

# The State of Digital Media

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Q1 2021

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In this report, we hope that we can plant some seeds of inspiration for the year ahead.

We start by getting grounded in the data with forecasts for changes in ad spend in 2021 by Dentsu. Next, 10 trends that we are paying attention to in the year ahead, including our experiments at Polar with the future of work. And finally, we look at brands who benefited from increasing ad spend during the recessions of the past 100 years.

I hope you find value here and as always, thank you for your attention.

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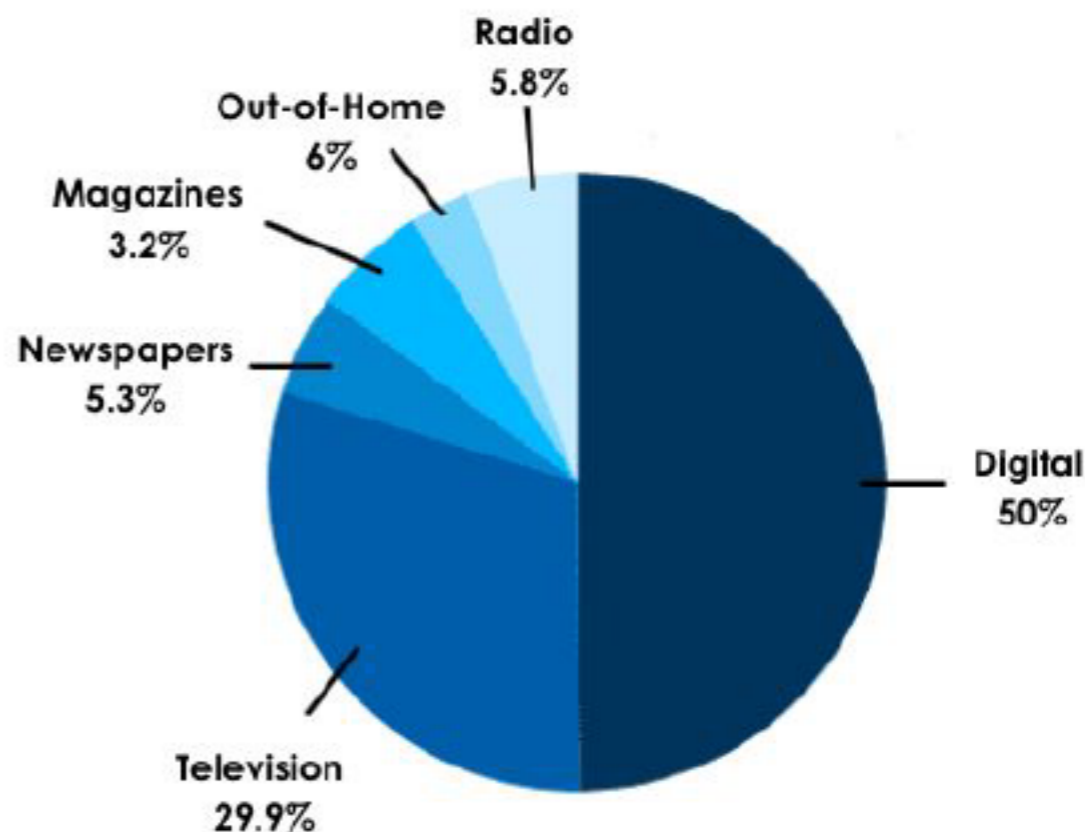
# Getting Grounded In The Data

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Q1 2021

## Global ad spend will grow 5.8% to reach \$579 billion in 2021

- Global ad spend will recover to **5.8% growth**
- This will partially recoup the **8.8% drop** in total ad spend over 2020
- Q2 will show a **13% growth over 2020**
- **50% of total ad spend is digital**, followed by television at 29.9%



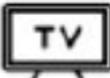






## Western Europe, Asia-Pacific and Latin America Accelerate Growth

- **China is the only market to not decline** in ad spend in 2020, despite pandemic
- **USA's growth in 2021 is a mere 3.8%**, the lowest of almost all markets
- **Latin America was hit the hardest in 2020**, and forecasted to grow the fastest in 2021

