

WPP webinar hosted by Wunderman Thompson Commerce Transcript

Tuesday, 7th December 2021



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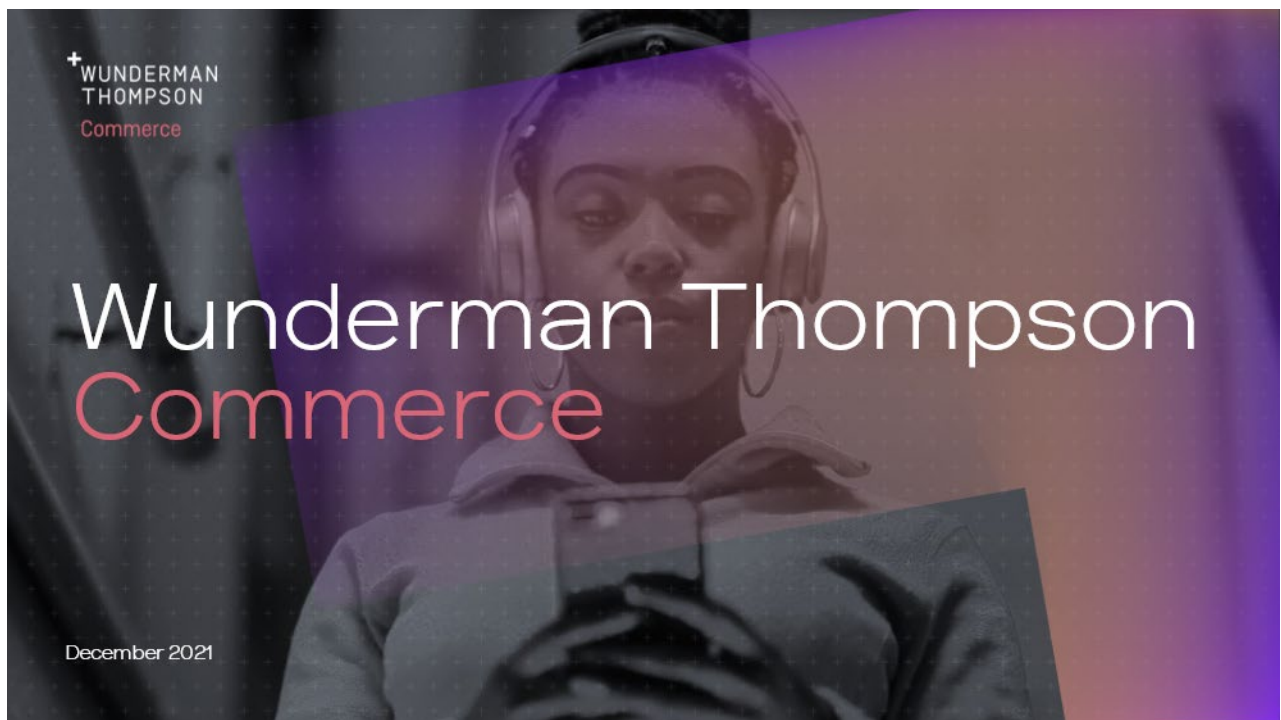
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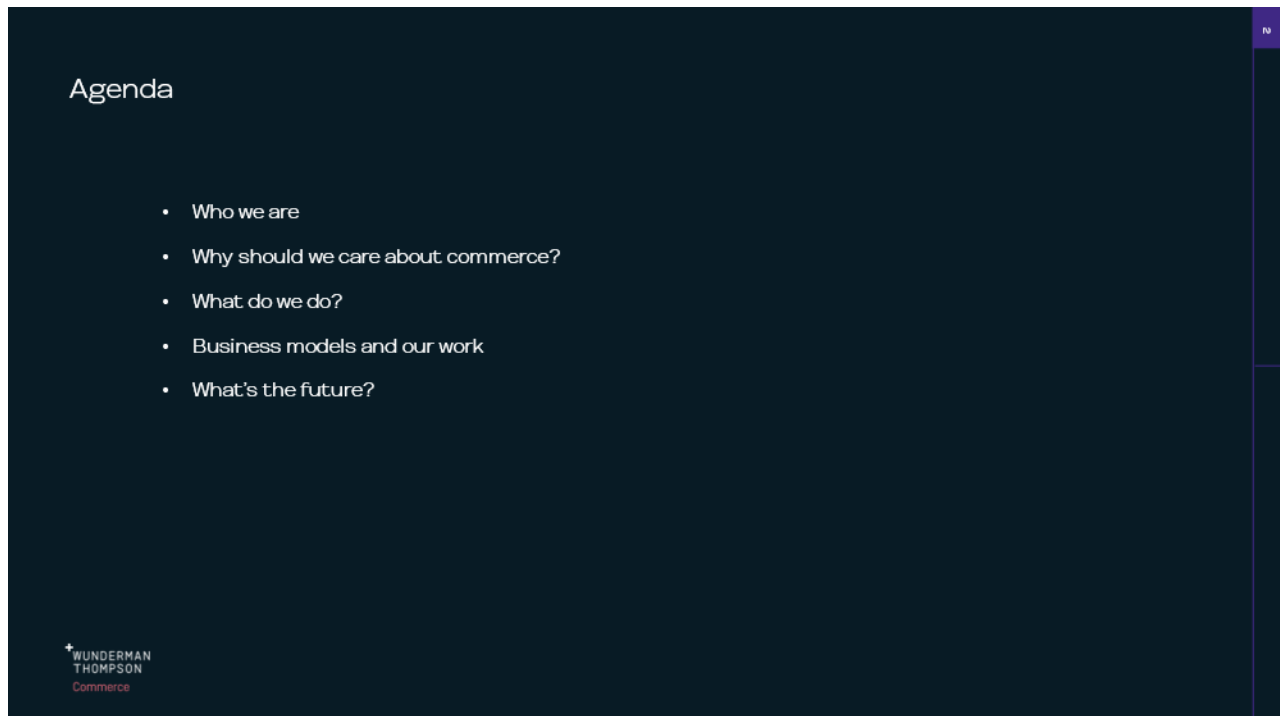
Introduction

