



The industry's biggest opportunities and challenges, according to its leaders

What should marketers be focusing their time and attention on?

We asked the industry's top leaders about the biggest opportunities and challenges for the year ahead

After being blindsided by a global pandemic, you'd think we would have got better at foreplanning. But at the beginning of last year, as we were hailing a triumphant return to normality, most of us were unaware of the threat looming over Ukraine. The conflict would severely impede post-pandemic recovery and banjax the global economy, exacerbating a cost-of-living crisis 'unseen in at least a generation', as the UN reported in June. Recession, war, climate change, political and generational division. There's no mystery as to why 'permacrisis' was *Collins Dictionary's* word of the year for 2022.

In the face of continued adversity, volatility and uncertainty in 2023, it's natural to be pessimistic. Try telling people who can't afford to heat their houses or feed their families to find the silver lining. But to overcome both the known and unforeseen challenges ahead, we need radical optimism.

Optimists are resilient, adaptive to change, see challenges as opportunities, and take failures as lessons. Research shows us that optimistic thinkers make great leaders – they are more

open to seeing things from new angles and their positive thinking motivates employees. Optimism is contagious.

Pessimism has its place – we need our counter-terrorism forces to expect the worst in order to be prepared, for example. But optimism, paired with practicality, strategy, foresight and analytical thinking, is powerful. As the saying goes, 'The optimist invents the aeroplane, the pessimist the parachute.'

With this in mind, we wanted to know what marketers, creatives and strategists are most optimistic about for the year ahead. Where do the biggest creative opportunities lie and what are they focusing their attention on?

We spoke to some of the industry's creative leaders: WPP's global CCO **Rob Reilly**, Pereira O'Dell creative chairman and co-founder **PJ Pereira**, and Dentsu Creative's CEO and CCO, **Yasuharu Sasaki**. We quizzed them on what technologies they were excited about, what they think is overhyped, and what they wish they could change about the industry.

We then heard from some of the shrewdest minds in strategy –

Omnicom CSO **Alex Hesz**, OMD CEO (and former CSO) **Chrissie Hanson**, and McCann Worldgroup global chief product officer **Suzanne Powers** – about the most pertinent challenges and opportunities for marketers in 2023. We also tapped **Patricia Corsi**, chief marketing, digital and information officer for Bayer Consumer Health, and **Jane Wakely**, PepsiCo's chief consumer and marketing officer, for their insights and predictions from a brand perspective.

In addition to these in-depth interviews, we canvassed the opinions of over 100 C-suite level marketers, including S4 Capital executive chairman **Martin Sorrell** and former Dentsu International CEO (and self-proclaimed optimist) **Wendy Clark**. Their answers form the basis for the infographics featured.

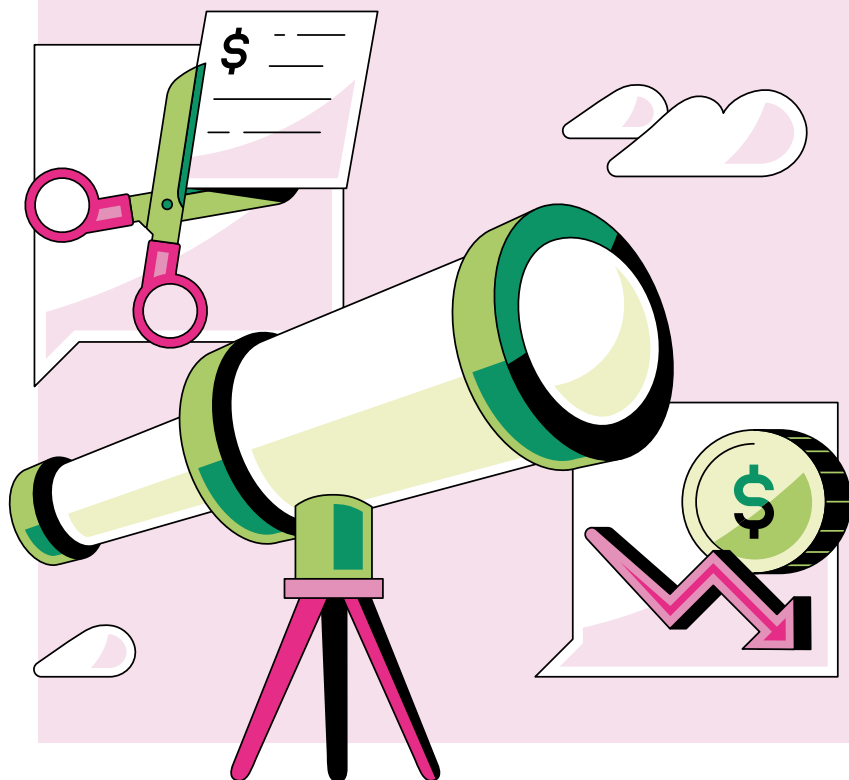
From our research, four key themes emerged as areas to focus on in 2023: the business pressures of inflation and the rising cost of living; the ways in which new technologies will disrupt our industry; the challenges of hiring, training and retaining talent; and why brands must demonstrate their purpose through authentic, real-world action.

RADAR SURVEY /

The biggest challenge facing the industry is...

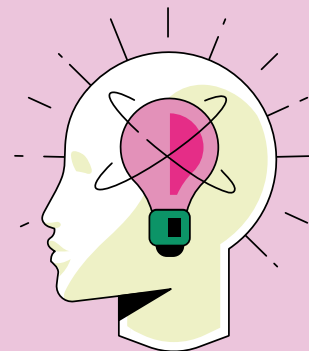
51%

Recession
and budget cuts



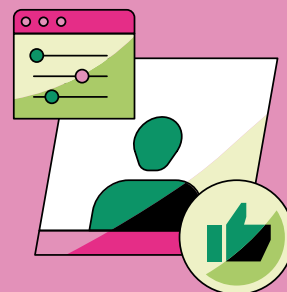
21.4%

Retaining and
recruiting talent

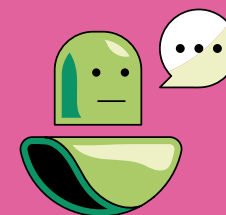


17.3%

Understanding
and responding to
consumer behaviours



7.1% Harnessing
new technologies



3.1% Meeting
sustainability
quotas/targets



Beating budget cuts and business pressures /

Towards the end of January, inflation finally began to show signs of waning after reaching multi-decade highs following the invasion of Ukraine. Still, the economic outlook for 2023 is gloomy. The World Bank has forecast a global recession, and in its annual Chief Economists Outlook report, the World Economic Forum cited 'weak global demand' as 'the biggest challenge for businesses to overcome in 2023'.

That lessened demand will impact how agencies justify their fees, argues Omnicom's Alex Hesz. 'Marketing services remains an over-supplied industry and we are all going to have to work out how to maintain growth, how to maintain margins, and how to survive in a hyper-competitive market when clients' fees are reducing,' he says. It's imperative that agencies assert their value, because, as Hesz says, 'The consultants are coming for our lunch.'