	2020	2021
<b>Global</b>	<b>-8.8</b>	<b>5.8</b>
N. America	-7.6	4.0
USA	-7.5	3.8
Canada	-9.6	7.2
<b>W. Europe</b>	<b>-10.9</b>	<b>7.5</b>
UK	-7.6	10.4
Germany	-8.4	4.3
France	-13.9	8.9
Italy	-14.4	5.9
Spain	-20.6	4.5
<b>C&amp;EE</b>	<b>-1.9</b>	<b>7.2</b>
Russia	-5.9	3.0
<b>Asia-Pacific</b>	<b>-8.0</b>	<b>5.9</b>
Australia	-11.2	5.9
China	1.6	5.3
India	-17.5	10.8
Japan	-16.6	5.3
<b>Latin America</b>	<b>-18.4</b>	<b>10.2</b>
Brazil	-22.3	5.2

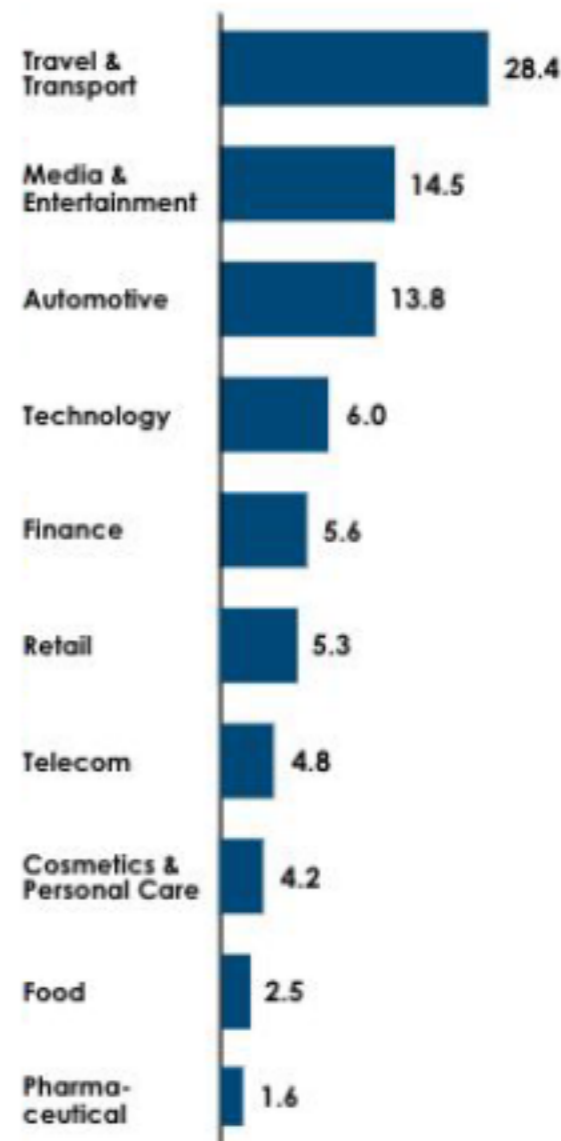
## Digital spend to grow 10%+ in 2021 compared to last year

- Newspapers and magazines will continue to **decline** in 2021
- Decline in TV spend in 2020 will not recover, **it has left for good**
- OOH and Cinema have (obviously) been the most volatile

		2020	2021
	Television	-13.6	1.7
	Newspapers	-23.3	-3.1
	Magazines	-20.1	-14.3
	Radio	-10.1	4.7
	Cinema	-58.3	41.7
	Out-Of-Home	-23.3	14.9
	Digital	-3.2	10.1

