

Industry Update

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

Volume 24

Executive Summary – Monthly Recap

Advertising Week (aka AWNewYork) always provides much insight on the state of our industry and what keeps people up at night. The topics ranged from the future of marketing, the cognitive era, the digital, technology, and retail transformation, diversity and creativity, man vs. machine, and everything in between. The Agency Track of AWNewYork looked at the rapid and disruptive evolution of the modern agency world and the implications for the ecosystem including clients. Agencies are undergoing massive change. Everyone is wondering: What is the agency of tomorrow? How will technology alter their role, enable new competencies, and challenge the current agency value proposition. What are the agency models, skill sets and experiences brands need from their agencies to turn those into strategic partnerships? Will agencies cease to exist as we know them today, evolve, or take an entirely new form?



Bruno Gralpois
 Co-Founder & Principal
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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

Despite the continued rise of competitive reviews (see our summary at the end of this update), we must look at and celebrate examples like the decade-long partnership between Venables Bell & Partners and automaker Audi that bring out the best in each other. Recent findings from research conducted by ANA Educational Foundation (AEF) speaks well to the growing challenges facing agencies and marketers in securing new talent. Marketers and agencies now directly compete with technology companies for highly skilled talent. Talent and diversity is center stage for advertisers. Driving excellence in Marketing is the focus of 30 top CMOs coming together in partnership with the ANA to release the CMO Talent Challenge Playbook. Advertisers like HP and Verizon are showing positive results from their agency diversity efforts. We also see continued interest about the role consultancies are likely to play in advertising services.

- A year after its challenge, **HP** reported that its agencies — BBDO Worldwide, Fred & Farid, gyro, PHD, and Edelman — are exceeding goals set by the tech giant to build a more balanced representation of women on their teams both overall and in senior roles (61% of HP's worldwide agency account teams consist of women, while 51% of those teams have women in senior roles). What's next? Creating plans for improving diversity on a country-by-country basis.
- **Verizon's** CMO Diego Scotti asked its agencies to increase the number of women and minorities in key roles. The results are in. Outside Verizon agencies: 31% of those in agency leadership positions are people of color, up from 22% in 2016. In addition, 51% are female, up from 48% from last year. Verizon's in-house agency: 50% of the agency's staff is white while the other half is people of color. Additionally, it is 52% female and 48% male.
- Telecom giant **Sprint** joined a growing number of brands - Allstate, StubHub, Unilever and Netflix — who have all taken some digital ad buying in-house. To move faster, cut budget, streamline internal communications, better leverage data, and drive business results, Sprint created its own digital ad agency, now handling digital ad buying and advertising creative, as well as "programmatic" ad buying, search advertising, and even traditional media buying, which have traditionally been handled by outside ad agencies. It follows the launch last year of Yellow Fan Studios, an in-house creative studio at Sprint to take on increasingly more production work.

