INDUSTRY UPDATE: Marketing & Advertising

Introduction

"In 2023, I feel the advertising game really switched gears," said Andrés Ordóñez, chief creative officer at FCB Chicago. "Artificial intelligence took a front seat, sparking some serious creativity. We saw a real effort to bridge the equity gap. And we saw the comeback of humor in ads." [See source.] We will hear more about the role of AI in advertising and marketing whether we want to or not because it is THE overriding trend in this industry having risen to dizzying heights of awareness virtually overnight. The same source goes on to explain, "For advertising, that rise centered around harnessing the tool in service of better, smarter creative work and data integration."

One practitioner expressed this hope: "In 2024, I expect the hype around AI to give way to more ethical, integrated applications focused on amplifying human creativity and expertise over pure cost savings. While 2023 marketing focused on AI novelties, 2024 will demand more measured, ethical applications. With public trust at stake, advertising leaders must champion responsibility along with innovation." [See source.]

As AI makes almost anything possible in ads, once the froth subsides, authenticity is likely to bubble to the top. Advertisers who can connect with their audiences and communicate a shared sense of worthy purpose may well benefit the most. Another practitioner put it this way, "Authenticity's the buzzword, pushing brands to align with values that resonate authentically with their audience. It's not just about what we sell. It's about what we stand for and who we empower." [See source.]

When we consider that the worldwide advertising market comprised about $733 billion in 2023, its sheer scale means that efficiency becomes paramount. For 2024, the expectation is that ad spend will break down regionally as follows:

Billions of US$

$327.5 - US & Canada
$240.9 - Asia-Pacific
$141.0 - Western Europe
$ 25.7 - Latin America
$ 10.4 - Middle East & Africa
$ 7.3 - Central & Eastern Europe [See source.]

TV and video advertising including the rapidly growing streaming segment are likely to remain the largest channels in 2024 ($337.5 billion). Looking ahead, by 2029 79% of ad spend will likely fall on digital media, including in-App ad spending on the order of $45.5 billion. The same source suggests that platforms such as Facebook (Meta) and Google will dominate ad spending by 2029. [See source.]

Moving on to recent trends in the industry, testing the effectiveness of ads has historically been a laborious and slow process, but AI is changing that, too.

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"One company, RedBalloon, was spending $45,000 per month on PPC advertising. Then, they put an AI program into place. The machine could test 6,500 variations of a Google text ad every day. The company now averages a 1,100% return on ad spend." Or here is another example: "Phrasee, an AI program that generates and optimizes ad copy, worked with Wowcher, a deal-of-the-day site, on a recent Facebook ad campaign. They tested human copywriting versus Phrasee copywriting — the AI ads decreased the cost-per-lead by 31%." [See source.]

Another trend is that video advertising, even while it is growing in volume, is getting shorter, and now trends toward the 10-30 second timeframe as consumers' impatience increases. Nevertheless, a "recent Wyzowl report shows that nearly 100% of current video marketers say they'll continue using video in 2024. More than 95% of them plan to maintain or increase their budget for video. 68% of marketers who didn't use video say they planned to start in 2024." [See source.]

Ads are also going silent and in some cases using subtitles to avoid annoying flighty consumers. "A recent study by LinkedIn found that 79% of videos on their platform are viewed without sound." [See source.] Additionally, gaming continues to be enormously popular with digital natives and recent converts alike, so utilizing games as an entry way into advertising is evolving as another opportunity to attract and retain digital audiences.

As noted above, authenticity stands out in advertising, so that real people, including employees, are taking on an ever more important role as communicators on behalf of companies and brands. Influencers such as on TikTok are one example of this, but so are numerous brands that have turned to their own employees to communicate not only their products and services but also their values (via video, of course.) Incorporating users' input is also an effective way to convey authenticity.

