



Outlook for Advertising, Marketing and Data 2024: **A Market in Transformation**

Bruce Biegel, Senior Managing Partner

January 18, 2024



About Winterberry Group

A specialized management consultancy that offers more than two decades of experience and deep expertise in the intersecting disciplines of **advertising, marketing, data, technology, media** and **commerce**.

Winterberry Group helps brands, publishers, marketing service providers, technology developers and information companies—plus the financial investors who support these organizations—**understand emerging growth opportunities, create actionable strategies** and **increase their value and global impact**.





Looking Back at 2023:
A Year of Uncertainty



Though a Recession Was Avoided in 2023, The Macro Environment Stifled Growth—“Do More With the Same”



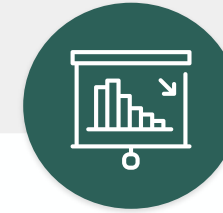
A very uncertain macro-global environment

Wars, DC politics, immigration, banking crisis, strong stock market, low unemployment at 3.6%



Inflation deceleration with continued GDP growth

Interest rate hikes slow growth in credit-sensitive sectors

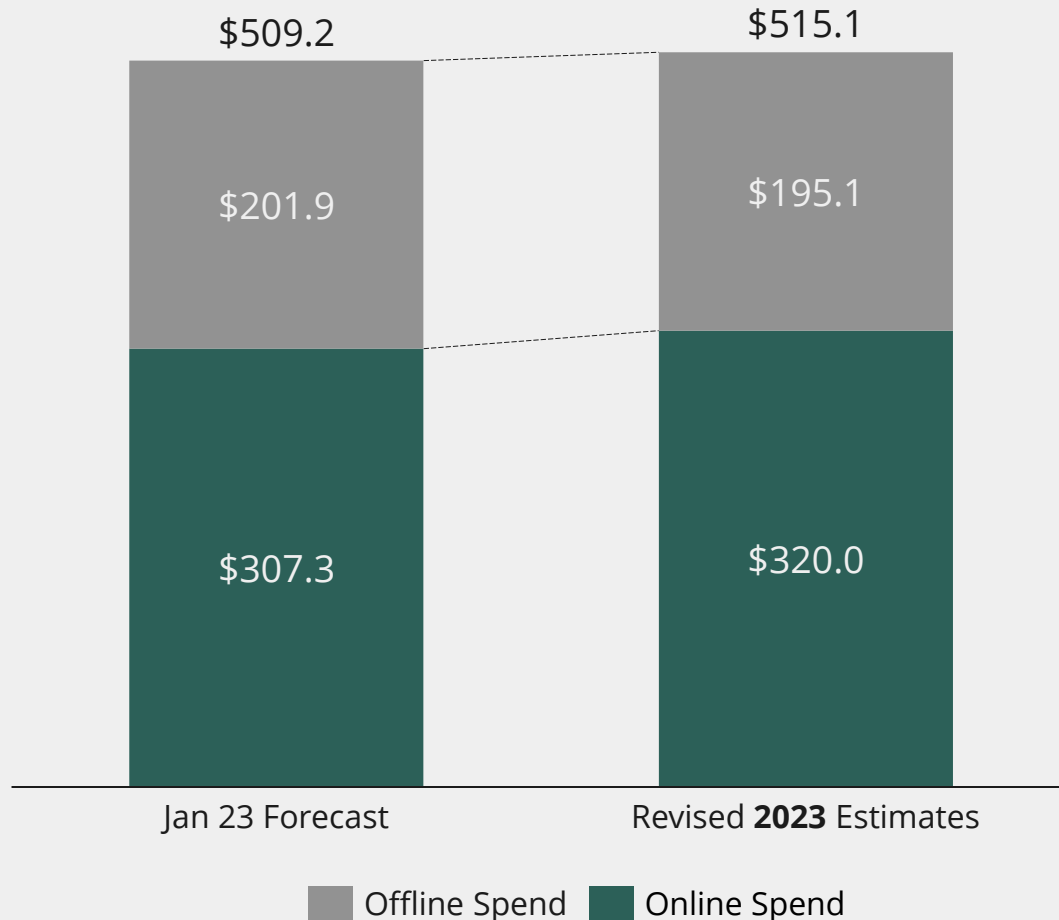


Limited visibility into marketer budgets - “do more with the same or less”

“Reallocation” of staff, budgets and products—and of course...*Gen AI*

Jan 23 Outlook Forecast vs Revised 2023 Actuals: Accurate But Not Precise - Under by ~\$6BB

2023 US Online and Offline Marketing Spend
(\$BB, 2023)



What we got right:

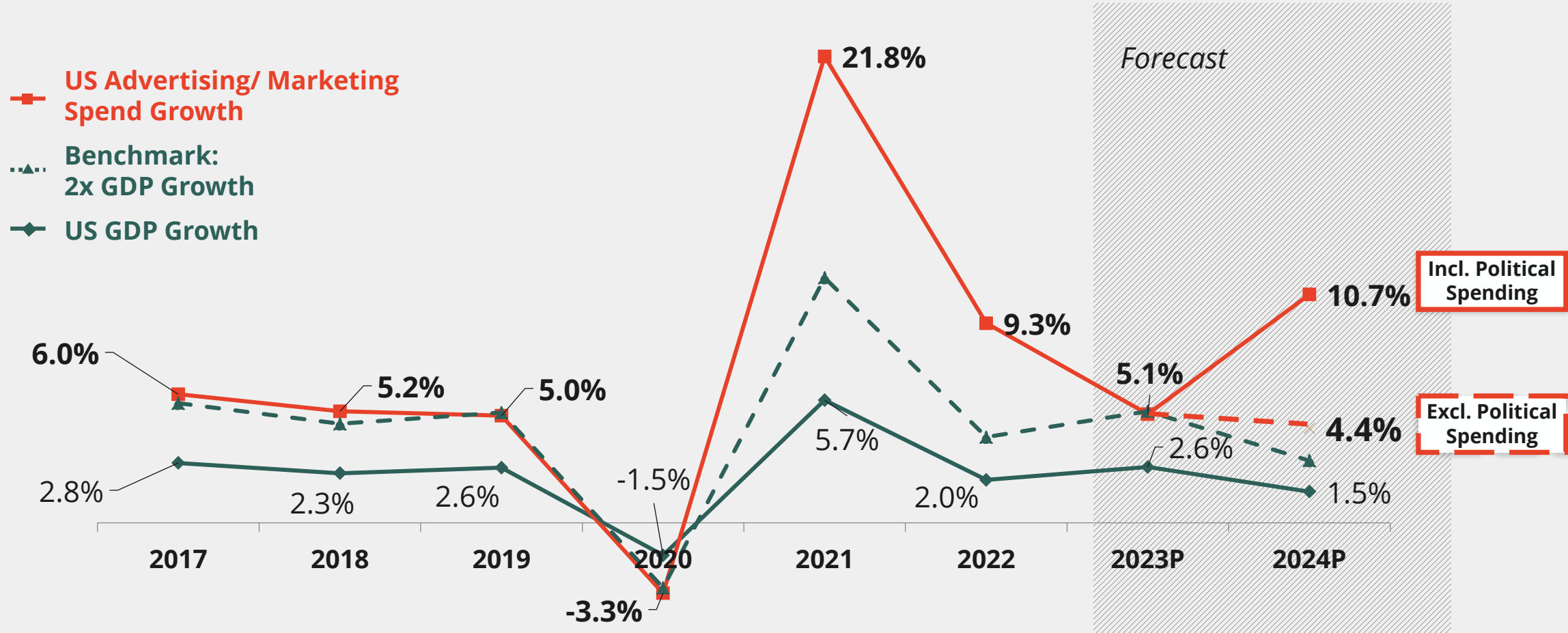
- ~**1.1%** accuracy on total forecast,
- Spend **increases** in “Retail” media—driving display/search spend
- Continuing **shift** from Linear TV into CTV
- **Steady growth** in Experiential/Sponsorships

What we got wrong:

- Direct Mail: ~**\$5.5BB less**
- Paid Social: ~**\$5BB more**
- Display/Digital Video: ~**\$6.7BB more**

Advertising & Marketing Spend Growth Reverting to Historical Norms—Political Cycle Masks Slower Increases in 2024

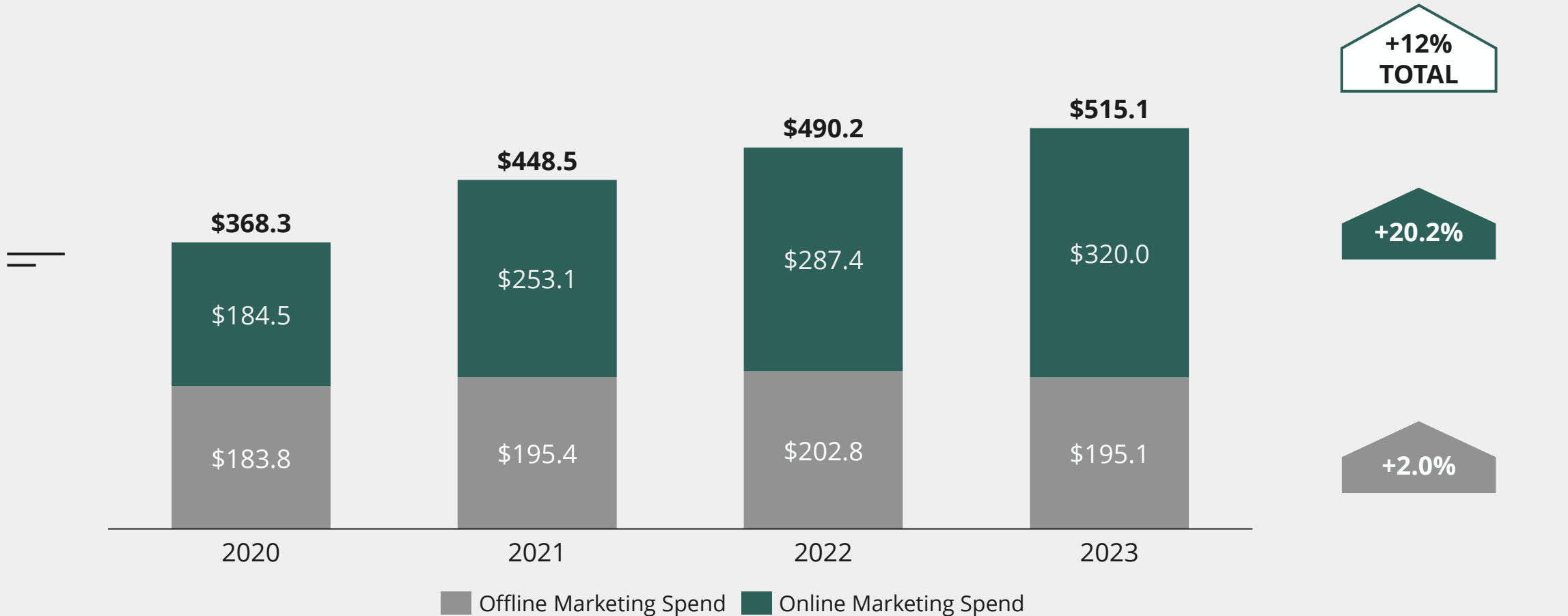
US Marketing Spend Growth Benchmarked to GDP Growth
2017-2024P



