



Cutting through the hype:

Industry trends and how brands and agencies are responding



November 2023

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Foreword



At AAR we sit in a privileged position at the heart of the marketing industry where brands and agencies intersect. We enjoy many conversations with CMOs and Agency leaders about the marketing ecosystem, as we help to ensure people, process, partners and platforms all work together to deliver effective marketing that drives growth.

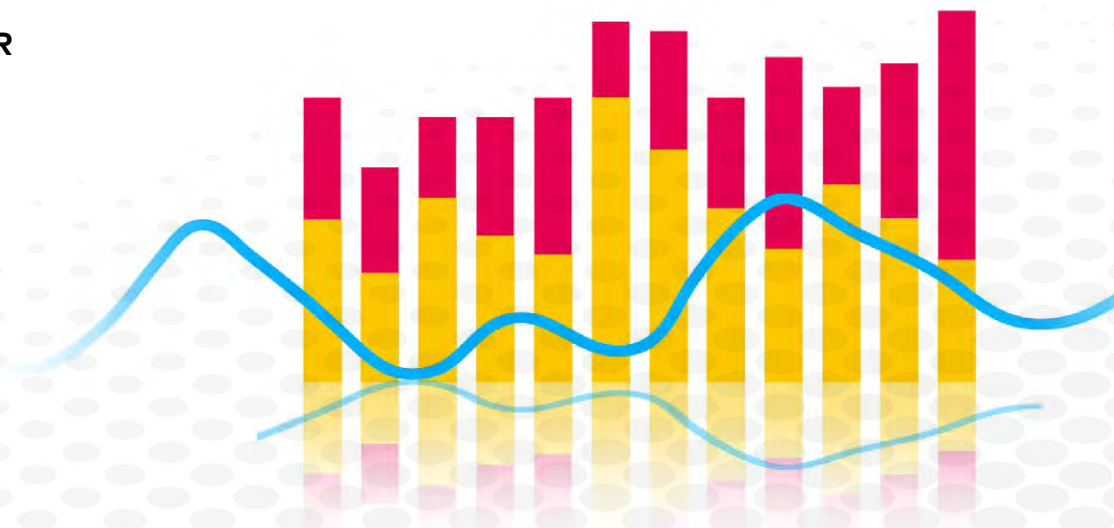
The way marketers engage with customers is changing rapidly. Given their ever-evolving roles, how do marketers keep up with the constant innovation and new trends when their time is already at a premium? We want to help marketers stay ahead of the game, and so we're delighted to launch this report exploring five key trends causing the most buzz and the most debate in the market right now.

We investigate the myths and realities around AI, Fluidity, Data, ESG and Gen Z, interviewing industry experts and disseminating our findings to help marketers navigate through a labyrinth of information; quickly identifying where to focus their attention and, importantly, how brands and agencies are adapting to capitalise on the opportunities presented by these developments.

There's always pressure on brands to deliver more value for less in marketing, and on agencies to continue to be creative in solving their clients' needs. We hope these insights will help inform the challenges you're facing in the ever-changing world of marketing. It's a snapshot of what we are seeing to provoke your thinking about your own marketing ecosystem.

One thing is for certain as we approach 2024, we must continue to be flexible, alert and ahead of the game to meet the exciting challenges the world of marketing has in store for us. We hope, in some small way, this report helps you stay a little bit ahead.

Victoria Fox | CEO, AAR



Introduction

Changes in technology and society are constant, and those of us in marketing need to adapt alongside these changes or we risk becoming extinct, or - even worse - irrelevant. But whether you're working for an agency or a brand, two themes consistently play out in the way marketers consider industry 'trends':

- 1 We tend to fall nervously into the hype cycles and obsess with the latest buzzwords and industry shiny objects.**
- 2 We suffer from FOMO, combined with a lack of time to stay up to date with everything that everyone else seems to know everything about.**

But hype cycles are driven by companies and journalists looking for headlines, and are rarely objective. This report aims to cut through the hype and provide a cheat-sheet on five of the marketing industry's hottest topics to solve both of the above. To enable you to understand what's happening in the agency market in response to these trends, and make confident, unbiased, informed decisions about what is right for you and your business, and worry less about what others are saying or (often not) doing.

Making the most of reading the report

The focus of the report has been to look at the hot topics causing industry debate, and a snapshot of how agencies are responding to the hype in the market. This is not a 'How To' on each subject area but serves as a snapshot of what the market is doing to respond to the opportunities these trends bring.

We picked the following themes given the attention these topics have been attracting:

- 1. Man x Machine. The impact of AI in the marketing and agency ecosystem**
- 2. Fluidity in Marketing Ecosystems in a post-Covid world**
- 3. Leveraging Customer Data: Brand vs Performance and the 'missing' middle**
- 4. Beyond Purpose: The rise of 'Conscious Creativity'**
- 5. Connecting with Gen Z: Is a new approach required?**

Along with extensive desk research, we interviewed 25+ leaders including CMOs and Senior Marketers, Agency Founders, CEOs and CSOs, as well as a range of specialist consultants. A full list of contributors can be found in the [appendix](#). The report reflects the opinions of those interviewed along with input from the AAR team and articles from industry journalists. While we believe it reflects a snapshot of how the market is responding to the developments, it is not an exhaustive view nor does it reflect any AAR recommendations on agency selection.

We do not expect the report to be read as one downloadable guide, but as chapters on the hot topics that provoke your interest, that will spark questions about your marketing operations. Pick and choose what works for you.

We hope you enjoy the read.

Summary of key findings

Each chapter will provide a detailed look at each theme and how the market is responding. Key findings are listed below, but make sure to click on the chapter link for a more detailed look.

Man x Machine. The impact of AI in the marketing and agency ecosystem:

- Massive hype has driven experimentation and adoption across all types of agencies that we spoke to: in strategy, creative ideation and production. While there has been much noise about the efficiencies that AI can bring, the backlash to protect quality, creativity and impact vs just saving money has already begun.
- While mastering AI is a skill to be learned, specialist consultants exist but are rare. Although it will have an impact on the industry significantly over time, we don't believe we will see separation into specialist agencies as we did before with digital and social, or a reduction in the importance of human creativity.



Fluidity in Marketing Ecosystems in a post-Covid world:

- Great talent no longer lives exclusively in a world of permanent agency roles, and greater fluidity for workers is helpful both for workers and for the brands that need them. Brands need an ever wider range of specialist skills, and their focus is on accessing this talent wherever they choose to work, be that within an agency framework or freelance.
- The agency ecosystem has evolved to map to these trends: there has been a rise in specialist companies and agencies with an 'open talent' network, and brands are accessing a greater number of specialists either through an increased number of agency contacts or within an expanded (but consolidated) holding company offering.



Leveraging Customer Data: Brand vs Performance and the 'missing' middle:

- Customer data is still seen as a crucial battleground for marketers but high quality targeted creative remains elusive.
- The marketing industry and agency marketplace is lagging behind the opportunity, mainly due to complexity of the task and the difficulty of re-organising legacy client and agency structures, and cultural differences between brand and performance marketers.



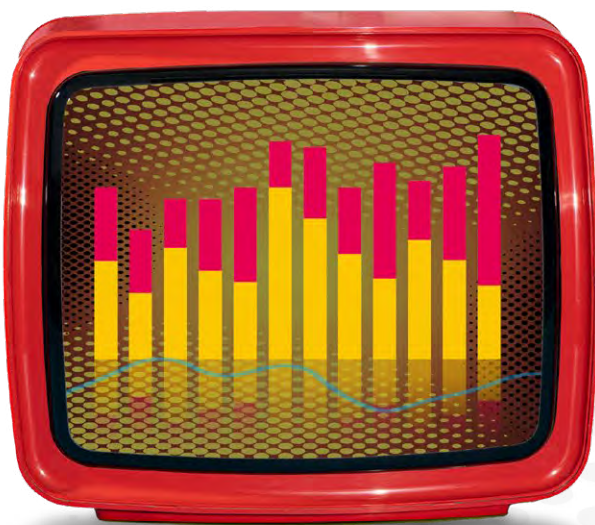
Beyond Purpose: The rise of 'Conscious Creativity':

- While all brands and agencies agree that diversity is important to their work and their teams, the industry lacks a consensus on standards and how they should be enforced. Sustainability is growing in importance for the agency ecosystem but this is driven more by employees, with clients considering DE&I to be more important.
- Diversity standards aren't moving fast enough for many, and aren't always lived or enforced by brands - but investment is required to get the right talent there faster. On the sustainability side, more categories are joining the 'no-go' list for agencies, and in the future some less environmentally friendly industries will find it increasingly hard to have the best agencies or talent as partners.



Connecting with Gen Z: Is a new approach required?

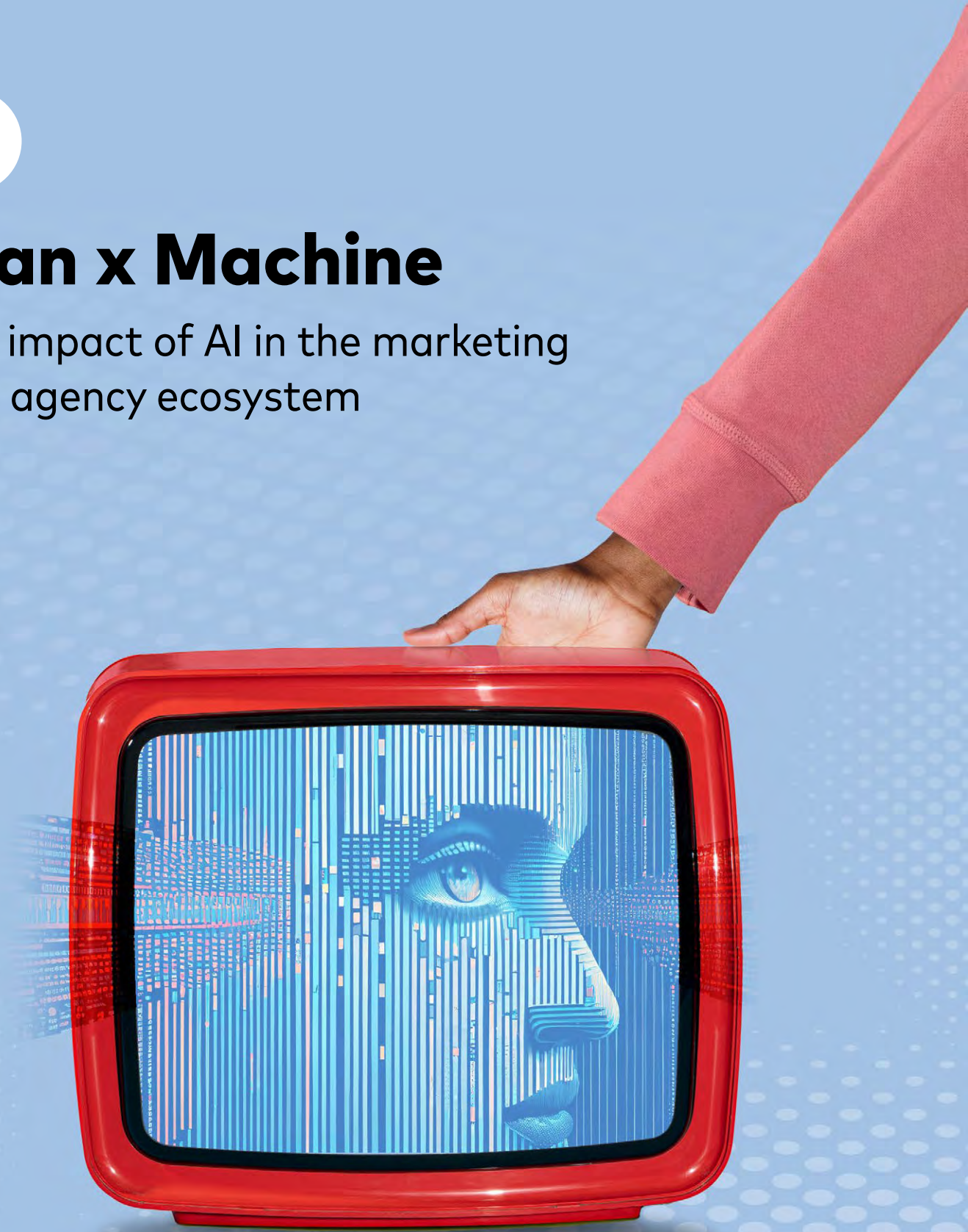
- It's a mistake to approach Gen Z as a homogenous group but important to leverage young, digitally native talent to approach authentically, through interest-driven communities and passions.
- There is a group of agencies that are staffed with diverse, youthful, digitally native talent that offer authentic ways to connect. They aren't necessarily better or worse than traditional agencies and must understand your brand and deliver on your business objectives. Every brand marketer needs the balance between brand oversight and culture-driven creativity.