Without a high degree of scrutiny, professionalism, and financial and intellectual rigour, agencies won't stand a chance, he adds. 'In a world of shrinking budgets, clients will understandably go towards those who've taken the time to do the due diligence to understand how they make money and how they operate.'

Strategic clarity is never more important than when budgets are constrained, adds OMD's Chrissie Hanson. 'I would look at budget cuts as a way of going, what is the most important thing? What am I sacrificing?'

Others echoed Hesz's call for more rigour. 'I think overall there's

a lack of discipline in marketing right now,' PJ Pereira tells us. 'I like to call it Kardashian advertising. It's just noise and there's not a lot of substance and message behind it.' The advertising industry must stop trying to emulate Hollywood, says Pereira. 'Thinking like a marketer is understanding the objectives and holding on to them.'

'I would love to see the industry being more evidence-based,' agrees Jane Wakely of PepsiCo. 'As we share case studies, as we share successes and failures, let's be really open and transparent about the real results of things because that would accelerate our learning.'

Several of the interviewees also underscored the value of consumer insights in uncertain times. Suzanne Powers, for example, is shifting focus from trends to 'macro forces', which come from understanding human behaviour and the cultural context. 'That deep understanding of people helps us define all the ways that brands can help them,' she says. Jane Wakely's approach is equally human-centric. 'Be absolutely obsessed about the consumer – what they're doing, how they're feeling, what their needs are – and serve them,' she says. 'If you do that you can't go too far wrong. Don't over rely on trends and forecasts, look at behavioural patterns.'

But don't fall into the trap on relying too much on consumer data, warns Yasuharu Sasaki. 'An inordinate value is being placed on data,' he says. 'In marketing, it is not enough to simply have

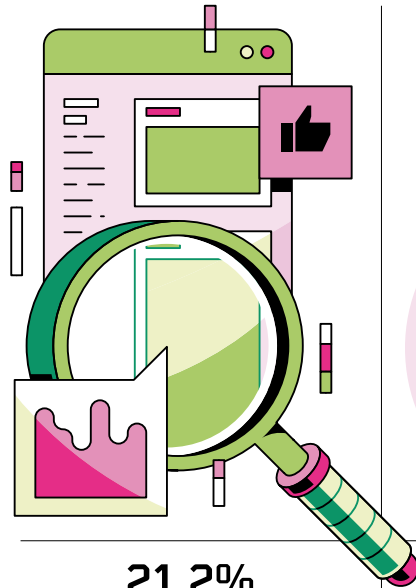
a large data set for analysis; it is critical that data be combined with creativity. However, at present, the use of data has become an end in itself, which I suspect, is stifling creativity.'

Ultimately, if you believe in the power of creativity to solve problems, budget cuts and financial pressures represent opportunities to be more creative and innovative. 'This is where creativity plays an immense role,' says Patricia Corsi. 'I see business people getting hooked on the return on investment, but the creativity that goes into that media money makes a massive difference.' This is a crucial moment for creativity agrees Rob Reilly. 'It's easy to be great when things are great. It's much harder to be effective and innovative and get more for less when things are challenged. That's our job.'

**It's easy to be great
when things are great.
It's much harder to
be effective and
innovative and get
more for less when
things are challenged**

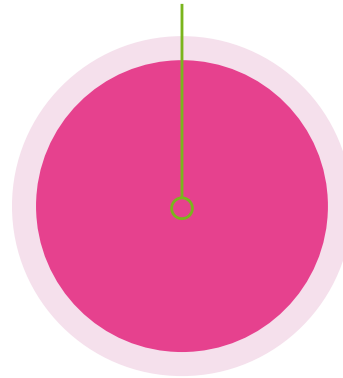
Rob Reilly, WPP

Data is...



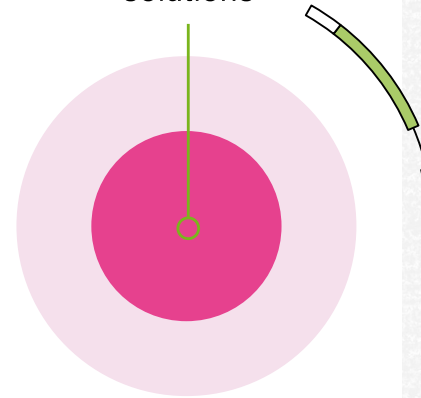
73.7%

Not being used to its full potential



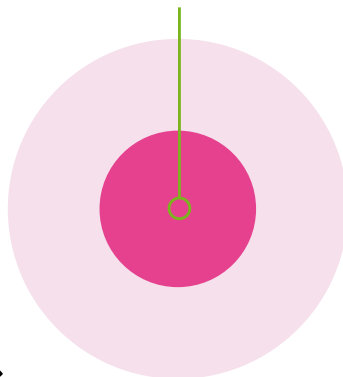
31.3%

Key to creative solutions



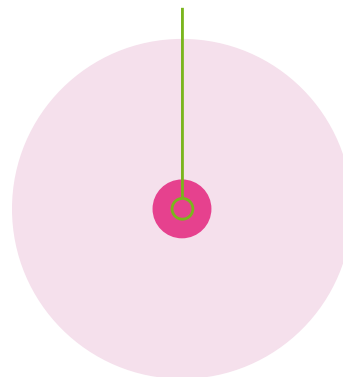
21.2%

Stifling creativity



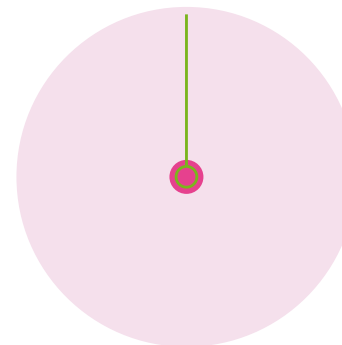
3%

Being used to its full potential



1%

For nerds; it has nothing to do with creativity



Tapping into technology /

There's nothing in the last 10 years that has had the impact on the business that artificial intelligence is going to have in the next 10

PJ Pereira, Pereira O'Dell

Last year, the industry was working itself into a frenzy around the possibilities of web3, NFTs and the metaverse. This year, the mood was more cautious. 'The metaverse is in a massive hype cycle,' said Chrissie Hanson. 'I think there is potential. One day it could enable us to make great leaps forward [...] But for me, today, it lacks business outcomes.' We're only at the beginning in terms of understanding and scaling the technology, she argues. 'I look at it from a brand safety perspective and I think it's got a long way to go.'

Patricia Corsi is also wary: 'I'm seeing a lot of marketers wanting to [experiment with the] metaverse for the wrong reasons, just because it's the new shiny star. I think some foundation [work] needs to be done. Does it make sense for that category? Does it solve for an existing problem or are we creating a problem and then providing a solution?'

