



Oaklins

Think different

SPOT ON | CREATIVE SERVICES | DECEMBER 2020

“A year like no other. COVID-19 disrupted business and people throughout the world. Companies pivoted to focus on their employees, new ways of working and helping those in need. The pandemic also contributed to massive changes in customer behavior.

Marketers reduced advertising spending, however, they maintained a commitment to customers primarily through digital channels. In many ways, COVID-19 accelerated the trends of digital transformation within organizations and digital marketing to customers.

M&A fell off during the first half of the year, however a rebound is underway — supported by the recent vaccine breakthroughs. There is renewed appetite for creative services — particularly those with capabilities that helped companies weather the pandemic and that will continue to be of interest when COVID-19 is behind us.”

JOHN KAISER
CREATIVE SERVICES SPECIALIST
OAKLINS

CHALLENGING TIMES

COVID-19 has affected over 210 countries, with a reported 73 million cases and 1.6 million deaths as of 16 December 2020. First reported in China in November 2019, the virus hit Europe and the United States in January 2020, followed by other regions in February. While steps have been taken to control the virus, a resurgence is underway, with over 500,000 new cases being reported each day.

COVID-19 challenged governments and healthcare systems, and turned the world upside down. Education, shopping, entertainment, sports — everything has been transformed. Of concern is the economic and social impact of the pandemic. Industries have been decimated, job losses have put millions of people at risk of falling into poverty and stress and isolation have elevated mental health and substance use issues.

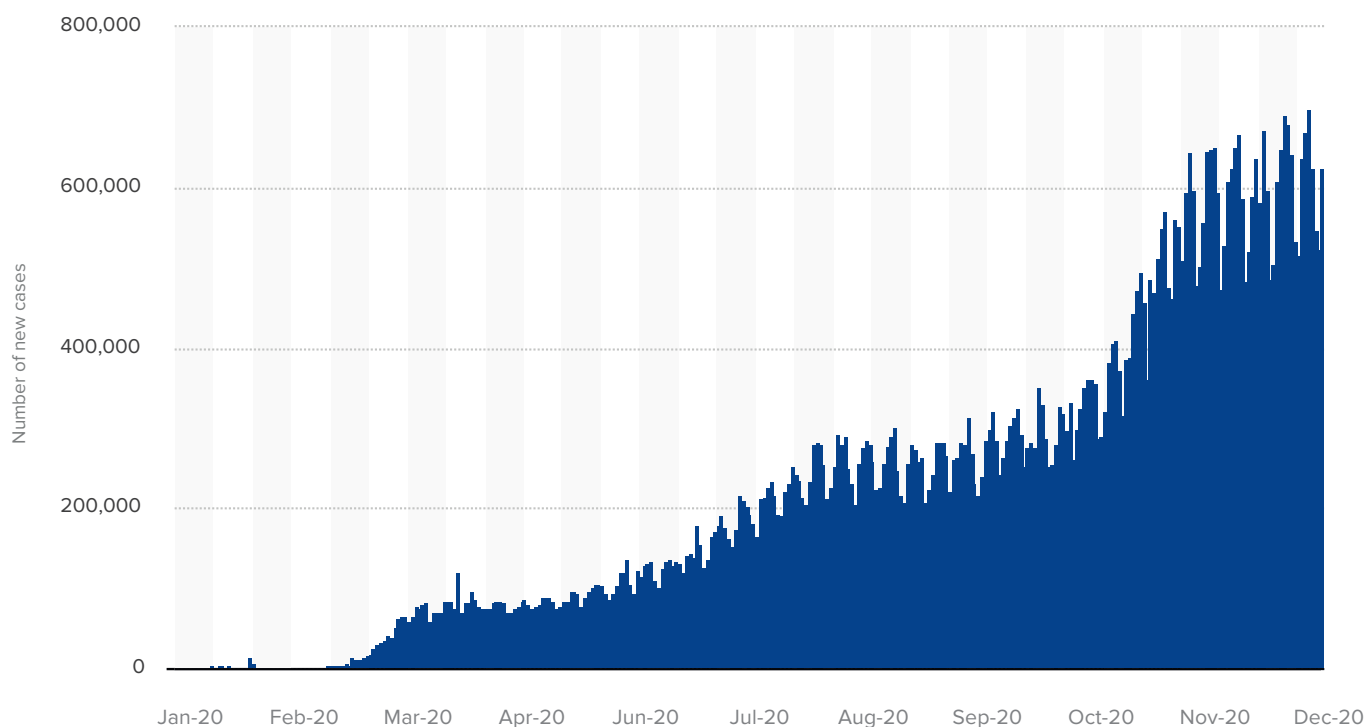
On top of the pandemic, racial injustice and social unrest grabbed headlines and rocked neighborhoods. Voices were raised, and corporate leaders vowed to act.

On 9 November, Pfizer announced that a vaccine developed with BioNTech proved to be effective in preventing COVID-19. Other vaccines including one from Moderna also had positive test results. On 2 December, the UK gave emergency approval of the Pfizer vaccine, followed by the United States a week later. Immunizations have begun in many countries and will accelerate with further approvals in 2021.

There is light at the end of the tunnel. Nonetheless, COVID-19 cases continue to rise at an alarming rate and questions exist regarding vaccination logistics, vaccine acceptance and the duration of the immunity. It will take time before COVID-19 is under control and, even then, many of the changes brought about by the pandemic will become accepted norms.



Daily COVID-19 cases through 13 December 2020



Source: Statista 2020

In August 1997, Apple launched the “Think Different” campaign. It featured revolutionary icons (Einstein, Muhammad Ali, John Lennon, Picasso, etc.) and was a challenge to IBM’s “Think IBM” campaign. At the time Apple was suffering serious financial losses and its future was in doubt, quite a difference from Apple being one of the world’s most valuable companies. In introducing the “Think Different” campaign, Steve Jobs stated that “marketing is about values.” He noted that customers want to know “who is Apple and what is it that we stand for? Where do we fit in the world?” Jobs followed with the core value of Apple — it believes: “People with passion can change the world for the better” and “people who are crazy enough to think they can change the world are the ones that actually do,” a line from the campaign. Coupled with product and distribution initiatives, the “Think Different” campaign played a key role in one of the greatest turnarounds in corporate history.



We're eager to have the pandemic behind us, and long for change from systemic racism and social unrest.

To find solutions, we need to think different. This issue of Creative Services will celebrate creativity, highlight some of the ways marketers and the creative community navigated COVID-19, review industry developments and offer thoughts on how the lessons from 2020 may impact the future of creativity.