John Rogers

CFO, WPP

Welcome, everyone, and thank you for joining us today. As most of you know, I'm John Rogers, CFO of WPP. This is actually the fourth in our webinar series – one of our deep dives into different parts of our business, and today it's all about commerce. As you all know, commerce is a very important component of our business, particularly where it comes to growth – one of the three key pillars of growth, alongside experience and technology. Commerce is a key part of our growth story going forward. And it's a pleasure to introduce you – to you today the CEO of Wunderman Thompson Commerce, Neil Stewart, who I personally have worked with quite closely over the last six months or so, and several members of his team. They're going to present to you for about half an hour or so on all the work we're doing in commerce, and then we're going to open up to Q&A, and hopefully I'll do a small wrap-up at the end. So if I don't say so at the end, then, in the meantime I wish you all a fantastic Christmas and New Year and a good holiday season, and now I'm going to hand over to Neil to take you through the presentation. Thanks, everyone.



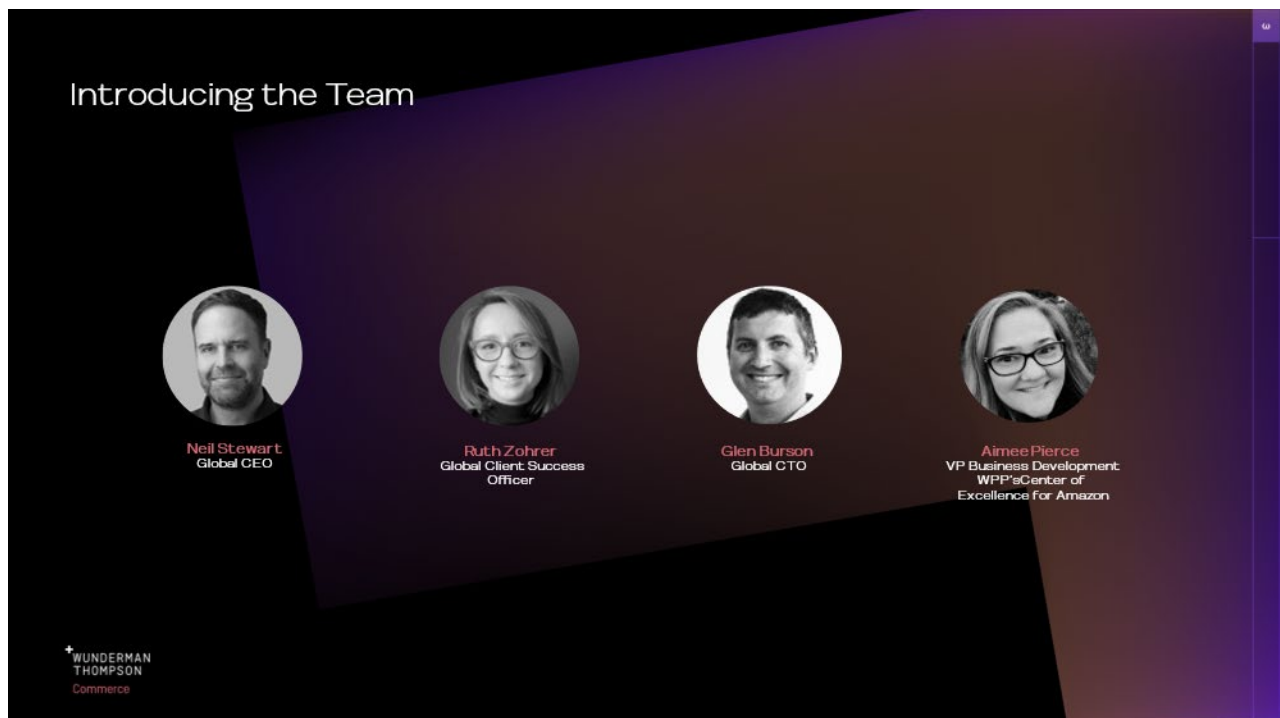


Wunderman Thompson Commerce

Neil Stewart

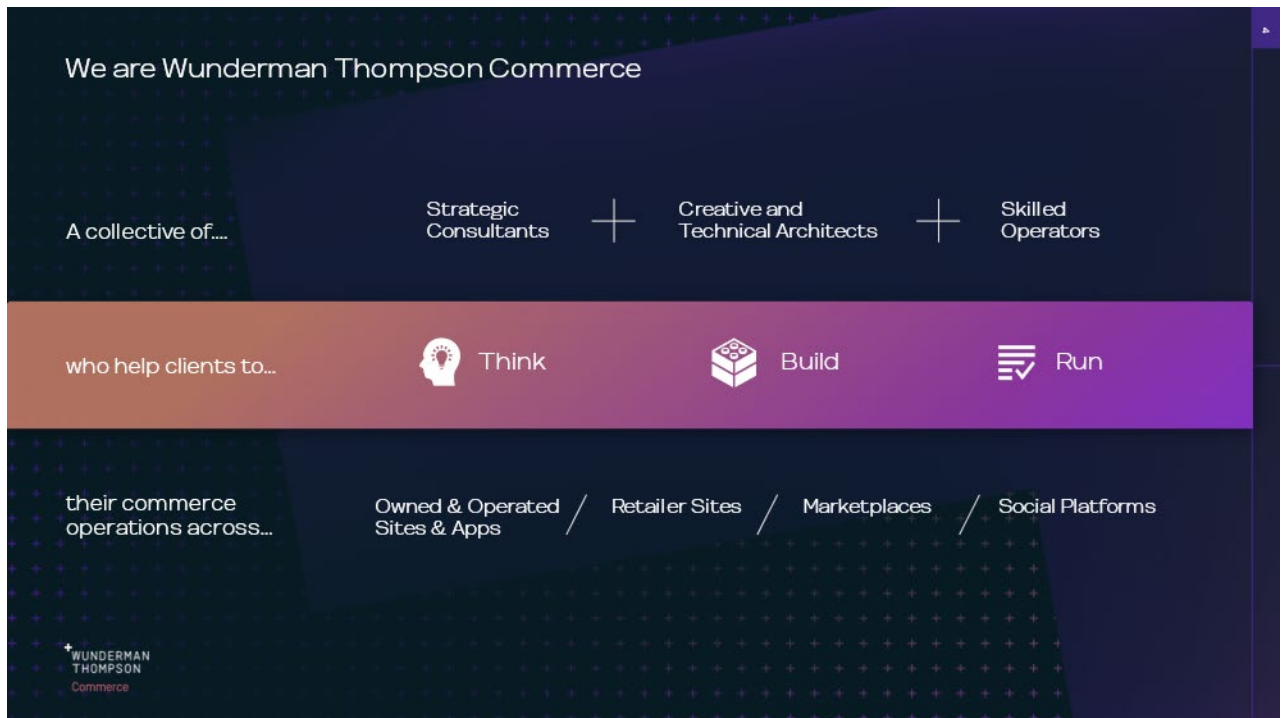
CEO, Wunderman Thompson Commerce

Thank you, John, and thanks to everyone who's joined us today and taken the time to listen. As John has suggested, we're from the commerce team within Wunderman Thompson, and today, what we're looking to cover is a little bit on who we are; why we think everyone should care about digital commerce and the growth that's ahead; what we do as a business – and we're going to call out our service lines as part of that in the presentation; some specific business models we help our clients with – and bring some of that to life with the work; and then leave with a little bit of what we think the future is, and specifically some trends that we see in the market and areas that we're investing in. As John has suggested, if we could kind of add questions into the Q&A as we go, what we'll do is we'll make sure they are picked up and passed across the team at the end.