- Following the acquisitions of Wire Stone, The Monkeys, Kunstmaan, Karmarama, and SinnerSchrader, **Accenture Interactive** acquired design firm, MATTER which will become part of Fjord, its design and innovation consultancy. MATTER works with brands like Intel and Samsung to incorporate digital technologies into physical environments.
- **WPP** is consolidating five of its brand consultancies and design shops—Brand Union, The Partners, Lambie-Nairn, Addison Group, and VBAT — to form one single, large, global brand agency (still unnamed) available in more than 20 countries with global client accounts of over \$100 million.
- **WPP** made another agency consolidation move, placing digital shop Rockfish within VML, its larger digital sibling agency, to offer more comprehensive services, covering the entire consumer journey. The agency, with clients like Walmart, Mars, Southwest Airlines and MetroPCS, will maintain its brand name.
- WPP digital agency **Wunderman** acquired a majority stake in Pierry, a marketing software integration and solutions company specializing in campaigns on the Salesforce Marketing Cloud.
- **WPP** added two more agencies to its portfolio, including London-based Design Bridge, a design shop that will operate as a separate brand within the holding company, and Danish digital shop DIS/PLAY, which became part of AKQA.
- WPP's GroupM launched a new business in the UK called **Finecast** that will build and sell addressable TV products, partnering with media companies to develop and deploy new addressable offerings, including advanced measurement products.
- **Havas Media** has unveiled its out-of-home division Adcity in the U.S., following its rollout in Europe, Asia, and Latin America. The division will be based out of NY. The Adcity platform integrates consumer socio-demographic, behavioral, mobility, and media data to help clients optimize campaigns in near real-time.
- **Havas** has acquired social media and digital shop The 88, which will be merged into Havas' New York office with the goal to offer a consumer-first journey with a media agnostic approach to clients.
- The **Stagwell Group** acquired a majority stake in the entertainment-marketing division of Creative Artists Agency (CAA) and its roster of blue-chip clients, including Coca-Cola, GM, Chipotle and Anheuser-Busch InBev. Stagwell has been acquiring various firms including research firms Harris Insights & Analytics and National Research Group (NRG), performance-marketing firm PMX Agency, creative digital shop Code and Theory, and healthcare-marketing firm Scout.
- Per R3, **Accenture** made eight acquisitions in August, including SinnerSchrader, Kunstmaan, The Monkeys and Maud, Media Hive, Intrepid, Clearhead, Brand Learning, and Wire Stone, collectively valued at \$671 million. WPP made 26 deals valued at a collective \$602 million.
- Joining a rising number of agencies providing services beyond advertising, Boston-based IPG agency Hill Holliday started **HHBrandAble**, a brand consultancy focused on all points across the customer journey, brand purpose, positioning, and visual identity, rather than general marketing strategies.
- Confectioner **The Hershey Company** (whose brands include Hershey's, Reese's, Hershey's Kisses, Jolly Rancher, Ice Breakers, and Brookside) trimmed its US agency roster down to two agencies, including Anomaly and CP+B, both part of MDC Partners. Havas Group's Arnold will not stay on its roster.
- Per COMvergence, major US creative agencies appointed 195 **new leaders**, of which 130 were recruited from the outside and 65 were promoted from within in the last 18 months. 120 were men and 75 were women.
- **Bloomberg Media** introduced a new in-house agency and consulting operation with focus on marketing and media to function as a true broad-spectrum ad agency and media consultancy. The firm will leverage Bloomberg AIQ, its artificial intelligence capability focused on media content.

Noteworthy quotes:

- » “Advancing diversity is a business imperative. It fuels our reinvention journey, helping drive transformation in marketing and beyond.”—Antonio Lucio, CMO, **HP Inc.**
- » “If we want to continue to be a valued partner for our clients, we have to be able to face their challenges with them.” —Arthur Sadoun, CEO, **Publicis Groupe**
- » “I think the consultancies need to split their offering into distinct groupings: consulting on business transformation, and agency services on all things creative, media, and digital. And perhaps a third grouping of tech consulting and solutions.” —Maarten Albarda, CEO, **Flock Associates USA**
- » “Bringing in a customer-focused agency group like Publicis.Sapient plus a word class back-end provider like Capgemini is a very good combination. They can bring different things to the party; One looking from the demand point of view, the other from the supply.” —Nick Manning, chief strategy officer, **Ebiquity**
- » “The consultancies aren't here to compete with the advertising agencies or media agencies. They're here to [if not] compete with, then to complement the likes of Google and Facebook. They're not interested in TV communications. They want the back-end side of accounts, not the front end.” —Hussein Dajani, GM digital marketing for Africa, the Middle East and India, **Nissan**
- » “Because the traditional agency model is under huge pressure, possibly even bigger than the challenge corporations have today, those companies have to reinvent themselves quickly, as [the things they do] can be done in a much simpler and cheaper way that's much more authentic. My question to the traditional agencies is, 'What are you doing about it?'" —Aline Santos, EVP of global marketing, **Unilever**

WORK: producing great work and outcomes

Innovation and the break-through use of new technology capabilities like AI, voice control, robotic, and data-centric applications seem to capture the attention of agencies and advertisers. Rising concerns about fraudulent activities in advertising prompted new industry standards to emerge and more scrutiny across the board. For example, Facebook announced that \$100,000 worth of politically charged ads on its platform were purchased by a Russian firm with links to the Kremlin during the election and served via 470 fake accounts, which have since been shut down.