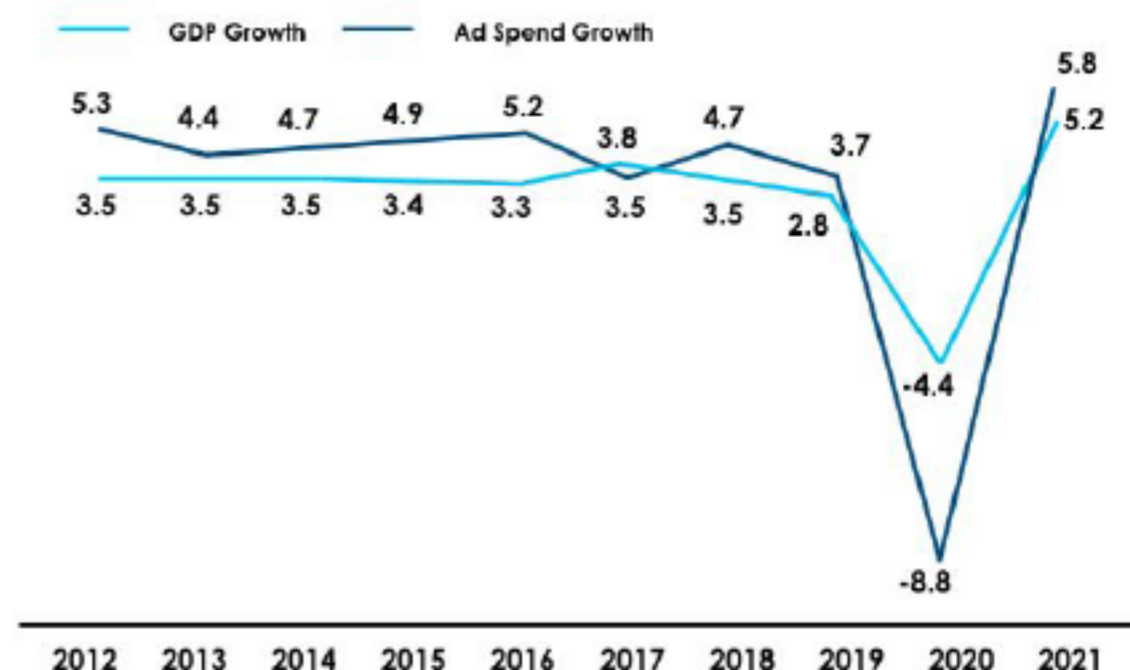
## The travel category expected to recover in ad spend in 2021

- **Automotive is a major category** in 2021
- Technology brands will continue to increase spend, as they did in 2020
- Retail & fashion is not on the top 5 list of categories growing in 2021



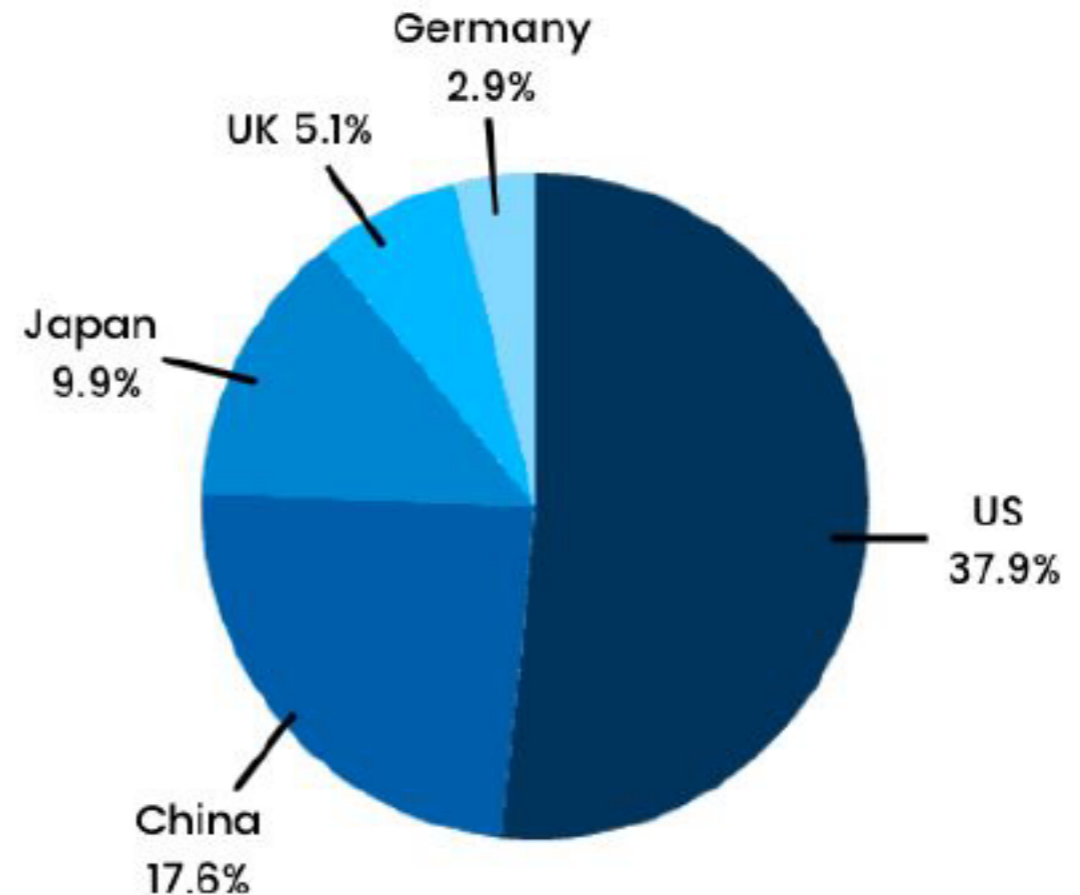
## A strong correlation between GDP and ad spend growth