1

Man x Machine

The impact of AI in the marketing and agency ecosystem





Summary

As played out in every conversation at Cannes and every day in our LinkedIn feeds, AI is at the top of the hype cycle right now. From scares around the 'robots' taking all our jobs to more optimistic stories around AI being able to diagnose cancers, fight climate change and even help us talk to animals, the headlines have been everywhere. Out of fear as much as excitement, brands and agencies have rushed to find out what the fuss is about, and determine if AI is likely to replace us all. While digital media algorithms have been using AI for years, the launch of Generative AI for copy, imagery and video has created the most talked about 'trend' since social media.



Questions we asked

- Everyone is talking about it, but how are marketers and agencies really using AI?
- Will it help marketers or hurt us?
- What should you and your agency be doing with AI now, and what are the risks?
- What impact is AI having on the agency ecosystem now and in the future?



Key findings

1. Massive hype has driven experimentation and adoption across all types of agencies that we spoke to: in strategy, creative ideation and production. While there has been much noise about the efficiencies that AI can bring, the backlash to protect quality and impact vs just costs has already begun.
2. While AI is a skill to be learned, specialist consultants in AI exist but are rare. Although it will have an impact on the industry significantly over time, and may cost some their jobs, we are unlikely to see a separation of specialist agencies as we did before with digital and social, or a reduction in the importance of human creativity.

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1.1 How is Generative AI challenging the agency marketplace?

“ AI won't replace marketers.
Marketers using AI will replace marketers not using AI.”

Kieran Flanagan, CMO at Zapier

No one seems to deny that AI will accelerate speed and efficiency. One MIT study in 2023 wrote that in broad terms, Chat GPT could get 'work' done 44% faster and make us 22% more effective. But as when any innovation begins, we have seen different reactions often based on people's inclination to embrace technology vs the traditionalists: "Those of us moulded in the .com boom have seen that taking a different approach can pay off." (Cyrus Vantoch-Wood, CEO, Mustard Brand Studios).

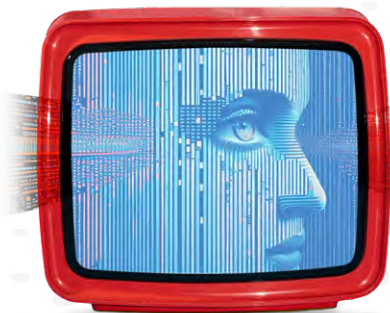
As regards jobs, the consensus is that the more 'manual labour' jobs will be hit, but the more strategic, creative jobs are safer. A recent Forrester report predicts 33,000 agency jobs will be lost to automation within this decade, one third as a result of Generative AI. But that doesn't tell the whole picture.

"It will cause a sharpening of the role of the agency as arbiter, curator and conduit into culture. Agencies will be responsible for the intentionality and ideas behind the work. AI will handle the creative labour." (Ian Schatzberg, General Idea, from Adexchanger article, 2023).

Some aspects of research, editing, versioning, and especially labour-intensive photoshop work, will all be done by software rather than humans - in less time and so for fewer billable hours for agencies which will create problems for an industry set up on time and materials: "Agencies aren't paid for the big idea." (Jon Bond, Weightless). "They're paid to execute the idea. If an agency is paid \$1 million - \$100,000 for an idea, \$900,000 to 'make 87 iterations' of the idea - and those 87 iterations are generated by AI, it gets much harder to justify the hours or people on the project." (Adexchanger article, 2023). This is a concern for agencies - and care needs to be taken so that humans leverage AI to free up their time to create, and thus improve the marketing to drive impact, not just to reduce costs.

The use of AI has already become a valuable skill in itself. AI isn't smart enough to understand the nuances of a confused brief. It doesn't have the human experience skills to challenge the question: "You need to be able to ask AI to answer the right question. If you ask the wrong one, you just get to the wrong answer faster." (Media.Monks AI report, March 2023).

Many agency owners remain optimistic about how the industry can evolve to adapt. According to Michael Sugden at VCCP, who recently launched a dedicated creative AI agency called faith (based on their faith in the positive impact of generative AI), "Maybe 2/3 of the 2000 people that work at VCCP are in jobs that didn't exist in 2002. It's easier to think of jobs that will be lost than the ones that will be created - and this has bred negativity - but we see this moment as generating the birth of new roles." This optimism is also reflected in a recent AI report by Media.Monks: "While we anticipate about 80% of present-day marketing operations will be automated, the overall scope of marketing will grow exponentially." (Media.Monks AI report, March 2023).



“ You need to be able to ask AI to
answer the right question. If you
ask the wrong one, you just get
to the wrong answer faster.”

Media.Monks AI report

1.2 How are agencies adapting their offering?

a. Strategic alliances from large brands and networks with a focus on efficiency for versioning:

- WPP has signed a deal to work with chipmaker Nvidia to use AI in the production of campaigns at scale: "The platform combines 3D imaging software that can be used to produce a fully accurate photo realistic image — of a car, for example — which can then be taken into a video or 2D advertising generated by the AI engine. In the case of a car, this could be placed in a desert, or rainy street, with the car adapting to its surroundings — glistening wet or reflecting glare — in processes that would have taken days using a traditional green screen or real-life filming. The speed of production means that advertising campaigns can be rapidly adapted for different markets or countries...you can create 10,000 versions within a couple of minutes." (FT, 2023).
- Coca-Cola became the first marketer to take advantage of a new partnership between management consultancy Bain & Company and OpenAI, the developer of AI software ChatGPT and Dall.E. Manolo Arroyo, the company's global chief marketing officer, notes that they are starting to use "OpenAI's technology in their marketing division to rethink how they create original content, reducing the turnaround time from weeks to days."

b. Specialist consultancies are appearing. Some examples:

- Gen8 is a specialist AI consultancy that guides agencies and marketers in how they should use AI most efficiently, creatively and also ethically and legally. They are working to give marketers practical advantages in what has already become a complex area.
- VCCP has formed its own AI entity called VCCP faith. Michael Sugden, CEO of VCCP Partnership and CEO of faith explained the reasons for launching this unit as they felt "bored by all the negativity around generative AI, whereas we see it as a reason to be optimistic. The reason we called it faith is we have faith that AI will be an accelerator for human creativity. It's a tool like the camera, phone or photoshop - you still need strategy and creativity. The objective of faith is that the VCCP Group has the most well informed AI practitioners and client base of any agency in the world." Their use of AI is threaded throughout the group, not separate.
- Creature London has set up two specialist units driven by AI which are aimed at clients with limited time and/or money: Impala is their name for "an AI-driven strategic engine that can help marketing and brand leaders get from a blank page to market-tested propositions within a week" (from Creaturelondon.com) and Magic Ant is the production arm that aims to leverage AI to provide access to those that can't afford more traditional, expensive asset production.

1.3 Examples of AI in consumer facing work

- To build disruptive imagery for brand campaigns:
 - For WWF, Uncommon Creative Studios used AI to generate a series of over 20 stunning images in the style of art from the Romantic period, merging historic art with futuristic landscapes that could be afflicted by climate change, to create a striking contrast between beautiful past and ugly future.
 - Brave Bison agency also ran a campaign with the AI CC (creative community) on LinkedIn for WWF inviting entries from the group to picture a world without nature.
- To optimise messaging and user journeys:
 - Euroflorist used Evolv AI to run multivariate testing across 1000s of creative variants to map which combinations worked best, and saw a 4.3% sales conversion rate, something that would have taken humans months to learn.
 - Working with Chase Bank in the US, Persad agency discovered that ironically AI could generate copy that felt 'more human' than some of its lines written by humans: one digital ad written by humans read: "Access cash from the equity in your home." Persado's AI alternative reads: "It's true - You can unlock cash from the equity in your home." The latter version performed better.

1.4 What are the risks of AI and who is best positioned to manage them?

a) AI is literally generic and doesn't improve 'creativity'

Generative AI 'generates' from what already exists. It aggregates and pumps out the sum of its parts - but is programmed to be the fair 'average' of its inputs rather than forge a new path. Tom Goodwin calls AI - 'The Average of the Internet': "The idea I'd look to a LLM (Large Language Model) that absorbs 20 years of average flawed work as a starting point and to think this has value is just astonishing to me. Our job isn't to recycle the commonalities past, it's to invent a better new." Or as Nick Law (Accenture Song) put it: "Mediocrity is now free." So what does this mean for marketers?

Some see this as a potential positive for the stronger creative agencies – creativity by definition should be something that breaks free from that aggregated middle. Some agencies have used this as a tactic to avoid pedestrian work, by showing the client an AI version of an ad to 'get it off the table' and drive them towards something more disruptive.