Alex Hesz agrees that the industry currently lacks an understanding of the metaverse. 'I think most metaverse executions are still ultimately gaming executions or VR executions,' he says. 'Right now, a huge amount is being written by people who don't necessarily understand why this pivot into long-term investment in metaverse exists [...] We need to be very cautious around how much investment of time and money is put into thinking about

the metaverse when the technology is not yet there.'

Our interviewees were more divided when it came to generative AI. While some suggested its potential to disrupt the industry has been overestimated, others weighed up the advantages of automation against the potential threat posed to creative jobs. PJ Pereira definitely skews positive, comparing generative AI to the dawn of the internet. 'There's nothing in the last 10 years that has had the impact on the business that artificial intelligence is going to have in the next 10.'

The nature of brainstorming, he points out, could be transformed by AI's ability to produce and test ideas at speed. 'We always thought that robots were going to take repetitive and analytical tasks from human beings,' says Pereira. 'We learn today that the tasks that computers are doing better are actually creative tasks.'

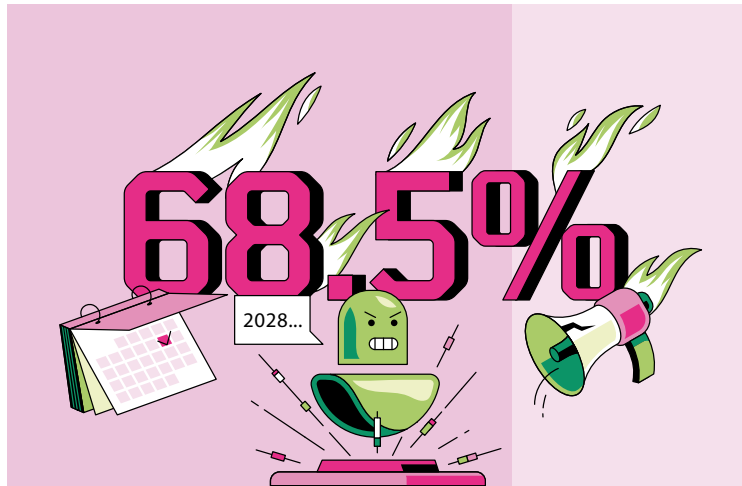
Automation and generative AI could change the creative process to the extent that mid-level advertising – expensive but forgettable TV ads – will be made in a matter of hours using AI, Pereira projects. 'If we embrace that the middle is going to be done in hours, not months, we can focus on the high end,' he says.

Alex Hesz shares Pereira's conviction. 'Any industry that doesn't believe they're going to face disruption from AI and automation

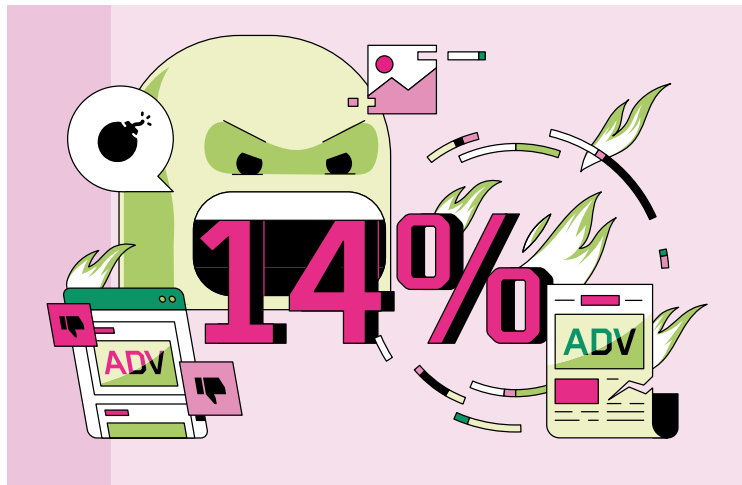
in the next 12 months either doesn't understand what they do as an industry or doesn't understand AI and automation,' he says. 'I can't imagine a single industry or a single sector that isn't going to be significantly challenged by either AI or automation, or both.'

Now it's Gmail suggesting you write 'Thanks' at the end of an email, but soon AI will touch 'every aspect of our lives', he adds. 'A bit like the Hemingway quote around bankruptcy, it happens little by little, then all at once.' Again, Hesz is cautious of the unknowns. 'The unintended consequences of AI are going to start to come to the fore next year, in terms of consumer health, challenges around deepfakes, the proliferation of truth and the absence of objective fact online.'

Let's not get carried away, says Suzanne Powers. 'We as an industry get really hyped up by new technologies. We get excited and say they're going to change our entire world. Maybe I've just been in this business too long, they never really change our entire world.' Powers' main reservation is around the perceived threat to creative jobs. 'I just do not believe [AI] is ever going to replace human creativity and ingenuity. I wish we would stop saying that it's going to take away the need for us to put our heads together and marry the analytical and the creative sides of our brains to solve things.'

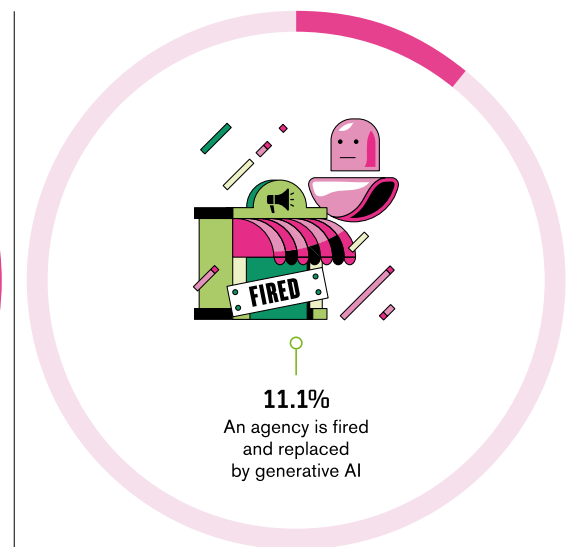
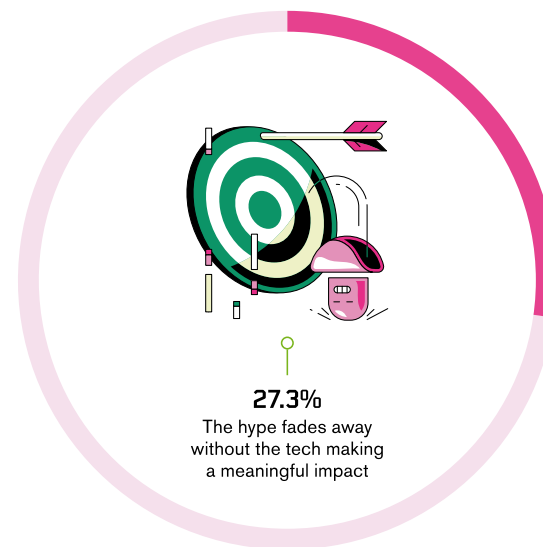
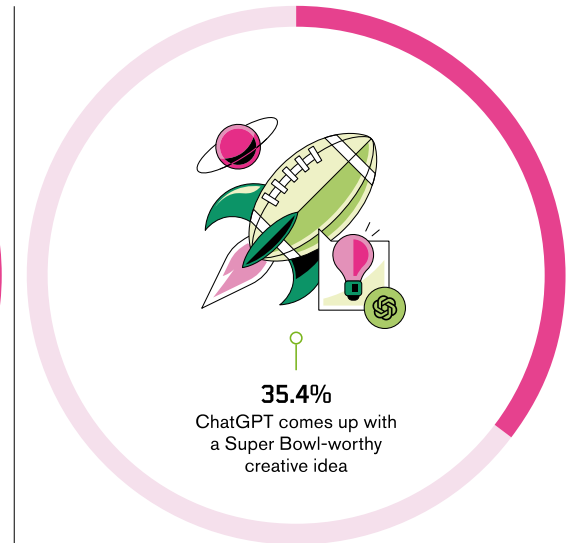
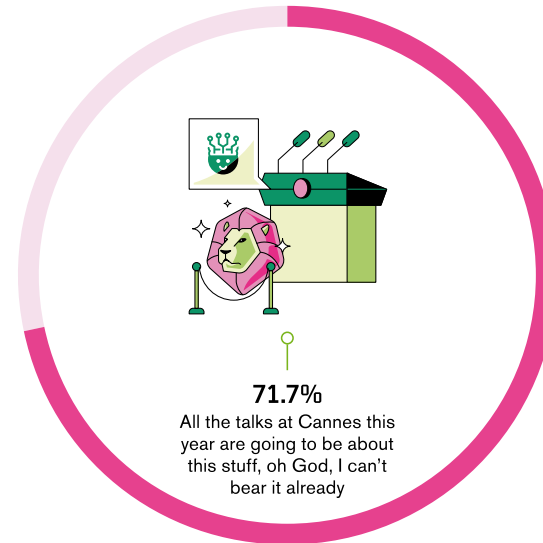


