



Outlook 2022: The US Digital Advertising Ecosystem

Industry leader insights to guide business planning

October 2021



Table of contents

Methodology and approach	3
Outlook 2022: Executive overview	4
Key insights at a glance	6
Insight 1: Consumer expectations	7
Insight 2: Regulatory reforms	13
Insight 3: Talent & DEI challenges	17
M&A Spotlight	23
Appendix	24
Key changes since the March 2021 Outlook	25
Teams and working committees to help	27
Thank you to our sponsors	28
Let's connect	29

Methodology and approach

This report follows a consistent methodology and approach to the first Outlook report (published March 2021) to provide a current, fresh perspective based on new information, trends and opinions by industry leaders across the advertising ecosystem. Key changes from the March 2021 report are summarized on [page 26](#).

The report was commissioned by the IAB and conducted by PwC. The IAB and PwC led a series of candid and anonymous interviews with nearly 20 industry leaders across the Buy-and-Sell side of the ecosystem to inform this report. Executives who were interviewed spanned a variety of functions and roles—CMOs, CIOs, CROs, business-development executives—representing agencies, brands, publishers, OEM manufacturers of digitally connected devices, retail and media, advertising and marketing tech providers, telecommunications, and social media platforms.

PwC then embedded additional inputs from IAB Research, IAB Tech Lab and members of the IAB executive team. PwC further incorporated relevant insights from PwC's award-winning Consumer Intelligence Series, Entertainment and Media Outlook, and market-impact studies to further evolve the point of view on recommended focus areas for the industry.

Outlook 2022: Executive overview

The US digital advertising industry defied expectations with yet another year of double digit growth, and in 2021, is expected to remain a bright spot in an otherwise tough year.

Seismic changes are looming, however. Industry leaders urge us all to focus on changing consumer expectations, regulatory reforms and a clear and present talent crisis—or risk not only growth, but relevancy.

IAB and PwC have conducted interviews with approximately 20 thought leaders within the digital advertising ecosystem who have provided consensus around three key areas to keep top of mind when strategizing for 2022 success:

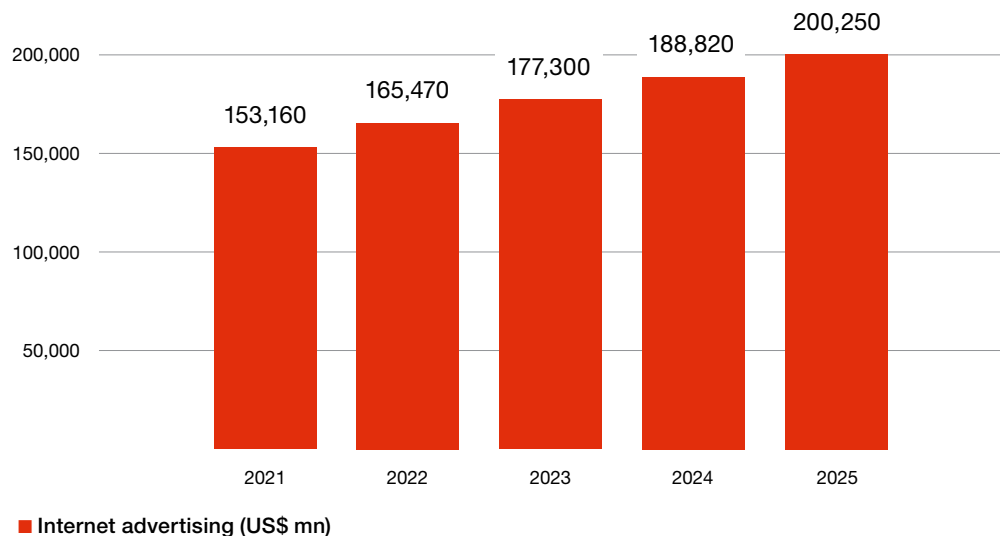
1. Waning consumer tolerance for (and expectations of) digital advertising is impacting the composition and size of audiences of ad-supported media and entertainment brands. A consumer-centric evolution is upon us and should include the development of new ad formats/resources/partnerships.
2. Federal government attention, as well as keen focus from this industry, is required to reimagine and prepare for regulatory changes in privacy policies and additional actions by walled gardens.
3. The steep competition and current sense of urgency to attract and grow talent must also be balanced by the need to foster new or elevated corporate DEI policies.

Internet advertising in US

Internet advertising in the US

As businesses, venues and schools closed due to the COVID-19 pandemic, consumers' digital lives accelerated. At-home entertainment and media options have been growing at unprecedented rates. In 2020, US internet advertising improved by 12.2%, reaching \$139.8 billion in revenues. Looking ahead, continued growth is forecasted in the US digital advertising market, with over \$200 billion in revenue estimated by 2025.

Source: IAB and PwC 2020 Annual Revenue Report



Source: PwC Entertainment and Media Outlook

As the digital ad ecosystem navigates this transformative period, leaders interviewed encourage this industry to strongly embrace a consumer-centric approach to marketing and offer ways to avoid missteps in execution:

Take action

Develop a consumer-first approach to every aspect of your business. Ask: “Would our consumer want this ad message and format from this brand embedded in this specific experience?”

Experiment across advertising creative, formats and engagement capabilities. Example: ads that simplify and shorten the purchasing funnel, such as fast and seamless connections between advertisements and online commerce.

Overhaul measurement and monetization models. Focus on consumer engagement and providing long-term value.

Ensure that both you and your stakeholders are apprized of and involved in the evolution of the shifting regulatory environment. Diversify strategies to take advantage of the new portfolio of approaches to privacy and addressability.

Rethink recruitment, training and develop a long-term strategy to ensure a competitive workplace that attracts, retains and grows talent.

Walk the talk. Clearly communicate your organization’s DEI policies to your team, colleagues, peers, and both professional and social circles. Trumpet your key initiatives through social media, and keep DEI growth front and center. Lean into the work that trade organizations like IAB, ANA and 4A’s are spearheading to fast-forward much needed change.