- **White Ops** and **The Trade Desk** joined forces to pinpoint and block fraudulent programmatic impressions before they're purchased by advertisers, analyzing every purchasable ad impression in real time.
- Social media giant **Facebook** introduced new policies aimed at combatting fraud and brand safety risks relating to third-party publishers/creators operating on the platform, in fear of reduced spend by advertisers on its platform.
- **Facebook** competes head down with YouTube with its new video offering "Watch", going after the lucrative and fast-growing category. The new platform for shows (live or recorded) on Facebook will be available on mobile, desktops, and in their TV apps. Many new advertising opportunities exist for brands to emerge.
- Titled the 5C framework, **Unilever's** Chief Marketing Officer Keith Weed urges marketers to focus their marketing efforts around Consumers, Connect, Content, Community and Commerce.
- Fashion player Marie Claire teamed up with Mastercard to debut **The Next Big Thing Concept Shop**, a retail store boasting tech innovations. Using an app, consumers can purchase by tapping items in a display, an exterior window, or even the mirror in the dressing room.
- **Amazon** launched its Prime Wardrobe — where Prime members can order clothes (over a million items are already available) without paying up front, and get discounts (up to 20% on the pieces they keep) — including Levi's, Kate Spade, and Theory. Members have seven days to decide, and returns are free and easy. The program is still in the invitation-only beta stage.
- **Nike** launched a connected jersey so basketball fans can tap a phone to the shirt and receive custom content. The Nike NBA Jersey comes with a tag at the bottom, where an NFC chip sits under the Nike Connect logo. A consumer with the Nike Connect app can tap the logo to unlock team and player content, including pre-game player arrival footage and special offers.

- **Coca-Cola** unveiled a billboard in New York's Times Square, the world's first-ever 3D robotic board that will display messaging related to particular times of day. The billboard comprises 1,760 individual LED screens, took four years and 35 engineers to create, and will reach 300,000 people walking by daily.
- Luxury vehicle brand **Audi** teamed with Reddit and agency Muhtayzik Hoffer to air a live session on YouTube of "Ask Me Anything," featuring celebrities Elizabeth Banks and Adam Scott answering users' questions while being driven around a racetrack at 130 mph in an Audi sports car.
- **Domino's** teamed with Ford to test pizza delivery via an autonomous self-driving vehicle. Consumers can opt into the trial, then receive a notification when their pizza is outside and retrieve it from the car with a special code.

Noteworthy quotes:

- » "I don't know whether anything is within our control or not. Some people say it's the rise of the digital giants. No. Some people say it's the rise of the digital consultancies. No. Some people say it's the rise of short-term thinking. Yes." —Sir Martin Sorrell, CEO, **WPP**
- » "People don't hate advertising. They hate bad advertising. As an industry we have a responsibility to put out good creative. We balance our assets across traditional interruption advertising and seek out content, which specifically appeals to people's needs or passions. This is a huge shift in the way we tell stories and build our advertising." —Keith Weed, Chief Marketing Officer, **Unilever**
- » "What we've failed to do as an industry is demonstrate the importance of marketing and branding." —Sir Martin Sorrell, CEO, **WPP**
- » "Obviously we stopped wasting money on 30-second ads, and we're designing ads to work in 2 seconds. Of course, we're negotiating to pay only for the ads people actually see. But this raises a deeper question. Looking at it through the lens of the consumer, how valuable are these ads?" —Marc Pritchard, Chief Brand Officer, **P&G**
- » "It's often portrayed as consultancies stepping on the toes of media agencies, but you could equally argue that by focusing on digital strategy, those same agencies are moving into our area of expertise." —Sam Tomlinson, partner at **PwC**

APR, the world's largest production optimization consultancy, focuses on hot topics and insights in the fast-paced advertising production community. For more information on APR and Jillian Gibbs visit www.aprco.com.

8 Interesting Facts from the ANA Production Transparency Report

ANA's anticipated "Production Transparency" report both confirmed that transparency issues do exist in the production ecosystem, and provided recommendations for advertisers to tackle the issue. The ANA produced a comprehensive 30-page report which you can download here. Below is a brief snap shot of some of the interesting findings from the report which reveal the scale and variety of transparency issues that exist:

\$6 Billion

\$6 Billion is the USA Advertising annual production spend for video commercial production according to the AICP. (P7)

40%

40% of ANA members have taken some production management/execution previously handled by an agency and brought it in-house over the past year. (P8)

25%

25% of corporate marketing budgets are spent on convention and trade shows says the Convention Industry Council. Budgetary oversight revealed significant transparency issues with experiential/event production (P16).

State Commercial Production Incentives warranted their own unique transparency review within the report:

15-30%

15-30% of production spending in some states can be recouped by Advertisers via 'State Commercial production incentives (AKA: production rebates). However...

Only 20%

Only 20% of ANA members are familiar with state commercial production incentives. Meanwhile, 39% are moderately familiar and 41% not familiar at all (P17).

