platform, Microsoft Dynamics 365, and SAP C/4HANA and S/4HANA—through a common model.

Noteworthy quotes:

- » "There's no jumpball on our agencies. We don't do pitches either for new agencies or new work. I don't believe that that creates the right conditions for agencies to do their best work or for agencies to trust each other and do their best work. [We work with] 13 agencies now, including McCann, Zenith R/GA, The Community."
—Diego Scotti, EVP and CMO, **Verizon**
- » "Study the craft. Marketing is subject to much subjectivity and so many opinions and points of view that you really need to be expert in the field and be able to credibly cite experiences you had, knowledge you've gained, outcomes you've driven, and results that have been produced."
—Penny Baldwin, SVP & CMO, **Qualcomm**
- » "For me, partnership is key; it's a great way to infuse newness, fresh thinking, innovation... It's very hard today for anyone to be an expert in everything, which is why I believe in partnerships."
—Debora Koyama, Chief Marketing Officer Europe, **Mondelez**

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- » “I don’t think we can realistically compete with Google and other companies in building fundamental ad tech. We need to be the best people at integrating that technology.”
—Mark Read, CEO, **WPP**
- » “Marketing is moving to mattering. How does a brand matter to you? And is it going to be not just a utility? Everyone’s talking about the utility of brands. No, it becomes something emotionally engaging and relevant.”
—Nick Brien, CEO, **Dentsu Aegis Network Americas**
- » “We’ve seen roles moving in-house, so there’s a need for more hiring to keep control of the creative lens along with the message that brands are putting out there across platforms.”
—Colin Kerr, business development manager, **Vitamin T**
- » “S4—despite pronouncements to the contrary—also owns a number of small but explicitly creative shops like ebuilders and Superhero Cheesecake. And, presumably, Mr. Sorrell’s group will be overseeing mountains of project work as well to get the creative they have supposedly circumvented. In other words, despite the announcement that they won’t have any creative departments, they will be buying lots of creative.”
—Jeff Goodby, co-chairman and partner, **Goodby, Silverstein & Partners**
- » “One advantage a small agency can have over a large agency, or even a large network of agencies, is that when you know your strength, you can really play to that strength and you can really invest heavily in that one thing and do great work because of it.”
—Jeremiah Smith, senior manager of associate brand, **Walmart**
- » “The CMO of the future is going to be adept at constantly disrupting their own way of operating. You need to adopt the mindset of constant experimentation, and then scale. ... You have to be extremely adept at influencing and leading internally, and extremely adept at external connections. More than anything, a very integrated, unified way of operating will be needed.”
—Marc Pritchard, chief brand officer, **P&G**
- » “Typically, agencies get one assignment and work on that assignment. It’s not that agencies don’t want to succeed, but there’s a separation and lack of integration with the daily happenings of the brand’s in-house environment. By getting inside and understanding the mentality behind the decisions and why those are being made, you can prioritize properly and bring projects to life.”
—Alisha Goldstein, Founder and CEO, **Jane Smith Agency**

FINANCIALS: driving efficient use of resources

It’s not yet over. Transparency and trust are not as prevalent as they need to be. After years of controversial reports about media practices and high-profile audits, US media buying agencies are still feeling the pressure and media practices are still center stage. The Wall Street Journal recently reported that prosecutors have opened an investigation into US digital media-buying practices and have handed out subpoenas, looking closely at questionable practices such as media agencies getting rebates from media sellers in programmatic buys, among others. The FBI has since then commenced a criminal investigation into media buying practices. There is no smoke without fire.