Review 2023: Digital Channels Continued to Take Share, Traditional Falls Back to 2021 Levels

US Online and Offline Marketing Spend
(\$BB, 2020 - 2023)

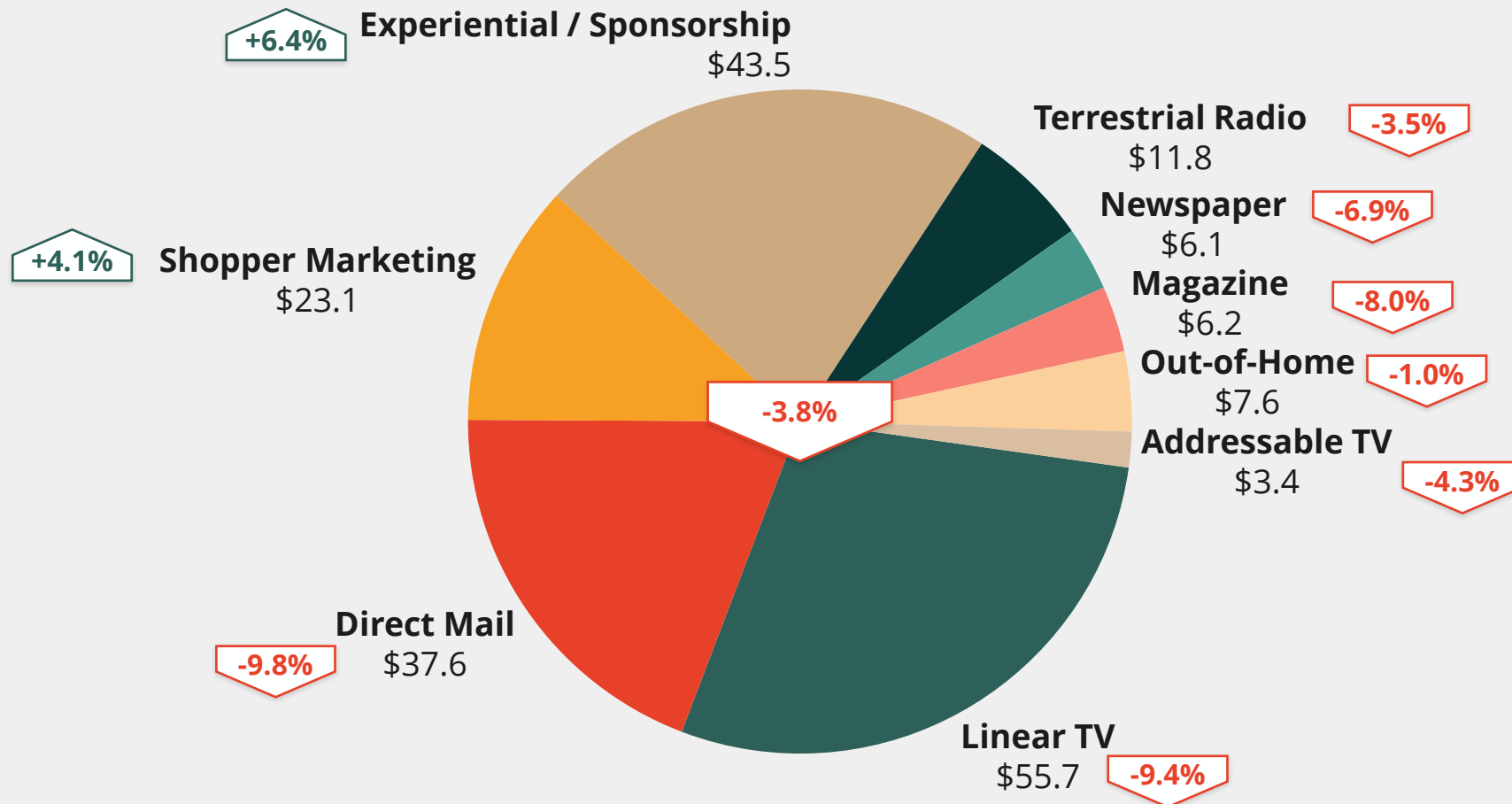
CAGRs (2020 - 2023):



Review 2023: *A Down Year for Offline* - Investment in Shopper Marketing, Sponsorship and Experiential, Larger Declines in DM & Linear

US Offline Marketing Spend (\$BB, 2023)

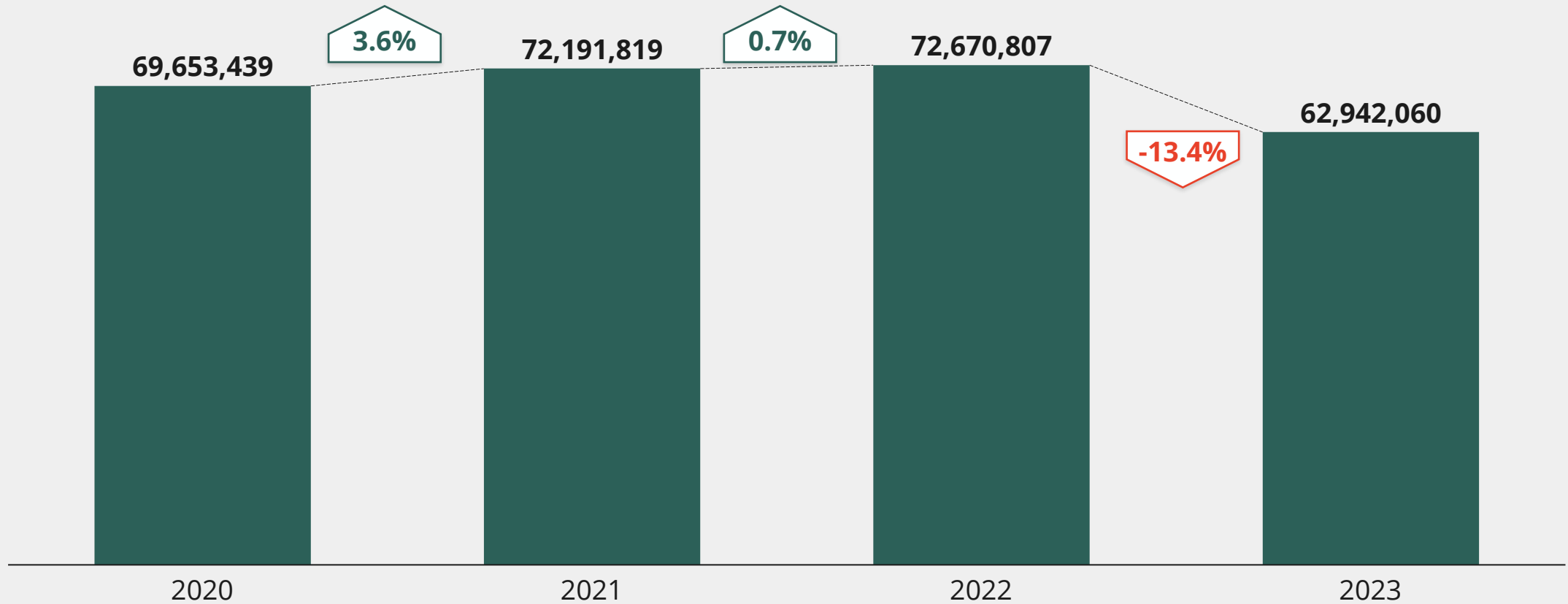
TOTAL: \$195.1BB



YoY Growth

Review 2023: Direct Mail Volume **Decline of ~10BB Pieces** - the Largest Pullback Since the 2009 Recession

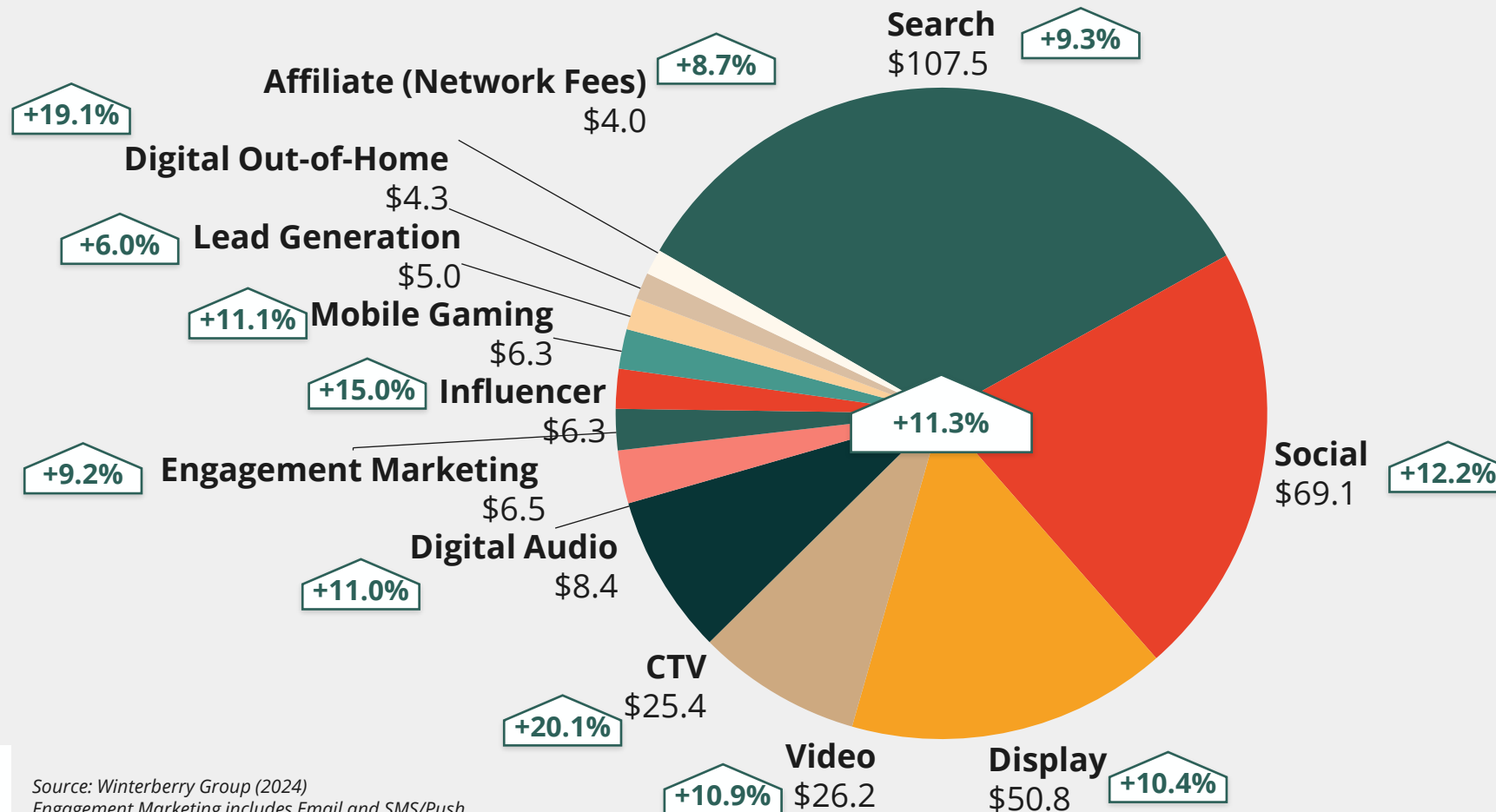
Direct Mail Volumes
(Thousands, 2020 - 2023)