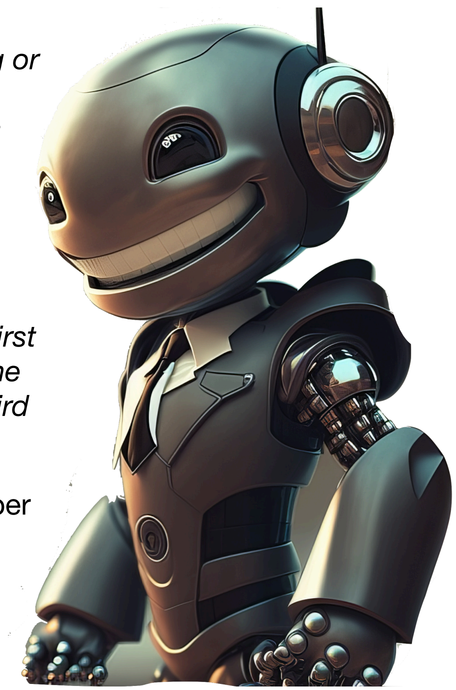
What about the elephant in the room, the biggest player in the online ad space? Amazon remains a force to be reckoned with, not only in eCommerce but in online advertising where their recent $7 billion in annual ad revenue dwarfs the next largest player (Walmart at $1.5 billion). Various sources suggest that it is not only the relative effectiveness of Amazon digital ads ("35% of Amazon shoppers click on the very first product in the search results […] and the first three products command 64% of all clicks") but also their relatively low cost per click. [See source.]

Other trends include the development of shoppable video content (allowing consumers to purchase goods and services directly from an ad), increasing personalization, and omnichannel audience tracking. Voice-based search may also become resurgent as consumers increasingly adopt digital voice assistants. [See source.]

Have you noticed how much change all of these trends imply to the technical and strategic skills required to be successful in advertising and marketing? This is not a tremor but a major earthquake!

So it is no wonder then that the industry is suffering a significant crisis as outlined in a recent Forbes interview. In a nutshell, according to this interview:

- *Consumers don't trust advertising or advertisers*
- *Advertisers can't trust their media agency partners to always act in their best interests at the moment when the agency's best and economic interests diverge*
- *These insights from this interview underline consumers' apparent thirst for authenticity even as AI takes the reins in generating content—a weird paradox to say the least.*



How will the industry survive and prosper and who will navigate this crisis? Let's find out as we explore the industry's executives.

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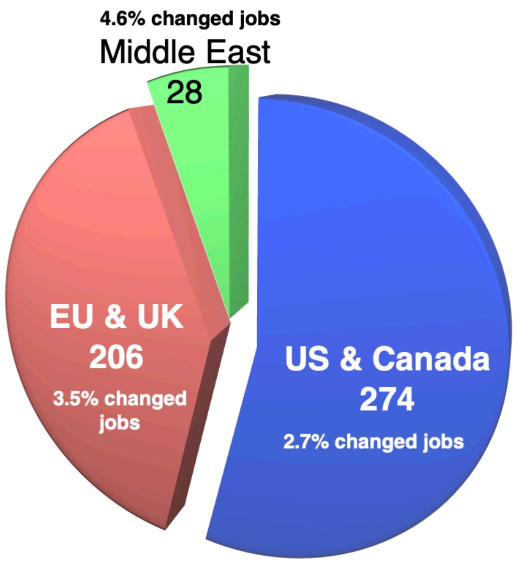
The Market for Executives

In this industry more than 500,000 executives (see Editor's Note for definitions) are active according to LinkedIn—a number that has stayed stable in the past year even as almost 16,000 changed jobs.

Chart 1 explains in more detail where these executives are employed as well as the share of them that changed jobs in the past year. The US & Canada had the lowest rate of "churn" (2.7%) versus the Middle East with the highest (4.6%). Another major difference is the gender balance among executives in the three regions we cover. In the US & Canada, 35% of the executives in this industry are female; in the EU & UK, 30%; and in the Middle East, just 21%.

Directors were far more in demand per help-wanted data in Chart 2 in the past year, though this is only part of the story as the vast majority of executives in our 34 years of experience are not hired via published ads or recruiters, but via the unpublished market. This is particularly true for titles higher up the organization. [Read more about the unpublished market.]

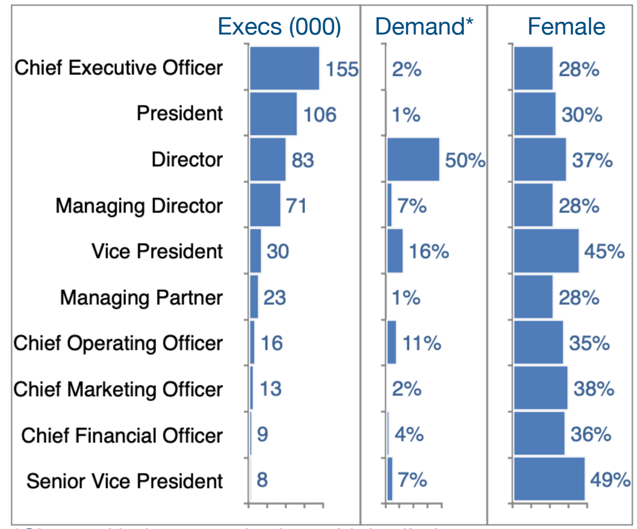
Chart 1: Thousands of Industry Executives per Region



At 32%, the female executive share in this market is relatively high. Still, in this industry, as in all too many others, female executives are hired into specific roles more frequently than others. Vice President (45% female) and Senior Vice President (49%) stand out in this regard, followed by Chief Marketing Officer (38%), Director (37%), CFO (36%), and Chief Operating Officer (35%).