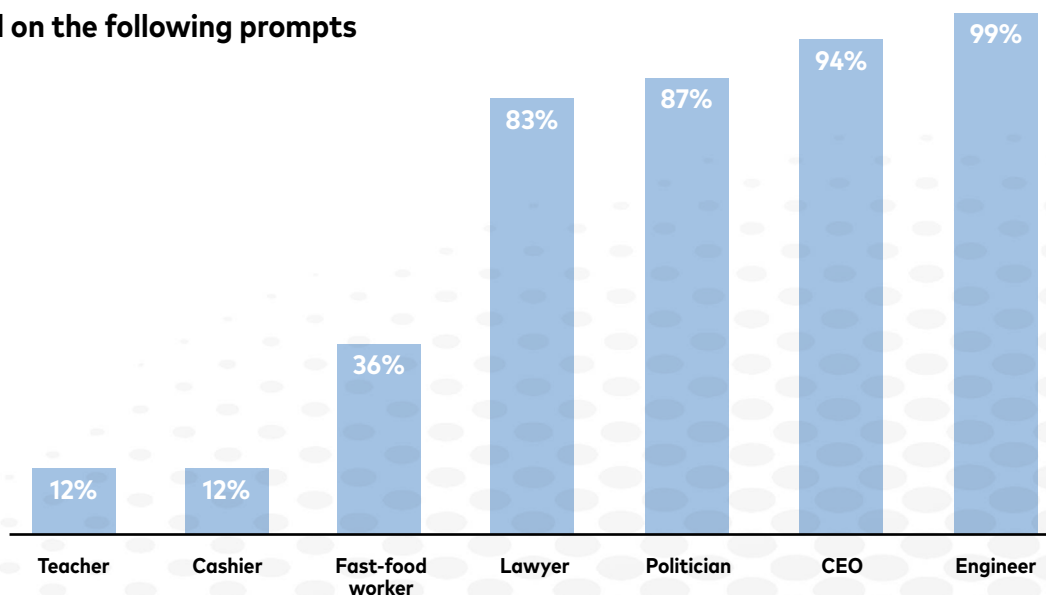
b) It is only as good as the data you have access to

What is all this learning and generative content built on? Data. And so your AI is only as good as the data you're accessing, or have permission to access. "This is the elephant in the room because if companies and brands do not have the data available to them to train the algorithms to be able to differentiate themselves then they have nothing. This is where the true battle lines will be drawn, not the AI tools. These are interchangeable, and as a new improved algorithm comes along it will be swapped out. But the data is the critical piece. Organisations have to start organising and structuring their data in a way that AI can access it in a logical way for it to be of any use. Teams, therefore, need to understand the importance of operational structure and governance to be able to harvest data that can be used with the algorithms." (Russell Marsh, Ex Publicis Chief Production Officer and Founder, Blue Mozaic). And for many creative organisations this will be a difficult new challenge.

AI also carries an inherent risk of bias. Because it reflects the bias that exists in the world and online, it will also produce answers that draw on, and promulgate further bias. And there is a greater risk that this could multiply, as more and more AI content draws from more and more AI content. Marketers and their agencies need to be aware to supply the right prompts and self-edit to avoid these pitfalls. This chart demonstrates one example of how this is manifested.

Probability that AI will generate an image of a man

Based on the following prompts



NOTE: AI = Stable Diffusion AI
Source: Bloomberg

c) The legal risks of AI and copyright law

While agencies and marketers are all-in on Generative AI for the strategic and creative process, for the final customer facing product, most are exercising strict caution. For anything used externally, the advice is to only use a tool that accesses a licensed library (like Adobe Firefly that accesses the Adobe Library). The WPP/ Nvidia tools will be trained on Shutterstock and Getty's fully licensed images, VCCP faith has a strict code for Generative AI, using a Watermark and a declaration when it's used. Content from Generative AI may be faster and quicker, but it won't necessarily be new, and it won't necessarily be yours to publish. While the playing field is still open to all, it's possible the larger agency networks and holding company lawyers may be in a position to manage the legal complexities of AI for their clients better than some of the smaller shops as copyright issues unfold.

1.5 Conclusions from AAR

- 1** While some tech and digital agencies are embracing AI more than others, the use of generative AI has penetrated all aspects of the agency ecosystem as no one wants to be left behind. While specialists and enthusiasts are evolving within agencies, the rise of specialist, separate AI agencies is unlikely.
- 2** While media algorithms have been using AI for years, AI is now part of the strategy, creative and productive process. While it can speed up parts of the process, it aggregates to build an average, and can't (yet) replace human creativity.
- 3** Marketers need to beware of false economies, and measure AI's impact on the quality of the work, not just the efficiency of producing it.
- 4** The headlines about the dramatic changes to society and business that are coming due to AI are one thing; we suggest the focus should be on practical application of experiments in priority areas of the marketing ecosystem. To pilot the use of AI in small and practical ways and build knowledge and capability, and to start to design operating models with AI in mind, whether that is using AI and automation for research, asset creation, automated design and adaptation, meeting transcription.

“While we anticipate about 80% of present-day marketing operations will be automated, the overall scope of marketing will grow exponentially.”

Media.Monks AI report

2

Fluidity in marketing ecosystems in a post-Covid world

How marketers and agencies have built more flexible models for themselves and their clients





Summary

Recent years have seen a growth in flexibility and fluidity both for individuals in how they work, and for brands in the number of specialist agencies they have the option to work with. Post-Covid, working from home and the 'great resignation' has led to a rise in people and companies building more flexibility into their businesses and their lives. For brands the fragmentation of its customers and evolving media landscape has created a need for an increased number of specialisms to create successful marketing campaigns. Meaning brands are looking at flexible models that allow for fluidity in their organisational design, as well as at their agency partners.



Questions we asked

- What has led to the rise in fluidity and freelance? How does offering flexibility have an impact on a team?
- What agency models have risen alongside this and what are the benefits?
- Have client/ agency models become more fluid? Is it better to have more agencies or fewer?

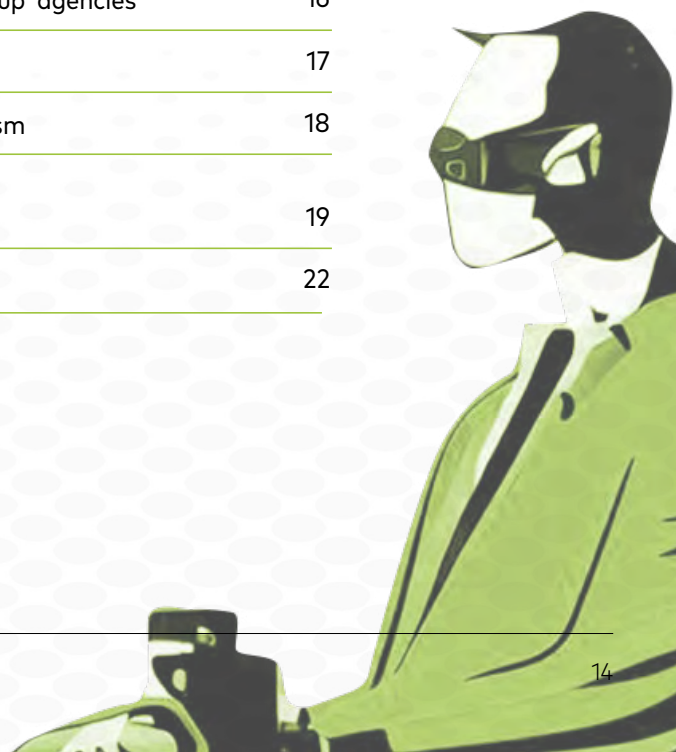


Key findings

1. Great talent no longer wants to live exclusively in a world of permanent agency roles; fluidity and flexibility is here to stay. The needs of a brand for a greater number of specialist consultants with a wider range of skills has grown, and the focus is on accessing this talent regardless of where it chooses to work.
2. The agency ecosystem has evolved to map to the trends; there has been a rise in specialist companies and agencies with an 'open talent' network, and brands are accessing a greater number of specialists either through an increased number of agency contacts or within an expanded (but consolidated) holding company offering.

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2.1 Fluidity with people: rise in quantity and quality of freelance talent

For many, Covid accelerated a movement towards consulting and freelance work. As more people worked from home – and from anywhere – the grip of 'office culture' was lost for many, and the opportunity and freedom of project based work has taken off for reasons that can benefit both the 'guns-for-hire', and the hiring companies. So what changed?

- **Reputation for quality:** The ecosystem has evolved such that the previous stigma of freelance has been reduced, and often specialist, project-based talent can be the most sought after.
- **An evolved agency ecosystem:** New open-talent networks (such as Been There Done That, Liberty Guild, Chameleon Collective, Genie) have grown to connect brands and freelancers, which increases the access to talent for brands without an agency overhead, but with the same quality. In fact many networks admit that the people working on their projects are in full-time employment, while moonlighting for extra projects on the side.
- **Expansion of the gig economy:** The upside for many companies was low-cost workers. At first this raised access but often pushed prices down, which wasn't right for senior workers. Now senior consultants can also get the best of the corporate world but also the best of being an entrepreneur.
- **Desire to be entrepreneurial:** Many want a portfolio career where they can control their own destiny, and have a side hustle if they want.
- **Rise of collaborative technologies** that are free or near free: video meetings, cloud working etc.
- **Quality of life and flexibility:** "Creatives can now work at more than one agency at a time, on multiple projects, all of which they have opted in to, rather than being forced to work on." (CEO, 'open talent' agency). Or they can work on fewer projects and focus on other areas outside of work, to manage the work-life balance on their own terms.
- **Short-term needs:** "The person you need for the next three months isn't always the same as the person you need for the next 36 months." (Freddie Laker, Chameleon Collective). Needs are fluid, so you need a team that's fluid. People are aware that their needs may not last and that's fine. It's better to call it before you start the job and manage expectations on both sides.
- **The psychology is beneficial to both parties** - described as 'love on loan'. "You get the sharpest end of someone - people are more transparent, you can let them run - people are unburdened with politics and the need to build long-term relationships, and the client gets more from them as well." (CMO, Global Agency Network).

|| *After more than two decades working for agencies in New York and London, the last few years made me realise agency life just wasn't for me anymore. I wasn't making the work I wanted to but was still putting in excessively long hours dominated by politics, meetings and endless pitches. I made the switch to freelance and haven't looked back: I get to work hands-on on the briefs I choose, for brands I like, I can work where and when I like, I have started studying again and have a full life outside of work. The best talent is now spread evenly inside and outside agencies because there are more opportunities than ever beyond agency walls."*

Shirin Majid (Ex Agency ECD - now freelance)

2.2 Fluidity in agency teams: rise of the open networks and 'scale-up' agencies

a) Rise of the Talent Network/'Open Talent' model

Several companies have grown rapidly in the last few years, relying on a remote network of expert freelancers to service strategic marketing needs for clients, with only a core central permanent staff. 90%+ of their employees are freelance consultants. These range from strategy-only agencies that focus on brand, sustainability and product strategy (e.g. Been There Done That), advertising campaign and activation Ideas (e.g. Liberty Guild, Orange Panther), digital media/ performance (e.g. Croud, Mayple) and creative resource recruitment (e.g. Genie). Their structure, they claim, has several advantages for clients:

- **Flexibility** to scale up and scale down more quickly: project-based briefs are more normal and less painful than for an agency staffed full time.
- **Casting:** "Clients get who is right, not who is available. You get a pre-selected group of experts to work on your business, all chosen based on your brief. What you don't get is anyone who is half-hearted, you don't get any hangers-on and you don't get people you just don't need." (Simon Hewitt, Orange Panther). "While large agencies tell you they pull together the most qualified, the reality is you get who is available." (Ed Rogers, BeenThereDoneThat).
- **Value:** Compared to some agencies, lower overhead may be passed on as a cost saving to clients.
- **Neutrality (for strategic projects):** "We don't execute in the traditional sense. This ensures our thinking comes with no agenda or bias. Not many agencies can say that. Once we have solved the problem, we'll then help build or plug into the right team to bring that thinking to life." (Ed Rogers, BeenThereDoneThat).