- Per ID Comms, only 10% of advertisers rate **level of trust** with their agency partners as high or very high. By contrast, the number who believe that trust is low has shifted from 29% to 40%, while the number who believe it is average has fallen by 12%. However, the survey shows a 20% increase in the number of agencies and advertisers who expect trust to increase “a little” or “a lot” over the coming 12 months.
- Elon Musk’s **tweet** is one of the most expensive ever recorded: When Tesla’s CEO tweeted that he had “funding secured” to take Tesla private, the SEC accused him of fraud and making false statements to investors. It cost him \$20M of his personal funds and another \$20M for Tesla to pay.
- Per IPG Mediabrands’ Magna unit, the **US ad market** is projected to reach \$200 billion, a 6.9% YOY growth due to strong macro-economic drivers. Next year is forecasted at 4% growth. Digital ad revenue in 2018 will reach \$106 billion, or 51.5% of total ad sales, surpassing 50% of total ad spending in the US for the first time. Mobile digital ad spend will make up nearly two-thirds of all digital ad investment.
- Per **The CMO Survey**, US CMOs plan to increase their investment in digital by 12.3% over the next 12 months. Digital currently takes up a 44% share of marketers’ budgets and is on the rise. 13.8% of their marketing budgets is allocated towards social media and is expected to reach 22.9% within five years.
- Per Ad Age, the **average cost for a 30-second ad** decreased in the 2018-19 season (based on 66 returning series on major broadcast networks). Only 12 returning shows received a price hike, and another 13 remained relatively steady compared with last year. The priciest shows on broadcast TV are NBC: Sunday Night Football (\$665K), Fox: Thursday Night Football (\$434K), NBC: This is Us (\$433K), CBS: The Big Bang Theory (\$285K).
- Per RBC Capital Markets, 71% of marketers are investing at least one-fifth of their **budgets in digital**. 86% of marketers spent part of their budget on paid search, with 33% spending more than 20% of their budgets on the channel. Based on return on investment, Facebook is followed by Google, Twitter, Instagram, YouTube, and LinkedIn.

Keeping up with the fast-paced advertising production community

Why An Eco-Friendly Production Makes a World of Sense By: Carol Pock, APR Practice Leader

Traditionally, the film, television, and commercial industries expend immense amounts of resources and energy around the world. It is important to understand how production impacts the environment and what you can do to have a positive impact in the world. The aim of Eco-Friendly production is to achieve Zero Waste during the creation of Commercials and Films, without compromising the integrity of the production process.

Production can have a tremendous impact on the environment. According to EcoSet (an environmental production resource consultancy), on average, advertising productions generate over 1,000 lbs. of waste per shoot day. Roughly, this translates into an estimated 18 million pounds of waste per year. A typical four-day shoot uses 1,000 plastic water bottles and generates two tons of waste. Two tons of waste is the same amount that an average America discards in a year. “The five leading countries for plastic pollution in the world are all in Asia—China, Indonesia, the Philippines, Vietnam, and Thailand, and some production companies like Oxygen Content have banned the use of plastic in their shoots.”

As an example, a leading consumer goods retailer started Eco-Friendly production five years ago. They strive to create zero waste in their TVC productions. According to their executive producer for broadcast television, they have set a new industry standard: zero waste means 90% or more of discards are kept out of landfills. To date, this particular consumer goods retailer has accomplished a great deal:

- More than 130,000 water bottles have been kept out of landfills
- 57 tons of food waste and plant-based disposable products have been composted
- 69 tons of plastics, glass, metal, paper, and wood have been recycled
- 198 tons of reusable construction materials have been donated
- On average, 93% of waste has been diverted on each shoot

It is certainly becoming easier to achieve higher levels of “green” as the production community at large have implemented many eco-friendly production best practices that do not compromise on quality. The value of adopting an Eco-Friendly production practice can be achieved through:

- Diverting a measurable amount of waste from landfills
- Proper disposal of hazardous materials
- Distributing reusable items to community organizations
- Saving money on utilities, re-using stock elements of production, streamlined shipping
- Generating favorable goodwill, PR, and messaging
- Aligning to a corporation’s charitable mission/social responsibility commitments and community investment priorities

Resources for Eco-Friendly Production:

- Green Production Guide: www.greanproductionguide.com
- EcoSet Consulting: www.ecosetconsulting.com
- Greenshoot: www.greenshoot.com
- AdGreen: www.adgreen-apa.net
- Screen Queensland: www.screenqueensland.com.au



- Is **MDC Partners** on the list of targets for acquisition? Per YCharts, MDC's market cap is \$267.4 million and they rank as the 15th largest agency holding company based on revenue per Ad Age. The holding company apparently fended off a potential sale in 2017 with a \$95 million investment from Goldman Sachs' Merchant Banking Division.
- Per Innovid, **connected TV** (or CTV) ad impressions spiked 106% since 2016. Connected TV (e.g., interactive videos delivered through boxes like Roku and TVs like Samsung connected TVs) now takes a 27% share of video volume. The number of advertisers using connected TV rose 30% from 2016 to last year. Scenarios around "addressable TV" and targeted messages to specific groups are promising for brands, but privacy concerns remain a roadblock.
- Per Forrester, **global marketing automation** spend is projected to reach \$25.1 billion by 2023, up from \$11.4 billion in 2017. Fifty-five percent of CMOs are planning to increase spending on marketing technology over the next year.
- Despite regulation and privacy concerns, **data** is a key investment area for brands. Per OnAudience.com (Cloud Technologies Group), US marketers will invest \$12.3 billion in data this year, with global spend set to reach \$20.6 billion. US spend will hit \$15 billion in 2019.

Holding company earnings results:

- » **WPP** posted organic net revenue growth in the second quarter of 0.7%, its first growth quarter since first-quarter 2017. The company posted a decline (0.2%) in reported revenue in the second quarter to £3.9 billion (\$5 billion), following a 4% drop in the prior quarter. For the first half, revenue was down 2.1% to £7.5 billion (\$9.6 billion). Net new business billings for the first half were \$3.2 billion, resulting from new assignments (Mondelez, Adidas, Office Depot, Hilton, T-Mobile, etc.) and expanded relationships with past clients like Danone, Mars, and Shell.

Noteworthy quotes:

- » "I often use analogies to the financial markets because I just think they're so much more mature than our market that we can learn a lot from them."
—Jeff Green, Founder and CEO, **Trade Desk**
- » "If MDC were looking at a sale, I think part of that would be some of these entrepreneurial agencies buying themselves back because of the independence and the autonomy that is part of their cultural makeup... They would likely take steps to retain their autonomy, buy themselves back before they would be purchased by another advertising holding company."
—Jay Pattisall, Analyst, **Forrester**
- » "I suspect you will see some creative agencies being sold off with perhaps WPP creating a sub-holding company, similar to what Group M is for media agencies, for creative agencies to ensure a better infusion of creativity through the network and to enhance network collaboration."
—Andy Maher, managing partner, **Endeavour**

PERFORMANCE: driving stronger performance and value from the partnership

Brands must perform to compete and survive. Only 12% of the companies listed on the Fortune 500 in 1955 were still on the list last year. The focus on AI and data analytics is understandable: reducing labor expenses, speeding up data to insight, and improving campaign performance are of most importance. Automation across marketing functions continues to grow, especially among brands with strong e-commerce presence. As consumers continue to favor transacting online, brand advertisers must find economically viable ways to produce massive content—assets like promotions, landing pages, product descriptions—without breaking the bank and relying on automated software solutions to speed up content creation at lower cost. Macy's decision to expand its relationship with brand commerce agency Madras Global for creative automation across its e-commerce platform is a good example of that shift.