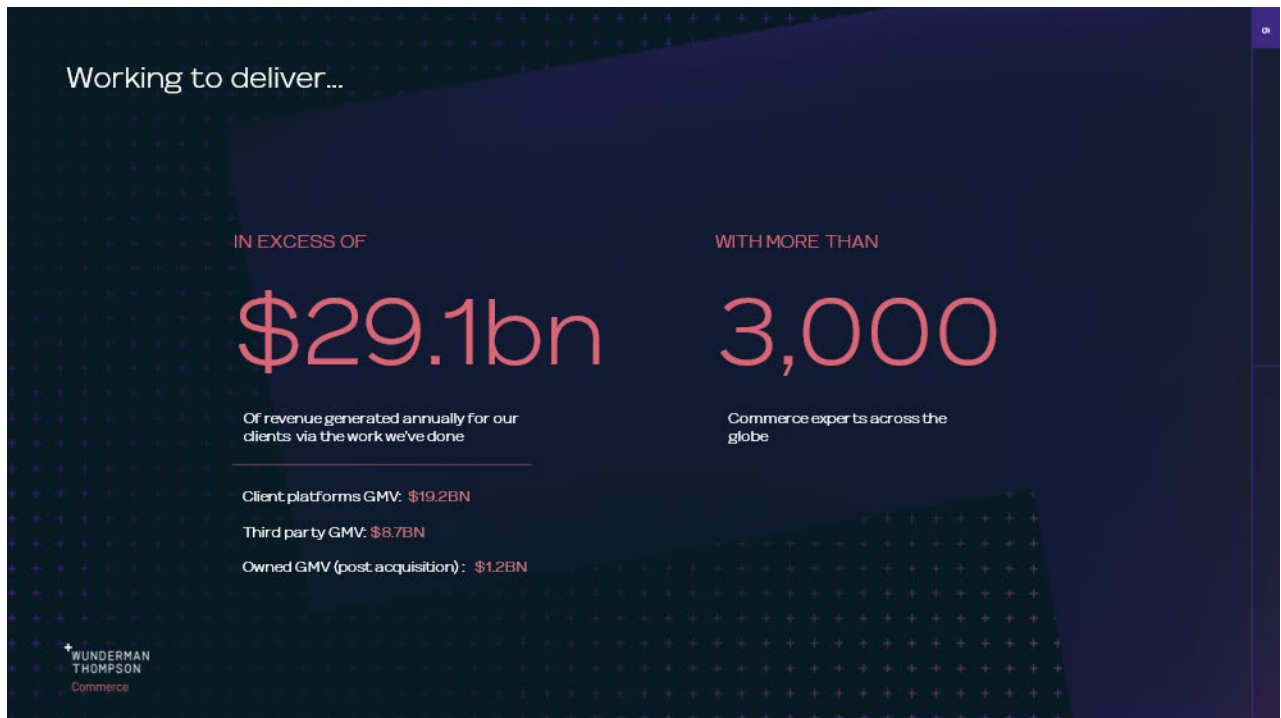
Introducing the team

And on this slide, it's my pleasure to introduce some of our world-class team, who are going to take you through the agenda – through the slides today. We've got Ruth, who is one of our commerce strategy leaders, and she also helps on organisational enablement for some of our clients. Glen, who's one of our CTOs – he looks after EMEA. And what he's going to do is bring the technology lens to our commerce offer. And Aimee, who's an expert in helping brands drive sales on third-party commerce environments, such as Amazon and Walmart and Chewy.com in the US.



We are Wunderman Thompson Commerce

Which segues nicely into my next slide – who we are at Wunderman Thompson Commerce. We are, in essence, a team of strategic consultants, creative and technical architects and skilled operators. And we help clients have a strategy for, build the capability across, and help clients run and drive sales growth across, all the major digital routes to market. And the way that we summarise those are owned estates, so D2C and B2B; third-party retail and distribution, and so e-retailers, again, like, Walmart; marketplaces, such as Amazon, Tmall, Lazada, Zolando in EMEA; and then, increasingly, the influence of social platforms and how we engage with consumers on those environments and start to take advantage of the 'buy' button that exists to drive sales for our clients.