- **Ad spend declined 8.8% in 2020**, despite the GDP decline being only 4.4%
- Ad spend growth has pretty much been aligned with GDP since the '09 recession
- Marketers are expected to slightly outspend expected GDP growth in 2021



## China's growth continues to accelerate

- The US comprises 37.9% of the world's ad spend, yet only 20% of the world's GDP
- China holds 17.6% of the world's ad spend and 14% of the world's GDP. China will continue to grow at a faster rate than all of the other markets



# Trends Worth Paying Attention To This Year

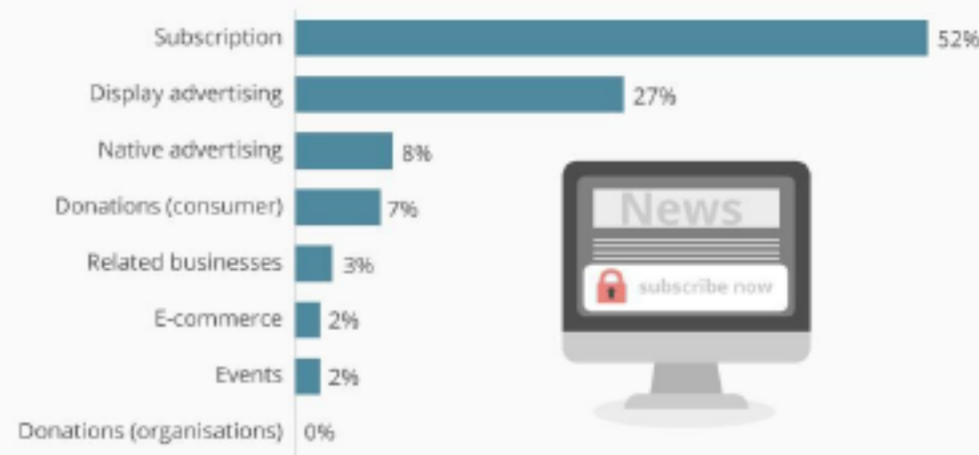
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## Social equity begins with an informed and inspired audience

- There is a limit to the number of digital subscriptions someone (or their employer or school) will pay for
- There is a limit to the number of people (across all socio-economic groups) that can afford digital subscriptions
- This worrying trend extrapolates leads to a small number of people with the means to access high-quality, fact-based research-driven journalism

### News Industry Pivots to Subscriptions for 2019

Revenue streams cited as most important for news companies in 2019\*



\* 163 of 200 digital leaders were surveyed from 29 countries for this question.  
Digital leaders were defined as Editors in Chief, CEOs, Managing Directors, and Heads of Digital.