An ANA Member survey in the Spring of 2017 revealed some KEY DEFICIENCIES in Advertising Production Management:

Less than 50%

Less than 50% of ANA members surveyed require their agency to disclose if they are bidding a production job to an in-house or affiliated production company (43%).

Over 60%

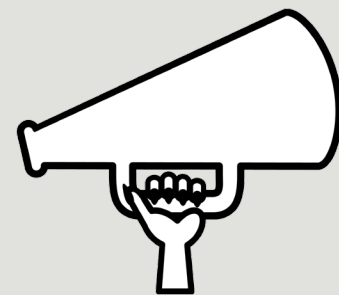
Over 60% of ANA members surveyed either do not require (21%) or don't know (41%) if their agency contract requires that production rebates and other incentives be disclosed on their work.

33%

33% of ANA members surveyed confirmed knowing that their agency had acted as principal with production suppliers on their business, 38% said their agency had not, and 29% did not know either way (P19).

Happy Birthday to "Free the Bid"

- Free the Bid, an initiative guaranteeing women directors an equal opportunity to bid on commercial jobs in the advertising world, turned 1 year old this month.
- The non-profit enlists the support of CMOs and agencies to increase opportunities for women directors, by encouraging them to "take the pledge" and promise at least one woman director will be included in a production triple-bid.
- Already in its first year, 30+ Agencies and 6 international brands have taken the pledge. Some of these brands include: Hewlett Packard, Toys R Us, Twitter, Airbnb, Coca-Cola, eBay, Nestlé Waters, and Visa.
- To see "who's in" and learn more go to: <http://freethebid.com>



FREE THE BID

A PLEDGE TO GIVE FEMALE DIRECTORS A VOICE IN ADVERTISING.

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FINANCIALS: driving efficient use of resources

Exposed to the aftermath of increased marketer awareness of media agency fee and production spend transparency on the tail end of many new in-house agencies at key advertisers, the world of agencies has experienced much financial pressure and the downgrade of agency stocks. Expect to see a rise in production audits and stricter production guidelines by advertisers. A new troublesome ANA study titled Production Transparency in the US Advertising Industry exposes conflicts of interest and self-dealings in production. It also shows that the large majority of experts support the conclusion that transparency concerns exist at multiple agencies and holding companies. The agency industry is under pressure as evidenced by the poor financial performance of most holding companies. All major agencies are likely to remain exposed to pockets of secular pressure.

- **Technology** takes an increasingly large part of marketing budgets mostly due to the increasing reliance on data-based and programmatic technology. Per London-based WARC, 16% of marketing budgets are invested in technology, 85% use marketing technology for email campaigns, and 37% use collaboration tools and experience optimization technology as well as social media and CRM programs. 58% of agencies don't believe their clients have what they need and don't fully utilize the mar-tech tools they do have.
- Some big brands like **Pernod Ricard** are taking more digital expertise in-house. The spirits maker saved \$71.5 million by purchasing 25% of its media in-house during the first half of 2017, buying inventory directly from demand-side platforms such as Adobe Advertising Cloud (formerly TubeMogul) and Google's DoubleClick Bid Manager. Half of the spend is being reinvested back into its advertising.
- Cost cutting efforts go well beyond packaged good companies like P&G and Unilever. Carrier giant **Verizon Communications, Inc.** is planning to cut \$10 billion in spending from its operations over the next four years, using an aggressive cost-cutting technique known as zero-based budgeting.
- **Facebook** is reportedly willing to spend as much as \$1 billion to cultivate original video programming through 2018.
- **WPP** announced that it will double its spend on Snapchat this year, investing an estimated \$200 million, after WPP tripled its investment into the platform in 2016, versus \$6 billion on Google or \$2 billion for Facebook.
- Global ride-hailing company **Uber Technologies, Inc.** sued its advertising agency, Denstu's Fetch Media Ltd. for over \$40 million in damages in click fraud (i.e., "fake" online ads and taking credit for app downloads it had nothing to do with).