- A new study from IPG Media Lab, the media advisory arm of Interpublic Group; MAGNA, the investment and innovation unit within IPG Mediabrand; and programmatic ad tech company true[X] concluded that digital ad campaigns optimized by **machine learning tools** outperformed campaigns managed by humans, achieving higher levels of brand familiarity, brand interest, and purchase consideration.
- Per Forbes, **CMO Next 2018** celebrates 50 Chief Marketing Officers who are redefining the role, shaping the future, and driving innovation. About 20% have worked at agencies previously. Several have built robust internal agencies and in-house capabilities.
- Per **Forrester**, Interpublic's UM and Publicis Groupe's Zenith are top "leaders" based on 23 criteria including offering, strategy, and market presence, followed by Publicis Groupe's Starcom and Dentsu Aegis Network's Carat. Group M's Mindshare, MediaCom, and Wavemaker, and Omnicom's OMD were in the third group, rated as "contenders." GroupM agencies and OMD declined to participate in the evaluation called "The Forrester Wave: Global Media Agencies, Q3 2018," done by Forrester.
- **Facebook** users are taking a break from the service. Per Pew Research Center, 54% of Facebook users ages 18 and older adjusted their privacy settings in the past 12 months, 42% have taken a break from checking the platform for a period of several weeks or more, and 26% deleted the Facebook app from their cell phone. Privacy and trust are still at the core of the internet storm: a new data breach at social media giant Facebook affected around 50 million users.

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- To toughen up its battle against ad fraud, **Google** eliminated 100 fake ads every second for not adhering to its policies and is getting set to roll out a verification process this year. The company removed over 3.2 billion ads for violating ad policies in 2017. The brand will roll out a verification program to ensure that only legitimate providers of third-party tech support can use its platform to reach consumers.
- Per Ida Rezvani, the WPP team lead for IHG, brands should **ask their agency three questions** to make sure they are adapting to an ever-changing industry: Are you continuously reinventing? Are you really putting the customer first? Are you sure you know your core strength?
- **Omnicom** is celebrating the performance of its agencies: BBDO received the night's top honor, Network of the Year, for the sixth time in seven years, with DDB placing second at the 2018 Spikes Asia Festival of Creativity. Per the agency, over 20 Omnicom agencies in 15 countries contributed to nearly 120 Spike awards with work from 40 different clients. Omnicom agencies won an impressive four Grand Prix awards in Brand Experience & Activation, Digital, and Outdoor, as well as the only Creative Effectiveness award.
- **Omnicom Media Group (OMG)** partnered with the blockchain and cryptography solutions company MAD Network to test a new ad blockchain platform that gives both buyers and sellers the transparency required to understand the real efficacy of their digital pipelines.
- "The Talk," a spot created by BBDO New York as part of P&G's long-running "My Black is Beautiful" campaign, won Ad of the Year at the 12th **Annual ADCOLOR Awards**. The work previously won a Film Grand Prix at Cannes Lions and a Primetime Commercial Emmy. Other nominees were: "Another Silent Night" (for United Nations Central Emergency Response Fund by VML), "Declaration Descendants" (for Ancestry by Droga5), "Universal Love" (for MGM Resorts by McCann New York) and "LIFEWTR Open Gallery: Art By A Woman" (for PepsiCo by R/GA Chicago).

Noteworthy quotes:

- » "Facebook, Google – they are all innovations. They are not technologies. They use technology and they apply technology, but they are not technological companies. They didn't create the technology, not even close. They are just using software. The complete disassociate we have with reality when we look at these companies is beyond my understanding. They are awesome, but they are not technology companies. They are innovators in communications and how to spread the story."
—David Sable, CEO, **Y&R**
- » "Increasingly, they [agencies] will be challenged by others who weren't in the ad business 30 years ago—the Facebooks and Googles and publishing platforms who increasingly say they can do it. Or the clients will say, "Why are we spending all of this money on ad agencies? Let's create our own in-house ad agency."
—Ken Auletta, author of **Frenemies: The Epic Disruption of the Ad Business (and Everything Else)**
- » "CMOs need to be directly involved to get the best out of agencies. Be open, fair, transparent. And I don't play any games. A lot of our progress has been because of them."—Diego Scotti, EVP and CMO, **Verizon**
- » "We're tasked with producing more content, and we have to have more of a narrative with our target audience. But you want to keep your stability and be on brand with everything you're doing. This model gives us agility to work with creative agency talent alongside an internal team that's more organized and efficient. It's not an agency as service, but an agency partnership."
—Deanna Bedoya, senior director of brand marketing and creative services, **Lucky**
- » "It's such a complex ecosystem that we're navigating now, but I love the fact that everything is in play. All the rules are being broken. I'm excited to partner with everyone in the industry to shape and try to drive that. Collaboration and partnerships, experimentation, creating new relationships, trying different models."
—Debora Koyama, Chief Marketing Officer Europe, **Mondelez**
- » "I think we really like the ability for our smaller agencies to move quickly and move at the speed of the realities of the marketplace. And we really are attracted to that because we want to move at that same speed."
—Andrea Brimmer, chief marketing and public relations officer, **Ally Financial**