And when we talk about sales and what we deliver for our clients, we deliver just shy of 30 billion in revenue for our clients across the platforms that we've assisted them to kind of run and develop. And just under 20 billion of that is on platforms that we've helped the clients own, build and run – so platforms we've built for clients, like Sainsbury's in the UK – build and then ongoing run and drive sales. Just shy of 9 billion of sales is on third-party platforms – again, Amazon, Walmart, Tmall, Lazada etc. And, post our recent acquisition, we have over 1.2 billion in GMV running through our own platform, which connects sales channels to delivery partners.

Today, as part of WPP and as the commerce engine for the world's leading brands, we're recognized as a leader

"WPP shows strength and higher client satisfaction in commerce strategy services, emerging commerce touchpoint services, commerce experiences supporting services, and program management. WPP shows particular strength in social commerce and Amazon marketplace services.

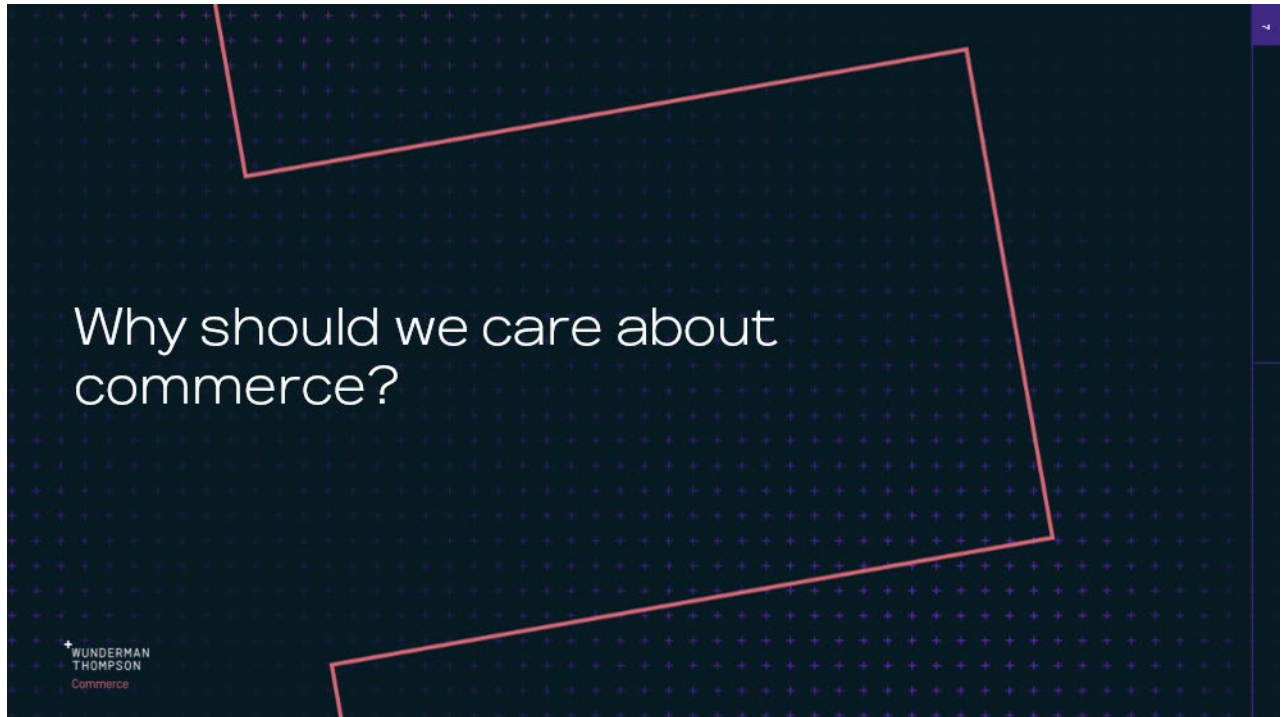
"WPP is a good fit for companies seeking a global omni-channel commerce partner with expertise in helping clients navigate and monetize emerging channel options."