Review 2023: Digital Channels Outperform—Social, CTV, Commerce Media (Display, Search, Video) Drives Outperformance

US Online Marketing Spend (\$BB, 2023)

TOTAL: \$320.0BB



YoY
Growth

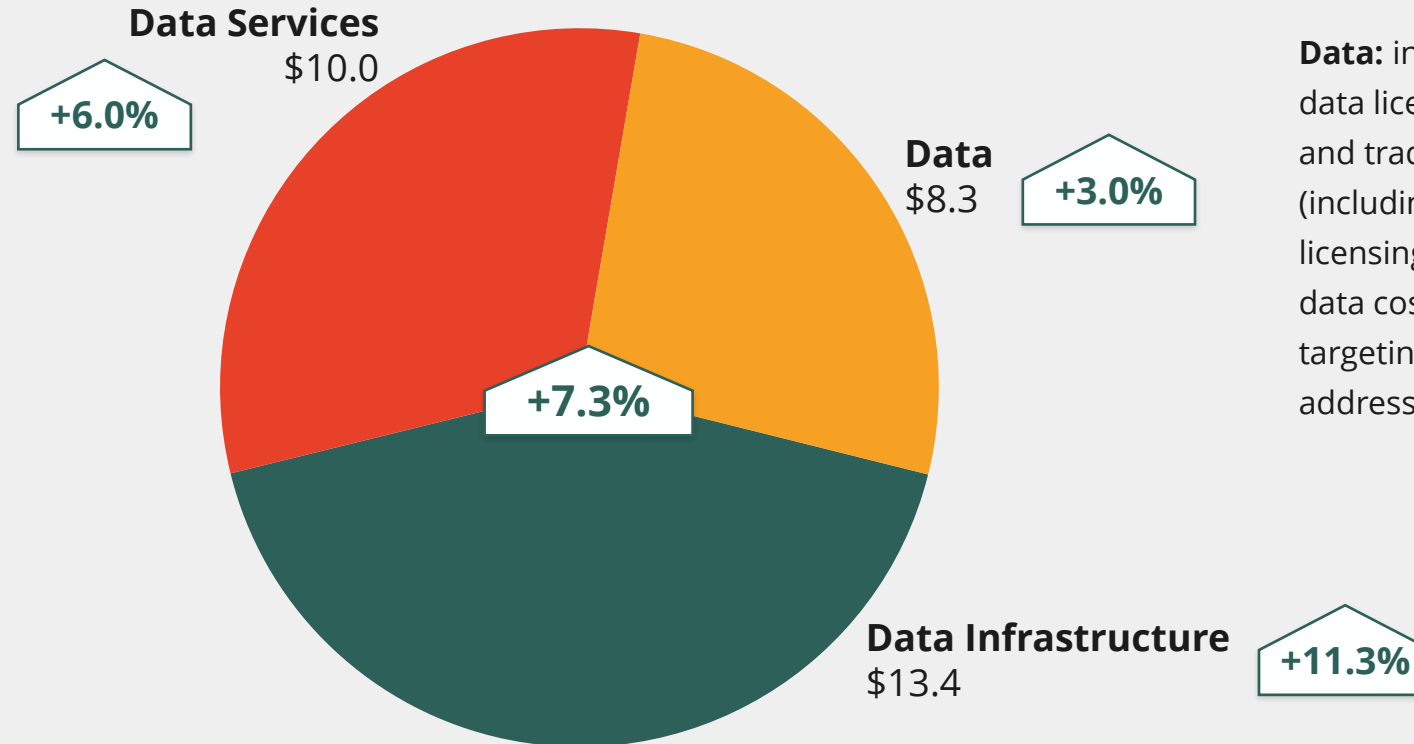
Source: Winterberry Group (2024)
Engagement Marketing includes Email and SMS/Push

Review 2023: Increasing Data Layer (Infrastructure) Complexity, AI and Integration Leads Data Services; CTV Drives Digital Data

US Spending on Data, Data Services and Data Infrastructure (\$BB, 2023)

TOTAL: \$31.7BB

Data Services: includes identity resolution (matching, linking, onboarding and destination charges), predictive/prescriptive analytics, measurement, attribution & verification and data solution integration

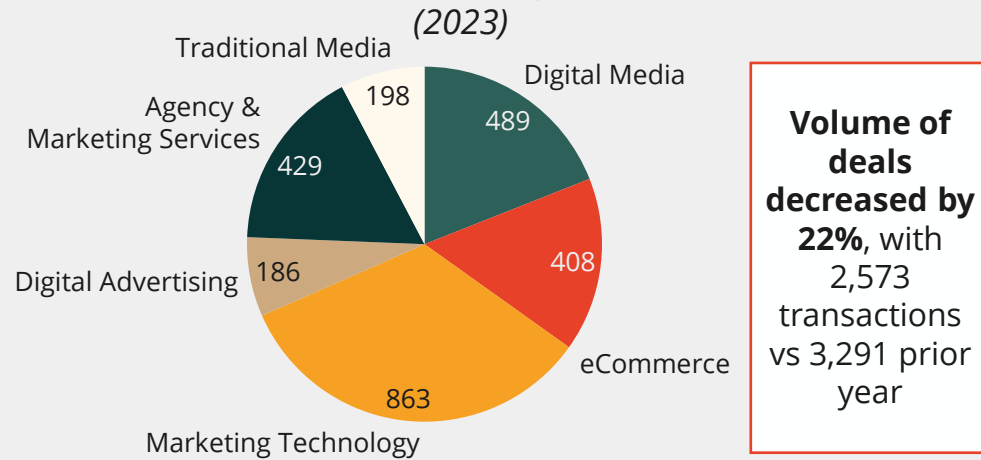


Data: includes third-party data licensing across digital and traditional channels (including Identity graph licensing) and first-party data costs for off-platform targeting in retail and addressable TV

Data Infrastructure: includes database management & hygiene (CDP, CRM, Data lakes / warehouses), data collection & ingestion tools, DMP and collaborative data environments (Data Clean Rooms)

Review 2023: Credit, Macro Uncertainty Constrain PE Investment, Strategics & VCs Place Bets on Gen AI

M&A and Investment Activity - Number of Deals

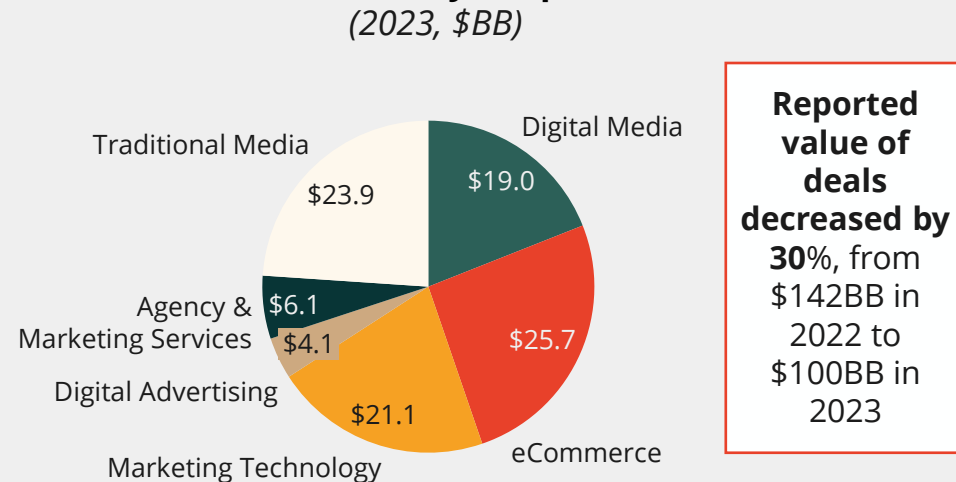


M&A and Investment Activity, by Buyer Type

(2023)

Buyer	Reported Deal Value (\$BB)	% of Value	# of Deals	% of Deals
Strategic	\$40.8	41%	1290	46%
PE - Buyout	\$24.5	25%	182	5%
PE - VC/ Growth Capital	\$34.6	35%	1101	49%

M&A and Investment Activity - Reported Value of Deals



2023 M&A Themes: Following the Money - Commerce, Analytics, Experience and Data Infrastructure/Services

Strategic Agency/Services Transactions		Technology / Data Transactions		Private Capital Transactions	
<p>October 2023</p> <p>Acquired:</p> <p>Ecommerce for ~\$835MM</p>	<p>November 2023</p> <p>Acquired:</p> <p>Creative and Influencer Marketing for \$49.6MM</p>	<p>December 2023</p> <p>Acquired:</p> <p>Data Consulting</p>	<p>November 2023</p> <p>Acquired:</p> <p>Customer Experience</p>	<p>May 2023</p> <p>Invested in:</p> <p>Customer Experience and Loyalty</p>	<p>December 2023</p> <p>Invested in:</p> <p>Distributed Marketing</p>
<p>March 2023</p> <p>Acquired:</p> <p>Influencer Marketing Agencies</p>		<p>October 2023</p> <p>Acquired:</p> <p>Customer Data Platform for +\$100MM</p>	<p>December 2023</p> <p>Acquired:</p> <p>Data and Analytics</p>	<p>March 2023</p> <p>Invested in:</p> <p>B2B</p>	<p>September 2023</p> <p>Invested in:</p> <p>Performance Media</p>
<p>March 2023</p> <p>Acquired:</p> <p>Creative and Personalization for +\$516MM</p>		<p>Oct & Dec 2023</p> <p>Acquired:</p> <p>Performance Media</p>	<p>September 2023</p> <p>Acquired:</p> <p>Measurement & Attribution</p>	<p>March 2023</p> <p>Invested in:</p> <p>Integrated Marketing</p>	<p>June 2023</p> <p>One Equity Partners</p> <p>Invested in:</p> <p>Agency HoldCo</p>

Macro Trends :
What's Driving the Market



Trend: It's the End of the World As We Know It...But Not Quite Yet – Marketers Obsess Over Gen AI, But is the Consumer on Board?