VALUE OF CREATIVITY

As companies continue to be challenged by COVID-19, it's important to keep in mind that creativity is vital to the well-being of organizations. Creativity is the essential ingredient to building brands and businesses:

- IBM identified creativity as the most crucial factor for future success. It concluded from a survey of 1,500 CEOs across 60 countries that: “Creativity creates jobs, drives economic growth and provides an answer to societal needs.”
- Forrester found that: “Companies that embrace creativity outperform peers and competitors on key business performance indicators, including revenue growth, market share and talent acquisition.” The Forrester study was commissioned by Adobe.
- McKinsey reported that: “Creativity is associated with superior performance ... it is at the heart of business innovation and innovation is the engine of growth — creativity generates business value.” A separate study by McKinsey reported that “companies that perform well on an Award Creativity Score tend to outperform in financial metrics.” The study was done in concert with the Cannes Festival of Creativity.

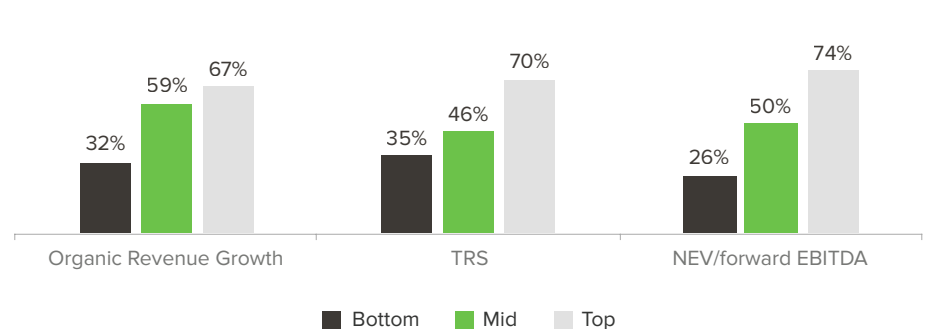
There are numerous other studies that point to the value of creativity, and countless brands owe success to brilliant ideas that created enduring connections with customers.

Nonetheless, in difficult times, creativity can be overlooked.

In the midst of the pandemic, in May 2020, Deloitte undertook a study with senior leaders of 405 companies. Not surprisingly, there was a substantial drop-off in C-suite confidence. For CEOs the level of confidence declined to 35% from 55%, and for CIOs the decline was to 17% from 41% compared with the prior year.

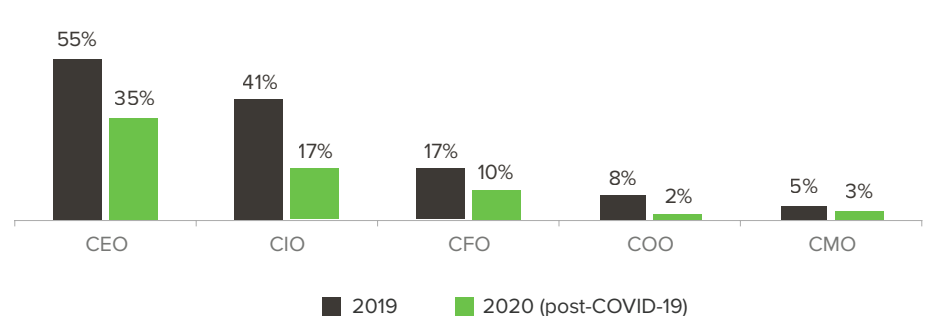


Likelihood that creativity score quartile has above-average financial performance



Source: McKinsey & Company

C-suite executives have all seen a significant drop in confidence



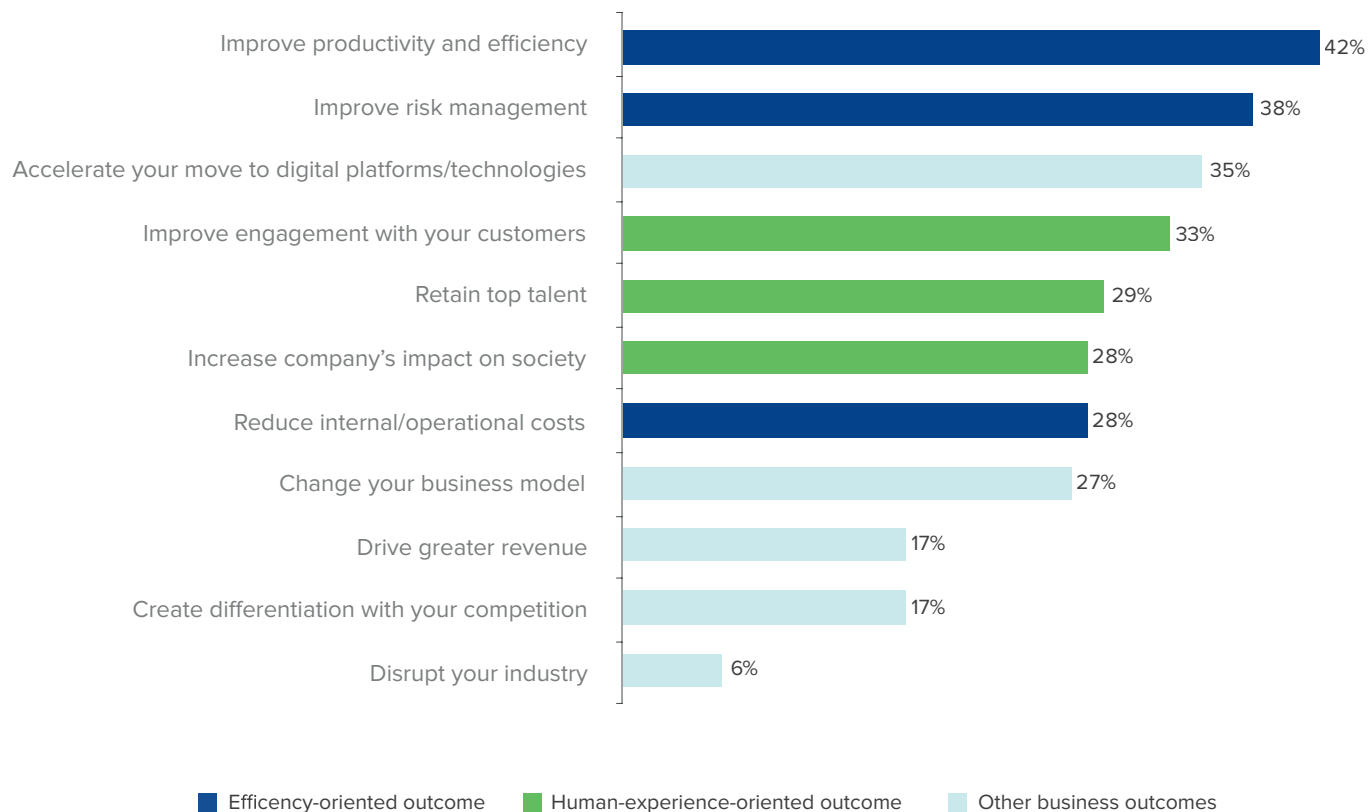
Source: Deloitte Global Marketing Trends C-suite Survey

As management became less confident, there was a shift in priorities. Productivity

and efficiency became the number one priority, whereas customer engagement

fell to the fourth position.