said generative AI will radically disrupt advertising and marketing over the next five years



said it already has

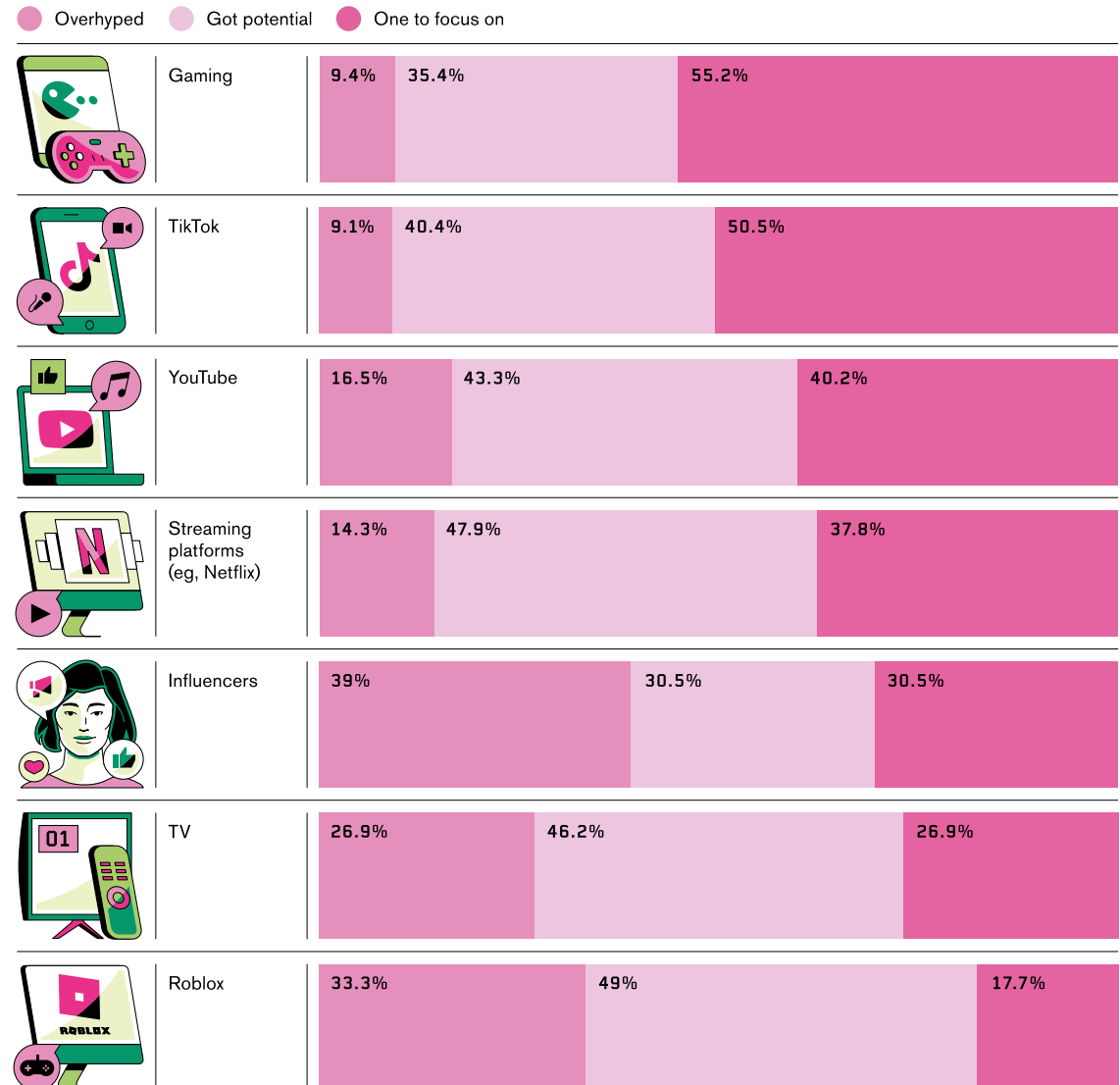
Which of these scenarios do you think could be realistic within the next five years?



Up streams

After years of resisting, Netflix introduced ads to its service last year. No surprise then that 47.9% of our respondents ranked streaming platforms as having creative potential in 2023, and 37.8% voted them as 'one to watch'. 'Streamers providing advertising solutions is really good for our industry,' says Omnicom CSO Alex Hesz. 'It enables us to be more specific, more creative, to align with content more closely and to return to what advertising is at its best, which is an enjoyable adjunct to the experience, not an interruptive one.' Interestingly, and in line with our survey results, Hesz predicted a possible resurgence for linear TV. 'Streaming is an unnecessarily complex environment for consumers. And there is still something deeply special about the feeling that millions of people are watching the same thing [eg, the World Cup] at the same time as you.' A not insignificant 46.2% of those surveyed rated TV as having potential, and 26.9% said it was 'one to watch' in 2023.

How do you rate these media channels/platforms in terms of their potential for creativity in 2023?