Avoid

The “Lift-and-Shift” approach to advertising, it doesn’t work. Example: Don’t take a :30 linear TV spot, shorten it to six seconds and expect it to perform well on digital platforms.

Be vigilant about the connection between your brand purpose/values and your creative content. Younger consumers in particular are looking for authentic brand engagement and have limited appetite for disingenuous ads.

Non-inclusive creative content can risk brand perception and potentially offend the very consumers you’re trying to engage. What may be worse: creative content that is inauthentic in its DEI messaging.

One-size-fits-all metrics that evaluate ad formats with the same barometer (including the same metrics for linear, digital, short-form, long-form, engagement, impression, etc. ads).

Irrelevant and intrusive advertising that increases consumer adoption of ad-blocking capabilities and ad-free environments.

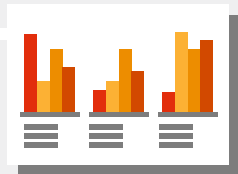
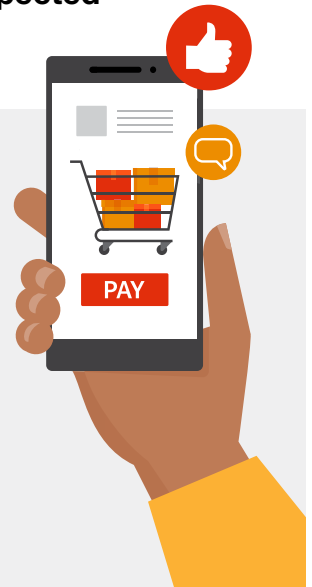
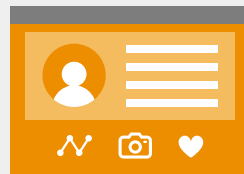
Key insights at a glance

This report examines the focus areas industry leaders have prioritized, from passionate innovators to more cautious risk managers. **There are three major insights expected to drive outsized incremental impact in the coming planning cycle:**

Insight 1: Consumer expectations

“If everyone could ask what’s right for the consumer, [the industry] would be better. We’ve over-complicated the model versus setting industry standards as we build.”

– Brand marketing leader



Insight 2: Regulatory reforms

Negative and/or confused consumer perceptions of the personal collection of data and its uses by advertisers have been escalating as US lawmakers continue to debate how best to protect online privacy. Marketers must prepare for regulatory change.

“The industry should be educating consumers about what their information is being used for and how it’s being used, allowing them to make the choices they deem best for them. This should be the responsibility not only of advertisers, because they’re the ones using that information, but also data providers, whose business models include tracking consumers’ digital behavior, particularly shopping and spending habits, collecting and storing information.”

– Agency leader



Insight 3: Talent & DEI challenges

Today’s employee seeks out organizations that have shifted or are shifting corporate culture to embrace the emerging, post-COVID, DEI-inspired values upon which they place a high premium.

“As long as a person has certain universal intangibles, such as grit, a hard-working attitude and eagerness to learn a range of skills, degrees in marketing, advertising and related disciplines may not be relevant in the future workplace.”

– Publisher leader



Insight 1: Consumer expectations

“If everyone could ask what’s right for the consumer, [the industry] would be better. We’ve over-complicated the model versus setting industry standards as we build.”

– Brand marketing leader



Today's modern consumer is fleeing bad ad-supported media experiences.

For both Buy-and-Sell side marketers, the consumer migration to ad-light and ad-free content offerings indicates an expectation that advertising delivers a useful and contextually relevant *experience*, and providing ways to easily and quickly engage (i.e., explore/transact) is demanded. Leave the rest of the creative on the cutting-room floor.



Buy-and-Sell side consequences

Without immediate reassessment and innovation, prepare to lose access/attention of high-value target audiences... and their wallets.

The consumer migration to ad-free and ad-light media platforms and content is a result of the unprecedented innovation and consumer choices in tech, telecommunications, media and entertainment. Advertisers now find themselves at a crossroads: Continue down the path where legacy models deliver expected ad content and loads, or pave a trail of innovation toward personalized content delivered on the consumer's terms.

Context and challenge

The elimination of third-party cookies (though delayed until mid-2023) and mobile identifier changes are creating a tectonic shift for many industry players who must reimagine strategic planning and budgeting for future brand growth. The consumer value exchange in light of the impending changes has never been more important.