Greater productivity and efficiency are the top outcome executives hope to achieve while responding to COVID-19



Source: Deloitte Global Marketing Trends C-suite Survey

It is understandable to focus on productivity and efficiency in times of crisis. In fact, these strategies should be pursued at all times. However, the initiatives should not take priority over customers.

A Forrester study of 1,024 companies concluded that "customer experience

has moved from competitive differentiator to business imperative ... Customer-obsessed companies have the highest median three-year growth in sales, the highest level of customer satisfaction and the highest levels of employee satisfaction." The 2018 study was commissioned by Adobe.

A commitment to customers is the hallmark of successful companies, and during times of uncertainty and anxiety it is more important than ever for brands to strengthen connections with customers.



CREATIVITY AND COVID-19

Companies shifted priorities with COVID-19. Most reduced marketing spending, and many implemented worthwhile programs to help employees, communities, families in need and frontline workers. Media spending declined about -30% during the first half of 2020. Despite the shifts and lower spending, creativity forged ahead — often with content driven by the pandemic. Leveraging social, political or health issues can be risky for brands and agencies. Nonetheless, with humanity and respect, the creative community delivered inspired creativity in the midst of the pandemic. Below are a few examples:

- **Facebook.** “We’re Never Lost If We Can Find Each Other.” The film uses real stories and user content to celebrate the ways in which people are coming together and staying connected during the pandemic. Kate Tempest narrates the film with her song “People’s Faces.”
- **Apple.** “Creativity Goes On.” The commercial is a montage of people, including celebrities, finding new ways to create and share their creativity during the pandemic.
- **Dove.** “Courage is Beautiful.” The commercial is a series of portraits of nurses and other frontline workers. Copy: “To all the frontline heroes, we thank you for your courage and care.”
- **Guinness.** “St Patrick’s Day.” Through images of past parades and people enjoying pints together, Guinness encourages humanity and resiliency — “a while back we signed a 9,000-year lease on our brewery, so we’re not going anywhere.”
- **Nike.** “Split Screen.” The ad is an inspirational tribute to perseverance. It features professional and amateur athletes, and images related to COVID-19 and diversity, who come together through a split screen. “Nothing can stop what we can do together.”
- **Babyshop.** “A World We Deserve.” The film captures children reflecting on the good things happening in the face of COVID-19 — people taking care of one another and families doing fun things together.

At a time of anxiety, creativity brought connectedness and optimism.

CREATIVITY AND DIVERSITY

The tragic deaths of Black men and women led to a groundswell of support to address racial inequality. The Black Lives Matter movement raised voices, and companies vowed to take action to improve racial equality. The outpouring and level of support is unprecedented. Through 1 November 2020, nearly US\$40 billion has been committed to address racial inequality. The largest contributor to date is **JPMorgan Chase, which pledged US\$30 billion** in October 2020.

In addition to JPMorgan Chase, pledges have been made by Citigroup for US\$1.1 billion, Bank of America for US\$1 billion, PayPal for US\$530 million and PepsiCo for US\$400 million. Companies committing US\$100 million each are Walmart, Apple, Facebook, Comcast, IBM, Softbank, Sony and Warner Music. Michael Jordan and the Nike-owned Jordan Brand also pledged US\$100 million. To date, 60 of the Fortune 100 have announced financial commitments to address economic and racial inequality.

The organizations have made pledges to such initiatives as affordable housing, improving education, criminal justice reform, minority businesses, local communities, and foundations

and initiatives, including Black Lives Matter, the National Association for the Advancement of Colored People (NAACP), Innocence Project, Equal Justice and others.

In addition to financial pledges, many CEOs outlined steps that will be taken to improve diversity within their organizations and advance minority businesses. **PepsiCo** committed to 1) expand PepsiCo’s Black managerial population by 30% by 2025, 2) double the spending with Black-owned suppliers and 3) invest to strengthen local Black-owned businesses.

PayPal reported that, in addition to its US\$530 million investment, it will implement internal programs to increase the number of Black employees and ensure marketing celebrates diversity. **Facebook** pledged to double the number of Black and Latinx employees by 2023 and increase leadership positions by 30%.

As companies stepped up efforts to address racial inequality, so too have marketing communications firms. In July 2020, agencies released employment data regarding race. The result was a lack of diversity, particularly at the mid and senior levels. At the agency holding companies, less than 3% of executive positions were held by Black employees. To drive change, management hired chief diversity officers, formed diversity councils and engaged advisors to improve hiring processes and create a more diverse culture.

“Systemic racism is a tragic part of America’s history ... We can do more and do better to break down systems that have propagated racism and widespread economic inequality, especially for Black and Latinx people. It’s long past time that society addresses racial inequities in a more tangible, meaningful way.”

JAMIE DIMON
CEO OF JPMORGAN CHASE

More diversity within agencies is not only the right thing to do, it will improve the quality of the work. In 2019 Adobe conducted research with 2,000 consumers and found that 66% of African-Americans and 53% of Latino and Hispanic Americans believe their ethnicity is portrayed stereotypically in ads. This results from creative teams not having a firsthand, intimate understanding of multicultural audiences.

The lack of diversity within agencies is not lost on marketers. In June 2020, Burger King's CMO, Fernando Machado, blamed a lack of diversity across the ad industry for its disconnect with the African-American community. Machado tweeted: "Dear creative community, please do not send me another idea for a stunt to show that we support the African-American community. Instead, hire more African-Americans for the agency. Or help us evolve the diversity agenda here in my company. Actions, not ads." Since marketers control agency remuneration, they can make diversity a reality. Global EVP marketing and chief diversity and inclusion officer Aline Santos leads Unilever's pledge to remove harmful stereotypes from its ads. She stated that Unilever "will not spend as much with agencies that can't do better on diversity."

While the large agency groups have outlined specific diversity agendas, it is unclear if they have made any substantive progress. What is crystal clear, however, is the zero tolerance of racism within the creative community. In mid-October 2020, the founder of the largest independent ad agency in the United States, The Richards Group, made a racially insensitive comment about an ad during a call with employees. This led the client, Motel 6, to end its 30-year relationship with the agency. Other clients gave notice as well. While the founder, Stan Richards, stepped down, the agency lost about 40% of its business in two weeks.

With the commitment to improving racial equality, greater attention will be directed to multicultural marketing. Marketing budgets to Black and Latinx

audiences will increase, and creative work will reflect diversity. There is much to be done. However, diverse creative teams and multicultural agencies have created some noteworthy work addressing racism:

- **Nike.** "Don't do it." After the death of George Floyd, Nike reversed its iconic slogan in a video to "For Once, Don't Do It." The message: "Don't pretend there's not a problem, Don't turn your back on racism, Don't make excuses, Don't sit back and be silent."
- **Procter & Gamble.** "My Black is Beautiful." ("The Talk" campaign.) The campaign portrays Black mothers talking with their children about the prejudices and risks they will face growing up because of the color of their skin. "Let's all talk about 'The Talk' so we can end the need to have it."
- **Ad Council, R/GA.** "Love Has No Labels. Fight for Freedom." The commercial portrays idyllic images of America and freedom followed by simple, everyday activities that led to harassment and murder of innocent Black lives. "All Lives Can't Matter, Until Black Lives Matter."
- **Comcast.** "Vision of King." In celebration of Martin Luther King Day, people were given the opportunity to share in the dream of equality and become part of Dr. King's legacy. Thousands of photos, videos, and artwork were posted by people and used to create an interactive mosaic of Dr. King.