A wakeup for the workforce /

Attracting, developing and holding onto talent will continue to be a major challenge for businesses in 2023. According to a survey by global staffing company ManpowerGroup of companies across eight countries and regions, 75% of respondents reported talent shortages, with 'profound implications for the retention and upskilling of workers'.

'I hope we continue to get a lot of young people thinking [...] that this is an exciting place to come,' said Patricia Corsi. 'Because at a certain point in time, I was in doubt. The lack of trust in brands and in marketers was so big that I thought it was going to affect our ability to recruit smart people, young talent, to come to this craft.'

It's important to show young talent what they stand to gain from joining this industry, agrees Chrissie Hanson. 'I think it is one of the most rewarding, intellectually rigorous industries,' she says. 'You see the responsibility you have on the world. But I'm not sure we always show our younger talent that. If you can show that to them, you get this ability to align someone's personal path to purpose with a client's path to growth.'

Hanson also emphasised the importance of diversifying the

workforce. 'The composition of people that we have [still] isn't really representative of society,' she says. 'We continue as an industry to miss really valuable perspectives that enable us to make genuinely better, smarter, more effective decisions on behalf of the businesses we serve. If I could wave a magic wand, I would ensure that our industry was reflective of our society.'

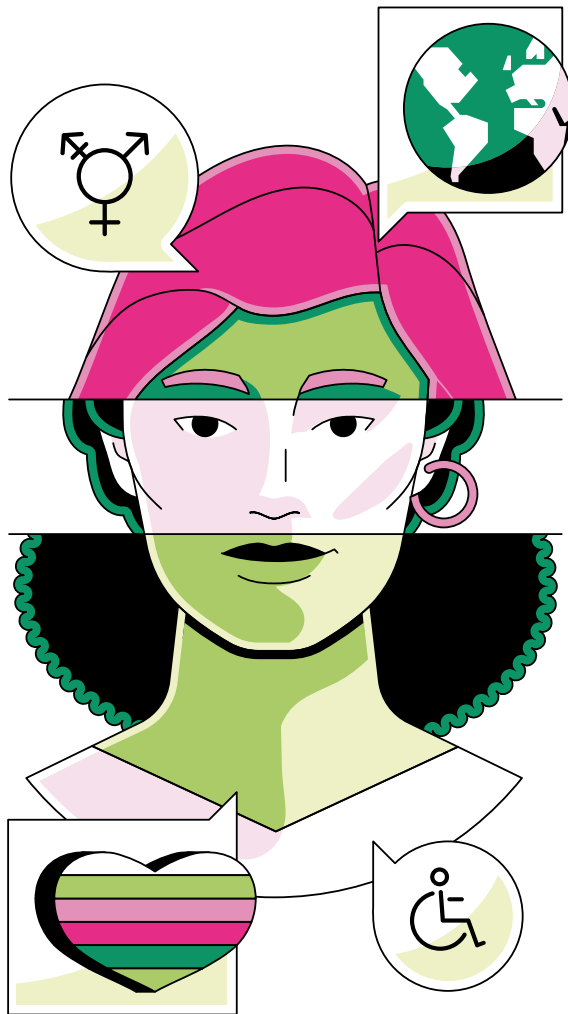
It's a CMO's job to build diverse teams that bring different experiences to different areas, says Jane Wakely. 'Gone are the days when one brand manager could do it all [...] Diverse talent has become mission critical to the CMO role.' Age, race, gender and socioeconomic diversity simply enriches the work, adds Suzanne Powers. 'The more you bring in different perspectives, the more you combine different flavours, expertise, life experiences – the better the creativity gets.'

In a tight labour market, the industry would do well to look beyond the usual talent pools, says Rob Reilly. 'When you bring new people from outside our industry into our industry, and be more inclusive, you'll end up getting people that have new energy, new ideas.'

Diverse talent has become mission critical to the CMO role

Jane Wakely, PepsiCo

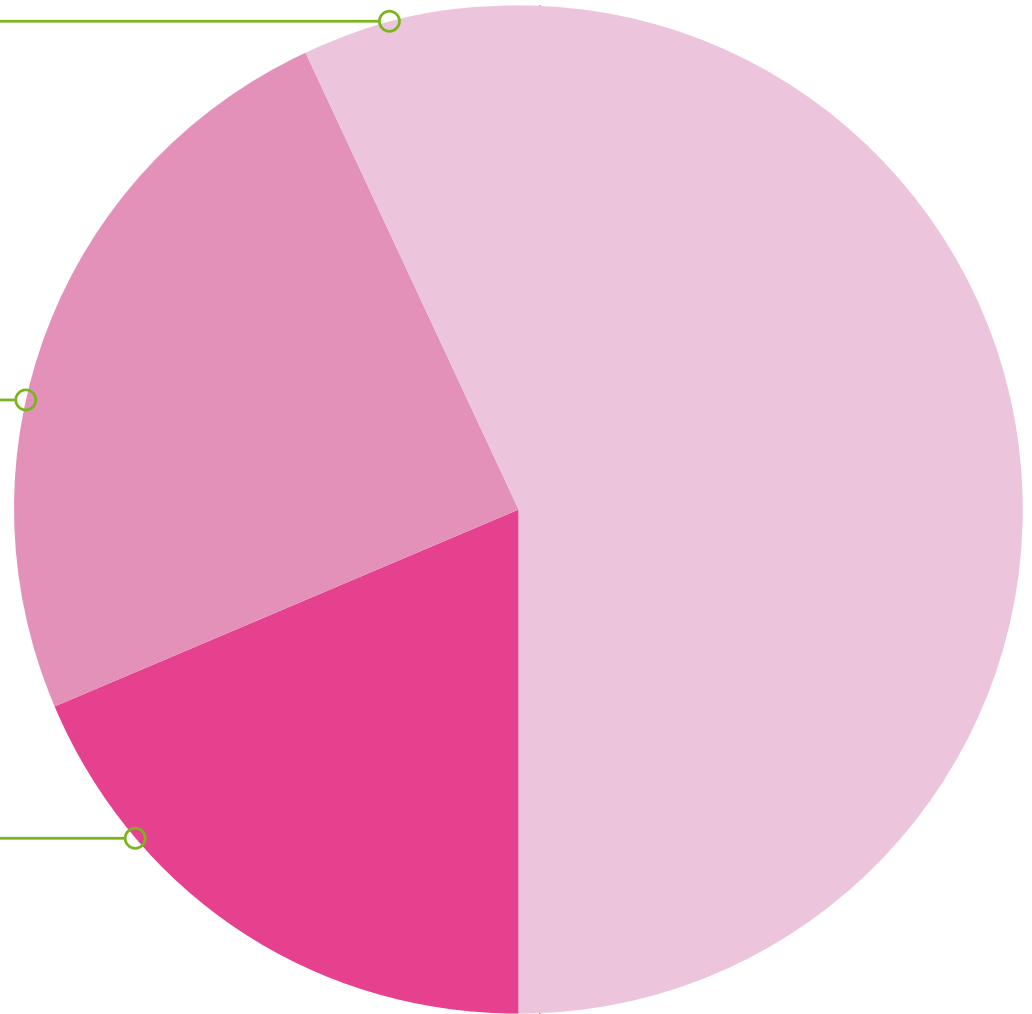
My company has done enough to prioritise diversity



57.1%
Not yet, but we're on track to reach our goals

24.5%
Absolutely. We have put actionable measures in place

18.4%
Despite the best intentions, we haven't been able to make it a priority yet



Repackaging purpose /

Potentially the most inflammatory topic we touched on was brand purpose. While none of our interviewees quite belonged in the Terry Smith school of thought (the Unilever shareholder has publicly criticised the company's purpose-driven soap and mayonnaise brands and accused Unilever of 'virtue-signalling'), there was some pushback.