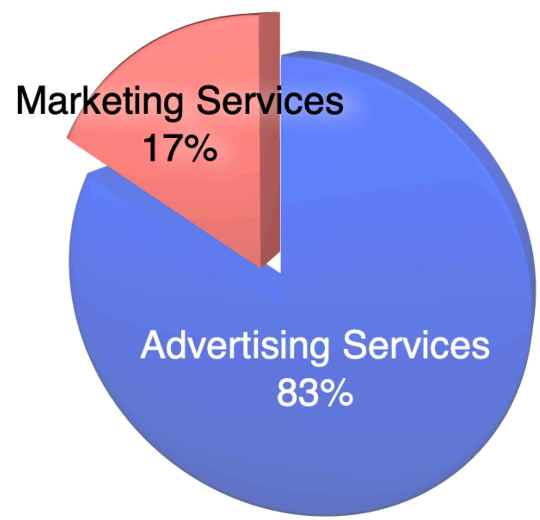
Chart 3 profiles the two largest market segments (together about 75% of the total)—those firms that specialize in providing marketing services versus those that focus on advertising services (which may, of course, include some marketing). According to LinkedIn, the number of executives in the advertising segment has actually shrunk over the last year by 3% while the marketing segment has grown by 16%. The former earns a "low" hiring demand overall, and the latter "high," again, according to LinkedIn.

Chart 2: Executives' Titles



*Share of help wanted ads on LinkedIn in past year

Chart 3: Principal Markets



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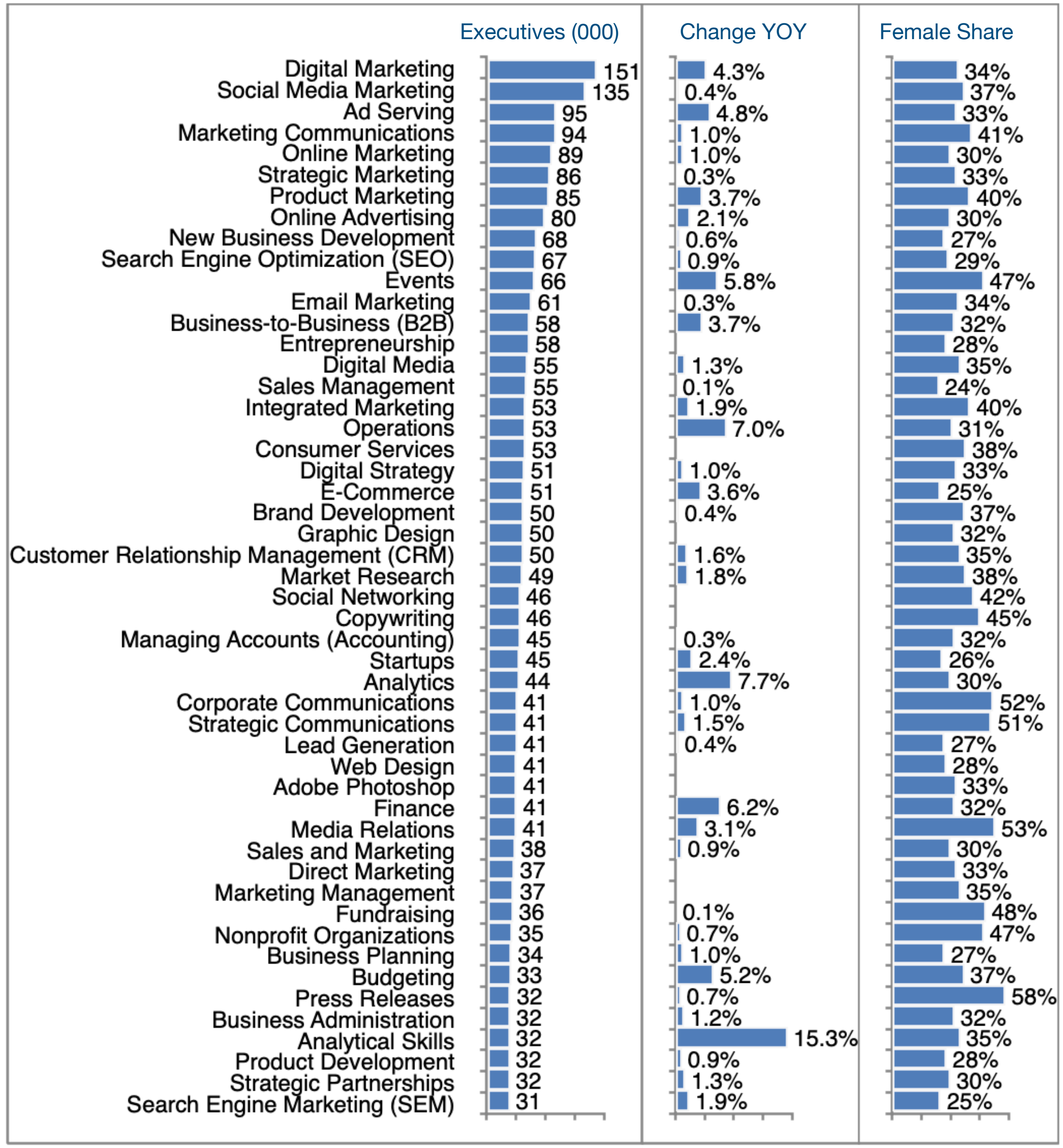
In Chart 4 we review the special skills that executives list in their LinkedIn profiles in this industry, bearing in mind that most execs list more than one. It surprises no one probably that Analytical Skills (+15.3% increase YOY) and Analytics (+7.7%) both stand out, as this is true in most industries. Financial skills are also typically much in demand, for example, Finance (+6.2%) and Budgeting (+5.2%). Among more industry-specific topics, those most in demand include Operations (+7%), Events (+5.8%), Ad Serving (+4.8%), and Digital Marketing (+4.3%).