Trend



While the market obsessed over generative AI -- **consumer impact was slower to be realized.** Noticeable changes in search, service offset by **significant governance** concerns exist with how “personal data” and content will be used

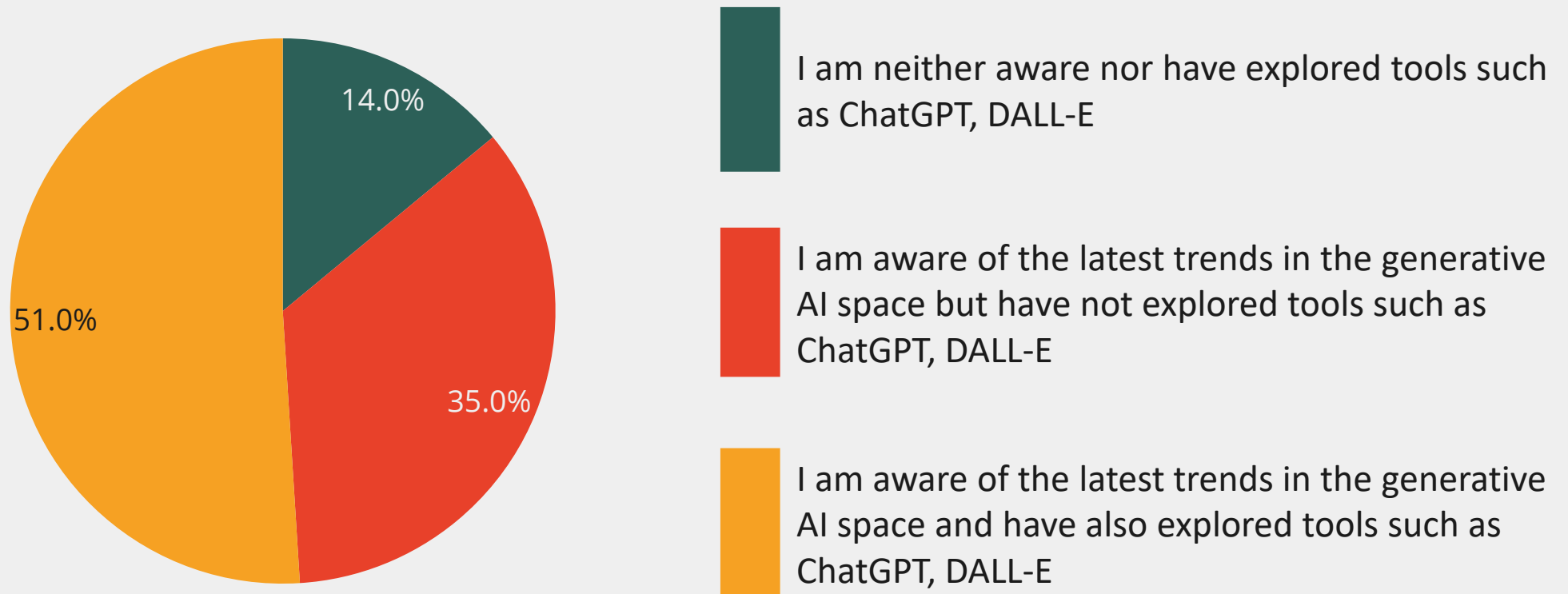
Impact

Governments raced to provide **a regulatory framework**, unions sought **to codify protections** -- strategic and venture investors poured investment into AI infrastructure and application development. Expect **transformation** with **monetization beginning in 2024, acceleration by 2026**

The Global Consumer Is Aware of Gen AI, Though Only Half Have Explored It

“Are you aware of the Generative AI Space and have you explored tools such as ChatGPT or DALL-E?”

(Share of Global Consumers, 2023)



Trend: Political Spend to Be Massive (and Nasty) – Marketers Concerned With Brand Risk from Adjacency, Higher Costs

Trend



The market outlook is for \$17BB of political spend, up from \$10BB last presidential cycle -- good for media owners, but not-so-great for brand marketers. Political spend to account for **~30% of total growth in 2024**

Impact

Competition for airtime / inbox time likely to drive up local media cost. Playing it **brand safe, improved targeting** is likely to impact creativity until the market is through the election cycle

Trend: Hey Sport – Look at Me! The End of the “Competitive Moat” of Sports Programming Accelerates the Shift from Linear to CTV

Trend



Three trends are impacting linear TV simultaneously — **continued cord cutting**, an **increase in ad-supported CTV** and aggressive moves into **live sports programming by streaming platforms**

Impact

Live event programming was the moat for linear TV, streaming platforms have “bought” into the moat. As spend shifts, **media owners show more discipline** — bundling linear and digital, audience targeting — it will not be a **digital dollars for traditional dimes** this time

Trend: The Acceleration of *Connected Commerce*— It's Bigger Than Just Retail Media

Trend



It's about reaching the **connected, omnichannel shopper wherever they are. \$15BB a year** is shifting into **commerce media networks** (not just grocery!) to drive demand and conversion. Brands seek to optimize trade promotion investments both **on-platform** (digital and in-store) as well as **off-platform** (open-web and social)

Impact

The pool is deep, drawing from \$200BB+ in US trade (sales) promotion spending in CPG alone. Expect continued expansion wherever scaled **first-party audiences** exist—at retailers, in social commerce, on CTV—places where consumer show “intent”. **Media buying and measurement will see greater complexity**, turning to ML to find audiences, optimize creative and leverage generative AI to improve search

Trend: Its Video Everywhere andAI is Transforming Creative Production, Activation and Measurement

Trend



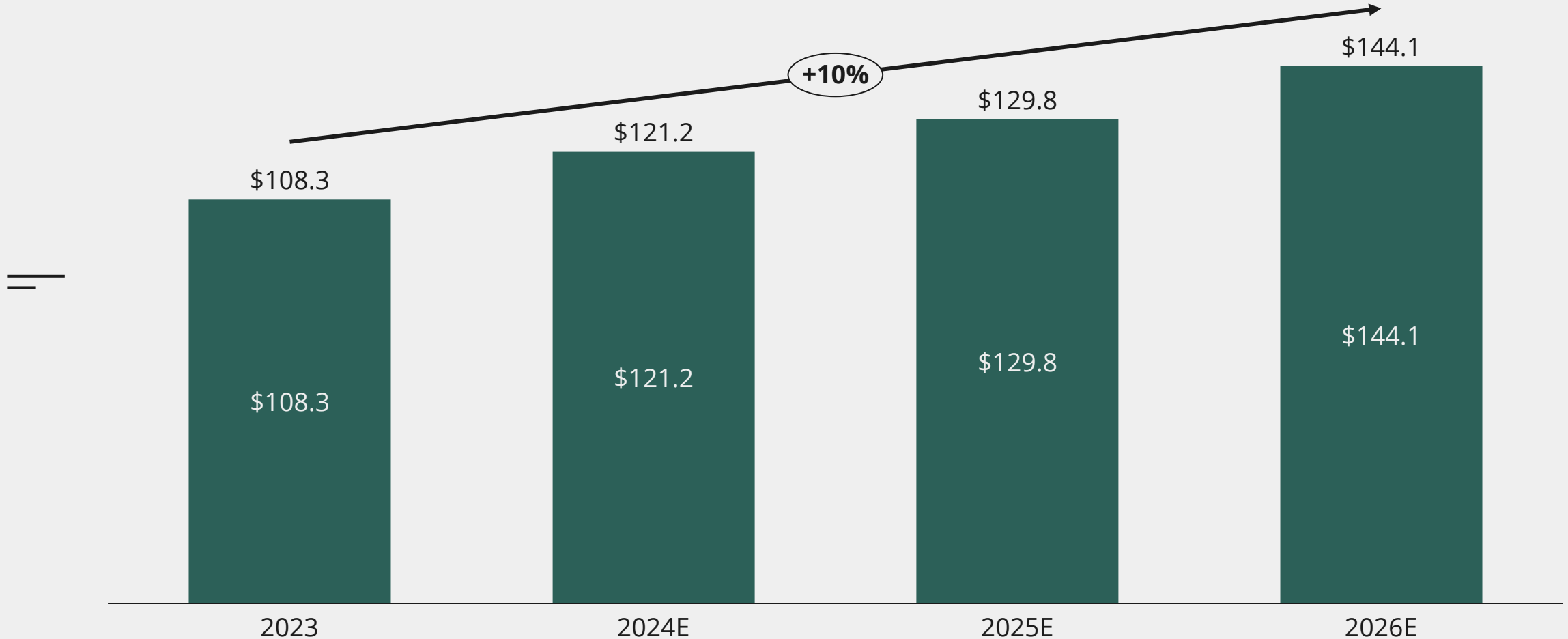
Creative production and content creation growth accelerates with the demand to produce consistent “content” across platforms. Brands aim to produce more content at scale, with faster production cycle times, managed costs and in a sustainable ways

Impact

ML and Gen AI are enablers to capture value, but they require production management transformation across creation, activation, optimization and measurement. **They do not replace human creativity;** rather, they transform the rest of the production process

It's a Large Opportunity: Global Video and Content Spend is Forecast to Grow from \$108BB in '23 to \$144BB in '26