With tough times ahead, brands have ample opportunity to reinvent themselves and their roles in consumers' lives, argues Alex Hesz. The abdication of responsibility of governments and central banks has created the 'perfect storm of crisis for consumers', which is 'going to reignite questions around brand purpose and [whether] brands have a right to engage with people beyond just the provision of goods and services', he says.

But gone are the days when a limp tagline and a CSR initiative would suffice. 'My sense is that vacuous brand purpose, we punish like never before,' says Hesz. What good is talking about purpose when you're increasing product prices and when people are wearing coats indoors, he asks. 'Brand purpose is going to come down to how you are actually making my life better [...] Purpose is going to become much more specific, much more actionable.'

Clients are increasingly looking for ways to make real-world impact, agrees Suzanne Powers. 'They used to say, "Help us define our purpose.' Now, instead, they're saying, "Help us figure out what role will [our brand] play in people's lives and in society at large?" And therefore, "How do I re-aim my business?"'

Brands should continue trying to help improve people's lives, adds

Rob Reilly. 'You can call it purpose, you can call whatever you like – I want people to stop calling it a trend,' he says. 'We're in an interesting time where it's really in our hands to make a positive impact. I hope that continues and brands see it as real marketing dollars, not just a nice to have.'

Marrying purpose and profit must be a priority, agrees Jane Wakely. 'I'd love to see us continue putting purpose at the heart of our brands, and measuring our brand performance [...] on growth and profit, but also on purpose. We've seen some stunning examples where creativity and innovation have been used to make a real meaningful and measurable difference.'

But if the purpose doesn't make sense for the brand, it's not going to land, says Reilly. 'It should be born out of the DNA of the company.' We need to stop post-rationalising so-called purposeful work, adds Yasuharu Sasaki. 'I believe agencies must first answer the "why", and generate ideas for continuous change that include, and go beyond the advertising domain, before partnering with clients to implement proposed ideas.'

Increasingly we're taking purpose too far, argues PJ Pereira. 'We are here in the world to make the world better, but also to work for clients.' And if the work doesn't ultimately serve your brand, it's not going to be sustainable. 'Find a way to authentically embrace a cause with your product,' he advises. 'The way we have done it recently has caused purpose fatigue [...] If we keep doing [purpose work] this way, there will be a wave against it from the investors.'

Our preoccupation with purpose has also made it harder to be funny – but doing good isn't necessarily at odds with making people laugh. 'It seems like the world is so wound up at this moment,' says Reilly. 'I think [humour] is the thing we need more and more, and I'm hoping brands will push us towards comedy or fun or entertainment.' Giving something people to laugh at is a valuable service, agrees Pereira. 'It's hard to be funny and purposeful at the same time [...] But when life is heavy, humour really helps.'

Being funny can be a smart business strategy, argues Hesz. 'Humour is deeply memorable. Humour is a powerful driver of emotion. We must not be embarrassed about being funny. But we need to be funny in service of how our clients make money.'

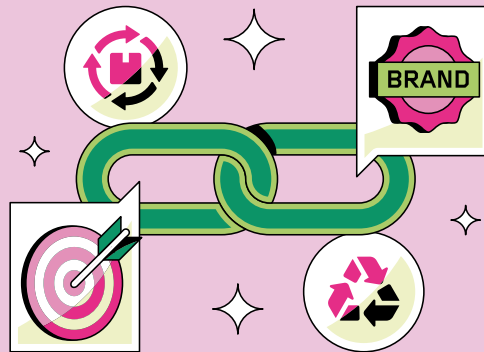
Brand purpose is going to come down to how you are actually making my life better. Purpose is going to become much more specific, much more actionable

Alex Hesz, Omnicom

Where do you stand on brand purpose?