Some of us may not know what "Ad Serving" means, so here is a short definition:

> *An ad-serving platform is the core element of every ad server. It is an ad tech process of delivering advertisements on various websites, apps, and social media platforms via ad tech software. In this process, the most relevant ads are selected for display using complex algorithms and advanced decision-making tools.* [See source.]

So what about Artificial Intelligence? Why does it not show up on Chart 4? Partly, that is because the number of practitioners is too low to make the top 50 specializations. LinkedIn reports almost 16,000 execs who list AI skills, of which 7% have changed jobs in the past year—a relatively high rate of churn. Geographically, they cluster in London, New York, Los Angeles, Milan, and San Francisco. Surprisingly, their number has actually shrunk in the past year according to LinkedIn by 2%. Some 40% of them sport the title of CEO or President and 60% of them are mainly involved in Digital Marketing, followed by Social Media Marketing, Ad Serving, and Online Marketing.

Chart 4: Executive Specializations



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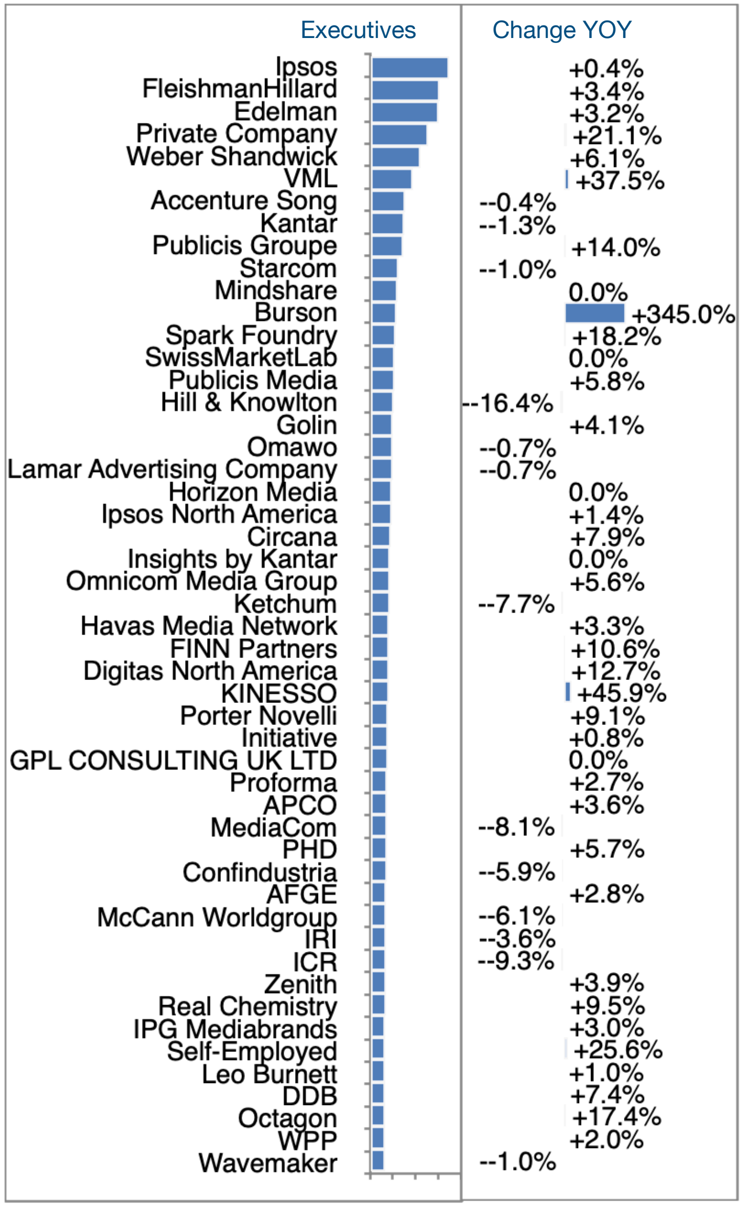
At the individual company level, the number of executives is typically quite small, rounding to either 1 or 0 for the nearest thousand, so we present the ranking in Chart 5 without specific numbers. This still offers readers a clear understanding of the relative size of the top fifty in this industry with respect to their executive ranks.