- Agency holding companies like **WPP** have missed analyst expectations as clients trim budgets (especially big spenders such as Unilever, P&G, and Mondelez) and the firm experienced some big client losses—notably media assignments from AT&T and Volkswagen. WPP cut its full-year revenue forecast, predicting revenue growth between zero and 1% this year. WPP's share price fell up to 12% after the company released its first-half earnings—its biggest drop in 17 years. WPP reported first half net new business of \$4.2 billion, up more than 40% from the first half of 2016.
- **MDC Partners** reported revenue up 15.9% to \$390.5 million in the second-quarter 2017, beating industry estimates and in sharp contrast to larger holding company peers. For the first half of the year, MDC's revenue increased 13.8% to \$735.2 million with organic revenue growth of 8.7%. Net new business totaled \$51.6 million, thanks to wins from Amazon, Electrolux and IKEA.
- **Dentsu** reported an organic gross profit decline of nearly 5% in the second quarter and a drop of 0.4% for the first half of the year. Total first half revenue was up almost 12% to nearly 439.5 billion Japanese yen. However, Dentsu downgraded its full-year forecast for revenue by 4.6% and its gross profit projection by nearly 5%.
- **Havas Group** reported organic revenue decline of nearly 1% in the second quarter and 0.4% for the first half of the year, below the holding company's previous forecast. Havas claimed that the weak results were partly due to less spending by clients. Havas' reported first-half revenue was up 1.9% to 1.1 billion euros. Net new business reached over 1.4 billion euros (\$1.7 billion) for the first half for wins that included Bristol-Myers Squibb and Michelin.
- **Google** announced it will give bigger refunds to customers of DoubleClick Bid Manager who lost money buying digital ads through Google due to ad fraud. The new policy applies only to inventory acquired through Google supply partners AppNexus, Index Exchange, OpenX, Teads, Telaria, and DoubleClick Ad Exchange.

Noteworthy quotes:

- » "You don't have to be a rocket scientist to know that's a conflict of interest. So, one cannot be certain that you're going to get a fair playing field out of that type of process. You can't be buyer and seller at the same time." —Bob Liodice, CEO, **ANA**
- » "Many years ago, we were regarded as being an investment; today we're regarded as being a cost ... If you invest in innovations and brands you win. Fundamentally I do believe that what we do adds value, when harnessed with innovation." —Sir Martin Sorrell, CEO, **WPP**
- » "MDC is not 'caught up in challenges' faced by legacy holding companies. We are designed for a 'post-digital world' by offering a full range of services, such as product innovation, design, technology, omnichannel marketing, as well as analytics." —Scott Kauffman, chairman/CEO, **MDC Partners**

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» “It is hard not to conclude that the pricing and profit pressures on creative agencies have led to a deterioration in their capabilities. But not all of the price declines had to happen. For reasons best known to senior agency executives, agencies do not routinely plan, document, or negotiate their remuneration based on a measurement of the growing SOW workloads they carry out. In too many cases, declining fees are set by clients and growing workloads happen on an unplanned, ad hoc basis throughout the year.” —Michael Farmer, Chairman, **TrinityP3 USA**

» “I hope that it will stop this crazy price war around fees. Clients potentially believe they’re paying a very small fee when the reality is they’re paying a much bigger one. But it’s tough going back to a customer and saying, ‘I’d like you to put the fees up, please, because I was making more than that before. You just didn’t know it.’” —Martin Cass, CEO, **MDC Media Partners and Assembly**

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

What Keeps Agency Leadership Up at Night? 2017 has certainly been an interesting year for agencies!

Over the last nine months we’ve seen an increase in agency reviews, lower profitability, visibly decreased client spending, questions around unlawful production practices, and layered on top of that, firms like Accenture and Deloitte increasingly encroaching into ad land’s turf.

And, within client walls, there is an on-going pendulum swing of brands building, or expanding, in-house agencies. In fact, agency leaders predict their clients will bring even more of their traditional marketing services in-house by the end of 2017. Lots of reasons agency leadership might have a few sleepless nights!

The Rise of the In-House Agency: Brands have already begun to build hybrid fully-integrated models that include in-house and traditional agencies. Jonathan Mildenhall, Airbnb’s CMO, says:

- “The days of separating church and state, and separating ‘us and them’ are completely over. We are a hyper-growth company and move at such a fast pace that it’s really important the external agencies are embedded into our 60-strong in-house team and around 130 internal staff members and freelancers, including editors, copywriters, etc.”
- “Bringing these teams together – constantly refreshing perspective and learning about the dynamics of our business – that’s the beauty of the integrated teams. The duality of the internal and external teams, their unique insights and mindsets, will change depending on the nature of the project. But the teamwork and consistently positive experiences will continue to grow.”