In addition to campaigns, an innovative program was executed by Edeka, the German Supermarket. The store removed all products on its shelves that were not made in Germany to make a statement about diversity. Shoppers who entered the store were faced with empty shelves. The program received considerable press coverage worldwide.

To address racial inequality, the marketing and communications industry is finally moving from rhetoric to action.

CREATIVITY AND DATA

Advertising was long defined by 30-second commercials and print ads. The creative idea was paramount, and many regarded research and data as threats to the creative process.

The medium gained in importance, leading to context being judged as important as the content. The growth of digital media brought measurement, automation and new platforms to reach and interact with audiences. Now, technology, data and analytics are bringing advancements to audience targeting and creativity.

Through data and analytics, marketers and agencies have the ability to understand audiences — their behavior, interests, sentiment and journeys. This knowledge, coupled with media platforms, enables marketers to reach the right audience, at the right time, in the right environment with the right message. Rather than posing a threat to creativity, data is being used to drive the development and improvement of ideas and to deliver the work in relevant and creative ways to audiences. Creativity and data are vital to successful marketing and advertising programs.



McKinsey reported, “Companies that harness creativity and data in tandem have growth rates twice as high as companies that don’t.”

McKinsey went on to comment that: “The best marketers are leveraging creativity and integrating it with data across the entire marketing value chain — from insights, to strategy, websites, customer experiences, products, pricing, social, communications and media.” McKinsey recommends that companies “treat data and creativity as equal partners.”

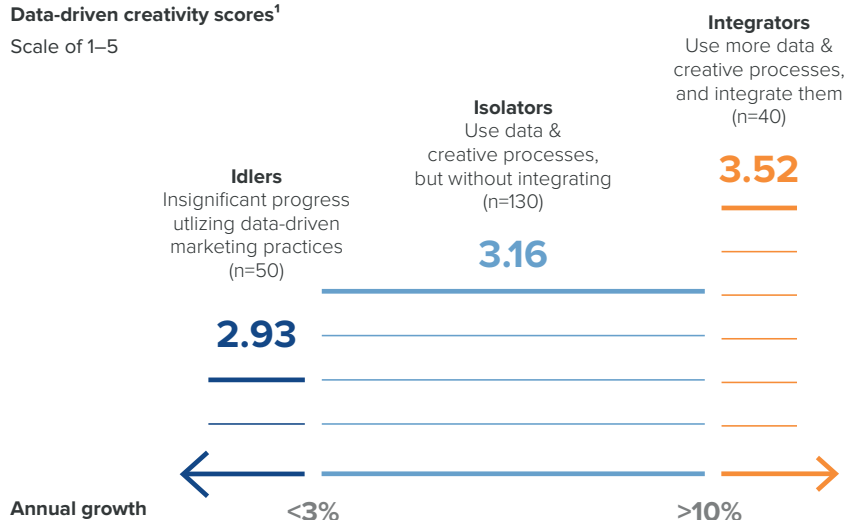
The desire for data and creativity has been driving investments by some of the largest companies serving marketers.

Global consultancies, with data and insights in their DNA, acquired creative agencies. The acquisition of Karmarama and Droga 5 by Accenture, and Heat by Deloitte, are a few examples.

Marketers who integrate creativity and data drive more growth

Data-driven creativity scores¹

Scale of 1–5



1. An index examining the level of integration between data and creativity within the marketing













Source: McKinsey&Company

Consulting firm	2020	2019	2016–2018
accenture	N3yesler, CreativeDrive, VANBERLO	droga, storm DIGITAL, Bow&Arrow, Shackleton PXP/X, HJALTELIN STAHL	MARKFVISION, SINNERSCHRADER, ROTHCO, KARMARAMA, GOOD WORKS, new Content, designaffairs, mxm, clearhead, MOBGEN, Kolle Rebbe, Kunstmaan, IMJ GROUP, altima
Deloitte	keytree	stitch, Pervorm	Brandfirst, heat, ACNE, blab, E
Capgemini	PURPOSE		DOING, LYONS CG, Fahrenheit212, itelios, idean
EY	DOBERMAN	Fortune Cookie UX Design	Applix, etventure, million you
Infosys			WONGDOODY, brilliantbasics
BAIN & COMPANY	PYXIS		FRWD, ADK
IBM			RESOURCE AMMIRATI, aperto, USTREAM
BCG		All of Us	MVYA
OLIVER WYMAN			WORKS consulting

The agency holding companies, with creativity in their DNA, acquired data companies. Through the end of 2019, more than US\$12 billion was invested by the agency groups to acquire and build

out their big data management tools. Some of the noteworthy transactions include Dentsu's acquisition of Merkle in 2016, IPG's purchase of Axiom in 2018 and Publicis' purchases of Sapient

in 2015 and Epsilon in 2019. Agency networks that have not acquired data and analytics companies have formed partnerships to enable data-driven creative solutions.

Date	Agency holding co.	Data acquisition	Company description	EV (US\$m)
Mar-20			Behavioral analytics	-
Jan-20			Digital intelligence	-
Oct-19		smart digital 	Personalized customer interactions	-
Jul-19	 PUBLICIS GROUPE		Data-driven marketing tech	4,400.0
Dec-18			Data-driven marketing	150.0
Nov-18	 PUBLICIS GROUPE		Tech & data consulting	-
Oct-18			Database marketing services	2,330.0
Aug-18	 PUBLICIS GROUPE		Data-driven agency	-
Jan-18		 HELLO WORLD	Consumer behavior	-
Jun-17			Digital analytics and testing	-
Sep-16			Web-based analytics	-
Sep-16		 accordantmedia	Data-driven audience targeting	-
Aug-16			Performance marketing	1,600.0
Jul-16			Database marketing	22.4
Mar-16		 CARDINALPATH	Data & marketing analytics	-
Jan-16			Predictive and cross-channel marketing	-
Jan-16			Data management platform	-
Sep-15	 havas		Interactive data marketing	75.0
Feb-15	 PUBLICIS GROUPE		Tech & data consulting	3,680.0

Source: Pitchbook and ODP Team Analysis

Data-driven creativity is accelerating through advanced tools such as artificial intelligence (AI). AI enables vast amounts of data to be analyzed and interpreted. AI, with machine learning, is used in all the major ad platforms to optimize digital targeting and spending. The use cases are broadening with systems that can create ads, analyze and manage ads, optimize spending and improve performance in real-time at scale. By 2023, it is estimated that over 10% of all digital creative and media tasks will be automated. These are the repetitive tasks that can be more efficiently managed by machines.