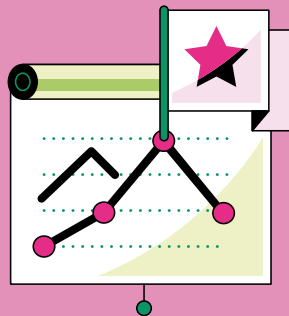
49.5%

Purpose has a place in advertising, but it must correlate to your brand



32.3%

Putting purpose at the heart of your business is a route to sustainable growth

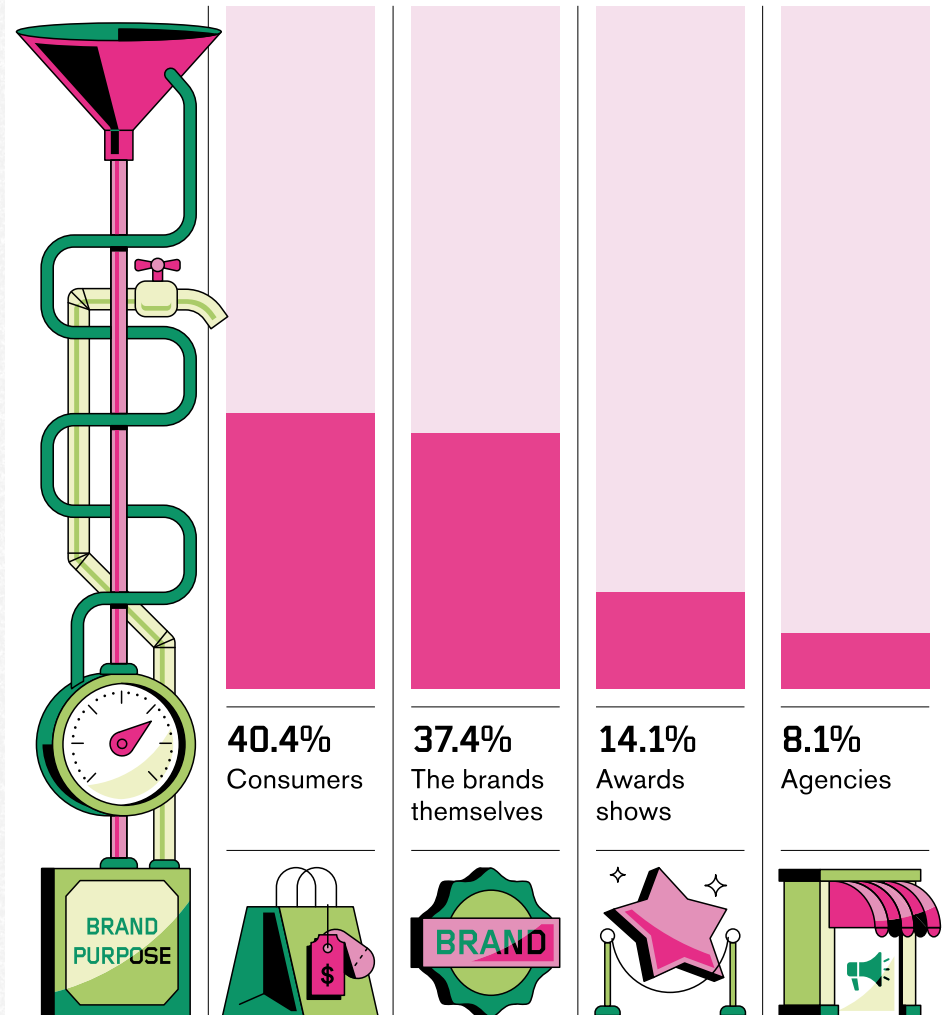


12.1% Enough with virtue-signalling, consumers want real action



6.1% Searching for the higher purpose of a breakfast cereal brand is pointless

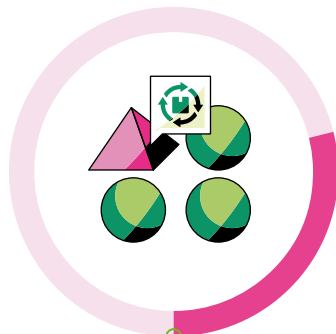
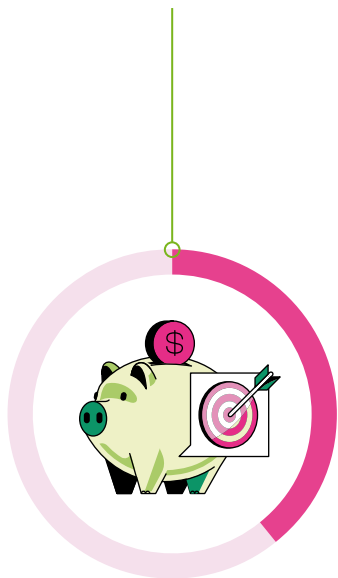
Who is putting the most pressure on brands to be purposeful?



The biggest challenge in sustainability comms is...

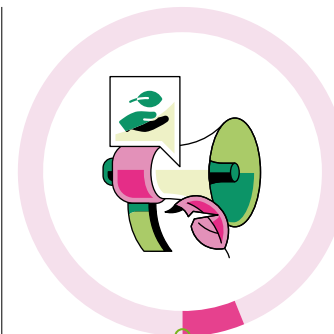
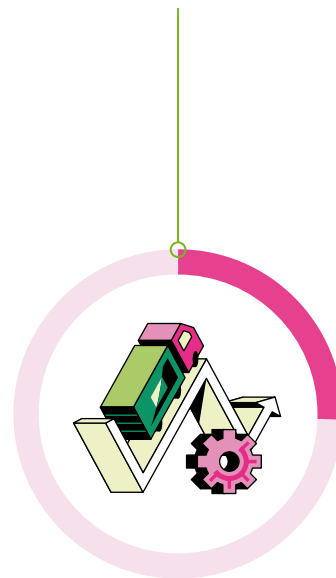
39.2%

The financial burden of actually making the changes

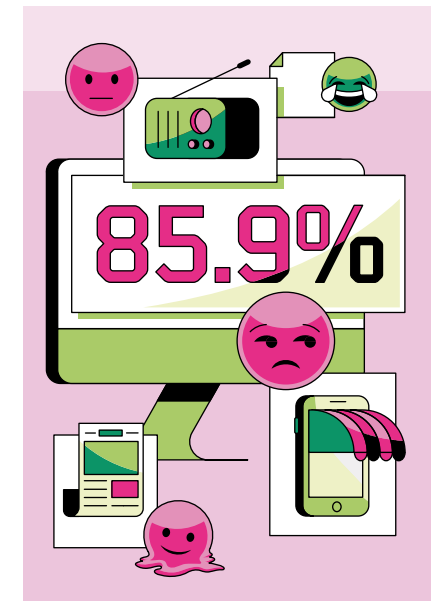


28.9%
Making it distinct to your brand

25.8%
The logistical challenges of backing up claims



6.2%
Swerving accusations of greenwashing



agreed 'There are fewer funny ads today than ever before'

Client-agency relationships /

My clients always prioritise creativity



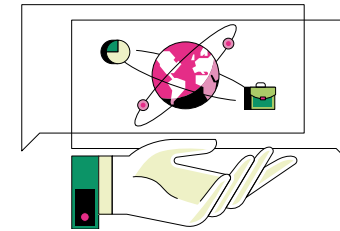
29.3%
Agree

70.7%
Disagree

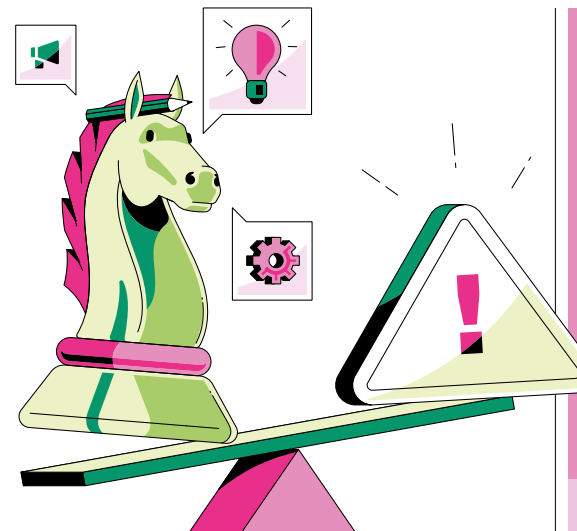
My agency understands the reality of my business sufficiently

63%
Agree

37%
Disagree



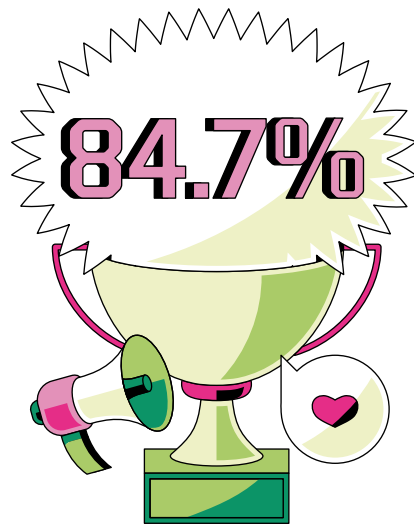
We have to convince our clients to take creative risks