@StatistaCharts Sources: Reuters Institute, University of Oxford

## Less is now more, where the signal has become isolated from the noise

- Customers no longer tolerate brands that waste their time with marketing gimmicks, annoying & intrusive advertising and purely promotional content
- 2020 was a sobering year, where only quality brands with a relevant message and strong advertising were able to cut through the noise and reach customers
- The nature of B2B marketing has fundamentally changed now, with client entertainments, industry conferences, and business travel is optional and no longer required



## **In a brilliant move, Apple becomes the advocate for the little guy**

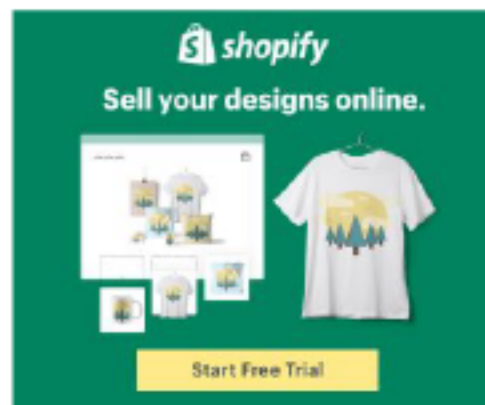
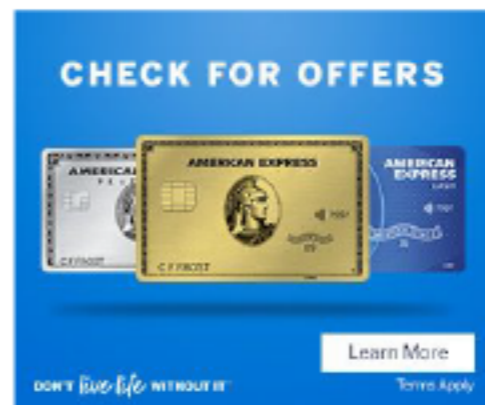
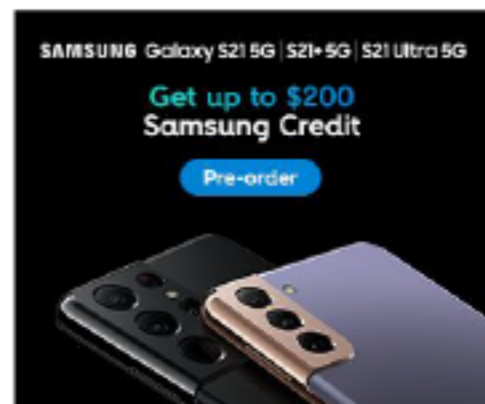
- Apple is the world's most valuable company, yet has managed to become the spokesperson for the little guy, leading the fight against Big Tech tracking user data
- Apple understands that Google, Facebook and Amazon all depend heavily on creepy user data, without it they are less of threat to their business long-term
- Apple has made the invisible visible, expanding the definition of user experience to include privacy