Industry leaders summarized

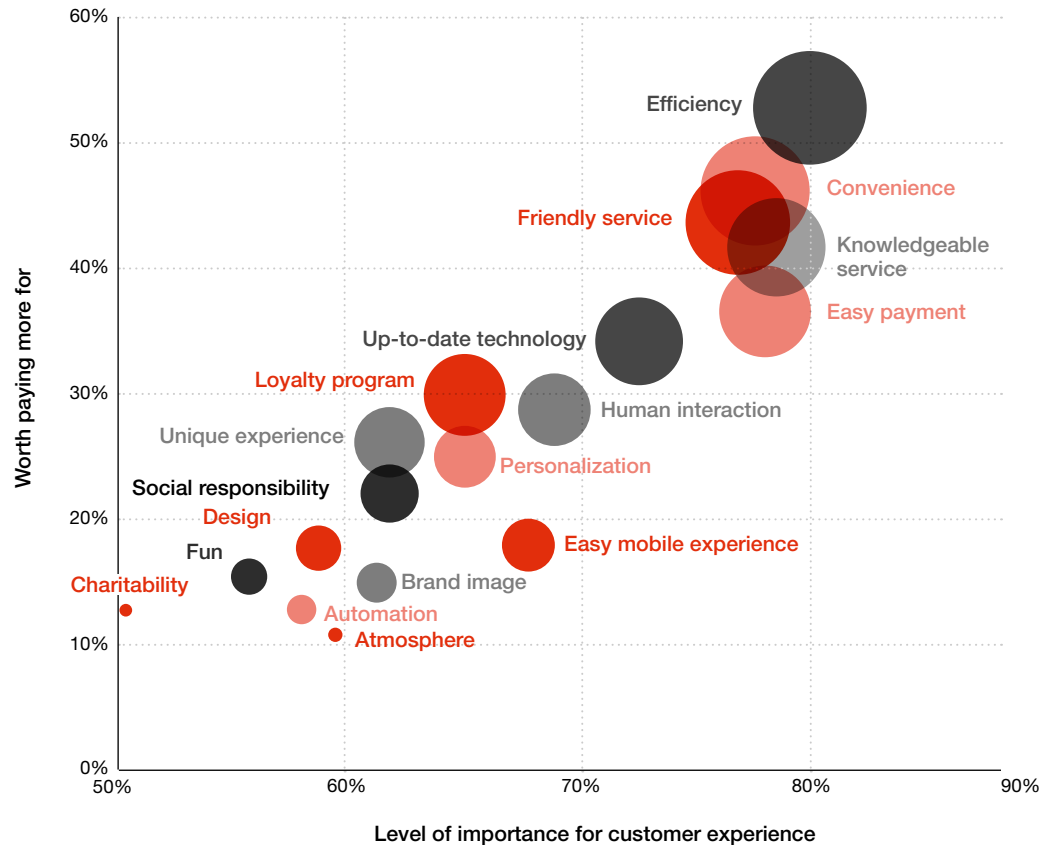
Interviewed leaders across the ecosystem voice concern that the industry is not moving fast enough to meet consumers where they are, in the way they want, with advertising embedded in an authentic consumer-connection strategy. Many flag the need for stronger partnerships between the buy and sell sides to unlock a new consumer-focused lens. Several call for the industry to put forward fair standards that set a strong foundation for future industry models to embrace modern consumer behaviors and ongoing evolution in technologies in order to keep pace.

Further, thought leaders recognize that the collaboration and coordination across the value chain is required to upend the current model, including: strategic selection of critical partnerships; highly customized advertisements delivered in the right context and with scale; new formats that allow the consumer to explore and transact; and the identification and measurement of relevant KPIs.

Additional insights grounded in PwC research:

- **Bad experiences are driving customers away**—faster than you may think.
- **Younger consumers are different.** Be sure you fully understand modern consumption patterns and expectations.

What do consumers expect from a good experience?



Q: When it comes to great overall customer experience, how important do you think each of the following will be in the future? Which of the following things are worth paying more for?

Source: PwC Future of Customer Experience Survey 2017/18



IAB perspective

The landscape and consumer expectations have changed so dramatically that it is no longer acceptable to continue the same approach to the market. It is imperative that you find ways to deliver the best ad-supported experience possible in order to drive sustained revenue growth for both brands and publishers.

We are at an inflection point: invest or languish. Make advertising a better part of the broader media experience: more *flexible, iterative, agile* and an “*always-on*” part of how companies consider and engage with consumers for a more holistic and value-driven experience.

Key consequences of inaction

- Consumers continue to flock to ad-light and ad-free content models, and they opt out of opportunities to learn about new brands, services and experiences through advertising.
- The digital ad-supported industry declines as fewer consumers engage in ad-supported experiences (vs. seeing continued year-on-year, double-digit growth).
- Brands and agencies have to invest more to reach their target segments that reside within declining audience pools (and are increasingly frustrated with intrusive, irrelevant and redundant advertisements).
- Publishers won't be able to rely on advertising dollars to fuel innovation, content and experiences for consumers, resulting in diminished supply.
- As the cost of content, services and experiences rises—and consumers find fewer content choices—the long tail of publishing will dwindle, with a direct impact to the creator economy.

Payoff for innovators

Those who take heed and create innovative formats and models that drive new expectations for consumers can expect to find their investments have paid off.

Why? Consumers are open to ad experiences that provide value to them. According to a recent [PwC Consumer Intelligence Series Study](#) on video-streaming behavior, 63% of surveyed consumers would be “willing to see more ads if it meant a lower subscription cost.” Advertisements have massive potential to continue adding value to the ecosystem and play bigger in future growth.

Recommendations for innovators



Brands and agencies

1. Marketers should adjust their planning, measurement and budgeting models.
 - a. Increase the funds dedicated to experimentation, and embrace a test-and-learn approach. Ask yourself: Does the ad improve the experience? Does the consumer want to see this kind of ad on this platform in this moment, or is there a better way to reach them?
 - b. Do not repurpose creative across channels. Rather, increase the customization and volume of creative to deliver more relevant (to types of consumers and platforms) experiences.
 - c. Adopt systemic changes to methodologies that measure consumer behavior and underpin ad messages, frequency and placement.
 - d. Engage with C-suite and board members to explain and prepare them for more marketing and advertising innovation, evolved performance measures and a different approach to advertising as part of a broader experience model that meets modern consumer expectations and unlocks long-term growth.
 - e. Embrace platforms that are willing to innovate with you to share information on consumer preferences and engagement, and are willing to help make brands more relevant, successful and engaging on their platform.
 - f. Abandon creative that is redundant, irrelevant or delivered to the wrong target audience.
 - g. Rely on data science to analyze and recommend the right target consumer base.
 - h. Move from rigid and infrequent planning models to “marketing-as-a-service” structures that are always on. Increase listening signals, be more iterative and agile in planning and execution, and connect marketing efforts to the broader business—including commerce, support and consumer/customer experience where advertising is part of the broader encounter.
2. Build the right direct-to-consumer relationship identification and mapping models, and understand and tune models that embed advertising into the broader experience and messages you deliver to the market.