Exceptional growth, such as VML's +37.5%, typically comes from acquisitions or mergers: in October 2023, WPP "announced a major evolution in its offering to clients with the merger of Wunderman Thompson and VMLY&R. The combined entity will be known as VML and will be the industry's largest creative company." [See source.]

Similarly, Burson's growth (+345%) resulted from WPP's merger of two other units (BCW and Hill & Knowlton) commenting as follows: "Since the news about Burson was announced in January, the integration team has been working to "combine our two agencies to best position Burson to be the leader in delivering modern communications at scale to clients. As you can imagine, this is a considerable task, but we are making progress…" [See source.] It is nonetheless clear that layoffs are coming, too.

Ketchum on the other hand is restructuring and actively laying people off without having merged or

Chart 5: Executives' Employers



acquired recently. The bulk of these changes appear to be in New York and Chicago in the US.

The Kinesso (+45%) story that integrated Kinesso, Reprise, and Matterkind in September 2023 under one roof is worth explaining in more depth as it has been justified based on anticipated changes to the industry's overall structure:

> *By the year 2025, the media landscape is set for a profound and irreversible transformation. Three significant trends will shape this evolution. First, 75% of all media will undergo a radical shift towards automation and AI-driven optimization, revolutionizing the way content is created and delivered (Source: Digitalization Concepts – Case Studies: AI-Artificial Intelligence"). Second, an overwhelming 90% of online content will originate from AI-generated sources, redefining the boundaries of creativity and information dissemination. Lastly, the retail media sector will experience a surge, with a remarkable $121.9 billion of investment, making it the fourth-largest media channel globally […] Together, these developments mark a significant shift in the industry toward automation, AI-driven content, and substantial investments in retail media. [See source.]*