# Creative Replaces The Cookie

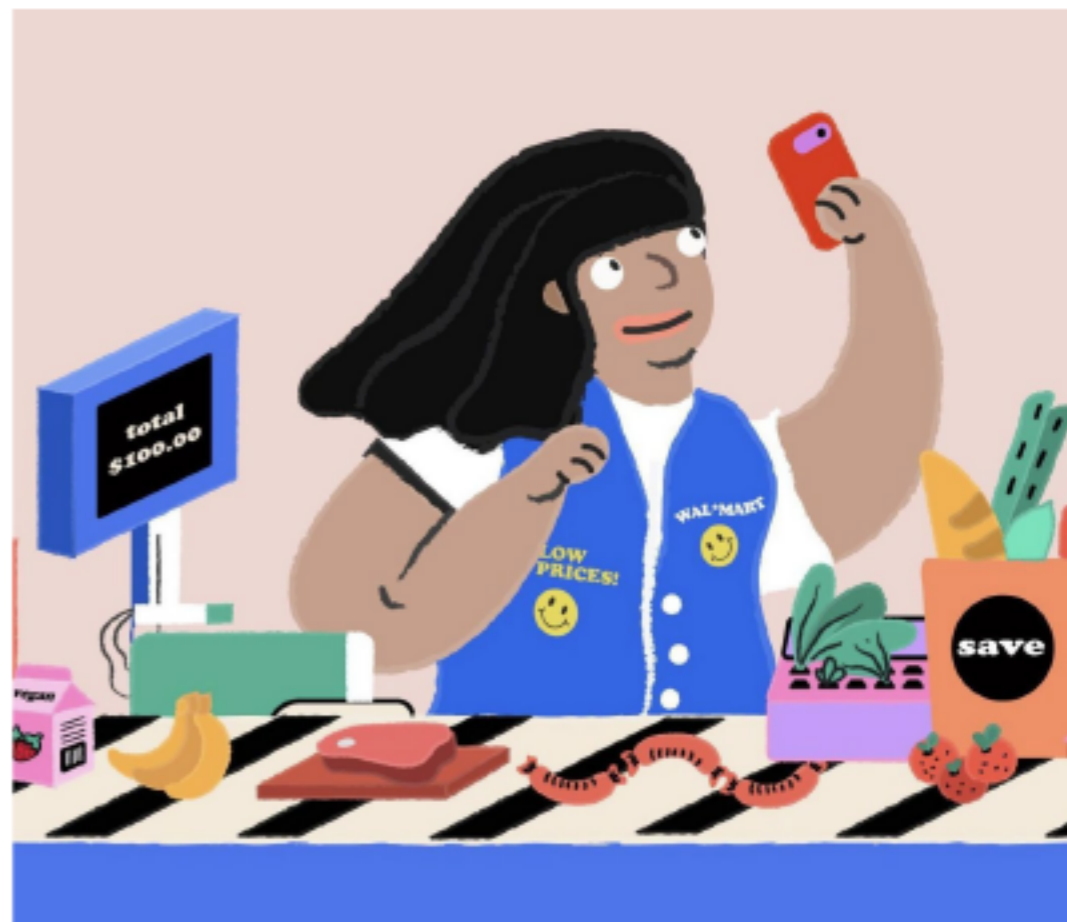
## With the impending death of the cookie, creative will play a bigger role

- Ad creative on the web (i.e. banners) has been lackluster for the past 20 years
- Programmatic innovation has focused on efficiency of reaching audiences, which has now hit its limits
- Creative will have to work harder for programmatic advertisers, as the effectiveness of audience targeting diminishes by third-party data changes



## New entrants are offering buying tools, with first-party data as the ticket to the party

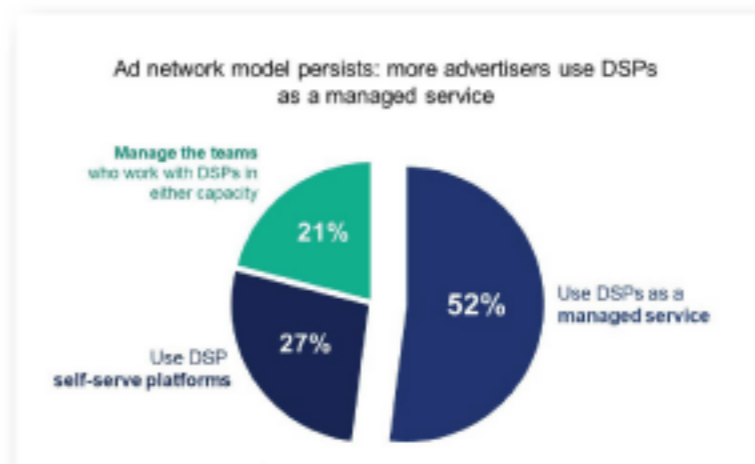
- Walmart, Target, Kroger, CVS and more are all rolling out their own Demand Side Platforms (DSP) to allow brands to activate their first-party shopper and consumer data
- They are going beyond becoming a Data Management Platform (DMP), but looking for a bigger piece of the media spend
- This is a direct move to stay competitive with Amazon, as Amazon becomes the dominant distribution channel (for commerce and commerce-driven advertising)



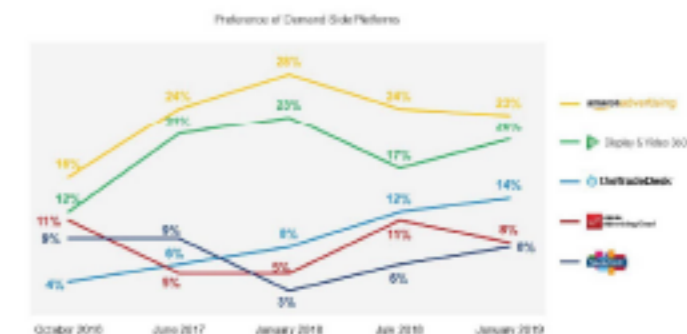
# Who is Driving This Thing?