Agency Mania: don't panic, it's a good thing

By Patricia Berns, Strategic Agency Consultant at Agency Mania Solutions
Reinventing What It Means to be an Ad Agency

There are some amazing success stories on the return of past leaders: Michael Jordan to the Bulls in '95, Steve Jobs to Apple in '97, Howard Schultz to Starbucks in '08. Now the advertising world has its potential equivalent in Alex Bogusky's return to Crispin, Porter + Bogusky. When Chuck Porter, Chairman of CP+B, announced Alex's return (he left in 2010) Porter was quoted as saying, "Alex is the most original and innovative thinker I know. The last time Alex was here, we reinvented what it meant to be an ad agency, and I believe right now is when our industry needs to be reinvented again. The new world is about being smart, fast, nimble and prolific. I think that's what marketers want, and where talented people want to live." Alex's sojourn from advertising into the industry world included an early stage venture capital firm called Batshit Crazy Ventures, investing in companies like Lyft, launching "Fearless," a consultancy that supported consumer advocacy and sustainability, and much more.

After a hiatus of eight years and swearing off of advertising, Alex is returning to CP+B as the Chief Creative Engineer at the agency where he spent more than 20 years. He shared his perspective on the agency world today saying, "I think advertising agencies can benefit from the lean and agile practices that have revolutionized so many other industries." Vann Graves, the Executive Director of the VCU Brandcenter (a two-year, full-time master's program focused on developing the best creative problem-solvers in the world of brands) remarked, "Alex is an icon in our industry. I've admired his work for years and our students, even today, continue to study it. I'm sure his experiences outside the agency world will only add to the positive impact and change he can bring to CP+B."

"The Times They Are a-Changin'" Bob Dylan - 1964

Dylan wrote this song as a deliberate attempt to create an anthem of change for the time. Ever since its release, the song has been influential to people's views on society, with critics noting the general, yet universal lyrics, as contributing to the song's lasting message of change. Much like Dylan's song, the changes agencies and clients are experiencing today leave no doubt that Bogusky's return comes at just the right time, not just for CP+B, but for the industry overall. For example:

- The infiltration of global consultancies like Deloitte and Accenture into the creative field,
- A growing trend of brands taking their creative work in-house
- The traditional Agency Holding Company business model is faced with further belt-tightening challenges and disruption.
- Creativity is still one of the biggest differentiators for brands but needs a fresh perspective, one that is smarter and more strategic in terms of how agencies use and deploy messaging and emerging technology.

Every agency needs its own "Alex"

Creativity is still one of the biggest, most visible differentiators for brands. Whether your "Alex" has been with the agency for years, returned recently, has just been appointed, or is still unknown, their role is to be an innovator, creative visionary, tech evangelist, and inspiring mentor. They can help ignite what it means to be a top-tier agency in today's ever-Changin' world.