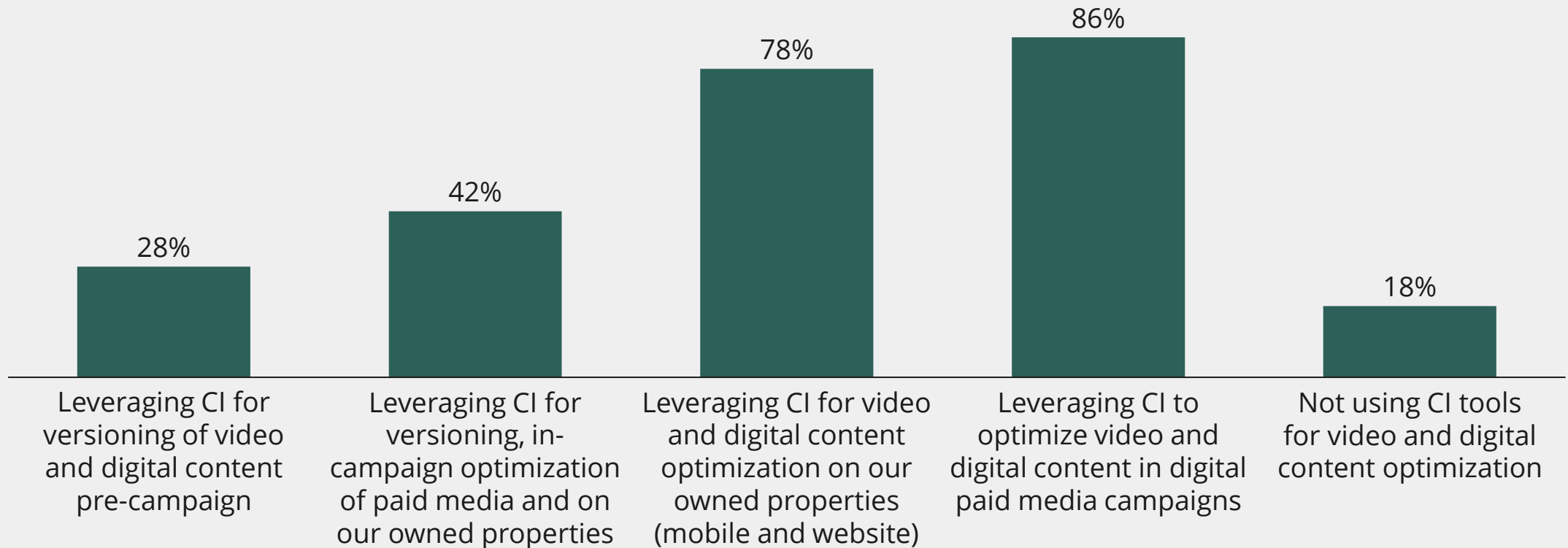
Global Content Production Spend
(\$BB, 2023 - 2026E)



And to Meet the Expanding Demand for Personalized Content - Marketers Will Leverage Creative Intelligence and ML

“To what extent does your organization currently or have plans to leverage creative intelligence (CI) and ML optimization to support your video and digital content optimization needs?”

(% of Marketers, 2023)



Trend: The “Consumerization” of B2B Marketing Will Accelerate

Trend



B2B marketing strategies are transforming, led by **more socially influenced, digitally native buyer decision making**. B2B is rapidly going omnichannel, expanding use of data-driven nurturing, adopting more digital media channel channels and utilizing hybrid experiences.

Impact

Successful B2B marketers will need to break down organizations silos to **support integrated omnichannel customer journeys across more “hybrid” experiences**. There is growing recognition that upper-funnel **branding investments** are needed along with improved **marketing measurement**.

It's More Than Just "Consumerization"—It's The Elevation of Digital Natives Into B2B Decision Making Roles

"How has content/media consumption among your customers changed over the last three years?"
(% of B2B Marketers, 2023)



Source: *Winterberry Group - Outlook for B2B Marketing (2023)*
n=200

Trend: Is 2024 the Year to Transform Programmatic Media? Cookies, Fraud, Made for Advertising Sites (MFAs) and More

Trend



With **dead cookies** littering the landscape at last - is the market ready for change? What will be more important this year - finding replacements for targeting and measurement or **tackling fraud and waste**?

Impact

Expect a year of **continuous experimentation** across private marketplaces, first-party IDs, ML-based buying, contextual targeting, creative intelligence and supply path optimization. While Google's Privacy Sandbox offers a potential solution, it is not the answer. **Sustainability**, specifically carbon usage metrics, will also increase in importance as waste takes many forms.

Trend: MTA is Dying, Long Live Media Mix Modeling—Or is it About Incrementality?

Trend



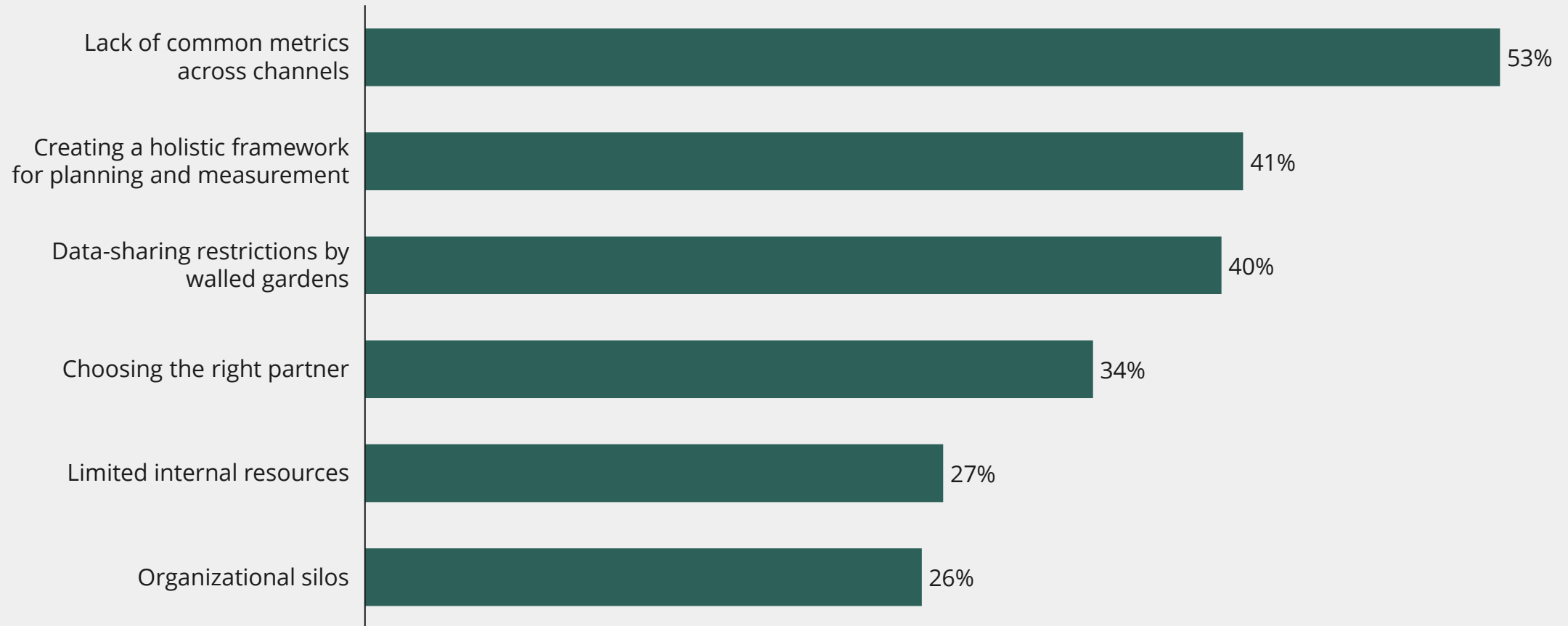
The loss of identifiers is driving multi-touch attribution models combined with in-channel measurement. Expect an **increasing focus on incrementality** as the way to **measure the impact of marketing on sales**

Impact

Agencies and brands seeking to **tie outcomes to media spend** are **re-evaluating their approach**, shifting focus to **incrementality and attention metrics** (eye-tracking, site engagement, scroll depth). The new approaches are enabled by machine learning

More Challenges in Measurement - It's Likely To Never be the Year of Attribution

Challenges Integrating Linear TV and Digital Campaign Data
(% of US TV Advertisers, 2023)



Trend: Generative AI Adds Another Dimension to the Growing Privacy and Regulatory Landscape

Trend



Regulatory fragmentation is increasing, with 5 states having implemented consumer privacy laws, 7 having passed legislation and 10 with active bills—is that all we got? No—the **large language models (LLMs) need to ingest content and data**, heightening concerns around copyright infringement, misinformation, bias and hallucination

Impact

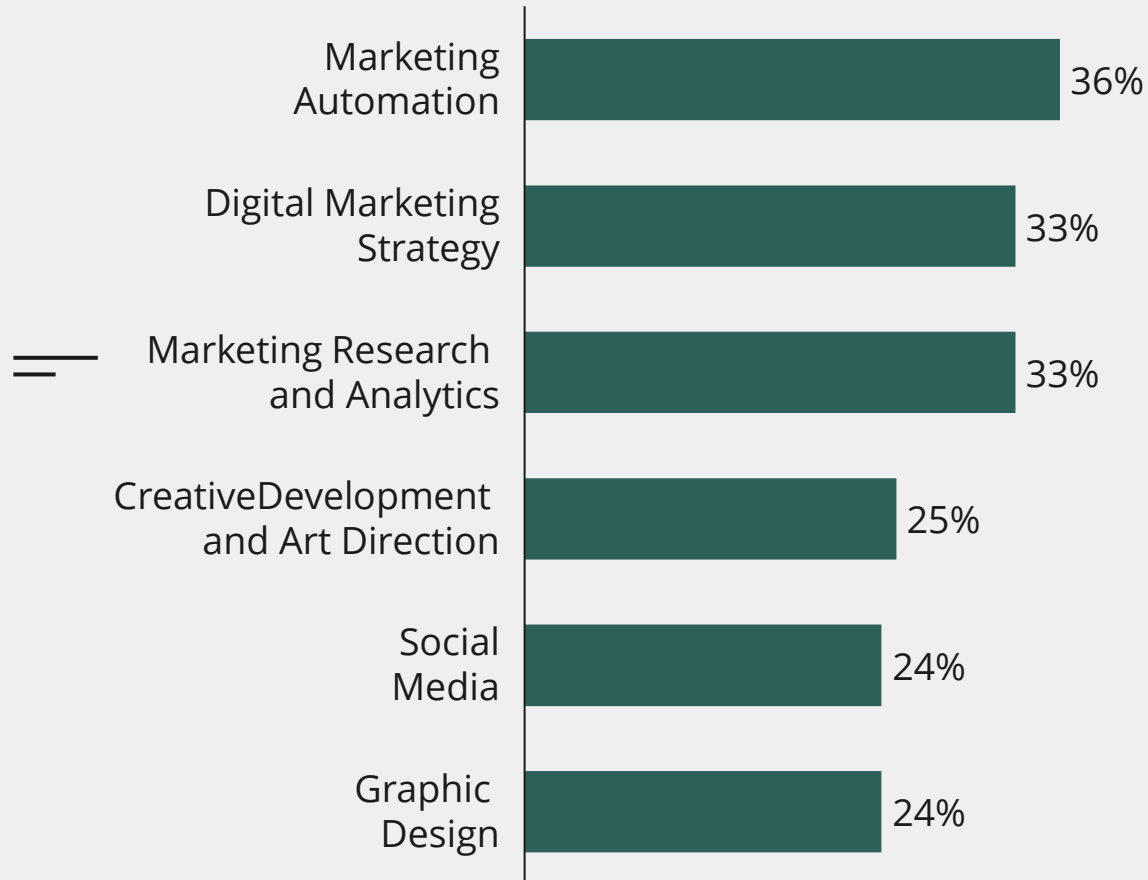
Expect a fluid regulatory process as the US looks to the EU for initial policy moves. Expect **innovations in transparency, with better labeling and watermarking of AI-generated content** to build brand trust and mitigate risk. Fines for misuse are expected to be nearly double those under GDPR