## Once again, there is not as much tech in ad tech, as we once thought

- Most advertisers use DSPs as a managed service (still), with only 27% use DSPs exclusively in a self-serve capacity
- Amazon and Verizon are the two leading DSPs, respectively, adopted on a managed services basis by advertisers
- Only half of Google's DV360 and The Trade Desk advertisers use them primarily for their self-serve advertising capabilities



Amazon, Google tighten preference gap. TTD continues to trend up



## In a time of uncertainty, consumers turn to sources that they can trust

- Influencers are just as, if not more, influential than traditional media, brands and platforms, because they are specialized, niche and relatable (micro and nano influencers)
- Up until now, influencers were platform specific (e.g. YouTube, Instagram and TikTok), however we are starting to see them grow to be platform-agnostic
- Fueled by Substack, traditional media influencers are also venturing out on their own now, taking their audiences with them (Twitter needs to buy Substack)



## Millions of small businesses pivoted to online sales without online marketing

- Many more local & small businesses can now do business online, however they will need an immense amount of help with online marketing
- The ad tech industry is not equipped to serve the long-tail of advertisers very well, while Google search ads are expensive, leaving limited options other than Facebook
- The money small businesses may save on rent will be reallocated to digital marketing (or directly to Facebook)



## From IPG Mediabrands CEO Daryl Lee:

*The question in my mind is, **if Hitler was alive today, what would Facebook and Twitter do?** And the answer is not evident. That shook me. It's really shocking. Every other media publisher would be like, "Hitler may be the democratically elected president of Germany, but we need to shut this down" and then become watchdogs. There was no point at which Facebook or Twitter was becoming the watchdog.*

***We did an awful call with [Facebook founder and CEO] Mark Zuckerberg** and the top advertisers in the world, where instead of saying, "This is a huge problem and we're doing everything we can, and we just don't have the content moderation resources to catch everything but we're trying," he just said, "This is a question of freedom of speech. And if you're going to have on the one hand Black Lives Matter, you have the absolute obligation to allow the opposite side to articulate their views." And I was like, done! You're an advertiser-driven platform acting like you're some unaccountable philosopher king. **We were outraged.***

## Now is the ideal moment for experimentation.

Here are some of our experiments at Polar:

- **Less Is More:** What if we did less, “collaborated” less and focused more on fewer clients, products and markets? *(We did all of this in 2020 at Polar and our revenue grew 60%)*
- **Flowday:** What would an interruption-free day do for productivity and the quality of our work experience? *(Tuesday = Flowday at Polar, no internal meetings + Slack-light)*
- **The Someday Experiment:** The week has seven days in it and none of them are called “Someday”, can we make space for our someday today? *(Friday = Someday at Polar, we are currently experimenting with a 4-day work week)*



Learn more at [polar.me/culture](https://polar.me/culture).

# A Look Back At Previous Recession Winners

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vs.



- Previous category leader
- Cut ad spend significantly

- Doubled ad spend and introduced Rice Krispies cereal
- Profits grew by 30%, and became the new category leader for decades



**TOYOTA**

- Increased ad spend, while the rest of the industry dropped theirs
- Became the top imported car maker in the US by 1976

# Restaurants During the 1991 Recession



vs.



- Dropped its advertising budget
- Sales declined by 28%

- Took advantage of the opportunity and increased spend
- Pizza Hut sales grew by 61% and Taco Bell sales grew by 40%



- Grew sales by 28% and continued to innovate with new products
- Launched the Kindle, resulting in more e-book sales than printed books in 2009

# Thank You.

**Kunal Gupta**

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