AGENCY REVIEWS AND ROSTER CHANGES

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

- 66 major (spend >\$10M) media pitches—or moves without a review—took place during the first half of 2018, totaling \$5.7B or 30%+ YOY. \$3.6B of US media spend is still currently in play, including: AmEx (\$157M), Charles Schwab (\$65M), Chrysler FCA (\$1,150M), GSK (\$562M), Heineken (\$175M), McDonald's (\$766M), Mercedes-Benz (\$302M), Nintendo (\$73M), Quicken Loans (\$313M), and United Airlines (\$30M).
- Publicis Groupe's Blue 449 recorded the best performance among the US media agencies thanks to the retention of the T-Mobile offline media account (\$940M), followed by Initiative, generating incremental billings of +\$462M, and Horizon Media, increasing its billings by \$360M. Others are Spark Foundry with +\$257M and Wieden+Kennedy at +\$208M.
- At the group level: Publicis Media ranks first in terms of total new business value (largely due to T-Mobile) with +\$1,162M, followed by Mediabrand with +\$635M, Omnicom Media Group with +\$217M, and Havas at +\$97M. Other groups, Dentsu Aegis Network and GroupM, experienced significant client losses (-\$911M and -\$654M, respectively).
- Three brands shifted their media business from an agency network to a US independent firm: KFC to Wieden+Kennedy, Mondelez International (digital) to VaynerMedia, and Burlington Stores to Horizon Media.
- Two media accounts changed agencies without conducting a formal review: P&G (Haircare division) consolidated with Carat, and Reckitt Benckiser (RB) consolidated planning and buying with Zenith.
- Brands are requiring agencies to build customized teams/units, streamlining their media and creative accounts under the same holding company umbrella. Recent examples: Campbell's Soup to Campbell's Team via Publicis Media; Estée Lauder media managed by ELEVATE, a dedicated unit created by Mediabrand; BP retained Mindshare and created Team Energy via WPP; Marriott International appointed SapientRazorfish and Spark Foundry and formed Marriott One Media via Publicis Groupe; Nestlé transferred from Mindshare/MetaVision Media to Team Nestlé, a standalone unit within GroupM.

USA Media AGENCIES		TOTAL New Business incl. retentions in \$US M	NEW CLIENT WINS		LOSSES		RETENTIONS		NET New Business excl. retentions in \$US M
			Number	Total adspend in \$US M	Number	Total adspend in \$US M	Number	Total adspend in \$US M	
1	Blue 449	+715	2	171	3	-407	2	951	-236
2	Initiative	+462	4	575	2	-113	-	-	+462
3	Horizon Media	+358	7	458	1	-100	-	-	+358
4	Spark Foundry	+257	3	621	4	-364	-	-	+257
5	Wieden+Kennedy	+208	1	208	-	-	-	-	+208

T-Mobile: \$990M	Microsoft: \$430M	Liberty Mutual: \$345M	KFC: \$208M	P&G (haircare parts): \$182M	Campbell's Soup: \$167M
		UnitedHealth Group: \$253M	RB Reckitt (plan): \$165M	Amazon Studios: \$135M	Danone: \$115M
	Macy's: \$356M	Amgen: \$249M	Dunkin Donuts: \$161M	Marriott Int'l: \$110M	CarMax: \$100M
			Mondelez Int'l: \$155M	Estée Lauder: \$90M	Adidas: \$95M
				Newell Brands: \$89M	Bobs Discount: \$86M
					Revlon: \$80M

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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.