Lexus had a commercial created through AI and machine learning by IBM Watson. Despite such efforts, a human touch will not be eliminated anytime soon. Data, analytics and AI are being used for customer insights to guide creative development; they are not connected to the creative development process. At some point AI and machine learning, coupled with human creativity, will transform the industry.

Although opportunities exist to advance media and creativity with data, challenges exist with General Data Protection Regulation (GDPR) in Europe, California Privacy Rights Act (CPRA) in California and similar privacy legislation in other geographies. With the end of third-party cookies on the horizon, marketers and their creative partners will leverage existing relationships and first-party data. Further, the industry will likely find new ways to gain and leverage customer knowledge. One solution gaining traction is the Unified ID 2.0, designed by The Trade Desk, a demand-side platform. Nielsen recently joined LiveRamp and Criteo in supporting the open-source solution.

While data can elevate and validate ideas, it can also be an integral part of the campaign:

- **Puma** store opening in New York. The company used behavioral research and customer insights to develop a creative platform, the Skill Cube. Through a multisensory, immersive digital environment, customers put on a pair of Puma sneakers and were coached by professional soccer players in the Cube.
- **Alaska Airlines** partnered with Surfline, a surfing company, to promote fares to Hawaii. Tracking waves in Hawaii, the swells dictated the airline's fare discounts. For example, 20-foot waves resulted in fare discounts of 20%.
- **Petz**, a Brazilian pet store, used AI to identify key indicators of interest by dogs (e.g. ears, eyes, head position) and applied facial recognition in its program. When shopping online, toys and treats of interest to a dog would be added to a basket based on the dog's facial response.
- **Biofreeze**. "The Pain is Coming." The muscle pain reliever delivered exercise-related content to people aligned with their interests, such as a running ad to those who had just completed a jog. It also targeted people 24 hours after a workout, reminding them of muscle soreness and pain relief through Biofreeze.
- **Burger King**, the fast-food chain offered a Whopper for one cent to those who ordered it on the Burger King app near a McDonald's store. The app also gave directions to the nearest Burger King. For Halloween, Burger King offered a free Whopper to those who ordered it near the "scariest places on earth" — McDonald's, Wendy's and Jack in the Box restaurants that had closed.

CREATIVITY AND DATA

– Digital acceleration

Faced with an economic downturn and challenges from COVID-19, businesses cut marketing and advertising spending in 2020. They continued, however, to make technology investments in pursuit of **digital transformation**. Migration to cloud computing, customer relationship management systems (CRMs), data and automation tools, and other platforms were supported to meet the changing dynamics of a remote workforce, streamline processes and enable companies to become more agile. Technology investments were viewed as a way to help companies navigate the difficult business environment posed by COVID-19 and be better prepared for the future.

Digital transformation is crucial for organizations, as digital leaders achieve earnings growth 1.8 to 2 times greater than those with limited digital capabilities. In a Boston Consulting Group (BCG) study, 80% of executives confirmed that they will be pursuing digital transformation initiatives.

Despite the overwhelming commitment to digital transformation, many digital initiatives have not achieved goals. The BCG study found that only 30% of digital transformation projects met or exceeded target value.

The low success rate is attributable to many factors: the difficulty of change in large organizations, legacy processes and structures, and technology and talent not suited to the task. As companies gain learning and identify the right technologies and talent, the success rate will improve.

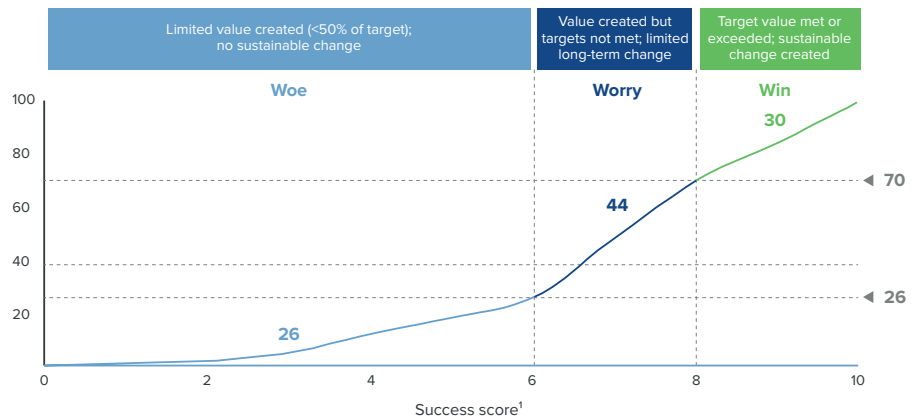
Just as organizations are pursuing digital transformation, they are also accelerating **digital marketing**. A Gartner Study with 432 marketing leaders in North America and Europe in July 2020 found that investments in marketing technology and spending on digital channels were the two areas shielded from cuts as a result of COVID-19. Marketers also reported that digital will account for 80% of budgets in 2020. Digital advertising spending for display ads, video, social media ads and paid search represents 22%. The remaining 58% is allocated to owned and earned digital channels — the website, mobile marketing, social marketing and search engine optimization (SEO).

Digital advertising spending has been shielded from spending cuts by most marketers worldwide. In 2020, total global advertising spending is forecast to reach US\$518 billion, a decline of -11.8% compared with US\$587 billion in 2019. While total spending will be sharply lower, digital spending is forecast to decline the least, -2.4%, to US\$278 billion worldwide.

Media spending forecasts in December are quite different than what was forecast at the beginning of the year, given the cuts as a result of COVID-19. Differences in forecasts also exist by source. One media organization projects a -2.4% decline in digital spending while other sources estimate +2% to +7% gains in 2020. Whether digital is slightly down or up, the one universal forecast is that digital spending will surpass traditional media spending in 2020 and account for 51% of all advertising worldwide.

Only 30% of digital transformations are successful

Share of transformations (%)

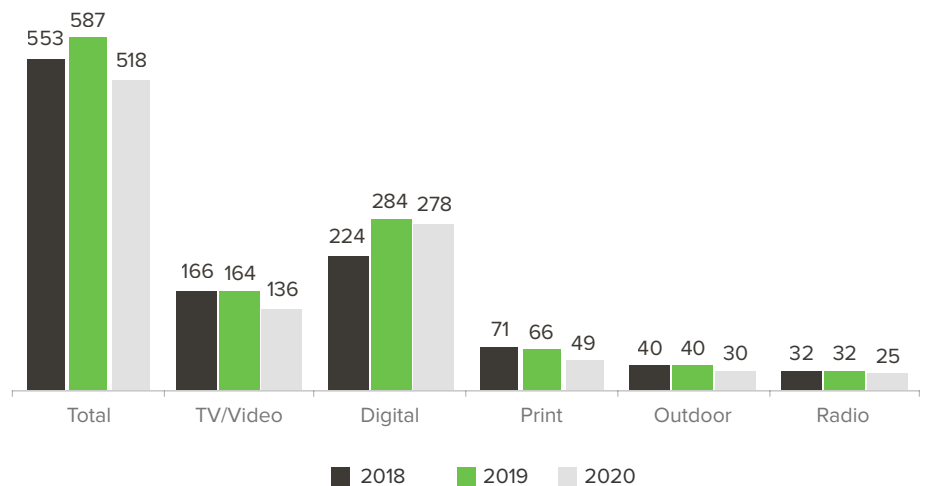


Note: Based on 895 transformations.