Diego Scotti, Verizon CMO, hires Andrew McKechnie from Apple as CCO of the new in-house agency and says:

- “As we expand our bench of world-class marketing talent, we are thrilled for Andrew to bring his global expertise and fresh aesthetic to the Verizon brand.”
- “Andrew and his team will help drive demand for our products and services, as well as accelerate our efficiencies, speed to market, and innovation.”

External Agency Leadership can make the difference: Brands have traditionally turned to external agencies as an objective third party to help them identify and deliver a compelling strategy, creative, and most recently data and technology, solutions to their business challenges. The crossroads where in-house agency teams meet with external agency teams is where significant marketing magic can happen. Most clients will tell you they don’t think any one agency can be great at everything. Those same clients recognize that rule applies to their own in-house agency.

Even those brands who are fortunate enough to attract, and keep, great in-house talent may find consistently delivering out-of-the-box creativity and innovation a challenge. Great agencies have developed a unique set of skills that are honed time-and-again, by working with a variety of clients, across different brands, product types and platforms. This gives you, and your team, the innate ability to complement, support, and inspire the in-house agency; to become a part of the team that works together to find solutions in new, and potentially, even better ways. External agency leadership who focus on delivering that value, who reward their teams for being great partners to the internal agency, will be the ones that not only survive but thrive.



PERFORMANCE: driving stronger performance and value from the partnership

The number of agency acquisitions in the analytics category is an indication of the level of commitment shown across the agency ecosystem and large advertisers to ensure greater accountability of marketing spend. This natural tension is encouraging advertisers to review the performance of their overall agency partnerships more aggressively than before, and more frequently as well. It also encourages the use of incentives to tie the work to specific performance indicators.

- **McCann New York's** "Fearless Girl" campaign, known for its Wall Street statue which became an overnight sensation with over 1 billion Twitter impressions in the first 12 hours, won many awards including four Grand Prix at Cannes Lions as well as five Grand Clios.
- **YouTube** claims that its six-second advertisements are working, with 90% of advertisers citing an increase in ad recall.
- Due to the increasing popularity of video on Facebook-owned app **Instagram**, more than two million businesses have purchased Instagram ads in the past month, four times the number reported a year ago. By comparison, Instagram's parent company, Facebook, has five million monthly business advertisers. Two years ago, Facebook enabled brands to buy ads on Instagram through the same self-serve ad-buying tools. Instagram has 800 million monthly users. 500 million of those users check out Instagram every day.
- **Coca-Cola** collected insights from its 35 million Twitter followers and 105 million Facebook fans to gauge consumer reaction to products and campaigns, using image-recognition technology to serve ads to consumers who post images of the brand's products. The brand is also investigating AI's creative potential for ads.
- **Amazon** is building a robust advertising platform, making the duopoly (Facebook/Google) now an oligopoly, shifting marketing dollars to its product-specific search engine and product listing pages. Amazon can also offer targeting based on what consumers are shopping for, serving ads to shopping customers.
- Per the **World Federation of Advertisers**, 70%+ of advertisers amended their media agency contracts, 58% included terms that define agency status as agent or principle at law. 40% said they have added or plan to add specific audit right clauses to contracts. 47% added or plan to add language to contracts calling for the return of incentives (i.e., rebates) from media vendors.

Noteworthy quotes:

- » "We drive better efficiency and effectiveness by having a common way of operationalizing, but we still want the agencies to have flexibility." —Evan Hanlon, head of strategy and platforms, **GroupM**

- » "If we were taking care of clients, they wouldn't seek other alternatives." —Sean Reardon, CEO of **Zenith USA** and **Moxie**
- » "No one else can do it for the unique reason no one can be credible on both sides. You have WPP, Omnicom, IPG, that could work on the marketing side. Sometimes we're better, sometimes not. You have the Accentures of the world working on the digital business transformation part. But none can link both." —Arthur Sadoun, CEO, **Publicis Groupe**
- » "Holding companies are becoming a lot more careful about how they structure their relationships and how they're doing things... If you know there's a speed trap up ahead, you slow down." —Manuel Reyes, CEO, **Cortex Media**