Source: Forrester - The Forrester Wave™: Commerce Services, Q1 2021

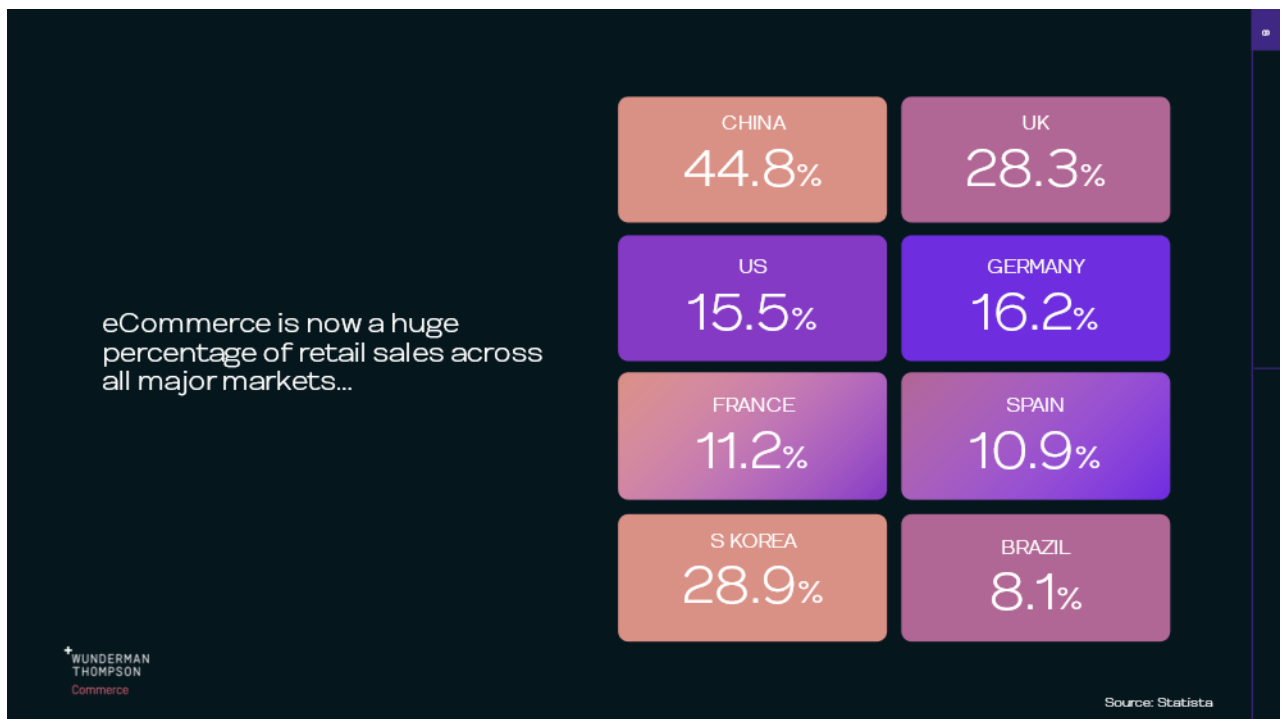
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Commerce



And we are recognised at WPP by leading industry analysts as a market leader in the space. I think what we're really proud of about this slide is it shows that we are up there in terms of leadership quadrant, but we're also up there in company that was not traditionally for WPP. So you'll see some of the large SIs and some of the large consultancies who we continually pitch against and win against, and we'll touch on that a little bit later as part of the presentation.