1. The success score is calculated on the basis of the percentage of predetermined targets met and value created, the percentage of targets met and value created on time, the success relative to other transformations, and the success relative to management's aspirations for sustainable change.

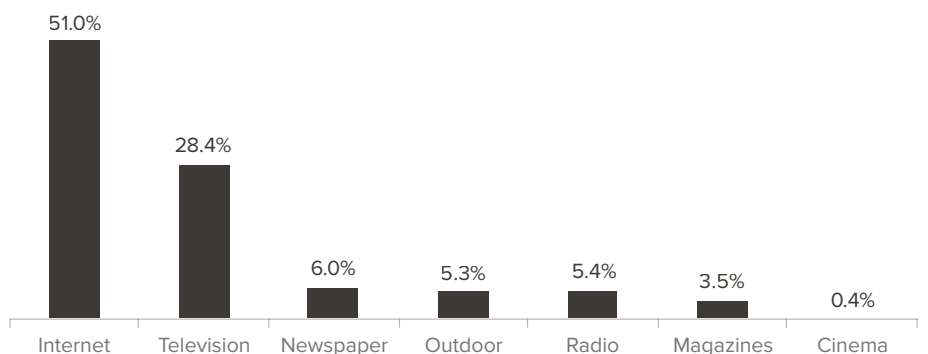
Source: BCG analysis

Global media spending, 2017–2020 (US\$ billions)



Source: Zenith (June 2020)

Global ad spend by medium, 2020



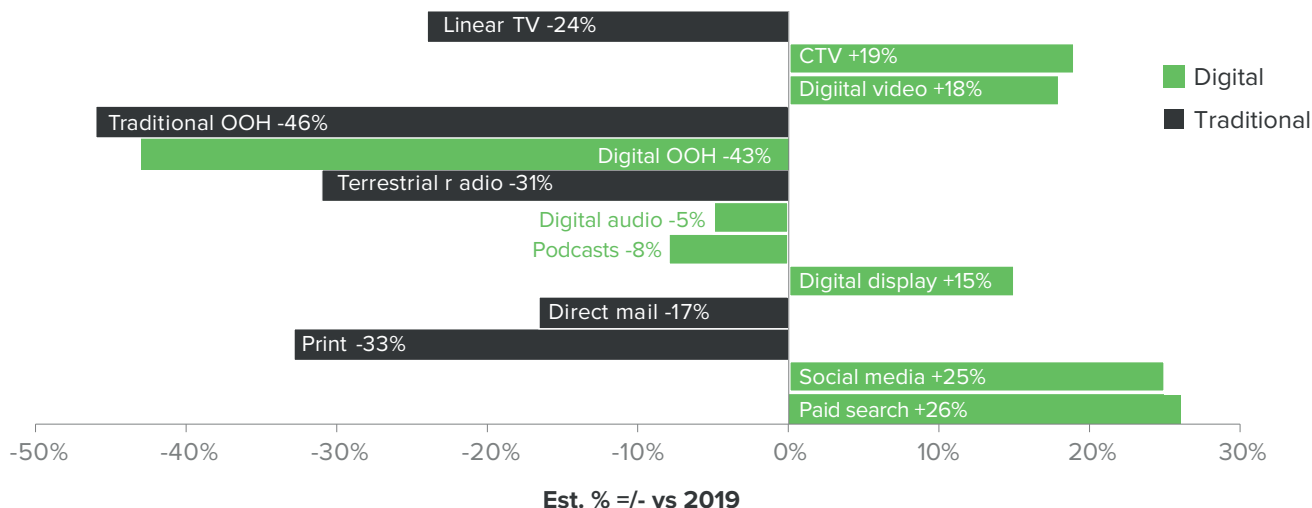
Source: Zenith (June 2020)

Within digital, paid search and social media account for the largest percent gains in estimated spending 2020 at

+26% and +25%, respectively. Digital video and digital display follow at +18% and +15%. Spending on television (linear

TV) is forecast to decline -24%, while connected TV is estimated to gain +19% in 2020 ad spending.

Est. % change in FY 2020 ad spend vs 2019



Source: IAB Media Buyers Survey

Digital spending has gained share of total spending at the expense of traditional media. The trend is expected to accelerate in the near term, with digital increasing from 51% of total global spending in 2020 to 55% by 2022. Five years later, by 2027, spending on digital channels is forecast to exceed US\$600 billion, with digital accounting for approximately 70% of all advertising spending worldwide.

CREATIVITY AND PURPOSE

In late 2019, the Business Roundtable released a new statement on the purpose of a corporation, signed by 181 CEOs of global organizations. Rather than serve the interests of shareholders, the statement broadened the role of companies to have a purpose beyond profits. The CEOs pledged to lead their companies for the benefit of all stakeholders — customers, employees, suppliers, communities and shareholders. The statement affirmed the essential role corporations can and should play in improving society.

Purpose is not only good for society, it is good for business. In 2019, a Deloitte study found that price and quality are the primary factors driving purchase decisions. However, over half of the respondents believe companies have a responsibility to act on issues related to their purpose. This belief is likely to grow in importance as young people around the world have a greater sense of purpose and are supporting causes important to them, such as climate change and equality. The Deloitte study also reported that:

“Purpose-driven companies witness higher market share gains and grow three times faster on average than their competitors, all while achieving higher workforce and customer satisfaction.”

The approach outlined by the Business Roundtable in late 2019 aligns with initiatives to improve racial equality and supports the need for companies to be

more human and empathetic to audiences in the midst of the pandemic.

While many companies have corporate social responsibility (CSR) initiatives and talk about corporate purpose, COVID-19 has been a time of accountability. The way companies responded during the pandemic has been a defining moment for them with employees and customers. Many organizations stepped up and sacrificed short-term profitability. They made financial commitments to their workers during the lockdown and donated millions of US dollars to communities hard-hit by COVID-19, masks to frontline workers, and food and supplies to hard-hit families. This was the right thing to do, and it will prove beneficial long term. Another Deloitte study, conducted during COVID-19, found that “58% of people could recall a brand that pivoted to their needs, and 82% said this led them to do more business with the brand.” Conversely, “more than 25% of customers who thought brands were acting in their own self-interest walked away from the brands.”