Genie, which describes itself as an 'AI-powered talent-matching software', matches creative talent to clients and has seen a huge spike in both supply and demand for the talent on its books. Nicky Badenoch, Founder of Genie, summarises some of the reasons for growth as follows:



1. The general industry shift from retained to project business, and availability of talent.
2. ATL agencies less frequently hold the balance of power, plus the growth of digital and different services means agencies need to operate a more agile business model. Freelance has become a more necessary business decision for agencies.
3. Their AI system learns what works: they offer a "My Talent Network" function – your private talent bench that tracks availability and suitability of your own company's network.
4. Standards: they reject 70% of applicants with the goal of keeping quality high.

But the systems to access specialists isn't just happening in open talent networks. Publicis, for example, have their own internal operating system called Marcel. It's an intranet where every employee enters their expertise so they can ensure the right talent can be resourced for the right clients across the network.

Similarly, at AAR we are building a flexible talent model: we are constantly expanding our network of partners. This allows us to bring in experts in various marketing specialisms to tackle a range of challenges for our clients across the ecosystem. The skills we access include capability mapping, in-housing, ecosystem design, data-driven marketing, content production, shopper marketing, upskilling, coaching and change management.



b) Rise of the 'Scale-up' agencies

There has been a steady growth in the number of successful small agencies that can operate and compete with big agencies by having the ability to scale up when projects come in, without having the worry of having 100s of mouths to feed.

"Untraditional company hierarchies and processes mean these micro-agencies can reach new and unexplored places faster and with less f**king about. Their operations tend to exist around a core team of leaders – smart people who got p**ssed off with the agencies they previously worked at. Around them is a little black book of perma-lancers and contractors with specialist skills; go-to crews of people they can call on for specific projects. Then there are the freelancers dropping in ad hoc, bringing particular skill sets." (Roland Gurney, Treacle, from The Drum, 2023).

Agencies born in the pandemic or after see this as an advantage, and may refer to themselves as a creative collective. According to Rani Patel, Founder at Calling: "We have our Calling Phonebook: a core central team in London but with a global network that orbits us, that includes production, creative technology, coders, and more. Leveraging the remote model is more than just pulling in experience with a business category: it's about recruiting enthusiasts. We recruit people based on communities and cultures they are part of, their experiences and passions, how they express themselves, not just their work experience."

Certainly at AAR we are no exception to this trend, and we have assembled a deep bench of consultants who are not in the market for a full-time role, nor do we require this. It allows us to dial up and dial down niche capabilities across marketing when a particular client ask or brand problem demands it.

While all sides claim they have the best access to talent, the reality is that talent is now more evenly spread between full-time roles in agencies and the freelance network. Whatever claims an agency or talent network may make, accountability remains with agency and brand leadership for the quality and impact of their marketing - whomever they choose to hire.

2.3 Does fluidity help or hinder the work?

The debate around remote vs in-office vs hybrid has been well publicised across all industries, and in marketing it is no different. For many, the experience of working at home or from anywhere, has been an option that there will be no coming back from. But not everyone is aligned on the impact remote working has on quality:

- "For the agencies I partner with, their candidate pool increases by 75% with a remote option. 50% with a hybrid option. Some of the talent they didn't think they had access to suddenly are options because remote is the biggest priority for them." (Creative recruiter).
- It can of course work better for some skill sets than others, e.g., designers who may like to work undisturbed: "I think the cost/ benefit of having a happier staff who have more flexibility, and more time to percolate on things without distraction, outweighs the reduction of face-to-face collaboration. We didn't see a drop in the quality of work (when working from home) and, if anything, the pure craft output got sharper." (ECD at a Creative Agency).
- Nick Baker, founder at Stick and Twist, sees flexibility as fundamental to attracting high quality staff, especially important for working mothers. In his company they not only have no fixed office obligations, but also unlimited holidays and no fixed working hours.



But many feel that for creative or collaborative industries such as marketing, communal working is beneficial. That a return to the office is preferable to improve productivity, quality of work and company culture as well as learning for the less experienced:

- One MD at a media agency said that home working had not always served them well. "If people are only coming into the office two times a week, young talent are missing out on 50% of development time. They don't necessarily know what to do in a meeting." (The Drum, May 2022).

The reality is that, although everyone knows that different people respond differently to their working conditions, many companies are troubled about 'WFH'. The more flexible people become, the less they are tied to one company, and the harder it becomes for any agency (or marketer) to have a consistent culture and competitive advantage. Agencies and teams need to retain their culture even when freelancers join, and set clear expectations and parameters for what is expected. Ultimately, flexibility will drive growth as it allows diverse groups to work in the way that suits them best, as long as we reward results over attendance.

2.4 Fluidity driven by the economy, and the growth of short-termism

Economic uncertainty is now cited as one of the most fundamental reasons for the need for a more flexible marketing ecosystem. Clients' ability to offer long term, annual retainers has fallen with the uncertainty in their own businesses:

|| *Clients have been hit by supply-chain issues, the economy and inflation - all these create uncertainty which impacts their budgets and ability to commit long term, meaning their visibility is shorter:*

- *They are less able to commit long term to having large teams available.*
- *They now wait longer before approving projects in case of last-minute impacts at their end. This means the need for freelance vs permanent staff goes up. This makes it harder to manage your resources, which of course hits your profit."*

UK Agency CEO

One CMO sums up how this is reflected in the views of the brand-side marketers:

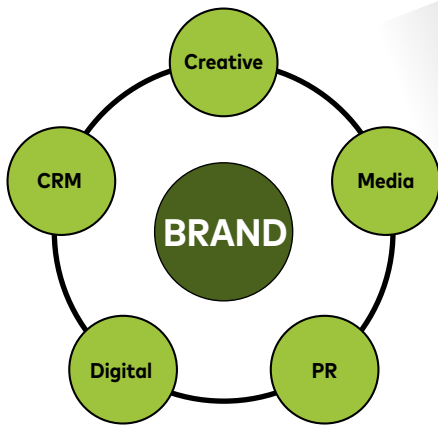
"This year our budgets are expanding and contracting. We have been forced to scale down to be more flexible; macro-economic conditions mean less foresight into revenue. Our agency costs have been reduced but we hope to grow again next year."



2.5 Fluidity in marketing agency ecosystems + consolidated offering vs multiple specialists

Not too long ago, most brands had 4-5 core agencies, and tended to have retained relationships with all of them. This was usually:

1. Creative/Brand agency
2. Media agency
3. PR agency
4. Digital agency
5. CRM agency



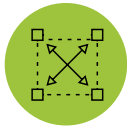
The marketer's agency options have grown



Now there are many different types of agencies that have arisen from the increasingly fragmented audience, media landscape and ability to target consumers in a variety of different ways. And although these agencies might be specialists in one area, there is often an overlap where they are trying to eat each other's lunch. CMOs can now choose from a wider selection:

1. Creative agency
2. Media agency (who often now have content arms)
3. PR agency (often works across social and content)
4. Brand Strategy consultant (no execution)
5. Management consultant
6. Communications planning specialist
7. PR agency
8. Influencer agency
9. Performance/ SEO agency
10. Social and content
11. Production agencies (sometimes going direct to the client to do creative)
12. Experiential agency
13. Ambassador programmes
14. Growth of in-house agency and teams
15. Ecomm design and online marketplace specialists

With this fragmentation, specialists offer greater choice to marketers. But how does each CMO build their ecosystem of partners, and how many can they handle? Obviously different types of businesses require a different structure, and the choice will be affected by the following factors:



Scale



Budget



Ability and experience of brand in-house team



Ability to manage multiple agencies



Business category
(e.g., DTC brands will need a much higher level of specialist digital and performance expertise)

The answers to these questions depend upon who you ask and where the financial incentive lies. The holding companies are continuing the message that 'clients want fewer agency partners'. That 'more is less', complexity cripples, and they need 'one throat to choke'. One network executive believes that further consolidation is inevitable "but the holding companies need to let the specialists run within their walls to keep their expertise thriving." Let's take a look at three examples of brands with fluid in-house and external ecosystems.

1. A GLOBAL ALCOHOL BRAND

Their agency ecosystem had broadened in the last few years from 4 to 8 and is now made up of:

1. Brand agency
2. Community/ Experiential
3. Ambassadors
4. ESG specialists
5. Strategy consultant
6. Sponsorship specialist
7. Creator agency
8. Web 3 specialist

While this brand needs the specialists and the energy they bring: "It's harder to have more people on your roster - it is more work. New talent often doesn't get 'brand', or big business. This puts more weight onto marketers to coach them. We also need top-to-top partners to help take the weight off their clients."
(CMO, global alcohol brand).

2. FURNITURE.COM

Their ecosystem is made up of the following team:

1. Brand vision (in-house)
2. Branding agency (designed the brand look and feel)
3. Performance media strategy - in-house
4. Media agency (planning and buying)
5. Agency that just does TV
6. Social and influencer agency
7. Broadcast media (bought in-house)

"Traditional agencies can't give us what we need, and we're too small for a large holding company offering, with lots of expensive managers. We built a custom team of internal and external. It would save me huge amounts of time and effort to have one or two companies manage it all - we just can't justify the huge non-working media spend, when considering our overall ROI and acquisitions targets models."
(Dan Bennett, CMO, Furniture.com).

3. A NATIONAL BETTING COMPANY (LARGELY PERFORMANCE LED)

This brand has 15 separate specialists inputting marketing services:

1. Brand consultant
2. Creative agency
3. Media agency
4. CRM agency

And 10 separate specialists in digital and performance marketing:

"Absolute core experts in one specific thing." (SEO, Content, Social, etc.)

This **CMO** feels more comfortable with more partners:
"Having them all in one place leaves you exposed - it's healthy to have them challenge each other."

But the holding companies have a long history of successfully adapting to change by learning or acquiring the specialists. And this model of consolidation is preferable for some brands because of the complexity of the fragmentation that has occurred. The consolidated model claims to offer efficiency through integration:

"In the majority of cases, clients need simplicity, consistency, and integration. There will be huge inefficiencies in multiple agencies. For example a client will end up paying for strategy multiple times." (Global CSO, holding company). "Clients often expect agencies to play nicely, but this is often not the case. They are not incentivised to play nicely... integration into one entity helps solve that."