Last Trend for Now: Strategy, Marketing Automation and Analytics

Top Marketers' Talent Demand

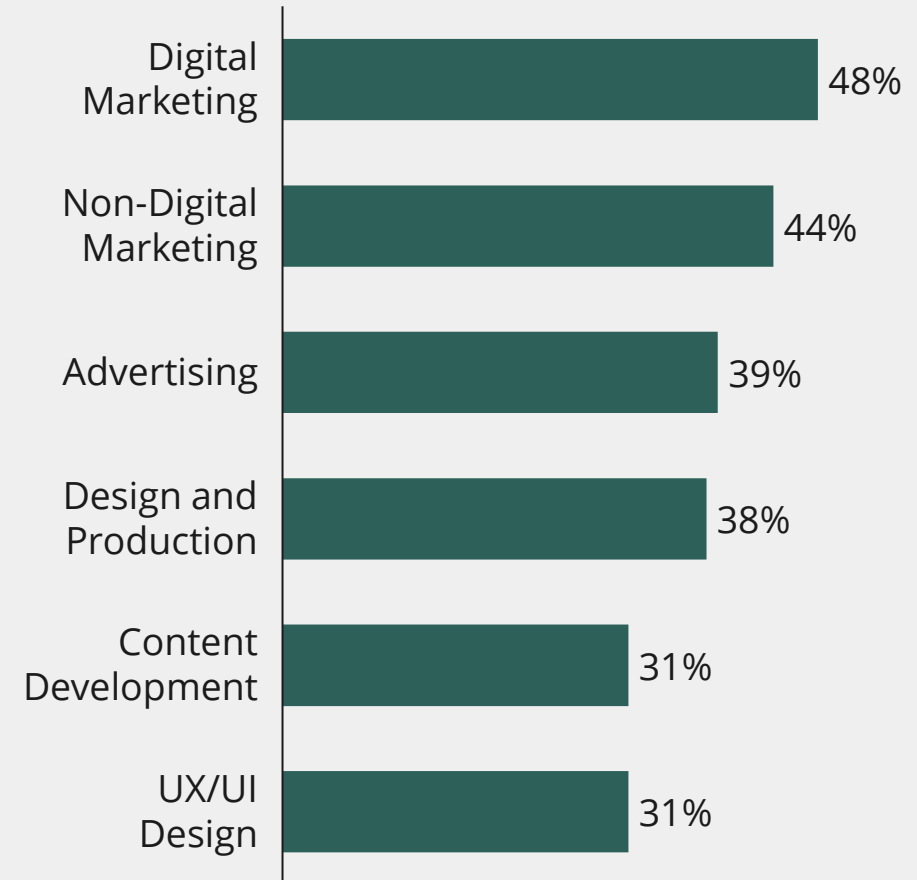
Skills Marketing Managers Say They Increase Salaries for:

(% of Marketing Managers, 2023)



Where Marketing Managers Use Contract Talent

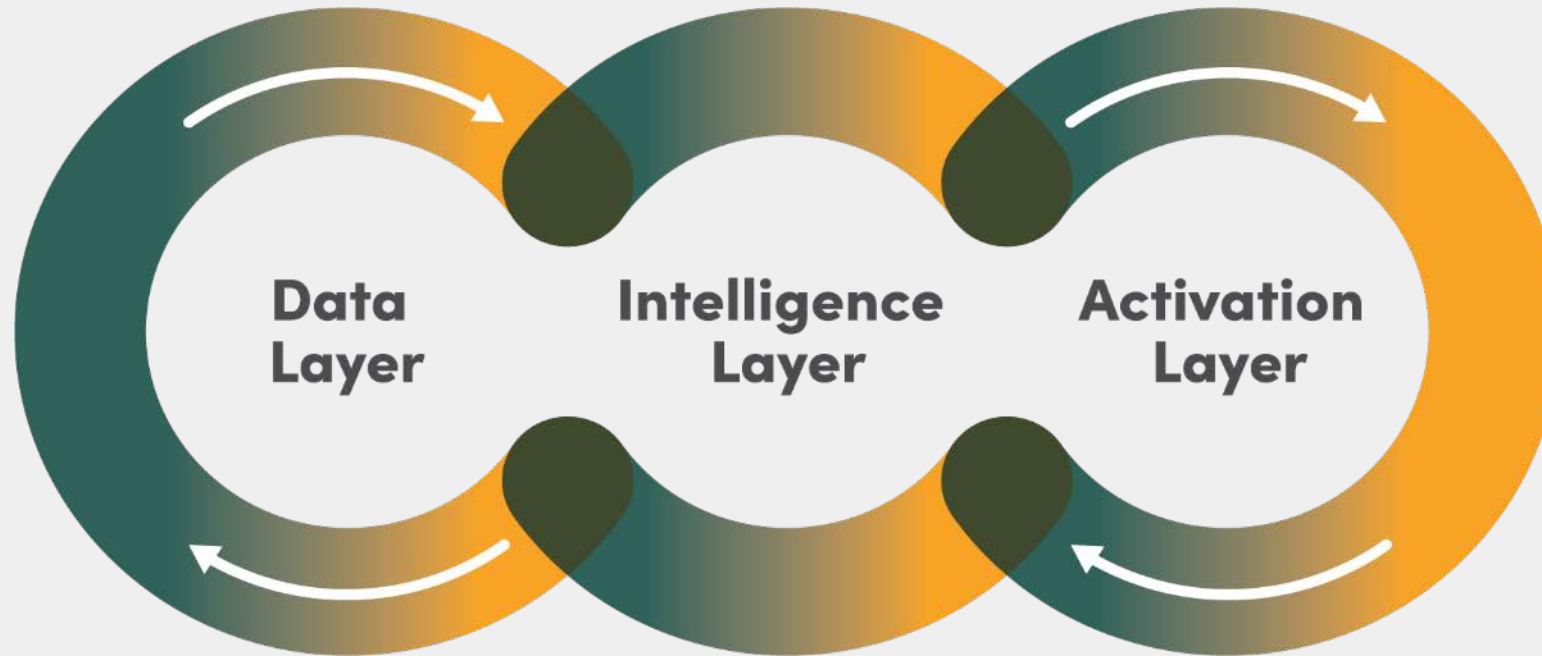
(% of Marketing Managers, 2023)



Spotlight on The Data and Technology Stack: **Modernization in the Data Layer**

The Data-Driven Technology Ecosystem

Three Interrelated Layers: *Data, Intelligence and Activation*



The data layer is the foundation of data driven marketing, **customer and prospect data is ingested, stored, cleaned, linked, matched and profiles created** with the end goal of using the data for analysis, orchestration and optimization

At the intelligence layer, **marketers and advertisers leverage profiles** to drive insights, gain audience intelligence and inform a range analytics, decisioning, orchestration and BI-related use cases

In the activation layer, the **applications/ platforms leverage the data and intelligence** to communicate across outbound (social, email, display/CTV, direct mail) and inbound (website, app, or customer service) channels. Activation platforms may be point solutions or integrated stacks

Martech/Data Layer Trend: Platform Evolution or Cyclical Pattern - Will the Market Move From Monolithic Suites to Composable Architectures?

Integrated Marketing Platforms

- A single, integrated solution that offers a range of marketing functionalities but is often rigid and less modular
- Provides a unified, all-in-one solution that can be easier to manage but may lack the flexibility to adapt to rapid changes

Composable Architecture

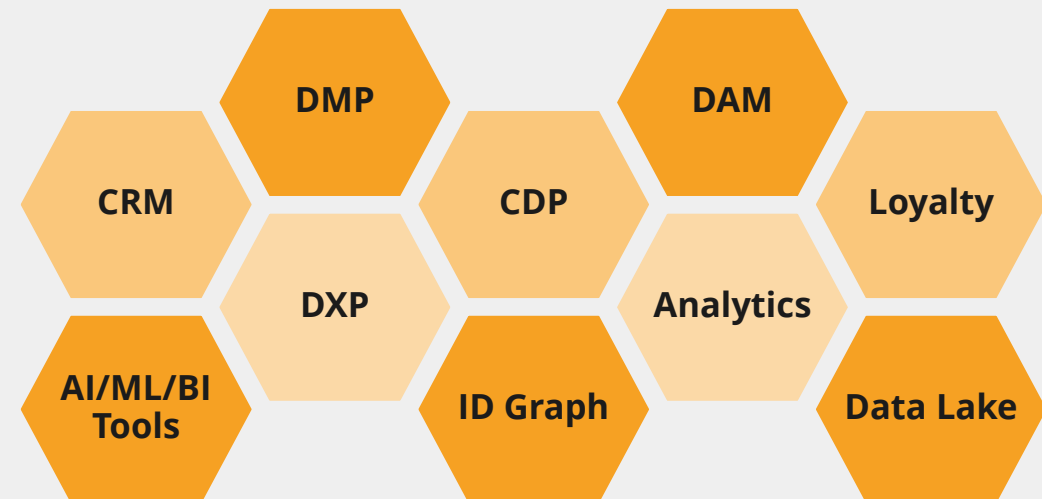
- An approach that allows marketers to easily assemble, disassemble, and reassemble technology components to meet evolving needs
- Allows for greater flexibility, scalability, and customization in marketing operations

Experience Platforms

Insights Platforms

Integration Platforms

Backend Platforms



Despite Data Layer Evolution, the Majority of Marketers Struggle With Data Silos, Integration - Limiting the Application of Intelligence

“Which of the following best describes the data structures your organization employs for marketing analytics?”
2023 (% of Marketers)



“One of the biggest **pain points in marketing analytics is data quality**. Companies need high-quality, accurate data to make informed decisions and drive results. **Another challenge is integrating data from disparate sources**. Many companies have data siloes making it difficult to get a complete picture of their marketing performance”

—Head of Data Science, Decision Sciences Company

Managing the “Unstructured” Data Layer: Gen AI Brings Attention to the Storage and Management of Content

Digital Asset Management Systems (DAM)

What it is?

- Software that allows organizations to store, organize, find, retrieve and share digital assets

Primary Use Cases

- Centralize storage and management of digital media files
- Organization and taxonomy management - classify, tag and categorize digital assets
- Share and distribute assets to internal teams, partners, and customers
- Streamline review, approval and publishing processes

Content Management Systems (CMS)

What it is?