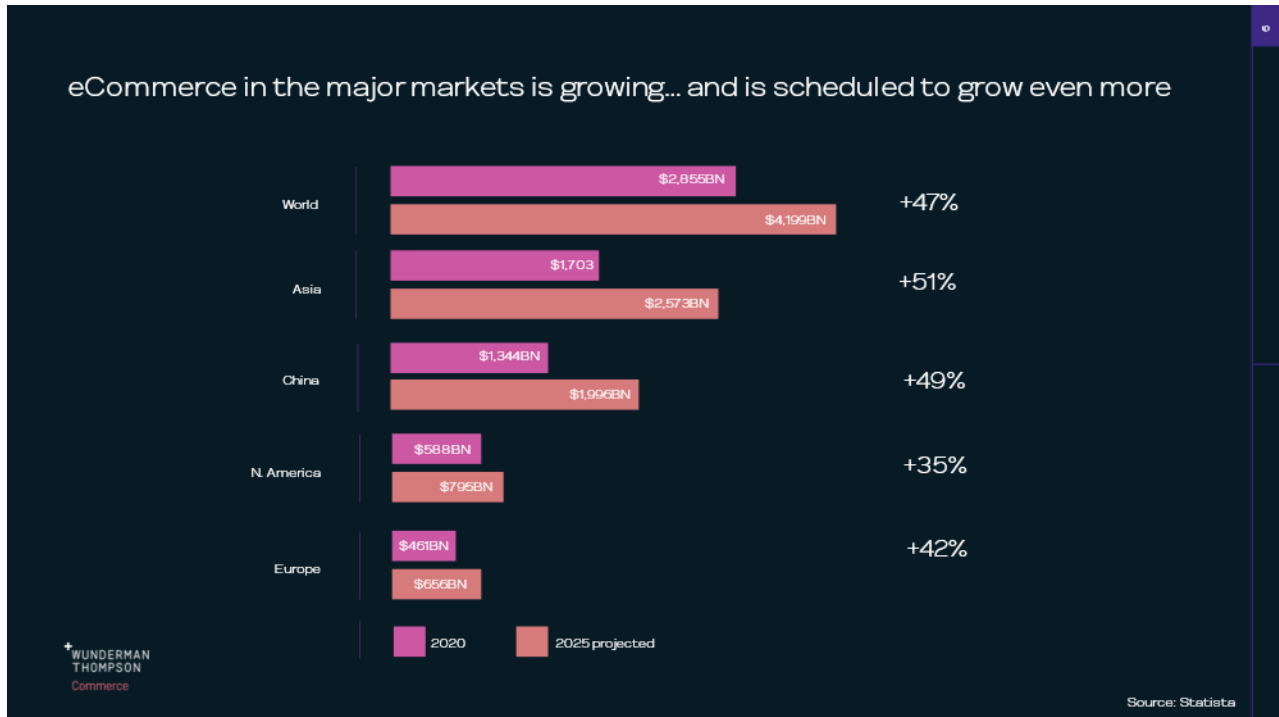


So why should we care about digital commerce?



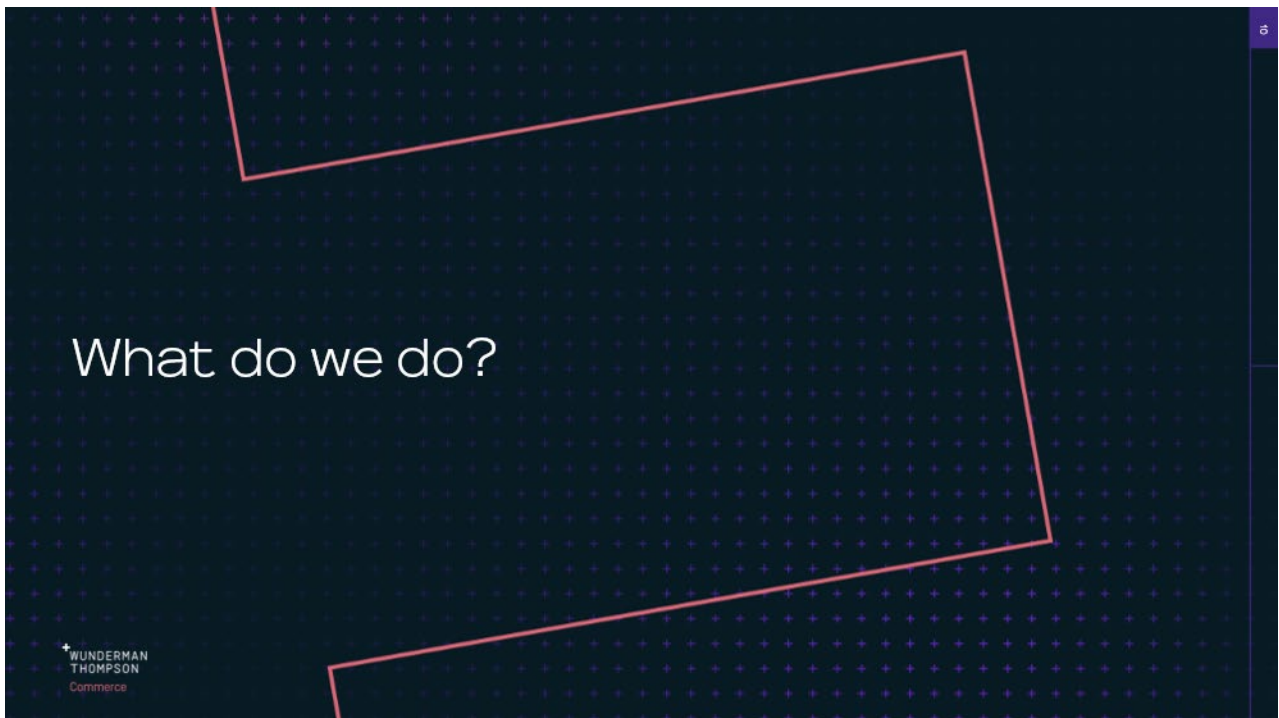
Well, digital commerce continues to grow as a percentage of overall retail sales. And, as the slide demonstrates, this is led by the impact of digital commerce versus retail in China, South

Korea and the UK. And we see no reason, other than unforeseen government intervention, why the same high levels of penetration can't be achieved across all markets, which means there's lots of growth still to come for our clients in digital commerce.