89.3% Agree

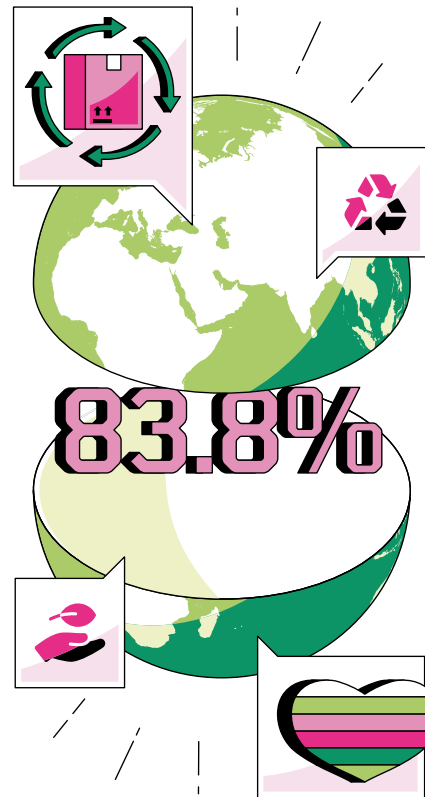
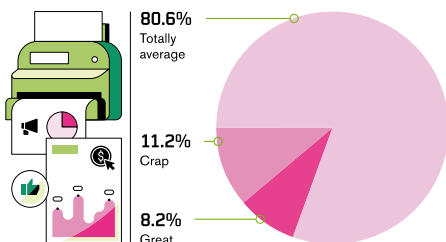
10.7% Disagree

Industry insight /



feel proud to work
in this industry

Right now, the output of the industry is...



feel optimistic about
the impact advertising
can have in the world,
beyond selling stuff

Which of the following pressing issues
is your company furthest behind on?



20.2% Delivering top-drawer creative work



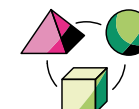
20.2% Training talent



18.2% Generating new business



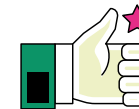
11.1% Attracting talent



10.1% Implementing change around diversity



10.1% Sustainability



5.1% Nothing, we're great

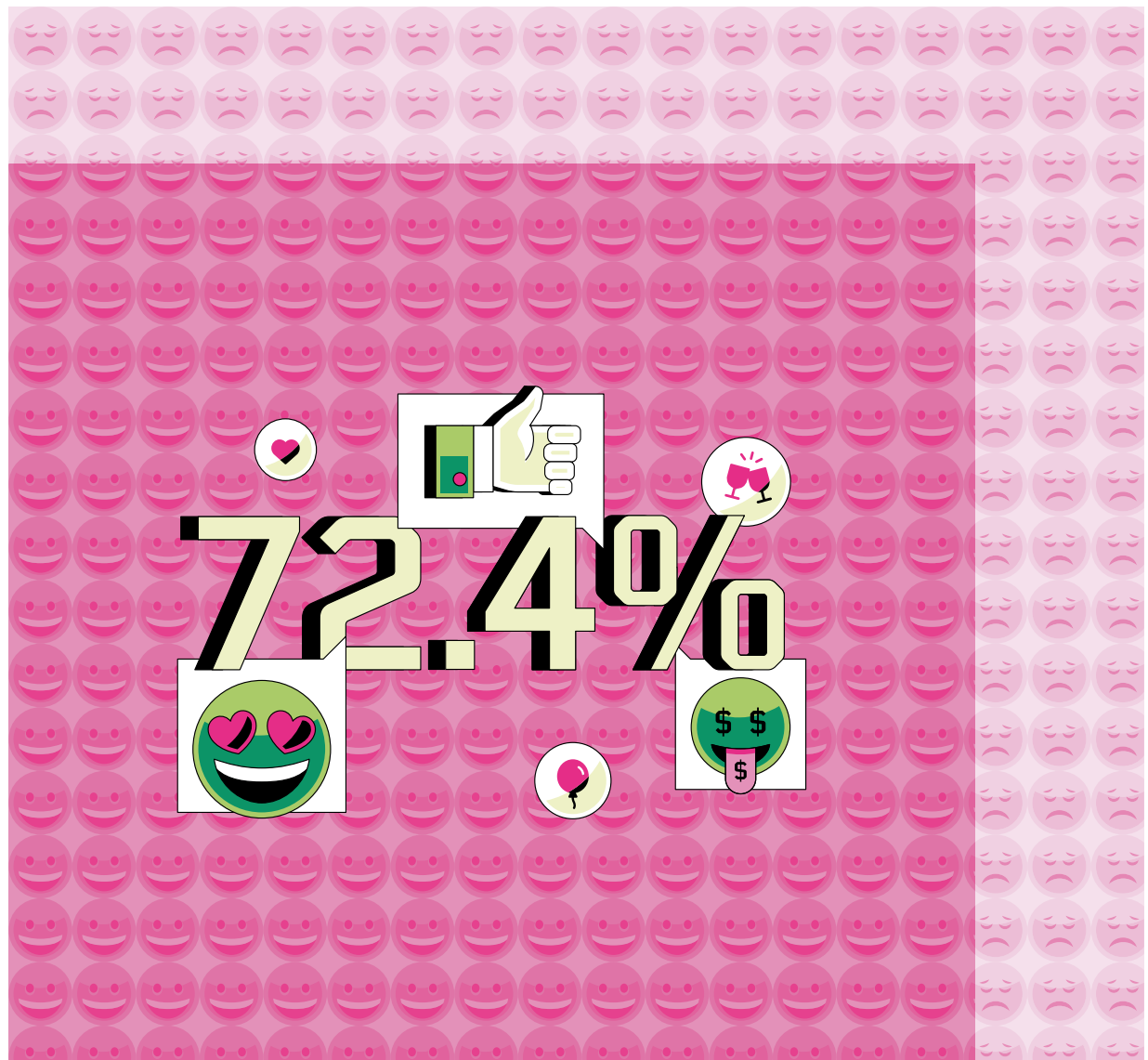


5.1% Retaining clients

Critical optimism /

There's no arguing with the fact that the year ahead is fraught with external and internal challenges. In turn that means that the pressure on marketers to perform and prove their worth is greater than ever. So, it's not great news that the majority of our survey respondents blasted the current output of the industry, with 79.2% branding it 'totally average' (and an even more critical 11.7% describing the work as 'crap').

And yet, despite this general cynicism about the standard of advertising, our survey findings were – for the most part – paradoxically positive. A whopping 85.7% said they feel proud to work in this industry and a reassuring 72.7% of respondents said they feel 'optimistic' about the state of advertising and marketing in 2023. If you believe you will fail, you inevitably fail, so this positive outlook is precisely what we need to face the challenges ahead. 🍷



feel optimistic about the state of advertising/marketing in 2023



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The company's mission is to inspire and enable contagious creativity by championing excellence and innovation in marketing.

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