- Outerwear company **Columbia Sportswear** hired McCann Worldgroup as its global agency of record for the Columbia brand, replacing incumbent North for creative, BSSP for media, and PMK for public relations, following a review. The brand will work with a team composed of 215 McCann for brand and creative, UM for media and analytics, and Weber Shandwick for public relations.
- United Rentals** selected independent Droga5 to handle all creative and strategic duties following a review. The brand has historically used a handful of creative agencies for marketing communications work.
- Fast food giant **McDonald's** retained Omnicom Media Group shop OMD for its media agency assignments in China. A key win for OMD in one of the fast-growing markets, and the third largest for the brand. McDonald's also selected Omnicom TBWA\Chiat\Day, outside of its dedicated We Are Unlimited network, to promote the McCafé house coffee line. The brand is planning to leverage Omnicom agencies to handle projects at times.
- Retail giant **Macy's** selected Madras Global as its creative automation agency. The shop will work with the retailer's in-house unit to manage website advertising and content creation like product images, product descriptions, promotions, landing pages, and other assets for Macys.com.
- Brokerage firm **Charles Schwab** retained IPG Mediabrands-owned UM as its media AOR following a review. The brand has been working with UM for the past nine years.
- Specialty beauty retailer **Sally Beauty** selected IBM iX following a review to digitally overhaul its commerce experience and transform it into an omni-channel-focused brand. IBM iX will partner with sister consulting shop Bluewolf.
- Quicken Loans** selected Interpublic Group's UM to be its new media agency to handle planning and buying duties following a review, after previously working with a number of different media shops. The agency will handle Quicken Loans and Rocket Mortgage brands in partnership with the brand's in-house agency.
- Levi's** appointed Heat as global AOR for the denim brand's Denizen line targeted at Gen Z and millennial audiences.
- Food and beverage company **Newman's Own** selected Interpublic's Deutsch as its new creative agency of record.
- Fitness bike company **Peloton** hired Horizon Next, the performance marketing entity within independent Horizon Media, as its new media agency of record following a review and replacing R2C Group. The agency will handle strategic planning and media buying across channels including digital, TV, audio, print, and out-of-home, and will partner with Mekanism, the brand's creative AOR.
- Hershey Co.** added Droga5 to its list of agencies, replacing incumbent MDC Partners' CP+B (Crispin Porter + Bogusky) on the roster since 2016. Droga5 joins a roster of agencies that include MDC's Anomaly, and Dentsu Aegis' McGarryBowen. Last year, the brand reduced the size of its roster, removing Arnold and Havas from the list.
- Automaker **Volkswagen** terminated its relationship with Interpublic's Deutsch LA, its creative AOR in the US since 2009, near the end of its global review. The brand is expected to consolidate major parts of its business globally. Other agencies like Omnicom's DDB handle work in Europe and Canada.
- British tea brand **Twinings** selected independent Terri & Sandy as its creative agency of record for the US market. M&C Saatchi was recently hired as Twinings' UK creative agency, replacing incumbent Abbott Mead Vickers BBDO, which did not participate in the review after an eight-year relationship with the brand.

Agency Roster Summary

Client	Incumbent	Change/Scope	Focus Area	New Agency	Review?
Burlington Stores	Initiative	Media	US	Horizon Media	Y
Charles Schwab	Mediabrand-owned UM	Media	Global	Mediabrand-owned UM	Y
Columbia Sportswear	North, BSSP, PMK	Creative, Media, Public Relations	Global	McCann Worldgroup	Y
Hershey Co.	CP+B, Leo Burnett	Creative		Droga5	N
KFC	Spark Foundry	Media	US	Wieden & Kennedy	
Levi's		AOR	Global	Heat	
Macy's		Creative Automation	Global	Madras Global	
McDonald's	"We are Unlimited" Network	Creative	Global	TBWA\Chiat\Day	
Mondelez International (Digital)		Media	North America	VaynerMedia	Y
Mondelez International (Digital)		Media	North America	Spark Foundry	
Newman's Own		Creative AOR	Global	Deutsch	
P&G (Haircare)	Hearts & Science	Media	North America	Carat	N
Peloton	R2C Group	media	Global	Horizon Next	Y
Quicken Loans	ActiveMedia, Eicoff	Media		UM	Y
Reckitt Benckiser		Planning & Buying		Zenith	N
Sally Beauty		Commerce		iX/Bluewolf	Y
Twinings		Creative	US	Terri & Sandy	
Twinings	Abbott Mead Vickers BBDO	Creative	UK	M&C Saatchi	Y
United Rentals	VML, MullenLowe, McCann + more	Creative, Strategy	Global	Droga5	Y
Volkswagen Group	Deutsche LA	Creative	US		y

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