And this is supported by Statista, which highlights all major markets continuing to grow into 2025. So, in short, for most of our client base across our FMCG, branded, fashion – even automotive clients, digital commerce is where most of the growth will come from. And they need help maximising this opportunity as the number and complexity of digital channels grow.

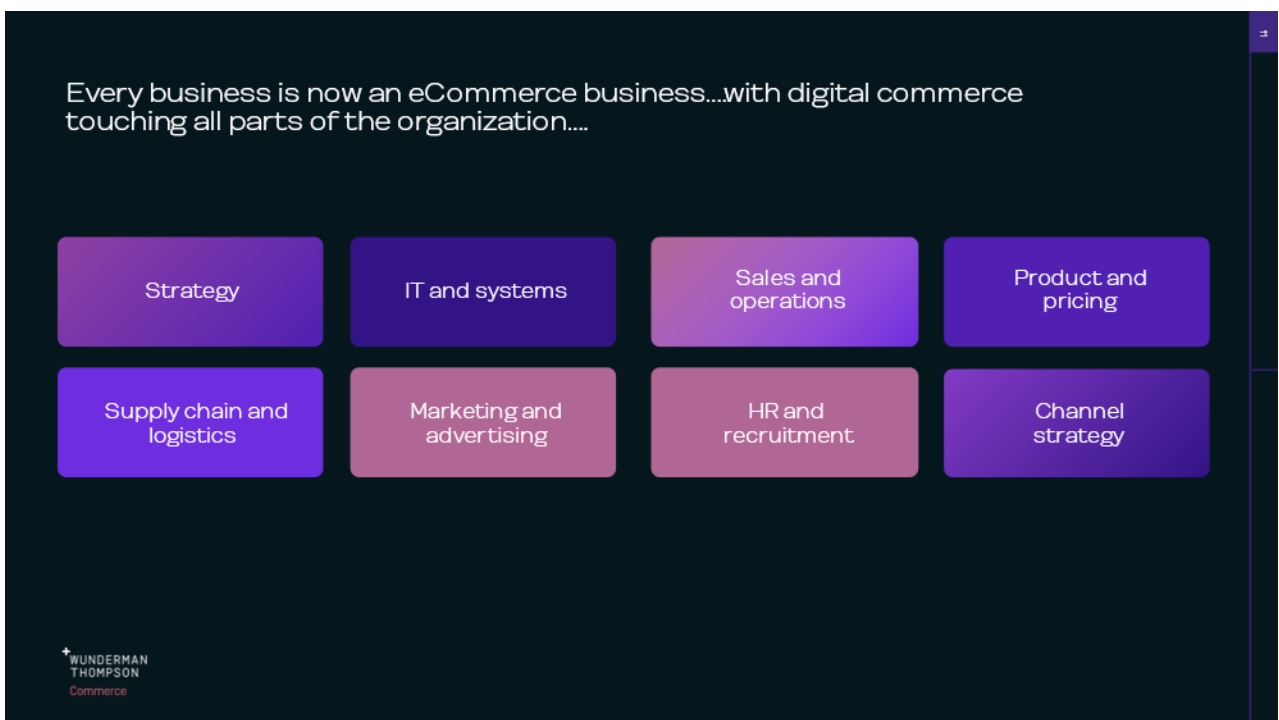
So, on that note, I'll pass over to Ruth, who'll talk you through what we do and how we help our clients navigate across this complexity.