Publishers

1. Educate brands and agencies about your platform. What experiences do consumers respond to most? How can advertisements amplify the experience? What alternative KPIs should brands and agencies consider?
2. Listen to brands and agencies about their needs, wants and expectations. Understand where current models break down, and invest in building full-stack solutions that transparently (and compliantly) share data and signals to help brands tune their models to make advertisements improve performance over time.
3. Solidify the connection between ad sales teams and your broader organization to enable them in providing a cohesive and insightful way of engaging brands. Connect product innovation and consumer research teams to brands directly to innovate new models that are so relevant and consumer focused they *don't feel like advertising* on your platform and that deliver elevated value exchanges for consumers and brands.
4. Invest in ad models and experiences that fit the current role advertising plays on the platform. Experiment with new models of engagement before you buy AR and VR experiences including ads that measure user trial and engagement, in addition to traditional metrics. Deliver on ad models that help consumers feel seen, heard and recognized (like badging and recognition events). Give brands the ability to engage with consumers.
5. Ensure ad formats that are created and tested allow for both performance and mission-based KPIs and seamlessly enable commerce, connection and support.
6. Protect the consumer experience on your platform. Do not let heavy ad loads ruin the value your platform offers.



AdTech

1. Identify and foster partnerships with the agency and brand leaders responsible for delivering a smooth, easy and consistent 1:1 relationship with consumers.
2. Work together to reimagine ad formats and experiences that will keep the consumer engaged in content while also providing the ability to either pause content or return to the ad once the consumer is ready for ad-driven action.

Research/Measurement analysts and modelers and data providers

1. Do not fear detonating the old benchmarks. Each platform requires its own best-in-class measurement methodology and transparency.
2. A rethink in creative formats and delivery must drive a rethink of KPIs, measurement solutions and modeling.



Example of the path forward

- Employ a sophisticated programmatic model that matches supply with demand and helps the buy and sell sides identify advertising campaigns that deliver greater reach, more relevant audience segments and more consumers who will spend time engaging with advertisements at scale. Move beyond automated transactional ad buying-and-selling motions, and elevate the role that technology and people play in sharing insights and tuning experiences grounded in, but not fully controlled by, a technology-centric view of the value exchange.
- Create a fluid and fast test-and-learn environment to ensure greater optimization.
- Enhance your business operations by enforcing a disciplined and fast communications loop between strategy, research/measurement and creative, allowing for new experiences that best meet consumer needs.
- Deliver advertising as a beneficial part of the broader consumer experience that changes and elevates the value exchange with the consumer.

In their own words



Brand marketing leader

“Stop having [measurement companies] paid by both sides; they cannot have the measurement person scared to make a stance on either side... The industry has the opportunity to do what’s right, and might ruffle some feathers, but I believe we should put forward standards that are fair and have a roadmap to get there. We know we can do that, because ads work, tech and advancement are there. We need people to pause and work toward one common goal.”

“The long view on what the industry needs to think about comes back to consumers. When you look at the generation of consumers coming up (teens to mid-20s), they have big buying power, and traditional content is going to become less and less relevant to them. We are currently in the golden age for content, but... the new generation is not as interested in the storytelling elements. They prefer more quick or special interest niche type content. The explosion of eSports globally is proving that folks are open to and prefer some new content types. If you’re not really thinking about that kind of a future, and how you are working to get/find an environment within those spaces for your brand to play, you are falling behind.”



AdTech/Tech leader

“While the focus on the consumer has always been of paramount importance, we are seeing them [consumers] taking a more active role in what their expectations are from advertisers. Advanced targeting methods such as contextual- natured offerings can both meet advertiser goals, while also being relevant, suitable and additive to the customer experience. This is where we see a tremendous amount of opportunity.”

– Marc Grabowski, Global Group Vice President, Activation, Oracle Advertising & Customer Experience

“Consumers have finally come around to take back more rights and more control. Publishers and advertisers need to provide more value through a shared-value approach. Historically, some companies unfortunately saw consumers as currency... With some of the more positive changes in the landscape, there will be a greater value exchange for consumers. They have to get something in exchange for access to data that can be used in very specific ways.”

“The era of pushing digital to conform to traditional planning is over, despite people still trying. What matters moving forward, for brands in both spaces, is how you invest in data science and your modeling. We’re in a test-and-learn environment, though some people are uncomfortable with that.”



Agency leader

“Increasingly, consumers are spending time with platforms that have no advertising... Large swathes of key audiences—particularly luxury—vote with their wallet and engage with non-ad supported experiences. This is driving a radical change in available supply in the market—particularly in video, as markets move to non-ad and low-ad streaming platforms. People are fed up with ads; that will not stop.”

“Instead of saying that cord-cutters are destroying linear TV, it might be better to ask, ‘Where else has TV migrated to as people watch more content?’ Because while people are cutting cords, they’re watching more programs in different places.”

– Melvin Wilson, Founder/President, Solve Innovation Group

“The premise of advertising dollars following consumers’ time is flawed and inaccurate.”

“Effectiveness is increasingly driven by measuring business impact, not where consumers are spending time. They might be spending a ton of time with a platform that has crappy ad experiences or none at all.”



Publisher

“The big challenge at a macro level is that we have a bunch of people, who are [my] peers, making decisions on behalf of a generation that does not behave like any other... Why are we trying to force a strategy that does not fit? Why can’t we embrace shorter ad formats in a different way?”

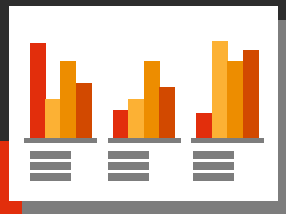
“As an industry, we have hit the wall with traditional MMM modeling, particularly for CPG space... All strategies are not created equal because each serves a different purpose. How can you lump together the three-second repurposed video ad versus a lens ad versus a consumer trying on the product with AR and imagining themselves in the product?”

“I wonder if the consumer trend to move away from ad models may create a forcing function for the industry to boomerang back to greater authenticity, and renewed trust, in certain media platforms, leading to novel advertising opportunities and consumer engagements.”