Andrew Robertson, CEO of BBDO, describes how they are able to leverage their scale to offer specialisation and integration together: "Consumers want an effortless, seamlessly connected series of magical experiences through what are increasingly non-linear purchase journeys. This can only be delivered with access to deep specialisation. And clients want this delivered as simply as possible. No one wants to manage 20 agencies. So what BBDO is doing is building deeply specialised capability at scale in a small number of centres of excellence that are then leveraged by agencies across the network for clients across the globe. Rather than every agency trying to do a bit of everything itself. An example might be a team of creators based in Atlanta that does nothing but TikToks. So clients can get solutions delivered by specialists and have simplified central management."

There is no simple formula to lay out what agency ecosystem is best for your brand. Each brand and marketing organisation is different and will carry different needs and abilities to manage internally and externally. Scale and business category are two of the biggest factors in defining how many partners a brand will work best with. Smaller, more nimble companies that may require dynamic optimisation across different digital media may have greater need to command and control the levers themselves. Large global brands that want greater integration and efficiencies across different continents may feel a consolidated approach is better suited to drive consistency and impact. Whatever you choose, what matters in any system of agency management is the need for media-neutral leadership that puts the customer first, and not the remuneration or leadership of one type of agency.

2.6 Conclusions from AAR

- 1 We already see, and expect to see increasingly in future, that brands will have an appetite to increase the fluidity of how they build internal and external capability.
- 2 More systems are now in place to allow greater access to more people, and access more specialists - which is a good thing for the industry and its ability to retain diverse talent. If you're not accessing more specialists in your marketing ecosystem, it's likely you're missing out.
- 3 There isn't a one-size-fits-all solution. The right agency ecosystem changes by marketer capability, category, scale and culture. And we see at AAR an increasing appetite to re-examine the agency model more regularly, rather than having agencies operating in the same way.
- 4 The consistent need is for media-neutral leadership that puts the customer first, and not the remuneration or leadership of one type of agency.
- 5 Agencies need to leverage freelance expertise from a skillset and economic POV. But in doing this they need to work hard to retain their passions and culture of the agency itself. The industry has been built upon the differentiation of groups with different expertise and points of view - not one homogenous mass of freelancers that flex with every brief they get.

“ In the majority of cases, clients need simplicity, consistency, and integration. There will be huge inefficiencies in multiple agencies.”

Global CSO, holding company

3

Leveraging Customer Data

Brand vs Performance and the
'missing middle'





Summary

'Data' has been an overused word in the industry for several years (remember data as 'the new oil?') as we have all needed to claim we are 'data-led' to justify budgets. When it comes to how we leverage data to produce more targeted, relevant marketing, lines of battle often still exist between 'brand' (one-size-fits-all, high craft and cost) and 'performance' (multiple targeted versions, low craft and cost). But this dichotomy is increasingly seen as an operational legacy, often driven more by agency culture or marketer mindset than an accurate reflection of how to make an impact on customers' purchasing decisions.



Questions we asked

- How are marketers and agencies currently using data and what are the challenges they face?
- Is the legacy issue of the separation of brand and performance marketing preventing more impactful use of customer data?
- What's happening in the agency market to respond to these challenges?
- How are agencies addressing the opportunity to leverage customer data and create more targeted marketing?

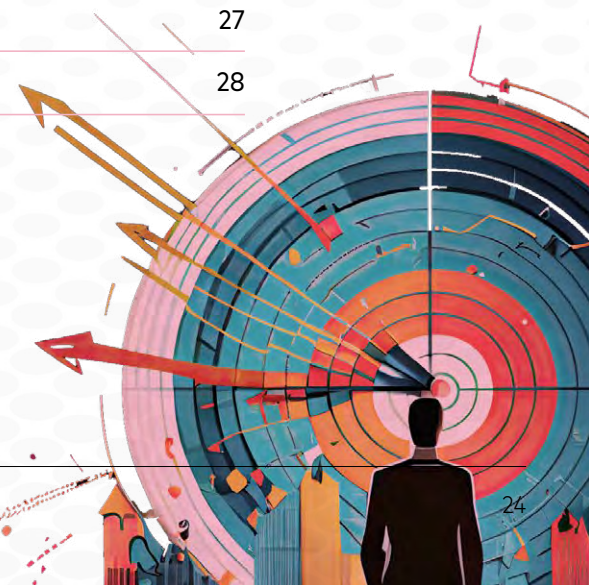


Key findings

1. Customer data is still seen as a crucial battleground for marketers, but high quality, targeted creative remains elusive.
2. The marketing industry and agency marketplace is lagging behind the opportunity, mainly due to complexity of the task and the difficulty of re-organising legacy client and agency structures, and cultural differences between brand and performance marketers.

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3.1 How are marketers and agencies currently using customer data, and what are the challenges?

Access to customer data has grown exponentially in the last 10-15 years, but how is this data actually being used? On a macro level:

- 'Digital' marketers are using customer data to personalise digital and social advertising, optimise emails, and reduce friction in the online sales process.
- 'Brand marketers' source macro data-led insights but will often have the same output: the creative brief with a single-minded message.

But there is a belief that data is being not leveraged holistically, and the industry faces ongoing challenges:

- Marketers are overwhelmed and find it difficult to harness the right data to inform creative decisions.
- The pace of evolution of platforms and sheer quantity of formats has made it impossible to keep up with creative best practices and high quality creative production.
- Cookie deprecation and challenges to accessing third party data is creating new challenges in driving targeted advertising.
- Data specific roles are not always central to the decision making process for marketers, with many decisions being made without being informed by the data that may be available.
- Brand and performance cultures often don't work together to build incrementality for each other.

3.2 How is the marketplace reacting to the data opportunity?

The availability of data grew so quickly that it became overwhelming, and many companies even birthed the new role of Chief Data Officer to handle this task (and demonstrate to the world that they had this covered). But this role often became a research role, responding to requests from the organisation rather than adopting strategic ownership over which data actually had an impact on the business. But it's not how much data you have, it's what you do with it: "Most marketers catch too much data and get overwhelmed. Align on the metrics that matter and what data triggers those metrics - work backwards from what matters, not forwards from what's available." (Dino Myers-Lampsey, The Barber Shop).

Nick Baker spotted the gap in neutral, practical data-led communications planning when he set up Stick and Twist, which helps clients understand what segments are the most valuable and provides a breakdown that is actually practical for creative agencies to build to (not 100s of micro-groups): "One of the biggest challenges facing every marketer is connectivity in data. We have access to more data than ever before – we are literally swimming in the stuff – from pricing to brand tracking, performance metrics to digital user journeys, customer analytics to loyalty or attrition. But data is all too often presented in a siloed way. Getting into very granular detail, very quickly, often creating more questions than answers – and presented without the important context of the broader business, brand & customer insight. The trick is knowing the big questions to ask from the data. And then blend the analytics with other sources of market, business & customer insight to confidently set the future pathway for marketing strategy. Only then is data meaningful and actionable. Although data is seen as a science, it must also be seen as an art. And this is where agencies need to focus, to create as much craft around their use of data as they do in their use of creativity." (Nick Baker, Stick and Twist).

“ One of the biggest challenges facing every marketer is connectivity in data.”

Nick Baker,
Stick and Twist

Just because you have the data, it doesn't mean you should turn it into a targeted ad.

Companies that sell digital targeting, be they tech platforms like Google and Meta, SaaS platforms like Vidmob or performance agencies will feel that more is more: the more targeted the ad, the more relevant it becomes and the more effective it will theoretically be. But these are often media theorists and not creatives who actually have to craft the campaign. The more ads you have to make, the lower the quality of each ad, so getting the right balance is crucial.

In a recent article Rory Sutherland (Vice Chairman, Ogilvy UK) argued that the industry has spent "far too much time on targeting optimisation" at the expense of "creative optimisation." He adds, "The very fact that it's measurable has made people obsess about what you can measure, on the assumption that what you can measure must be important." Targeting isn't all bad, of course. He says: "If you optimise targeting, that's helping you find your customers. But good creative can actually create them." (From *Generational Myths*, Creative X). What the industry is looking to achieve is an elusive balance. Not brand vs performance or targeting vs creativity - marketers and agencies need to get a better balance.

Brands and agencies also need to take a position on the ethics of the data they are leveraging. Meta has been the company most in the firing line for its use and occasional misuse of the data it collects, but as brands gather more first party data and develop methods to exploit this, it's important that the industry promotes transparency and customer choice. Brands and retailers are working with companies such as Infosum to pool their first party data in a clean way which drives shared insights and greater value for marketers. This is good for the industry in combating potential losses from cookie deprecation, but transparency must improve to prevent the type of consumer hysteria we have seen in the past about who owns the data in the first place.

3.3 Trends that are likely to have an impact on the agency marketplace in data-led marketing

So why don't brands create more 'mini-stories' that are high craft but targeted and relevant? It's largely down to the legacy of time and budget: marketers and agencies haven't been able to make more assets for the same budget. So what could change this?

a) AI to the rescue?



Many believe that AI will be the tool that reduces cost and allows more versioning for targeted creative. But it does depend on who you ask. Media and tech are more likely to say yes, but the creatives aren't sure as it still requires human oversight, and a drop in quality from the single asset legacy. Covered in more detail in part one of this report, AI will undoubtedly have an impact, but the question is when. Russell Marsh (Ex Publicis and Founder, Blue Mozaic) has worked on tools to help bring the production and targeting together, but warns against thinking that AI will magically solve the challenge overnight: "I don't think this is going to be quick. We were talking about Connected TV in 2001 and only now is this starting to come to fruition. AI will be a generational change as we work out what it is and how to use it. But it won't be as fast as predicted."

b) Could Connected TV change the game?



While spend on Connected TV channels is growing, this doesn't mean that advertisers and agencies are taking advantage of the targeting capabilities they offer. Theoretically this could be a game changer for the industry - the ability to target segments or personalise offers with the higher expected craft of the larger screen but in multiple versions. However, despite the opportunity, the ecosystem has yet to respond. Marketers and agencies have not been able to shift their systems and budgets towards the opportunity, and despite some bullish optimism from some TV media sales teams, we are still in the nascent stage of fulfilling the potential of Connected TV.

3.4 Brand vs performance cultures and the 'missing middle': legacy issues within the ecosystem remain

Many marketers are rejecting the idea of the funnel where the obedient customer works their way along your communications towards purchase. Customers are exposed to a mish-mash of different comms across different media, and different consumers digest it all together and act accordingly. The issue is that many marketing and agency team structures still operate without enough integration between objectives. And if you operate brand and performance separately "you're 'pre-screwed' as different teams have different incentives pulling them apart." (Avinash Kaushik, CSO at Croud). The parts are linked for the customer, so teams need to do more to link them together: "We know that brand drives lower CPCs and more. The way to understand what matters is to set measurement horizons, from 90 days to three years. Cross-checking unaided brand awareness tied to incremental sales revenue shows the impact of brand marketing."