Naturally, we do not have the space here to

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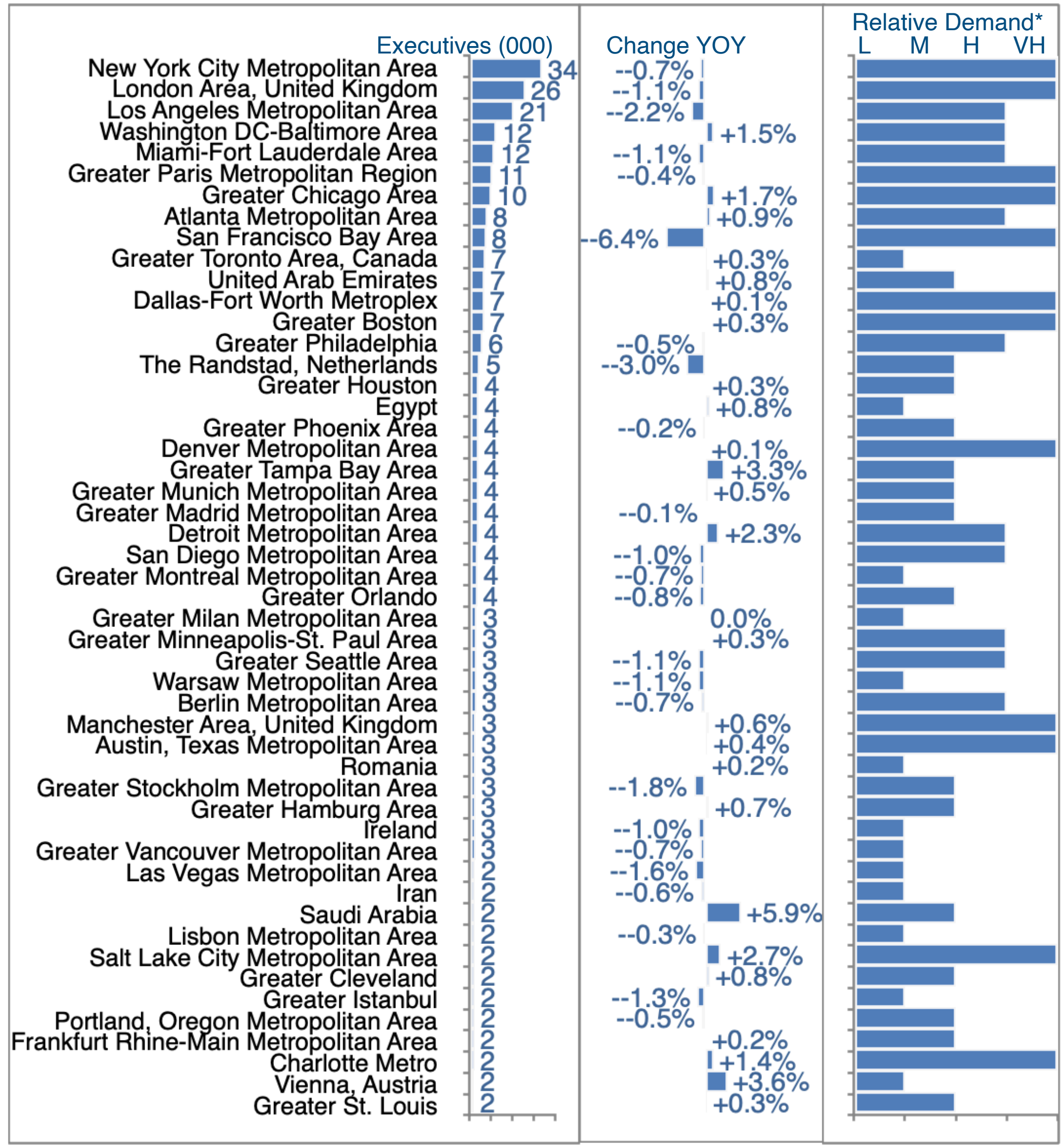
explore all of the companies in this dynamic industry, but remember that TBG clients are supported with a six-member team including a research professional who provides detailed information whether at the initial industry screening stage, subsequent interview preparation phase, or even in-depth profiles on hiring managers as may be required during compensation negotiations.

Chart 6 provides an overview of this industry's geography, and while the top six locations (New York, London, Los Angeles, Washington DC, Miami, and Paris) retain their stature, there are numerous locations that exhibit attractive growth and/or hiring demand. Consider that while growth is historical (looking in the rearview mirror, so to speak), hiring demand is LinkedIn's view on current demand in the market. This may be driven either by a lack of qualified talent (see San Francisco that has shrunk but still exhibits high hiring demand) or, indeed, by genuine underlying business growth.

Editor's Note:

In this Update "executives" will generally refer to the Vice President, Senior Vice President, Chief Operating Officer, Chief Financial Officer, Managing Director, Chief Executive Officer, Chief Marketing Officer, Chief Information Officer, Managing Partner, General Counsel, Head, President and Director titles principally located in the US, Canada, Europe, the UK, and/or the Middle East. Unless otherwise noted, the data in this Update will largely come from LinkedIn and represents a snapshot of the market as it was at the time of the research. Is LinkedIn truly representative? Here's a little data: LinkedIn has more than 1 billion users. (See Source.) It is by far the largest and most robust business database in the world, now in its 20th year. LinkedIn Talent Insights data is derived by aggregating profile data voluntarily submitted by LinkedIn members. As such, LinkedIn cannot guarantee the accuracy of LinkedIn Talent Insights data.

Chart 6: Executives' Employment Locations



*Low, Moderate, High, or Very High hiring demand per LinkedIn