Insight 2: Regulatory reforms

“The industry should be educating consumers about what their information is being used for and how it’s being used, allowing them to make the choices they deem best for them. This should be the responsibility not only of advertisers, because they’re the ones using that information, but also data providers, whose business models include tracking consumers’ digital behavior, particularly shopping and spending habits, collecting and storing information.”

– Agency leader



Negative and/or confused consumer perceptions of the personal collection of data and its uses by advertisers have been escalating as US lawmakers continue to debate how best to protect online privacy. Marketers must prepare for regulatory change.



Context and challenge

- Some US states have created their own legislation for protecting consumer privacy (e.g., California’s CCPA and CPRA regulations) that could have negative consequences without a full understanding of economic, industry, or consumer impacts.
- Digital platforms have been moving toward prevention of cross-site and cross-app ad tracking.
- Walled gardens may choose to prevent marketers from sharing data that provides the clarity needed to best attribute ROI per channel/publisher/ad type.
- Federal privacy regulation has proven elusive as the nation continues to face the pandemic and other challenging events and lawmakers have not reached bipartisan compromise on certain key issues.

The continual commentary regarding online privacy in the press and on social media is escalating consumers’ concern over the security of their personal data, which has ramifications for the overall financial health of the ad-supported digital economy.

Globally, as well as in the US (including state by state), regulators continue to debate how to best protect consumer data. And while they are particularly focused on tech platforms—e.g., citing consumer data management concerns and free speech rights—the aperture continues to widen, creating more space for regulatory complexity and loopholes.

Many industry players struggle with a business model that requires adhering to regulatory standards while remaining competitive and growing revenue. Yet, without such a paradigm shift, newly drafted regulations may become more complex, more costly and less relevant to the modern consumer, all the while threatening to sever the long tail of ad-supported content publishing. In short, the impact will be on brands, agencies and publishers, and consumers—as the cost to create content increases and consumers’ user experiences devolve.

Industry leaders summarized

For the most part, leaders interviewed for this report tread carefully and lightly when asked to predict the outcome of regulatory reforms and guidelines. Overall, industry leaders agree that federal standards are preferable to individual states’ regulations. “Allowing states to lead is such a bad idea,” the leader says, “and it would be just because the federal government does not want to tackle it, at least not right now.”

69% of respondents are “very actively” looking to shape data privacy policy.*



IAB perspective

Brands, agencies, publishers and ad tech will experience financial and operational disruption, as well as other repercussions, should privacy policy regulations—whether created state-by-state or by the federal government—continue to be enforced without a “big picture” understanding of the ad-supported industry models.

Distractions, apathy and a lack of clear understanding that privacy regulation can have on the US economy has left the digital ad-supported ecosystem ill-prepared for the deprecation of cookies and other third-party identifiers. Reticence by federal government and industry leaders to lean in to solve for protection of privacy data while ensuring business can be conducted safely and securely has put the long tail of the digital ad-supported internet at risk of survival.

Without the development of alternative, consumer-safe solutions for delivering personalized ad experiences, economic and operational disruption is on the horizon.

Key consequences of inaction

The delivery method of both content and ad messages, publishers are at the center of the privacy struggle. “Tech platforms, unlike traditional print magazines and other legacy media, are in control of where most of the eyeballs are,” says an interviewed agency leader, “and don’t have the right to hold on to most of the data they’re leveraging from a privacy standpoint.” So there should be at least multiple sets of rules, preferably coming from Washington in the not-too-distant future.

One risk in not having a clear set of federal regulatory guidelines is the growing number of hot topics that need to be addressed by regulators, including: threats by legislators to break up Big Tech companies; the NCAA’s and some states’ policies allowing amateur athletes to market their names, images and likenesses; and a judge’s ruling against Florida’s “deplatforming” law.

Payoff for innovators

- Continued support of the advertising model upon which the majority of publishers and brands rely
- Involvement and partial control over the fate of the ad-supported model
- Ability to direct, claim and evangelize new policy(ies)
- Increased scale

Recommendations for innovators

Take the opportunity to join the IAB in playing a leadership role to advocate for a consistent federal framework establishing how the digital ad industry operates. (Please refer to the last section of this document for contact information that will provide ways in which you can participate in creating the solution.)

52% of tech, media, and telecom respondents rank data privacy among top 3 policies most impactful to their business.*

The public has long been protected by banking, aviation and food- and product-safety regulations at the federal level. Otherwise, those industries would not have been able to scale.

- Take a similar approach toward regulating consumer data management and privacy.
- Offer advertising space, testing and reporting capabilities.
- Leverage brand partnerships for the development of positive internet advertising case studies.
- Volunteer passionate, eloquent and well-informed presenters to address government stakeholders.
- Use your content to educate the masses about the realities of ad tracking.

In their own words



Brand marketing leader

"I don't spend a ton of time thinking about it. I do believe there should be a single [federal privacy] policy across the board, across all 50 states. However, I just don't feel like Washington can get that done."



Agency leader

"The industry should be educating consumers about what their information is being used for and how it's being used, allowing them to make the choices they deem best for them. This should be the responsibility not only of advertisers, because they're the ones using that information, but also data providers, whose business models include tracking consumers' digital behavior, particularly shopping and spending habits, collecting and storing information."



AdTech/Tech leader

"Regulations are going to hurt publishers the most. The problem is that publishers need to be able to monetize. Very simply, they need to be able to pay their employees. They need to be able to pay their writers."

"Allowing states to lead is such a bad idea, and it will eventually pave the way for comprehensive consumer data privacy laws on a federal level but the interim period will be more painful than it needs to be."

– Erika Newsom, VP Planning, Camelot Strategic Marketing & Media



Publisher

"Without harmonization, we don't grow and cannot serve businesses and partners, and we will often underserve audiences. State-by-state regulations for something that moves across all states doesn't make sense. Solutions have to be harmonized."

All interviews were conducted anonymously with interviewed leaders. After the interviews were completed, leaders were given the option to have their quotes attributed to them, if desired.