The industry and agency ecosystem still carries an ongoing debate between the 'old' agency Creative Director who creates long-form storytelling (think 30s or 60s video) that aims to 'create culture', and the digital/ martech/ data-led companies that focus on producing more relevant personalised content, theorising it to be more effective than one-size-fits-all.

Traditional ad agency strategic and creative talent isn't always suited to build targeted/ precision content. While media teams are more often happy to build segments, most traditional large agency creatives - and sometimes brand marketers - often prefer to build one 'shiny object' and simply don't want to create something that is built into multiple versions, or shorter formats. Often focused on awards and 'famous' work, they see diminished returns for precision targeted 'versioning'. Also attempts at agency integration between brand or performance and CX often fail: "When agencies are forced together to join up - the dominant culture wins - it's not equal. People follow the leadership of the dominant agency and the secondary culture falls away, losing the specialism you had before." (Xavier Rees, CEO Havas Group).

Both within client marketing organisations and with agency specialisms, it can sometimes seem that you have to pick a side between being a 'brand' person or a 'performance' person. Cultural battle lines are drawn over the effectiveness of each other's work, ROI and budgets. Often the two sides find it hard to appreciate each other at all. And certainly the industry can be guilty of swings of fashion one way or another.

Back in 2019 Marc Pritchard (CMO of P&G) said: "We're reinventing media from mass blast to mass one-to-one." P&G CEO David Taylor built on that to announce that the company had used its 1 billion+ consumer IDs to build "smart audiences", identifying niche segments to target for each brand. This shift away from "generic demographics" towards more granular segmentation was helping support "one-to-one brand building", while eliminating "wasteful" mass marketing. He explained: "We are going from generic demographic targeting, like women aged 18 to 35, to more than 350 precise smart audiences, like first-time mums, millennial professionals or first-time washing machine owners, to help us reach the right people at the right time, in the right place." (Marketing Week, 2019).

|| *If you optimise targeting, that's helping you find your customers. But good creative can actually create them."*

**Generational Myths,
Creative X**



But this is easier to say than it is to put into practice. While it might sound good on a conference stage, the reality is that the brand and agency ecosystem is rarely able to achieve a healthy balance between brand, performance, how they work together, and what's in between.

This is most eloquently summed up by Nick Law (Creative Chairperson, Accenture Song) writing recently in Forbes: "Marketing departments and agency groups are shaped like an hourglass, with brand at the top and performance at the bottom, but barely connected in the skinny middle. This design isn't intentional - but reflects how those two cultures struggle to work together. The brand world is a mature culture of storytelling and craft, suspicious of the scientific world of algorithms. Meanwhile, the performance world is young and bright, with a deep understanding of modern media and technology, sneering at the hand-wavy romantics at the top. If you were unkind, you'd say the top is making beautiful things that no one sees, and the bottom is making ugly things that no one can avoid."

There are some newer agencies which claim to have been set up with holistic customer centricity at the heart, and use data to govern decisions on spend and focus: agencies such as Dept, Wake the Bear, and Spark Foundry are building ways to fuse data, media and content together. They help their clients navigate and measure across the full owned, paid and earned landscape but, as yet, no clear winners are emerging to fill the gap.

3.5 Conclusions from AAR

- 1 **Striking the balance of collecting the right data and turning it into actionable marketing campaigns is key. Meaning you need to have the right organisational design internally to make sense of the messy middle, have the right agencies in place to help you connect the dots and strike the right balance between brand and performance.**
- 2 **When building more relevant data-led communications, the marketing ecosystem is not yet fit for purpose. There are a few core challenges:**
 - a **It requires a seismic operational shift that organisations aren't currently incentivised to make. Cultural barriers and subjective tastes in brand or performance keep the sides apart.**
 - b **The landscape is constantly shifting in terms of what we can access. The industry has relied heavily on 3rd party cookies but needs to adapt as these are deprecated.**
 - c **It's technically hard to understand, hard to implement, and specialism is required. Theory is simpler than the practice of what is legal, possible and practical from a technology and expense POV.**
- 3 **Understanding and managing data needs to shift from being a separate skill servicing the CMO and CEO, to becoming a fundamental responsibility of the leadership roles themselves.**
- 4 **The industry needs to build incrementally by shifting more creativity (and budget) to data-lead targeting, but this will need to be led by clients. In general, the agency ecosystem is being slow to respond to the opportunity, and examples of high quality targeted creative are few and far between.**

4

Beyond Purpose:

The rise of 'Conscious Creativity'



aar



Summary

The UK marketing industry has traditionally lacked diversity, and only considered sustainability in the context of consumer purpose-driven marketing campaigns. But brand marketers are looking more closely at their suppliers and agency partners to meet certain standards, both in the work they produce and the team that creates the work. Agencies are being forced to look in the mirror at their own ESG standards not just by their clients, but by their employees.



Questions we asked

- How important is agency sustainability and diversity to brands and agencies? Is it fundamental or a box-ticking exercise?
- What are agencies doing to improve their ESG standards?



Key findings

1. While all brands and agencies agree that diversity is important to their work and their teams, the industry lacks a consensus on standards and how they should be enforced. Sustainability is growing in importance for the agency ecosystem but this is driven more by employees, with clients considering DE&I to be more important.
2. Diversity standards aren't moving fast enough for many, and aren't always lived or enforced by brands - but investment is required to get the right talent there faster. On the sustainability side, more categories are joining the 'no-go' list for agencies, and in the future some less environmentally friendly industries will find it increasingly hard to have the best agencies or talent as partners.

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4.1 DE&I and Sustainability in the agency ecosystem

ESG, brand purpose and sustainability have become as much a part of the marketing process as Christmas and price promotions. While some companies, such as Unilever, focus more on this than others, every CMO is now part of their company's ESG team as brands weigh up how much to do what is good for the world, with how much that aligns with something that will actually drive sales.

This focus is no longer just important for customers and brands, but for agencies as well. For years, **diversity** has been the elephant in the room, with an obvious lack of diversity in many UK agency boardrooms. Although most agencies have realised that they need to hire more diversely and build cultures that are far more inclusive, this is moving too slowly for many in the industry, especially when it comes to agency ownership. And now **sustainability** credentials are joining the RFP list of questions, and agencies themselves are announcing themselves as B Corp companies. But is this a cynical move to win more business, or a genuine desire to do the right thing?

While the term ESG stands for 'Environment, Social and Governance' it does cover a company's policies, actions and performance across a range of ethical, diversity and sustainability issues. Given that progress and policies are not consistent across all areas, we will split the discussion into **Sustainability** and **DE&I**.

4.2 How are agencies responding: Agency Sustainability

A business's sustainability isn't just a question for prospective customers or clients. It's increasingly fundamental to those willing to work there in the first place. A Deloitte survey this year revealed that over half of those surveyed (23,000 Millennial and Gen Z) will research a brand's ESG before accepting a job, and 40% either have already moved, or plan to move jobs because of their employer's climate impact. The former Unilever chairman, Paul Polman published research stating that 76% of people want to work for a company that is trying to have a positive impact on the world, and over half say they would consider resigning from a company with values that didn't align with their own. However, these statistics are relatively easy to generate if you ask the right questions but less likely to be acted upon, especially in a difficult economy. We all want to do the right thing until it means we can't pay the mortgage.

There is a wide range of differentiation in the agency landscape, largely dictated by the personal choices of the leadership and the apparent pressure (or lack of) from shareholders.

Some agencies have been increasingly mindful of their own impact on the environment, and a few have been able to declare B Corp status. They see this as a win/ win for employees, clients, and, of course, the world.

Many publish reports and make significant efforts to reduce their impact both in their own footprint and the work they do. Media.Monks, for example (as part of S4 Capital) has planted a forest in partnership with Tree Nation, with the goal of planting enough trees to offset average annual emissions of their people. By the end of 2022 they had planted more than 503,033 trees, reforesting over 300 hectares and capturing 43,479 tonnes of Co2. They also measure sustainability in the nature of their work (called 'For Good' projects) with 445 For Good Projects counted in 2022.

Other agencies are even building products to help the environment. GentleForces is piloting a product called Plant Pensions which "allows companies to invest in the future of the planet on behalf of their employees, by contributing to the regeneration and conservation of the natural environment." (Danni Mohammed, GentleForces).

Andrew Robertson (CEO, BBDO) sees scale as an advantage when tackling sustainability. "This is managed at the Omnicom level, and we're focused on impact, not headlines. There is an advantage in being part of a holding company where you can have full time experts define what policies will have the most impact across 1000s of people." Omnicom, for example, realised that two initiatives that would make the biggest impact were 1) rationalisation of their server capacity and 2) organising the recycling of laptop batteries, so ensured these were enacted across the network as a whole.

*We all want to do
the right thing until
it means we can't
pay the mortgage.*

Brands that have high ESG standards and want to build them into their messaging and campaigns, are more likely to request information and certification from their agencies. Companies such as EcoVadis and Sedex provide – for a fee – certification that is required for entry into certain global pitches. However, these certifications can be obtained at holding company level and then passed on to each agency within their network (seen by some as a bit of a workaround).

At AAR, while we see that some of the more sustainability conscious clients (such as Patagonia) do enquire as to agencies' sustainability credentials, the standards expected are not consistent. And while sustainable activities are welcomed by many, those agencies who trumpet actions at agency level while continuing to work with, for example, big oil are being called out for hypocrisy.

Perhaps driven by budgets and trends in the US, diversity is seen as a higher priority on RFPs and pitch criteria than environmental credentials. One holding company executive told us that DE&I is a priority as it improves the work, but while environmental data is published, it isn't a real focus for their board.

4.3 How are agencies responding: DE&I

While DE&I policies have become normal for clients, and in their RFI for agencies, the fact is that the industry still has a long way to go. Marketers and agency owners are all familiar with the line that they 'need to represent the market they are marketing to' but minorities are generally under-represented in marketing teams against the national or local averages.

While further along than sustainability in client demands, it's still felt that a lack of diversity is not actually excluding agencies from pitches. Some brands like Google will have policies about the diversity of the teams that work on their business, but this isn't an industry rule. Some feel that diversity doesn't have the same weighting as other client criteria. According to one agency CSO: "Price and performance will continue to reign over sustainability and diversity. If a company has equal quality but is all white but 30% cheaper, the clients are going for them every time. It's mainly window dressing vs money." A recent report by The Blueprint (Talent Agency) that surveyed agency leaders writes that "only 23% of UK and US agencies believe they are 'really good' at implementing diversity, equity and inclusion within the workplace". And other data shows that in fact some measures are going in the wrong direction: a recent 4As study in the US showed that in 2021, 73% of Agency leaders were white, and for 2022 that climbed to 90% (Adweek/ 4As Diversity in Agencies Study report 2023).