AGENCY REVIEWS AND ROSTER CHANGES

According to the latest global benchmarking study New Business Barometer H1 2017 by **COMvergence**, MediaCom came out as the top media agency in new business in H1 2017, mainly thanks to two major new global client wins (Walgreens-Boots and PSA Peugeot-Citroen) generating incremental billings of +\$1 billion. Also, the agency retained two major local clients (FAW Volkswagen in China and P&G in Germany). Two other GroupM agencies ranked in the top 5: MEC (3rd) and Mindshare (5th) – whilst Starcom hit the second-best performance, and Dentsu x (formerly Dentsu Media) is 4th. The top six media agency groups have GroupM in 1st place with +\$2.2 billion in total new business result (or +\$960 million in net new business), followed by Dentsu Aegis Network (+\$1.06 billion), Publicis Media (+\$280 million), whilst Havas Media, IPG Mediabrand and Omnicom Media Group (OMG) scored a negative total result. Other key insights:

- Out of the total media investment volume reviewed (\$10.7 billion) in the 21 key markets, P&G (UK, Germany, Nordics, Netherlands) represents 9%; PSA Peugeot-Citroen (global) 7%; Sprint and Honda (US) 6% each.
- 22% (\$2.4 billion) of the total accounts won / retained are handled by independent agencies. The most successful ones being Horizon Media (ranked 1st in the US); Mediaplus and Pilot (ranked 3rd and 4th respectively in Germany); and Madison Media (ranked 6th in India).
- The US dominates the media pitch activity in H1 2017 both in terms of spend volume (\$4.4 billion) and number of account moves assessed (44) – followed by China (\$1.4 billion) and Germany (\$1 billion).
- The average retention rate has increased to 21% (vs. 14% in Q1) - varying from less than 10 % in the US, Argentina, Mexico, the Nordics, and India – to 50% and more in Germany, UK, Canada, or Poland.
- Clear dominance of local pitches (vs. regional & global pitches) in terms of media investments – representing 71% (\$7.6 billion) of the total spend reviewed globally – and almost all move activity in China, India, or the Middle East.

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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.

- Disney's **ESPN** selected independent New York shop Droga5 as its lead strategy and creative agency for SportsCenter and its overall brand, following the network's split from its 25-year-long relationship with independent agency Wieden+Kennedy earlier this year.
- French pharma giant **Sanofi** selected WPP's Mindshare to handle its global media in over 60 countries, replacing incumbent Zenith, and hired Havas Media Group for its US media, following a review. Independent New York-based KWG will remain media buying partner for the consumer healthcare business. The AOR media appointment follows a decision by the brand to appoint Publicis, Havas, and WPP as its "key creative agency partners" across all of its business units.
- **Carnival Cruise Line** hired MDC Partners' Anomaly as its new creative agency of record following a review, replacing incumbent Havas' Arnold, which didn't defend the business. Last spring, Carnival consolidated its media agency business in North America and the UK with Omnicom's PHD.
- Fast food chain **McDonald's** hired both Capgemini and Publicis.Sapient following a review to lead its digital transformation, combining the unique but complementary talent of global consultancy Capgemini (internal operations and IT) and digital agency Publicis.Sapient (advertising, technology, CRM, mobile, customer journey).
- **McDonald's** also hired Interpublic digital shop Huge for global digital design and user experience duties after a review. The agency will focus on strategic and creative elements of its customer experience, from web design and interfaces to apps and in-store elements.
- Mattress-maker **Serta** kicked off a review looking for a new creative agency of record, replacing incumbent Doner which will not be defending its account as AOR for the past 18 years.
- Automaker **Mitsubishi** selected California-based independent agency Butler Shine Stern & Partners (BSSP) as its new agency of record for creative, social and digital duties after a review, replacing incumbent Omnicom Group's 180LA, which worked with the brand for seven years, but didn't participate in the review. BSSP resigned the US Mini account (BMW) in March. The new agency will collaborate with media buying and planning agency Omnicom's PHD.
- Airline **Southwest Airlines** hired Media agency Spark Foundry, part of Publicis Media, as their paid media agency after a review, replacing incumbent Camelot Strategic Marketing & Media, which had handled the account for 30 years. The new agency will handle media planning/buying, data/analytics, measurement and content marketing.
- Automaker **Mini USA** selected Pereira & O'Dell as its new creative agency after a review, replacing incumbent Butler Shine Stern & Partners. The agency collaborates with 360i, which will manage social, digital and CRM with assistance from Merkle. Interpublic media agency UM will continue to serve as Mini's media planning and buying agency.
- Legacy nonprofit the **American Heart Association** selected CP+B Boulder and Edelman as the first global advertising and public relations agencies of record, respectively, following a review. The organization previously worked with multiple advertising and public relations partners and consultancies like the Dalton Agency but had no AOR.
- Casual-dining restaurant chain **Chili's Grill & Bar** hired Dentsu Aegis Network-owned agency 360i as its integrated media agency of record, expanding the existing responsibilities of the agency. Chili's hired 360i as its digital marketing agency in early 2016, including creative and media, following a review. The brand also works with other agencies like Chicago-based O'Keefe Reinhard & Paul.
- Office supply company **Staples** selected Interpublic's MullenLowe and its media unit Mediahub following a review, and replacing incumbent Dentsu's media shop Carat. The agency will handle offline media and marketing efforts, including TV, out-of-home, and print.
- Following its Omnicom-only creative agency review, **Pepsi** hired Goodby Silverstein & Partners as another creative agency in the US. Pepsi's review is on the tail end of the brand's embarrassing Kendall Jenner ad flop, which came from its in-house agency.
- On-line rental company **Airbnb** selected independent agency Wieden+Kennedy as its new global AOR following a review. The agency is replacing incumbent Omnicom's TBWA/Chiat/Day Los Angeles, the AOR since 2014, which did not participate in the review. The agency will collaborate with other roster agencies, including the brand's in-house agency.
- Online music streaming service **Spotify** selected UM, part of IPG's Mediabrands as its global media AOR.
- **MetLife** selected MediaCom, part of WPP's GroupM, as its new US media agency of record following a review, replacing incumbent Mediacom sibling MEC, which didn't participate. MEC, which held the MetLife account for two years, is in the process of merging with Maxus and becoming Wavemaker. The new agency will partner with other MetLife agencies like creative shop Argonaut.
- Pizza chain **Papa John's** kicked off a creative review handled by the brand. Its current agency, WPP's Grey, is participating in the review, hoping to put more emphasis on digital ordering and social media.