Insight 3: Talent & DEI challenges

“As long as a person has certain universal intangibles, such as grit, a hard-working attitude and eagerness to learn a range of skills, degrees in marketing, advertising and related disciplines may not be relevant in the future workplace.”

– Publisher leader



Today's employee seeks out organizations that have shifted or are shifting corporate culture to embrace the emerging, post-COVID, DEI-inspired values upon which they place a high premium. Acquiring, developing and retaining top talent is more challenging than ever before.

ACTION REQUIRED:

Shift to flexibility... And start walking the talk. NOW.

The pandemic, combined with calls for social and racial justice within the US, have influenced the way employees perceive and gauge value from their current and potential employers. "The Great Resignation" illustrates the aggressive search and demand for reimagined employment opportunities that can meet elevated expectations for diversity, equity and inclusion practices.

Concurrently, employers are recalibrating their staffing practices to align with the call for balanced DEI policies and practices.



Industry wide consequence

Employers must pivot to the post-pandemic, hybrid workplace or risk losing top talent.

Context and challenge

There is no one-size-fits-all solution to current talent challenges.

In a recent PwC US Pulse Survey on the [Future of Work](#), 88% of executives indicated they are facing higher-than-average turnover, while 65% of surveyed employees stated that they are looking for a new job. CMOs have highlighted the impact of higher voluntary turnover, with 40% of those surveyed saying that staff shortages are driving a major negative impact to customer experience.

The same PwC survey cites that employees want a complete package. Schedule flexibility tops the list of desired workplace perks, although employees have varied views on how to best plan for the post-pandemic return to the office.

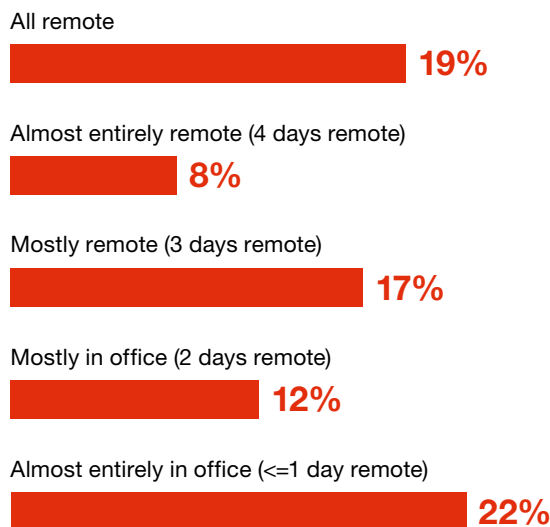
Employees want



Source: PwC US Pulse Survey on the Future of Work, August 2021

Many employers have recognized that their hiring and staffing practices are not in line with best practices in talent initiatives—including DEI—and targets today, and are scrambling to create the sustainable strategy and tactics needed to attract, hire, develop and retain strong talent. Hybrid work arrangements are increasingly part of broader talent strategies.

Employees preferences for hybrid work are all over the map



Employee Q: If your employer allowed you to choose when you worked remotely, how often would you want to work remotely after COVID-19 is no longer a concern?

Source: PwC US Pulse Survey, August 19, 2021: base of 1,007 full-time and part-time employees

Societal tolerance is quite low for organizations slow to adopt a shift in cultural change toward best-in-class DEI policies. Competing for, training and promoting employees who have become newly empowered is expected to happen both at scale and while achieving demonstrably aggressive DEI goals for your organization.

Employment seekers report that they are looking for enhanced benefits, including remote work flexibility, clear plans for advancement and compensation equity, regardless of gender, skin color, religious affiliation or impeded physical capabilities.

Industry leaders summarized

Interviewed industry leaders express meaningful and timely observations regarding talent, many of which are based on experiences within their own companies. For example, while agencies have traditionally been places to learn basic marketing skills, one interviewed leader in social media offers the view that “some agencies have lost their way in building an inspiring culture for their organization, which can have a much more meaningful impact on the employee experience than compensation.”

Many employees admit that they are willing to take less pay if properly trained, developed and given fair opportunities for advancement. According to interviewed leaders, training should comprise a mix of skillsets (beyond job-specific requirements) to imbue other key qualities, such as developing critical thinking, actionable insights and a mindset for collaboration.

Nearly all interviewed leaders have strong views toward the importance of, and realities within, DEI regarding talent. The “Me Too” movement has prompted fundamental changes in gender hiring and compensation practices, along with culture shifts within companies around personal safety, respect and dignity. The industry as a whole was left somewhat flatfooted in the wake of the George Floyd killing in 2020 and the subsequent demands for social and racial justice reforms. Despite an outpouring of advertising and public service campaigns, companies throughout the ecosystem have been found lacking in their internal DEI practices, particularly in leadership positions.

The clarion call to start “walking the talk” has already led to new and improved DEI policies and initiatives across many organizations within our ecosystem. (Please refer to the end of this document for ways in which you can participate).



IAB perspective

We are at the precipice of immense and immediate change for the future of talent across our industry. The continued success of the digital advertising ecosystem requires a thorough and swift examination and recasting of organizational models to allow for a more flexible and inclusive workplace culture that elevates employee expectations and satisfaction.

Key consequences of inaction

Weak, tired and/or incomplete programs and employee experiences will steer employees to your competitors and continue to drive up attrition rates. While the rate of employees considering new jobs is historically high across the board, it is higher for diverse candidates who have higher pay as a key part of their desire for a role change, noting:

- 12% more women are seeking higher salaries vs. men (in part driven by the view that a new role can be used to address pay gap challenges).
- Hispanic (82%) and Black (67%) employees are already seeking new jobs at higher rates of pay than White/non-Hispanic employees (57%).