- An application designed to manage the creation, storage and distribution of digital content across digital channels

Primary Use Cases

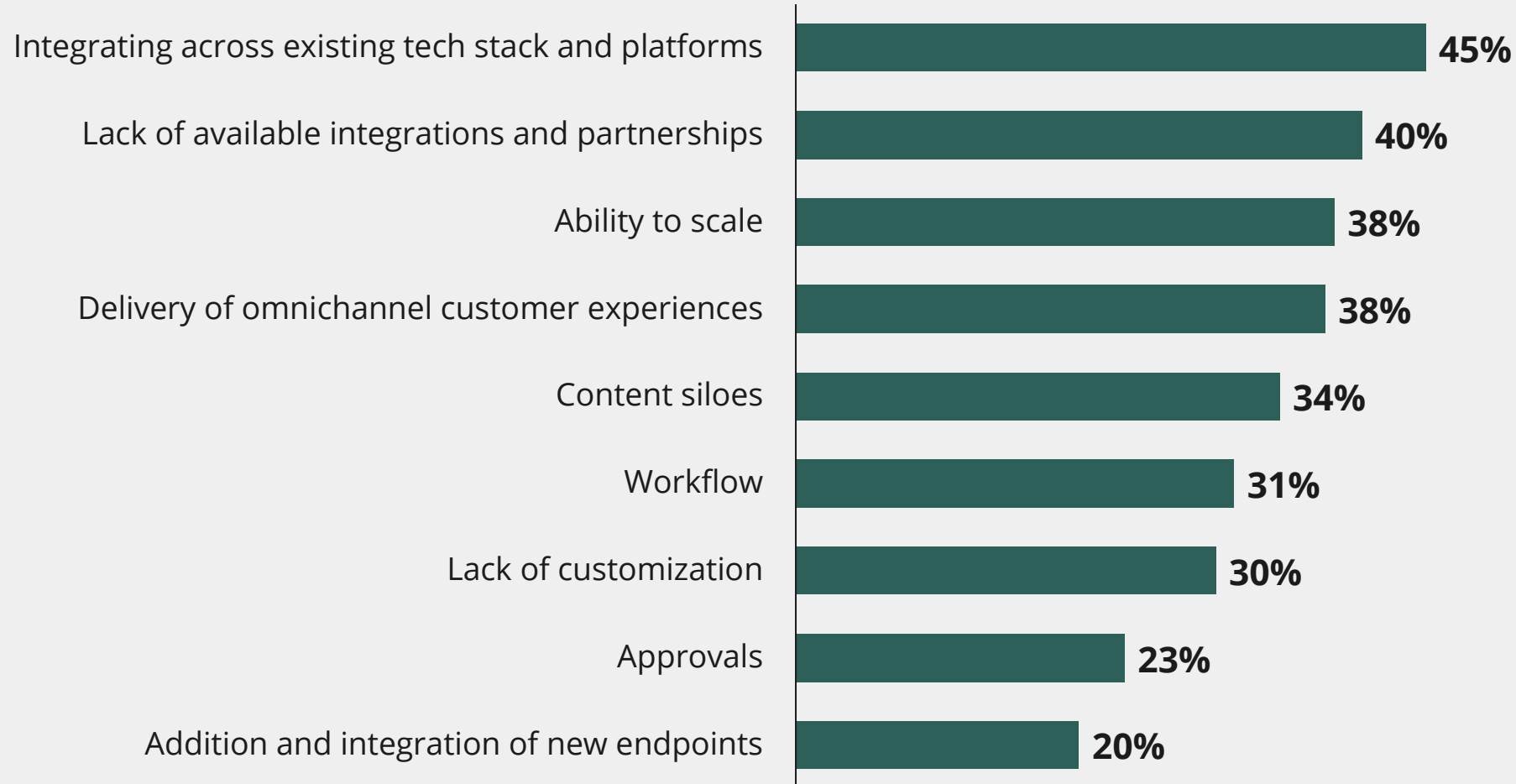
- Content creation planning, workflow and collaboration;
- Storage, management and organization of content
- Segmentation and personalization of customer experiences
- Delivery of premium content (across TV/ video, digital media, subscriptions and syndications)
- Management of e-commerce inventory

Why are they more important now than ever?

- **Increasing need to aggregate content** from silos and to enable LLMs for use in Gen AI
- Increasing spend, content proliferation **driving the need for better content governance**
- **Emergence of new measurement KPIs**, including those of Return on Content Spend and Asset Lifecycle Management

Integrations, Scalability and Ability to Deliver Omnichannel Experiences Represent Primary CMS Platform Challenges

Top Challenges of Current CMS Platform *(% of respondents who gave challenge a 1-3 rating)*



Outlook 2024: **Follow the Money**



Outlook 2024: Growth Expected to Double, Driven By 2024 Presidential Election; Sustainability Moves to the Front

- US GDP growth forecast at 1.5% in 2024 – slower than 2023?
- “Higher for longer” Interest rates and a likely decline in H2 2024
- Unemployment rate increase to +4.4%?

Considerations for 2024:

- Global conflict expansion
- Presidential years are typically good for the advertising industry- but this one could be painful
- **Sustainability.** It's an increasingly significant consideration across advertising, marketing and product packaging, media buying and creative production management. The commitment is *real* -- backed by regulatory pressure and led by global brands. Expect “green washers” to get called out and reputation management to be a priority

US Advertising and Marketing Spending (2020-2024P, \$US BB)

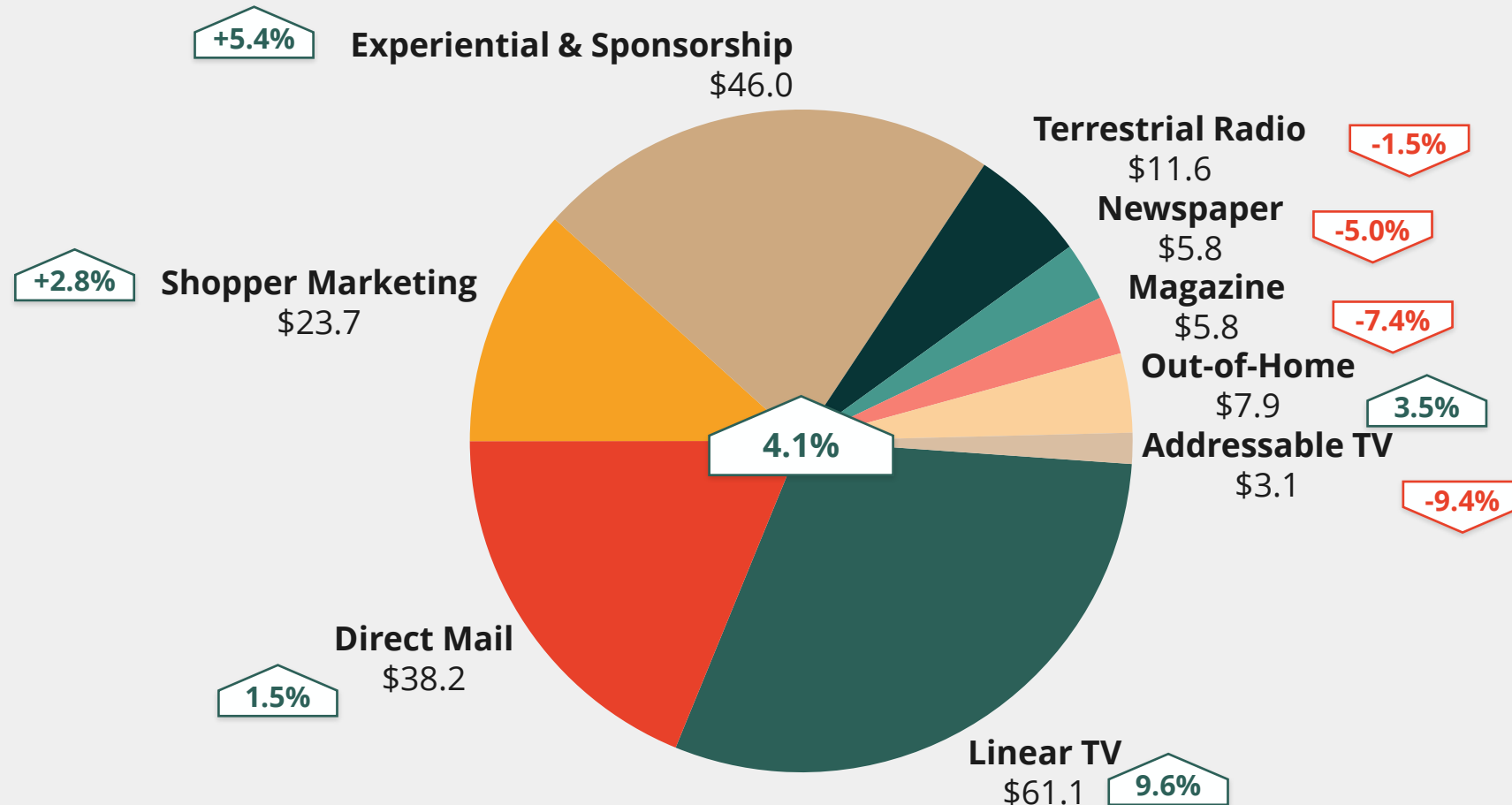
Year	Spend (\$BB)	YoY Growth (%)
2020	\$368.27	21.8%
2021	\$448.46	
2022	\$490.2	9.3%
2023	\$515.1	5.1%
2024P	\$570.0	10.7%

Outlook 2024: Political Cycle to Sustain Offline Marketing Spend

US Offline Marketing Spend

(\$BB, 2024P)