The purpose of a company is most effective when reflected in every aspect of its business — including marketing. Below are a few examples of how the purpose of a company has been presented creatively:

- **New York Times**, “The Truth Is Worth It.” The campaign showcases real-world situations in which journalists displayed courage and determination to find the truth. One commercial featured a journey to Myanmar to uncover reports of genocide.
- **Microsoft**, “We All Win.” The campaign features children with disability who are able to play games and connect with friends through Microsoft’s Xbox Adaptive Controller. The campaign promotes empowerment and inclusion.
- **Verizon**, “Love Calls Back.” The film presents real calls LGBTQ people had with family members, during which families reacted poorly to learning of their children’s or brother’s orientation. Through counselors, the parents and brother ultimately called back and reunited. The commercial reinforces connections through communications.
- **Ad Council**, “Whatever Gets You Talking.” Rapper Akinyemi and social media personalities are featured in a colorful and graphic commercial calling out various ways that can be used to open up a conversation about mental health with friends. Suicide is the second leading cause of death for 15–29 year olds, and COVID-19 elevated the stress many young people are experiencing.
- **Purpose Climate Lab**, “Help Delhi Breathe.” The film showcases people in Delhi trying to engage in outdoor activities, like jogging, yet being challenged by and concerned with the quality of the air. The video is part of a total initiative to drive governmental action to address air pollution.

FUTURE OF CREATIVITY

COVID-19 tested businesses. Those that weathered the pandemic implemented programs that will serve as blueprints for the future, with or without a crisis. Hopefully, COVID-19 will be behind us in 2021. However, it is doubtful that

business will return to normalcy, as conducted prior to the pandemic. Below are some lessons from COVID-19 that may be worth considering for the future.

- 1. Think different.** Thinking differently led to unique and beneficial programs during COVID-19. Beyond times of crisis, thinking differently leads to innovation and innovation drives business growth. Further, there are opportunities for innovation throughout an organization — in the structure, strategies, work processes and marketing programs. Thinking differently results in unique and engaging solutions, and in the diverse talent and teams responsible for creativity.
- 2. Act quickly.** In the midst of the pandemic, companies placed a premium on identifying solutions quickly. Further, massive changes in customer attitudes and behaviors required the rapid development of new programs and communications. The speed and agility demanded in 2020 will be standard for marketers and creative resources going forward. Agencies that fail to act quickly will be at risk. Marketers tend to have more than one agency and 64% have an in-house agency.
- 3. Customer-obsessed.** The marketing landscape is complex and getting more so with new channels and technologies. It is easy to get distracted, particularly with unsettling events and new ways of working. However, successful companies will remain focused on customers. These companies are aggregating customer data from different sources, integrating and overlaying customer experiences across the organization and using technologies and partners to gain insights. Companies who put customers first and are obsessed with understanding and delivering products and experiences aligned with their needs and desires will create lasting competitive advantages.
- 4. Focus on values.** Enduring customer relationships result from emotional connections with brands, not product

attributes. People are social at the core and lockdowns, masks, social distancing and not being able to be with friends and participate in events have taken a toll on everyone. There is a dire need for empathy, humanity and trust. Brands that offer customers programs and experiences that are useful, and that are grounded in authentic values will be rewarded.

- 5. Go digital.** COVID-19 accelerated digital transformation in part due to employees working from home. Despite challenges, many executives reported that their company worked better and faster than it did previously. Digital experiences also increased as a result of the stay-at-home economy. People spent more time with streaming video, e-commerce, social channels, gaming and apps that provided utility. Customer behavior was not lost on marketers as they continued to spend on digital despite cuts in total advertising spending. Finally, creative teams demonstrated the unique creative opportunities available through digital channels. Digital is and will continue to be the essential component of marketing.
- 6. Collaborate.** Collaboration has long been the hallmark of successful agencies. Collaboration with internal teams, clients, other marketing services and media companies. During COVID-19, marketers and agencies worked together quickly to develop new programs in response to changes in customer behavior. The creative programs often involved partnerships with other organizations that necessitated further collaboration. Key during the pandemic, collaboration and partnerships will continue to play an important role in confronting challenges and capitalizing on opportunities.
- 7. Optimism.** COVID-19, racial injustice and social unrest have taken a toll on all of us. After nearly a year, we’re still faced with uncertainty and anxiety. As organizations and the creative community move forward, we could all benefit from a little optimism.

FUTURE OF M&A

Reductions in advertising budgets as a result of COVID-19 led marketing communications companies to cut salaries, reduce staff and take other steps to weather the storm. The focus became addressing their own business challenges rather than acquiring additional companies.

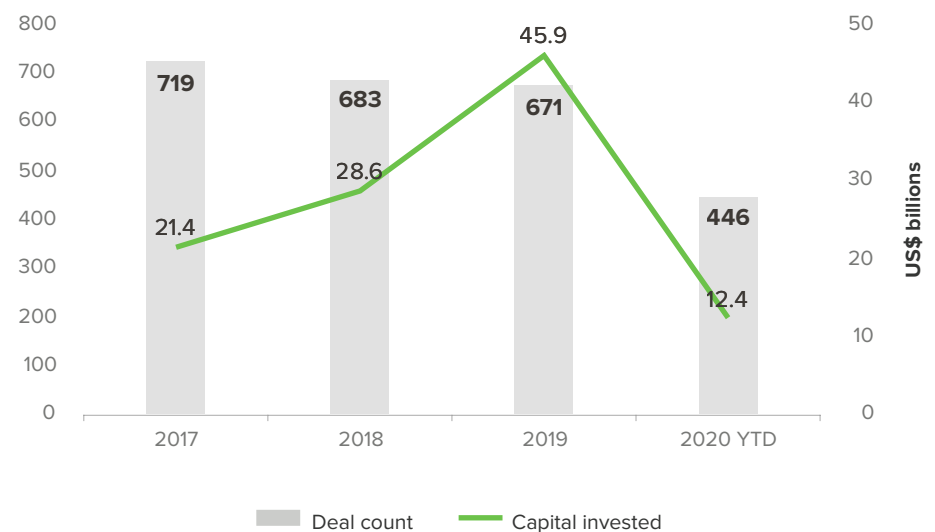
Further, questions arose regarding the ability of acquisition candidates to sustain revenue and clients in the midst of COVID-19. The net effect was that many of the traditional buyers of creative services put acquisitions on hold, and M&A in general slowed, particularly during the second quarter of 2020. The deals that were completed were at valuations generally lower than pre-COVID-19.

Through early November, the number of marketing and advertising deals globally declined -50% to 446, from 671 in 2019. The value of the deals was down -73% to US\$12.4 billion from US\$45.9 billion. The comparison is directional, as deal activity in 2020 is through 4 November compared with transactions during the full year in 2019.