Source: PwC US Pulse Survey on the Future of Work, August 2021

Payoff for innovators

Quoting one interviewed agency leader: “Securing and retaining talent is not just about recruiting, but also about ensuring that there are opportunities to promote diverse talent.” The way to attract diverse talent is for leadership to authentically present themselves as individuals, regardless of background, ethnicity or religion. Outside their corporate walls, leaders have the ability—and obligation—to insist that their vendors and partners have DEI programs compatible with their internal practices.

Recommendations for innovators

1. Critically review and assess your corporate DEI policies and actual practices and how they align with the values most important to the top talent in the industry. Pay special attention to all aspects of your organization regarding DEI. (Please see the “Teams and Working Committee” section at the end of this report to connect on ways to help drive DEI forward.)
2. Evaluate your corporate culture, development and learning offerings, mentorship programs, and upskilling models. Integrate purpose and authenticity in how you engage employees.
3. Do not assume your leadership team has an innate ability to redirect your corporate culture and DEI initiatives. Coach leaders on how to inspire and empower modern workers.
4. Think differently about talent acquisition, and get creative on recruiting channels and pipelines you use to find new talent.
5. Communicate your DEI approach as part of the holistic corporate experience. Move beyond compensation, and embrace new ways of working, including hybrid and flexible work models.
6. Harness and evolve your culture and values as the foundation for creating innovative employee experiences that inspire, energize and develop talent for long-term career growth and impact within your organization.

In their own words



Brand marketing leader

“More perspectives make communications (and marketing/advertising) better. It’s that simple. They help grow empathy and understanding. I want to see a talent force coming up that is more diverse than the track record has been. There is tons of talent out there, more than people give credit for. Develop a company culture that incentivizes different points of view. It’s not just about hiring the best talent. Hire people who are the right fit for the company, are passionate and want to be there. And make sure the culture has mechanisms to nurture people and that drive change and transformation from within.”



AdTech/Tech leader

“We just saw a period where there was a lot of contraction. Some agencies experienced layoffs and now they’re scaling back up. And there are people who... have long-term memories. ‘If I was expendable, why am I valuable today?’ So I think there’s an authenticity—in terms of how you treat your employees and how loyal you are to them and how you deal with the hard times—that benefits you when things become more competitive.”



Agency leader

“Talent is what everyone’s talking about, and the situation is only going to increase. We’re all competing for that same talent, and it is nothing but a cycle. Agencies will pay more to get talent in, and then people leave and you have to pay more to get new talent in. If we want to retain the best talent, then we need to train them properly, and they need to see that there are career advancements.”

“First 20 years of the Internet left out basic targeting asks like are you LGBTQ, are you an expat/etc., are you Black American, or Afro-Caribbean? This information for segmentation did not really exist... When we do basic surveys we still leave out asking specific questions about diverse audiences.... If you included more of those specific questions in research and basic tracking of consumers that targeting itself, would also add to employee inclusion imperatives... and will drive insights going into the future of innovation around audience targeting.”

– Melvin Wilson, Founder/President, Solve Innovation Group



Publisher

“Inherently, this industry is not diverse. DEI needs to start at the recruitment level, but also have mechanisms to promote from within,” which may require reskilling or upskilling existing employees. The industry must have the courage “to acknowledge that historically it has been part of the problem, as much as they now want to be part of finding real solutions.”

“We have a very deliberate DEI focus on creator recruitment. We want a really diverse representation on our platform for creators. In everything we’ve put out, you see that diversity. And it’s not for marketing’s sake. It truly is part of the strategy.”

M&A Spotlight



“It’s not a matter of if the next big deal will happen, it’s a question of when.”

The battle between AVOD (advertising video on demand) and SVOD (subscription video on demand) is evolving. New crowdsourced and user-generated platforms challenge both established digital leaders as well as traditional media players. The recent IPO boom has created opportunities for new entrants, which is expected to fuel a new wave of M&A.

Due to broader pressures on media and entertainment companies—including the need to deliver highly engaged and scaled audiences—the appeal of more robust and integrated experiences is expected to persist for at least the next few years. One industry leader shared: “It’s not a matter of if the next big deal will happen, it’s a question of when.”

The need for actionable digital advertising insights and support models is also expected to underpin future deal activity, delivering valuable and engaged audiences and enabling brands and agencies to better understand and personalize their ad experiences. In short: Innovate to deliver the best possible consumer experience.

Publishers have an opportunity to use mergers to expand the scope of analytics and insights that can help them deliver more seamless consumer experiences in the future.

Recent E&M megadeals

Date	Value of transaction	Deal
September 2020	\$500mn	ProSiebenSat.1 and General Atlantic’s Parship Group acquires dating company The Meet Group (transaction complete)
December 2020	\$1.2bn	Sony Pictures agrees to acquire anime video-streaming service Crunchyroll from AT&T (transaction under review)
February 2021	\$1.1bn	RTL Group agrees to sell adtech unit SpotX to Magnite
March 2021	\$7.5bn	Microsoft acquires video game company Bethesda (transaction closed)
May 2021	\$5bn	Verizon agrees to sell Verizon Media unit (Yahoo/AOL) to Apollo
May 2021	\$8.5bn	Amazon agrees to acquire film studio MGM
May 2021	\$93bn	AT&T spins off and merges Warner Bros. with Discovery

Source: PwC analysis

Appendix

Key changes since the March 2021 Outlook

The [March 2021 Outlook](#) highlighted a number of key trends, and six months later, as the digital ad ecosystem gears up for strategic planning for 2022, some of those trends remain relevant and others have evolved in their importance and degree of industry-leader focus.