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- Italian spirits firm **Gruppo Campari** selected a team drawn from across WPP's agencies, Team Campari, based in Milan, to be its global partner for marketing and communication services. The agency will provide advertising, PR, media, digital, data management, research, live communication, and branding services.
- AB InBev** selected Fallon as creative agency of record for its Lime-A-Rita brand following a review, replacing incumbent agency FCB Chicago, which is still on the parent company's roster as creative lead for the Michelob Ultra brand.
- Brewer **Carlsberg Group** hired Interpublic's Initiative as media AOR after a formal review, replacing incumbent OMD. The agency will handle global media planning and buying for the brand.
- Retail chain store **Macy's** selected Omnicom's BBDO New York as its new creative agency of record, following a review and replacing incumbent Figliulo & Partners. The agency will execute on various strategies including Macy's brand love, fashion authority, loyalty and value.

Agency Roster Summary

Client	Incumbent	Scope	New Agency	Review?
AB InBev's Lime-A-Rita	FCB Chicago	Creative	Fallon Worldwide	Y
Airbnb	TBWA/Chiat/Day Los Angeles	TBD	Wieden + Kennedy	Y
American Heart Association	Various	Advertising	CP+B Boulder	Y
American Heart Association	Various	Public Relations	Edelman	Y
Carlsberg Group	OMD	Media	Initiative	Y
Carnival Cruise Line	Arnold Worldwide	Creative	Anomaly	Y
Chili's Bar and Grill		Media	360i	N
Disney's ESPN	Wieden + Kennedy	Integrated	Droga5	N
Gruppo Campari		Integrated	Various	N
Macy's	Figliulo & Partners	Creative	BBDO Worldwide	Y
McDonald Corp		Digital	Capgemini	Y
McDonald Corp		Digital	Publicis.Sapient	Y
McDonald Corp		Digital Design and User Experience	Huge	Y
MetLife	MEC	Media	MediaCom	Y
Mini USA	Butler, Shine, Stern & Partners	Creative	Pereira & O'Dell	Y
Mitsubishi Motors	180LA	Integrated	Butler, Shine, Stern & Partners (BSSP)	Y
Papa John's		Creative	TBD	Y
PepsiCo	In-house agency	Creative	Goodbye Silverstein & Partners	Y
Sanofi	Zenith	Media	Mindshare	Y
Sanofi		Media	Havas Media	Y
Sanofi		Creative	Various	N
Serta	Doner	Creative	TBD	Y
Southwest Airlines	Camelot Strategic Marketing & Media	Media	Spark Foundry	Y
Spotify		Media	UM	N
Staples	Carat	Media	Mullen Lowe Group	Y

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