The value of transactions in 2019 was exceptionally high. In addition to Publicis' acquisition of Epsilon for US\$4.4 billion, there were a considerable number of marketing technology deals by technology and internet companies. Salesforce acquired Tableau, a data visualization company, for US\$15.7 billion; Google purchased Looker, a cloud analytics company, for US\$2.6 billion; Twitter bought Fabula AI, a machine learning company; Oracle acquired CrowdTwist, a customer loyalty company; and transactions were also completed by Facebook, Microsoft, Sprinklr, Cision and others.

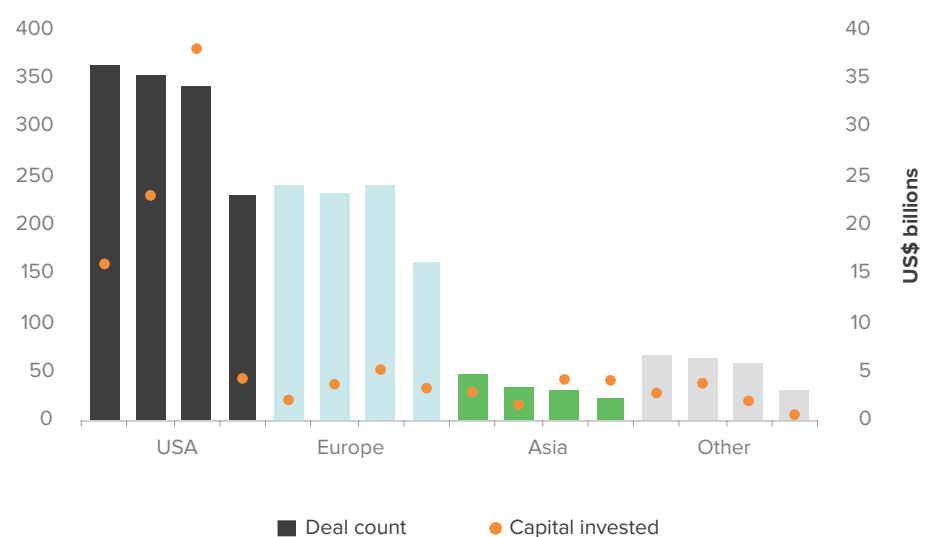
Geographically, the falloff in marketing and advertising transactions in 2020 occurred across all regions, with the United States and Europe accounting for the majority of the decline.

Marketing and advertising deals, 2017–2020



Source: Pitchbook and ODP Team Analysis

Marketing and advertising deals by region, 2017–2020



Source: Pitchbook and ODP Team Analysis

In the fourth quarter of 2020, COVID-19 remains a threat. Nonetheless, marketers and the creative community have learned how to conduct business in the face of the crisis. Also, many companies view the challenging environment as an opportune time to pursue acquisitions to gain a competitive advantage. For these and other reasons, the sentiment for M&A has picked up. The volume and particularly the value of deals will not return to pre-2020 levels in the near term. However, the outlook has brightened for marketing and communications businesses interested in exploring a transaction.

Below are some themes or target areas, aligned with trends discussed earlier, that are likely to be of interest to buyers:

- digital transformation
- customer insights
- e-commerce
- digital marketing
- creativity

1. Digital transformation. Investments in digital transformation are forecast to rise to US\$2.3 billion by 2023, an annual growth rate of 17.7%. As discussed earlier, many organizations encountered difficulty in achieving goals, and given the considerable investments, companies need to get it right. In addition to new technology platforms, companies that assist organizations in their digital transformation — guide them to the right tools, structure, talent and processes — are likely to be of interest to buyers. A few examples include strategic consultancies, agencies that help companies incorporate and/or

optimize tech stacks and firms that advise organizations on building or improving upon in-house agencies — particularly those responsible for programmatic media buying and digital content production.

2. Customer insights. Complementing research are a range of tools and platforms to collect and analyze customer data — customer intelligence platforms, customer data platforms and other technology with AI. Some are offering advanced analytics for customer insights and customer-journey analytics. Beyond research companies and data platforms, there are a range of acquisition candidates focused on providing an in-depth understanding of customers and guiding marketers to the right data. Companies with data scientists, as well as consultancies that analyze and offer solutions to improve marketing programs and the customer experience, are of interest to acquirers.

3. E-commerce. McKinsey reported that COVID-19 accelerated the trend toward e-commerce by 10 years in three months. Once the pandemic subsides, in-store shopping will increase. However, e-commerce will continue to be an integral strategy for retailers. The beneficiaries are e-commerce platforms, as well as services with an understanding of and experience in e-commerce. Of particular note are creative services that can deliver engaging and personalized online shopping experiences, possibly a voice-activated experience, and that have the technology and skills for e-commerce implementation.

4. Digital marketing will continue to gain share of total marketing budgets. The winners are the marketing technology platforms, internet companies (Google, Facebook, Amazon, Pinterest, etc.) and digital marketing services that deliver interactive programs and innovative customer experiences. Digital marketing services include a broad range of companies — digital creative agencies, web and software developers, social media agencies and influencers, mobile marketing firms, search companies, design and user experience firms, digital production and companies focused on emerging technologies — like virtual and augmented reality, and speech and voice recognition. Those with talent, a proven track record and high-profile clients will continue to be of interest to a universe of buyers looking to add or build upon digital skill sets to serve clients.

5. Creativity. The marketing landscape is evolving, and agencies and marketing service providers are becoming increasingly driven by data and technology. It has even been suggested that the agency of the future will be a software company. However, creativity is, and will always be, vital to organizations. Creativity builds businesses and has the ability to change culture. Organizations are looking primarily to acquire companies to propel digital transformation and digital marketing. Nevertheless, there will always be interest in firms that provide exceptional creativity.

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- Corporate finance services

Creative services is one of our focus areas. Combining comprehensive sector knowledge with global execution has led Oaklins to become the most experienced M&A advisor in the creative services sector, with a large contact network of the most relevant market players worldwide. This results in the best possible merger, acquisition and divestment opportunities for creative services companies.

If mergers, acquisitions or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you.



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John leads Oaklins' creative services team and is a partner at Oaklins DeSilva+Phillips in New York. He has extensive experience in advertising and marketing, having served in senior-level operational roles in the industry and through M&A transactions at Oaklins DeSilva+Phillips. Applying his industry knowledge and relationships to M&A since joining the firm in 2010, he has facilitated transactions across an array of companies, including digital agencies, advertising agencies, design firms, production studios, ad tech, mobile firms, social media agencies, consultancies and project management. Some notable transactions include the sales of Purpose, a social impact agency, to Capgemini; Archer, a digital UX agency, to Bounteous; Harbor Picture Company, a global feature film, TV series and commercial studio, to Publicis; Hatch, a design-led digital agency, to Advantage Solutions; Wondersauce, a digital agency, to Project Worldwide; Pep, a promotional project management firm, to WPP; and Rokkan, a creative digital agency, to Publicis.

Oaklins is the world's most experienced mid-market M&A advisor, with over 850 professionals globally and dedicated industry teams in more than 45 countries. We have closed 1,700 transactions in the past five years.

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