Key Predictions and Insights from the March 2021 Outlook	Refreshed Perspective (Fall 2021 Outlook)
There is an industry imperative to up-level the consumer value exchange and experience unleashed by the accelerated digital media adoption ignited in 2020	Still extremely relevant for 2022 planning , with growing importance given the growing ability for consumers to choose ad-free and ad-light models when the value exchange is not optimized
The potential risks and opportunities surrounding changes in consumer identity have immediate impact on attribution models. Solutions to better gauge return on ad-measurement KPIs will break a decade+ of benchmarking but allow a reset with improved understanding of the campaign/media content and context/channel synergy	Extremely relevant, less top of mind —the delay in the deprecation of third-party cookies has made this less of a pressing concern, however, new identity, attribution and measurement models against the lenses of recommended <i>future</i> focus areas keeps this as a relevant and foundational component of 2022 planning
The continually evolving consumer journey will spur a creative revolution in ad formats and ad tech capabilities, and underscores the ever-growing need for transparency in measurement from all corners of the digital ecosystem (e.g., retail media, OTT/CTV)	Relevant, with less emphasis on retail media and more emphasis on OTT , interviewed leaders largely have a strong grasp of current consumer journeys, and while those organizations that use retail media highlighted continued growth in ad spend through this channel, the majority of interviewed leaders are more focused on the digital video potential
Direct-to-consumer imperative and the anticipated growth of added walled gardens	Still relevant and connected to an updated perspective on forecasted future power shifts highlighted in this report
A widening consumer-trust gap illustrates the need for greater emphasis on brand-safe consumer engagement	Still relevant, less top of mind —although challenges persist in this area, industry leaders are more focused on new models to engage and connect with consumers

Key Predictions and Insights from the March 2021 Outlook	Refreshed Perspective (Fall 2021 Outlook)
Human + machine: the opportunity for human expertise and technology capabilities in driving the next few years of digital ad growth	Still relevant , with heightened focus on the talent, capabilities and DEI impacts given evolved workforce challenges that have been exacerbated in the new year
Opportunities with 5G will transform future digital ad models	Less emphasis in the current round of interviews and discussions, many interviewed industry leaders are focused more on near-horizon innovation and OTT/CTV over 5G, in part because the future remains unclear with the evolving impacts of the pandemic and time to realize 5G advertising potential
Anticipation of increased focus on outcomes over impressions in advertising models	Less emphasis , driven by the need to develop a new approach to innovation, which may lead to short-term gaps in attribution and measurement but create a stronger long-term model for industry growth

Looking forward

The evolutionary transformation continues, and a group of interviewed leaders passionately advocate for industry-wide innovation. Many interviewed leaders question “why not” on embracing new ways of working, new business models, elevated metrics, and more collaborative and team-oriented partnerships across industry players oriented on shared success between Buy-and-Sell side.

Some thought leaders cite concerns that the uncertainty the digital ad ecosystem faces makes it challenging to plan for and respond to new insights. Leaders highlight ongoing questions on the correct future industry business models, the impacts and response from the ongoing disruption created from the duration and level of devastation caused by the pandemic, and broader external threats like the risk of state-by-state regulations and an increasingly competitive talent environment.

The future remains bright for the ad-supported internet and its participants. New models are needed to unleash this growth, with the opportunity to both build on past lessons and experiment with new models to drive future success.

Teams and working committees to help

Ways to educate and participate

All stakeholders

- Review findings on [The Socioeconomic Impact of Internet Tracking](#) and [The Economic Value of the Advertising-Supported Ecosystem](#). (Note: The latter will be updated and published in Fall 2021. Together, these documents can help level-set the industry on its value to the whole US economy as well as provide insight into why this ecosystem needs a reset.)
- Inform your organization that it needs to both plan for and support the adoption of new, updated and evolved standards, solutions and policies developed by PRAM/Rearc.

Business stakeholders

- Participate in IAB Programmatic + Data Center's [Measurement & Attribution](#) and [Identity & Audience Data](#) committees.
- Participate in [PRAM](#) Business Practices Working Group.

Policy/Privacy stakeholders

- Participate in [PRAM](#) Privacy, Policy and Legal Working Group.

Talent Development and DEI stakeholders

- Participate in the IAB's Inclusion Institute's working groups, student outreach and apprenticeship programs which include [IAB's Talent Development Council and DEI Committee](#). Email committees@iab.com to join.
- Take advantage of [IAB's learning and development training](#) programs.

Technical/Product stakeholders

- Participate in IAB Tech Lab's Rearc Accountability and Rearc [Addressability](#) Working Groups.
- Participate in [W3C Web Advertising Business Group](#) and other groups defining new browser standards.

Thank you to our sponsors

Thank you to those organizations and thought leaders who participated in shaping this report—including those who wish to remain anonymous.



Any trademarks included are trademarks of their respective owners and are not affiliated with, nor endorsed by, PricewaterhouseCoopers LLP, its subsidiaries or affiliates.

Let's connect

About IAB

The Interactive Advertising Bureau empowers the media and marketing industries to thrive in the digital economy. Its membership comprises more than 650 leading media companies, brands and the technology firms responsible for selling, delivering and optimizing digital ad marketing campaigns. The trade group fields critical research on interactive advertising, while also educating brands, agencies and the wider business community on the importance of digital marketing. In affiliation with the IAB Tech Lab, IAB develops technical standards and solutions. IAB is committed to professional development and elevating the knowledge, skills, expertise and diversity of the workforce across the industry. Through the work of its public policy office in Washington, D.C., the trade association advocates for its members and promotes the value of the interactive advertising industry to legislators and policymakers. Founded in 1996, IAB is headquartered in New York City.

IAB media contacts

Kate Tumino
212-896-1252
ktumino@kcsa.com

Britany Tibaldi
347-487-6794
btibaldi@kcsa.com

IAB contact

Susan Hogan
Senior Vice President,
Research & Analytics
sue@iab.com

PwC

CJ Bangah
Principal, TMT Customer
Transformation Consulting
christina.j.bangah@pwc.com

Marc Suidan
Principal, Global TMT
M&A Consulting Leader
marc.suidan@pwc.com



Thank you



© 2021 PwC. All rights reserved. PwC refers to the US member firm or one of its subsidiaries or affiliates, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details. This content is for general information purposes only and should not be used as a substitute for consultation with professional advisors.