According to Dino Myers-Lampsey (Founder, The Barber Shop) on the procurement side: "The weighting (for DE&I) is not enough. It's set up so everyone can pass. It's often based on policies and targets – a future state – not where they're at today. While it's considered, [it's] very rare that any agency is actually ruled out."

So what **should** agencies do?

- Consider reflecting local communities, not just national ones.
- Be public with your plan.
- Find a way to have non-biased, external accountability.

But also, marketers shouldn't export their deficiency onto their agencies: "Clients need to diversify themselves before considering their agency or outsourced diversity. Most aren't prepared. If they don't have diversity, they don't know how to leverage the talent and apply what matters." (Dino Myers-Lampsey, Founder, The Barber Shop).

Measured categories for DE&I have grown beyond gender, ethnicity and LGBT and now include age, socio-economic, religion, neurodiversity, and disability.

For some younger agencies, legacy staffing ratios aren't an issue. Calling, founded recently by Josh Tenser and Rani Patel, describe that "Diversity isn't an add-on for us, it's at our core. We're at an advantage point to be setting this up now, with a fluid collective model that enables us to cast the right mix for the future. Some agencies are burdened with having to find jobs for the 100s of people that they have hired over the years, many of whom look the same." Despite having a small team, their core staff is currently made up as follows:



But it's not just about who you hire, it's also how the team is treated, represented and promoted:

"The basecamp is representation: Every agency should be at or working towards what representation looks like at local level. But hiring isn't enough. At BBDO we have a 'Belonging' Index: people need to feel like they belong to realise their potential, and that of the agency. Twice a year we ask questions from our teams, and find these results give us the best proxy for inclusion." (Andrew Robertson, CEO, BBDO).

Policies need to be baked in and have financial consequences, or they are unlikely to make an impact. Some positive examples include:

DIAGEO

has its own goals for diverse ownership in their suppliers, not just in the staff. So they don't push the same ratio on each supplier but need to hit Diageo targets for diverse ownership.

Zoopla

provide a bonus to their agencies for 'good citizenship', which include the impact of the work they do, the diversity of the team, and the casting in their advertising.

The reality is that growing diversity on the brand and agency side requires investment in time and money to encourage people from different backgrounds. The legacy 'foot up' provided by family connections or being able to afford to intern for free isn't going to carry the industry forward. To counter this, Golin agency set up a scheme for interns to pay for their rent so they could attract more talent from all over the UK. But this type of initiative is still the exception rather than the rule and more needs to be spent on programmes to accelerate change.

|| *Clients need to diversify themselves before considering their agency or outsourced diversity. Most aren't prepared. If they don't have diversity, they don't know how to leverage the talent and apply what matters."*

Dino Myers-Lampsey, Founder, The Barber Shop



4.4 Beyond agency teams: DE&I in campaigns

The impact of casting can reach far beyond the diversity ratio of the team that works on the campaign. But many brands feel paralysed by uncertainty when considering how to cast their campaigns. Some brands use a third party to check their policies and campaigns. One example is The Diversity Standards Network that works with brands such as Zoopla, KFC and Barclays, as well as agencies like Media.Monks and Lucky Generals. They check for bias that internal teams may not be able to identify. Creative Equals is another specialist consultancy that works with brands on their DEI strategy - from team composition to supply chain auditing, to campaigns and their impact: they educate marketing teams to be more inclusive and authentic to build what they call 'the new ROI: Return On Inclusion.'

According to Andrew Robertson (CEO, BBDO) "The greatest impact (to promote diversity) we can have is via the billions of dollars that our clients spend in media." BBDO runs a system titled 'BBDO Compass' to track diversity quantitatively across casting in clients' campaigns over time, and measures the impact. Through their work with System 1 (a creative effectiveness research company) they have proven that campaigns with people from diverse backgrounds drive greater impact and efficiency. "Our clients make more money when you make work that represents the population it reaches." (Robertson).

An under-leveraged point of influence is media buying. Big advertisers need to consider that they may be funding media owners and platforms that provide misinformation about ESG issues. Big brands especially are able to lean on sites (especially platforms such as X and Meta) in order to have a disproportionate impact with their media dollars.

4.5 The rising Creative Conscience of agencies: which brand categories will they not work with?

It used to be that tobacco and firearms were the 'normal' exclusions for many marketing agencies, but now that list has grown. For obvious reasons around the climate crisis, Big Oil and Gas companies are increasingly on the list of clients that agency staff don't want to work with. An organisation called 'Clean Creatives' has been set up as an industry initiative to ask people to pledge that they will not work for fossil fuel companies. They claim to have 1600 individuals and 580 agencies who have signed the pledge, and publish the list on their site. While this is an impressive number, many big agencies and networks are notable for their absence, and they have taken to 'exposing' some agencies that work with fossil fuel companies.

Who should be on each agency's 'no-go' list is hotly debated and ever evolving, as not only is it subjective as to what categories count as 'bad', but even within categories there are 'bad' companies doing good things, and 'good' companies still doing harm to the planet.

"Every client is a debate. There is a reason not to work with anyone if you dig in too hard" according to Lucy Jameson, founder at Uncommon. "We have rules on Smoking, Vaping, Gambling. But for others we will ask questions such as:

- Are they going in the right direction?
- Are they ahead in their sector?
- What specifically have they done to move sustainability forward, and can we have an impact on this?"

When discussing the fact that they work with an airline, she goes on to say that they not only assessed them in their behaviour vs their competitors, their policies and targets, but also the bigger picture.

Others prefer to defer the choice down from agency level. Oli Green (Chairman, Brave Bison) describes how they want their culture to be empowering choice to those who will work on that client: "We want to make it more personal – different people have different attitudes to gambling, for example, and we think it's important to consider the standards of the individuals. No one would ever be asked to work on something they weren't comfortable with, but we'd rather have an open discussion rather than making blanket policies."

In addition to tobacco and 'big oil', many individuals and agencies may increasingly object to working with gambling, airlines, political parties, fast food or even alcohol brands. The long term view is that the **pressure is growing both from employees - and will grow from clients - as they start to demand that their agencies align with their own positions**. We see some media owners making moves in this area, too. For example, The Guardian has decided to drop all advertising from gambling companies. This will likely build momentum to more brands in certain unpopular areas having increasingly limited options in terms of access to media and talent.

4.6 Conclusions from AAR

- 1 Agency Sustainability is often driven by employees, but currently only meaningful to environmentally conscious brands.
- 2 While examples are rare in a tough economy, in the future we will see climate-damaging brands increasingly lose the ability to hire the best agencies and talent.
- 3 Agency Diversity is on the agenda for every client, but optics are often more important than statistics: Agencies are rarely disqualified from pitches despite not always mapping to society averages.
- 4 Hiring for diversity improves agencies and the work they do, but for many we spoke to, the industry needs to accelerate its progress towards reaching their DE&I targets. However, it takes time to build and replace experience and can't be done overnight. Brands and agencies will need to invest their profit margin to create faster change.
- 5 While brands and agencies need to get their own house in order, the ESG content within the advertising and marketing itself is the most significant impact that the industry can have.

These challenges are accelerating in importance in society, and in how brands will select partners in the future. Agencies that aren't already well on their way to meeting DE&I standards and considering Sustainability will be marginalised out of existence.

|| *Our clients make more money when you make work that represents the population it reaches."*

Andrew Robertson | CEO, BBDO

5

Connecting with Gen Z:

Is a new approach required?





Summary

With every new labelled 'generation', marketers frequently panic that their brands and business is under threat if they lose touch. Fuelled by brands' fears that they are losing relevance, and media owners that offer to sell connection to the audience, headlines and strategies about 'how to connect with Gen Z' are a regular sighting in the marketing world in 2023. But how has the agency market responded to this latest 'generational' challenge?



Questions we asked

- Is Gen Z actually different, and if so, how?
- Do you need a specialist agency to market to Gen Z?
- What do Gen Z agencies do differently?



Key findings

1. It's a mistake to approach Gen Z as a homogenous group but important to leverage young, digitally native talent to approach authentically through interest-driven communities and passions.
2. There is a group of agencies that are staffed with diverse, youthful, digitally native talent that offer authentic ways to connect. They aren't necessarily better or worse than traditional agencies and must understand your brand and deliver on your business objectives. Every brand marketer needs the balance between brand oversight and culture driven creativity.

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5.1 Characteristics of Gen Z and key skill sets needed to connect

Typically born between the mid-1990s and the early 2010s (there's no universal alignment on dates), they can't be ignored: Gen Z spending power is on the rise with \$360 billion in disposable income ([Bloomberg](#)). By 2030, their share of spend in the UK will grow to 39% as more of Gen Z enter the workforce, [according to a study by Clearpay](#). But perhaps more than Gen X or millennials, Gen Z is hard to group together accurately. The fear of 'getting it wrong' with Gen Z is often more important than experimenting with different ways to connect.

Risks of misfiring - an example:

Connecting with this audience in the right way isn't easy. If you get it wrong, the best case scenario is that you waste your budget and get ignored. But in the worst case scenario you risk not only misfiring with your Gen Z target, but upsetting your existing customer base at the same time. The most obvious recent example has been Bud Light, who - desperate to connect with their missing customer base in this age group - hired a trans influencer called Dylan Mulvaney to promote the drink. This ended up not only offending their traditional conservative customer base, but also upsetting the intended target when they fumbled their ability to defend the campaign, and ended up losing \$6B/ 5% of their share price.

The group isn't a homogenous cohort: "Gen Z are contradictions," says Stephen Mai, founder and CEO of Woo, the ITV-backed youth media brand and marketplace with a mission to 'turn generation anxious into generation zen'. "They like low fi content but also admire high craft. They have a short attention span but will binge an 8-hour show on Netflix. Brands need to respect and understand the nuance of the audience and avoid classing them together as one." However, the experts we spoke to agree that the following skills are needed to approach on the right terms.

Expertise required from your agency ecosystem:

Tier 1: Table stakes

1. **Authenticity is key.** Gen Z can easily spot inauthentic marketing efforts. Be genuine, transparent, and honest in your brand messaging and interactions. Avoid using overly polished or staged content.
2. **Assess your socials.** Embrace user-generated content and video that doesn't look like 'advertising' on TikTok, Snap, Instagram.
3. **Mobile first: Gen Z lives on mobile.** Make it easy for them to access, engage and buy from your brand on their phone.

Tier 2: Important

4. **Emphasise social and environmental responsibility** (but only if authentic).
5. **Stay informed on current culture.** Incorporate relevant elements into your marketing content to stay connected.
6. **Engage in conversation.** Gen Z appreciates brands that actively listen to and engage with them.

Tier 3: If suitable for your brand and budget

7. **Enable personalisation and co-creation.** Offer customisation options for products or services and involve them in co-creation initiatives.
8. **Utilise influencers and micro-influencers.** But ensure that the influencers align with your brand values.