TOTAL: \$203.1

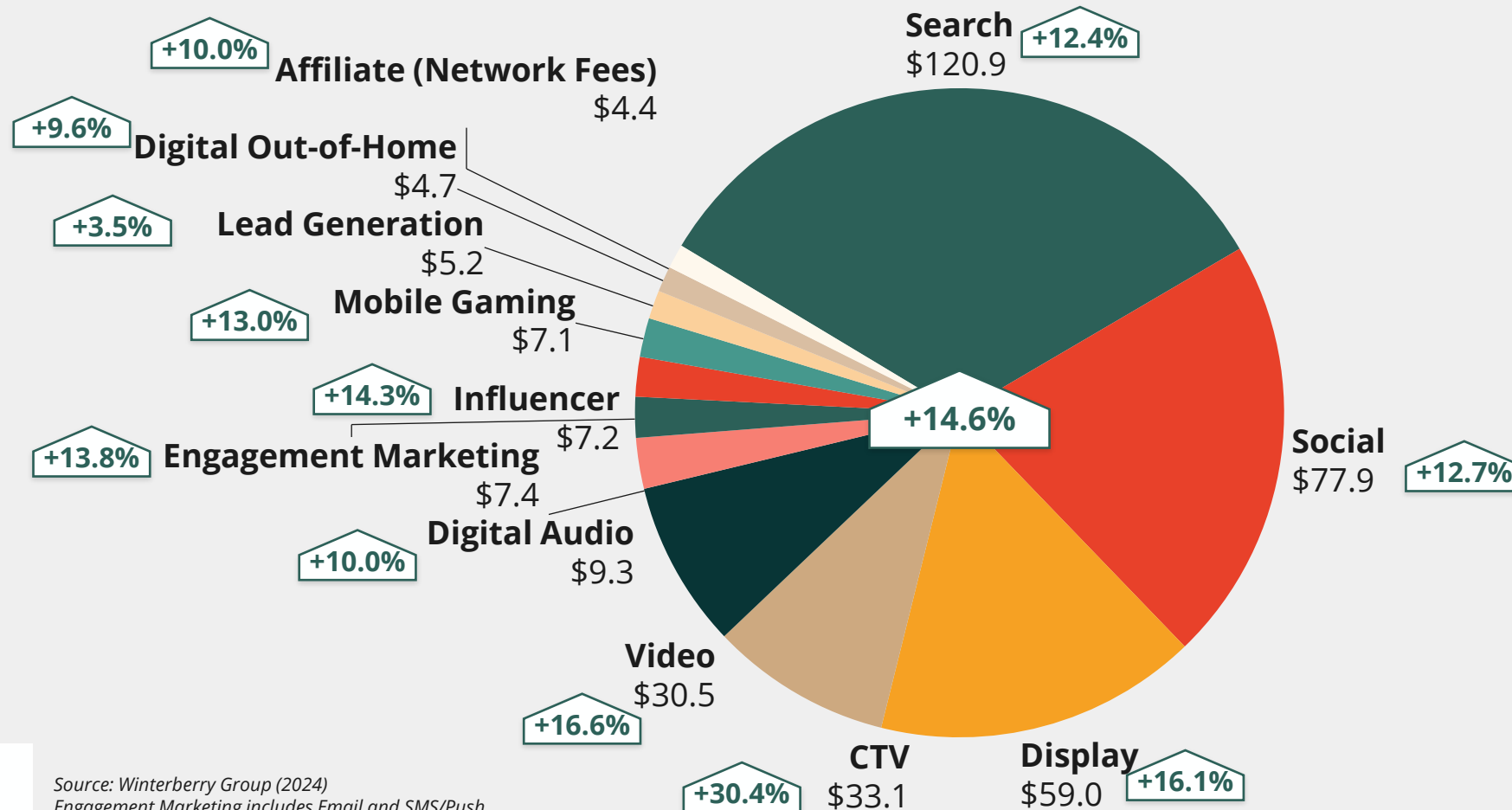


YoY
Growth

Outlook 2024: Continued Online Spend Growth - Once Again Driven by Increased Investment in CTV and Retail Media

US Online Marketing Spend (\$BB, 2024P)

TOTAL: \$368.8BB



YoY Growth

Outlook 2024: Investment in First-Party Data, Cloud Architecture for Speeding the Data Layer, AI Use Case Adoption; More Targeted Media

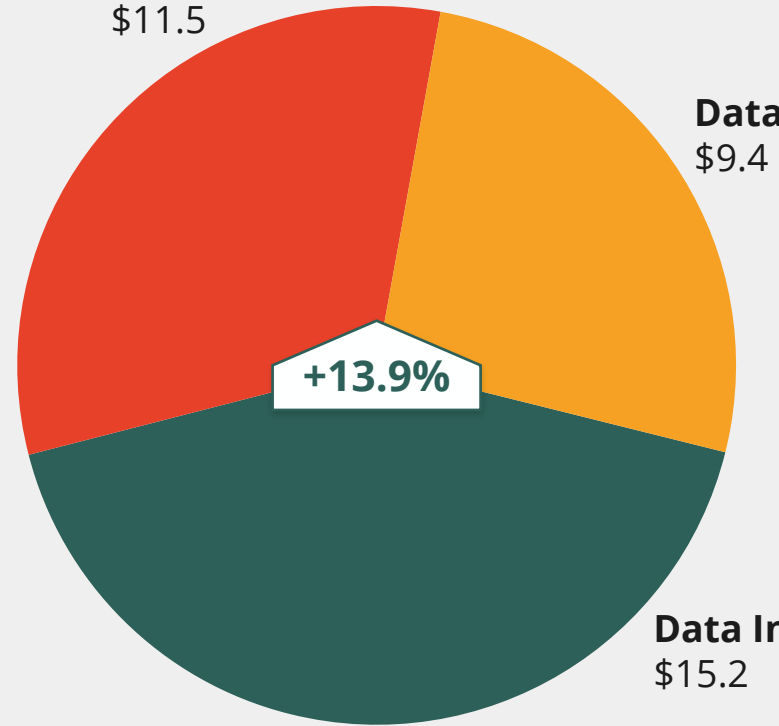
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TOTAL: \$36.1BB

Data Services: includes identity resolution (matching, linking, onboarding and destination charges), predictive/prescriptive analytics, measurement, attribution & verification and data solution integration

+14.6%

Data Services
\$11.5



+12.8%

Data
\$9.4

Data: includes third-party data licensing across digital and traditional channels (including Identity graph licensing) and first-party data costs for off-platform targeting in retail and addressable TV

+14.1%

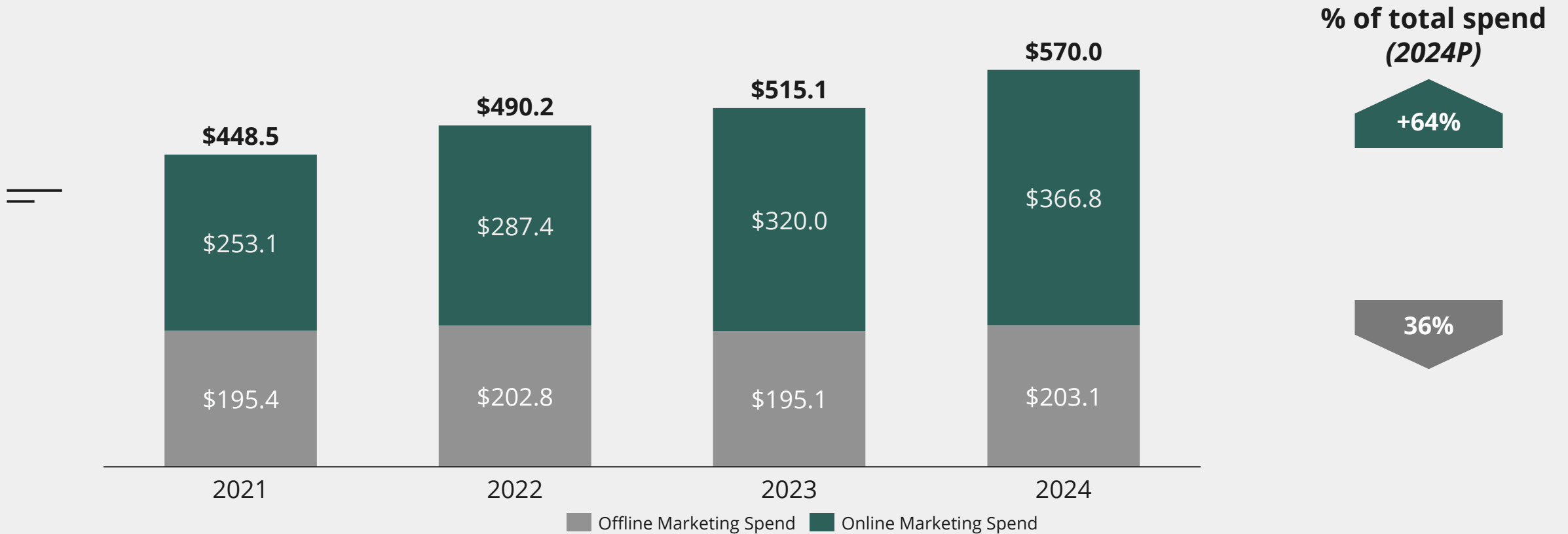
Data Infrastructure
\$15.2

Data Infrastructure: includes database management & hygiene (CDP, CRM, Data lakes / warehouses), data collection & ingestion tools, DMP and collaborative data environments (Data Clean Rooms)

YoY
Growth

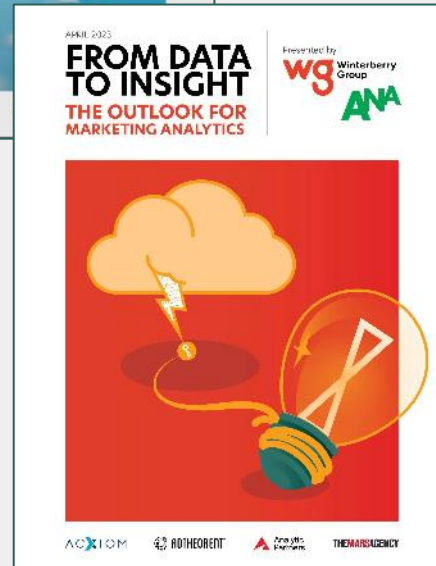
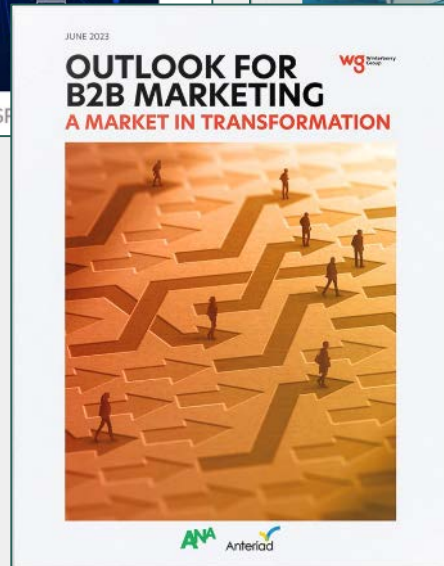
Outlook 2024: You Can't Do Omnichannel in a Silo, There Is No Hiding from Gen AI – Look for a Transformative Year

US Marketing Spend on Offline and Online Channels
(\$BB, 2020 - 2023)



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Recently published whitepapers:



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Coming Soon:

- The New Creative Paradigm: How AI is Transforming Video and Content Production (*Jan 2024*)
- Evolution of the Data Layer: The Changing Role of the CDP (*Feb 2024*)



Thank you.

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