These strategies can help marketers establish meaningful connections, build brand loyalty, and drive engagement. But who are the right partners to help?

5.2 Does connecting with Gen Z need specialist agency partners? Traditional vs specialist agencies

Does Gen Z require a different approach? Can they be reached effectively by the same agency that targets everyone else? Or would a specialist be more suitable?

Unsurprisingly, many creative agencies feel that their consistent strength in strategy and creative can apply as much to this generation as to any other: "Although the audience is different, the approach is the same," says Lucy Jameson, Founder at Uncommon. "You talk to them in their own language, in the places and media where they are. It's the same for any generation."

Michael Sugden, CEO of VCCP Partnership, believes that gaming is the biggest untapped opportunity for Gen Z, and so they created VCCP+ to focus on gaming and fill what he calls 'a blindspot for marketers' in an area which offers more eyeballs than music and film combined. VCCP+ built a virtual version of TheO2, in Fortnite. In 2 weeks they had the equivalent attendees of selling out The O2 for a whole year.

One UK CMO we spoke to was keen to point out the value of ideas that can span generations: "Yes the media can change, but we often chat about mindsets being 'generation free'. People from 11 to 80 have things in common but aren't aware of their generation. Ideas stand out. Ideas connect people. There is a risk that if you base effort on casting, music etc., the work aimed at young people can all look the same."

There is also a confidence from some of the larger holding company groups that size and scale opens doors to privileged data and expertise. One CSO we spoke to from a holding company feels that they have the insights covered - especially via 'friends' like TikTok and Twitch at Amazon. Their scale provides access to data which they get from being the platform's largest customers: they get the insider look at quant and qual data.

On the other hand, there's a new breed of specialist independent agencies shaking up the marketing model to reach Gen Z. Just don't call them Gen Z agencies...

"We are next gen, not Gen Z," corrects Effy Okogba, CEO of Digital Fairy, which helps brands navigate what's new and what's next. "It's a mindset - not an age demographic, in terms of how an audience navigates the internet and Web 3. (We focus on) people who are pushing innovation and creation."

Set up to help brands understand youth audiences and the platforms where they spend their time, Digital Fairy works with brands looking to identify with sub cultures, whether that's LGBTQ+, Goths, or Black females. As Effy puts it: "We make cult brands more commercial and commercial brands more cult."

"We want to empower people and create a community, not point out a problem," said Okogba. For example, Digital Fairy created the Spottie Hotties campaign for Topicals skincare brand to demonstrate that skin should be fun no matter what it looks like.

So how are the new breed agencies truly different from the traditional? It starts with the team.



"We want to empower people and create a community, not point out a problem."

Effy Okogba | CEO, Digital Fairy



|| *Ads too often are transactional or employ metaphors that make you feel inadequate in service of the product solution."*

Josh Tenser, Calling

At Digital Fairy, 88% self-identify as female, 8% male, 4% non-binary, 46% People of Colour, and 100% under 35. They are creators themselves and use their own agency channels to experiment and test in what they call 'Lab Energy'.

At global social media agency Social Chain 60% of its staff are under 27, many of which are content creators themselves. "Content is advertising is content - the lines are blurred. We run TikTok channels so we understand what works," says Chairman Oli Green. "The consumer is more aware of marketing than they were 10 years ago. People market themselves on Instagram and LinkedIn all the time!"

But it's more than just team make up - it's also a different approach. Calling, the new independent agency founded by Rani Patel and Josh Tenser, doesn't bill itself as a Gen Z agency, but at a time when "83% of consumers say brands should stand for more than profitability" (Tenser) they describe their role as helping brands define their meaning in society.

"Millennials wanted to discover their identity and experience life. Gen Z are campaigners, they want collective action," says Rani. "The industry is playing catch up: audiences change first, then brands, then agencies. Agencies haven't caught up and their Operating System hasn't adapted. Calling speaks to 3 pillars: Community, Culture and Purpose."

Calling wants to create "extraordinary conditions around the truth": more real, authentic raw material and less metaphor and product truth. Their style will be more documentary and audience-led, versus putting brand truths first.

"Ads too often are transactional or employ metaphors that make you feel inadequate in service of the product solution," says Tenser. "You need to create a synergy in the value system to live in people's lives."

This approach is similar to that of Woo, the ITV-backed youth media brand and marketplace which launched last year to redefine the wellness space for Gen Z. Earlier this year, the brand launched Woo Studios as "a new way to connect with Gen Z at scale through emotional storytelling, immersive experiences and consumer products." (Stephen Mai, Founder, Woo).

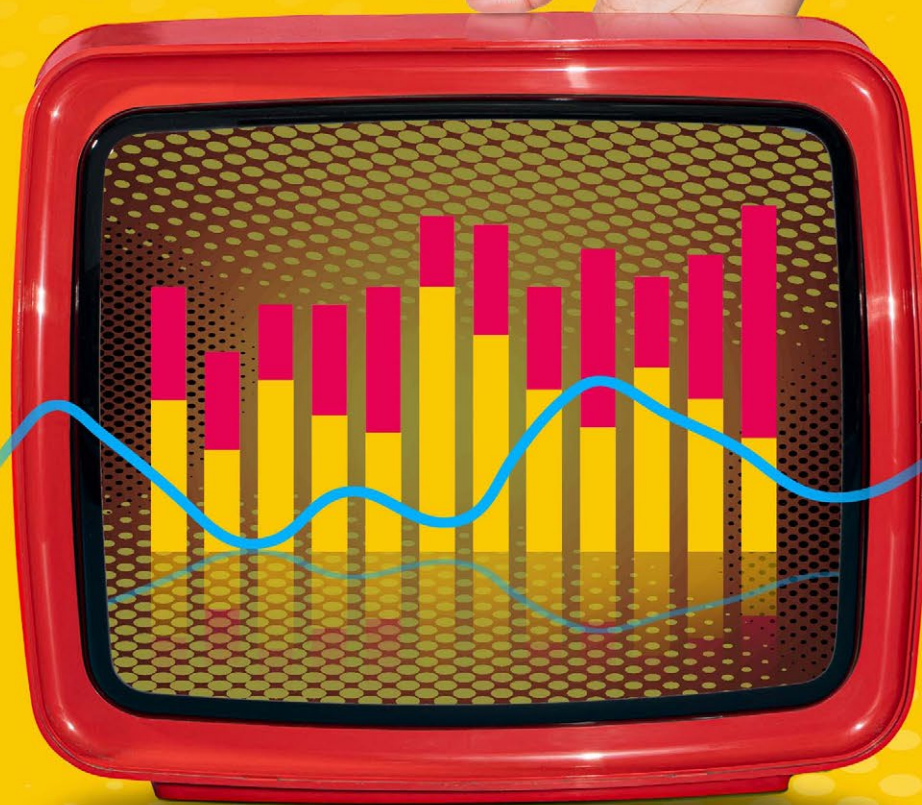
Developed around two key offers STUDIO and INCUBATOR, the team works with brands to "drive systemic and cultural impact within Gen Z. Delivering bespoke packages for brands who want to talk to, better understand and build communities within Gen Z audiences." Services include Gen Z insights and analytics, creative direction and strategy, production, project management, and talent incubation, through to venture design and strategic retail integration.

For truly successful Gen Z marketing you need a bit of everything. The experience to know how to make your brand stand out and be remembered, but the native understanding of Gen Z channels and behaviour in order to be accepted in the first place. As one CMO put it: "Brands make the mistake of not showing up in culture in the right way: they make up stories and push them out. For Gen Z real stories are far better: Content and experience that live in culture - and are relevant. And the young are more fluid creators so respect different kinds of content. But often younger people don't get 'brand' so you need some more experienced hands to guide them. You need both."

5.3 Conclusions from AAR

- 1 It's a mistake to group a demographic as a homogenous group. The best agencies approach audiences as a mindset - reaching out to communities and their passions, not with communication based on when they were born.
- 2 Communications have to be authentic; leverage those that live and breathe the channels they're in. This requires a digital native skillset but they must understand:
 - a Your brand
 - b Your business objectives
 - c Your analytics and how to drive ROI
- 3 Every marketing team needs to look at culture and your brand together: to marry the two to get the right balance. Work that doesn't connect, or work that entertains but doesn't link back to your brand is equally worthless. Gen Z agencies aren't 'better' or 'worse' than traditional agencies; you need the right balance of brand oversight and creative practitioners that fits your niche.

Appendix



Contributors include (in no particular order):

- **Sophie Kelly** (SVP North American Whiskeys, Diageo)
- **Lucy Jameson** (Founder, Uncommon)
- **Effy Okogba** (CEO, The Digital Fairy)
- **Andrew Robertson** (CEO, BBDO)
- **Will Hodge** (Agency Co-chief and CSO, Accenture Song)
- **Danni Mohammed** (Founder, Gentle Forces)
- **Josh Tenser** (Founder, Calling)
- **Rani Patel** (Founder, Calling)
- **Michael Sugden** (CEO, VCCP Partnership)
- **Stephen Mai** (Founder, Woo)
- **Tim Sharp** (Founder, Gen8)
- **Chris Binns** (CSO, Open X for WPP)
- **Russell Marsh** (Ex Global Head of Production, Publicis and Founder, Blue Mozaic)
- **Avinash Kaushik** (CSO, Croud)
- **Xavier Rees** (UK Group CEO, Havas)
- **Oli Green** (Chairman, Brave Bison)
- **Dino Myers-Lampthey** (Founder, The Barber Shop)
- **Nicky Badenoch** (Founder, Genie)
- **Freddie Laker** (Founder, Chameleon Collective)
- **Nick Baker** (Founder, Stick and Twist)
- **Kathleen Saxton** (CMO, Omnicom)
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Publications consulted and quoted include:

- Adexchanger.com
- Campaign Magazine
- Forbes
- CNN
- AdAge
- The Drum
- The FT
- Marketing Week
- The Guardian
- The Times
- BBC
- Media.Monks AI report (May 2023)
- The Truth about Talent (Report from The Blueprint, 2023)
- Creative Exchange



About the Co- Author:

Will Townsend has experience leading multiple creative and digital agencies, at Meta as a global client lead and as a client-side marketer. He has been a consultant and agency leader since 2022 and has worked with agencies and brands in the UK and the US on how to adapt to industry trends and drive growth.

He specialises in the convergence between brand creative and digital marketing technology, and has helped many global brands build their campaigns and agency ecosystems including Unilever, News UK, BT, AT&T, Verizon, GE and Blackberry.



About AAR:

We're experts in Marketing Ecosystems: the sum of a business or brand's internal and external capabilities, across their People, Processes, Partners, and Platforms. With decades of experience, and an unrivalled depth of market knowledge, we work closely with brands to deliver genuine and sustained change in their marketing.

AAR sits right at the centre of the industry between brands and their partners. This unique position means we have our finger fully on the pulse of what marketers need, what external partners can deliver, and how marketing ecosystems can be set up to drive real growth.

AAR: Experts in Marketing Ecosystems

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