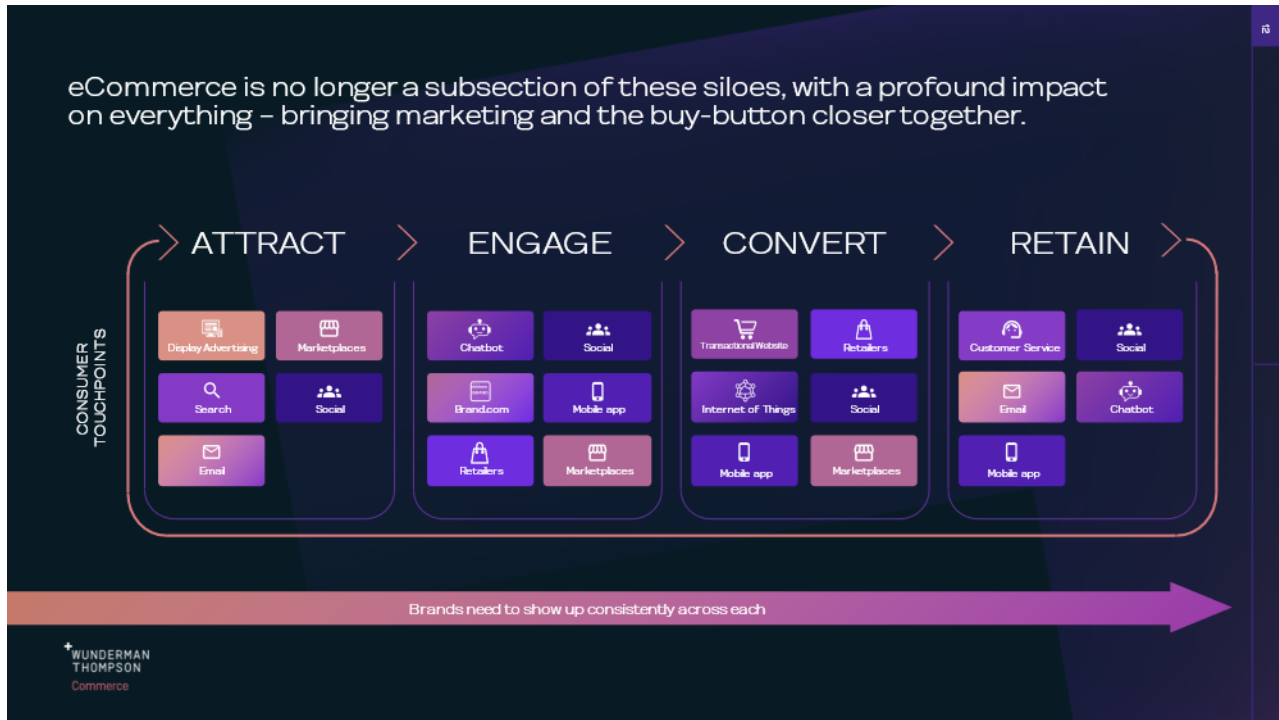
Ruth Zohrer

Chief Client Success Officer, Wunderman Thompson Commerce

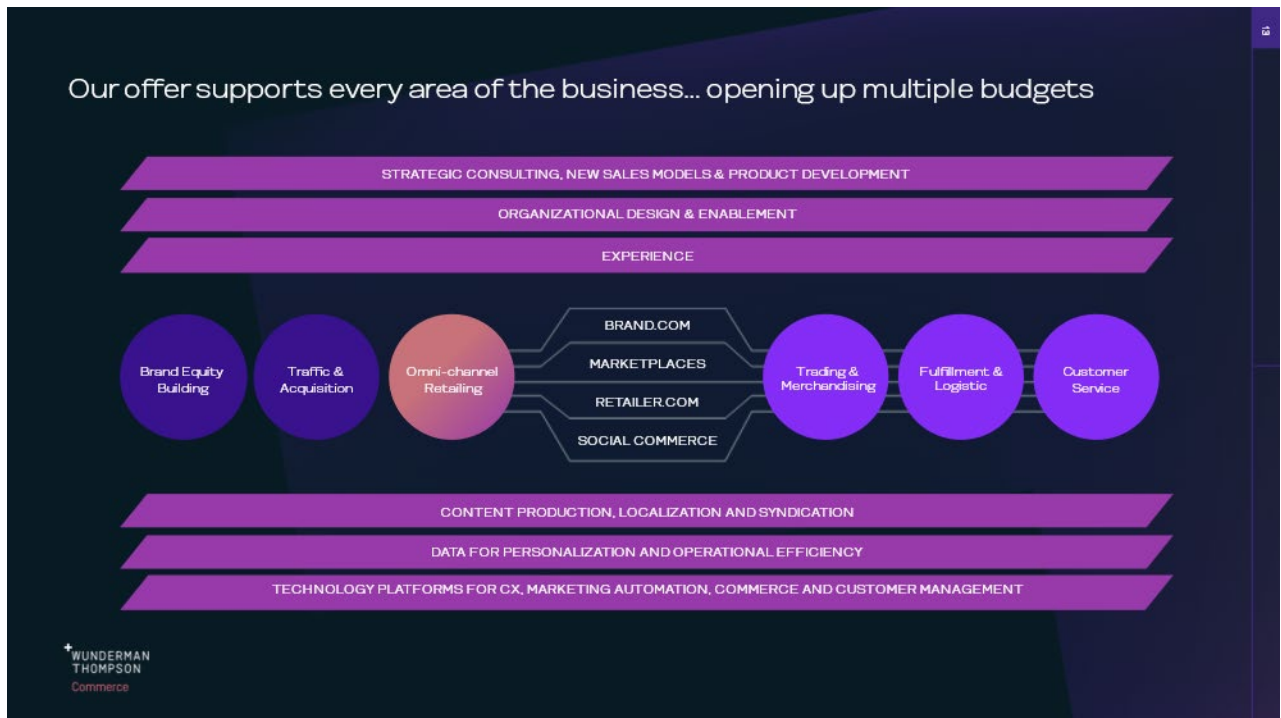
Thank you, Neil, and thank you, everyone, for attending this call.



So we start from a point of departure which is we believe that every business is an e-commerce business. Whether we talk about fast-moving consumer goods, automotive, financial services or even building equipment, most of organisations that we deal with are transforming themselves to strengthen their digital sales capabilities. And because of this, commerce sits at the heart of that business transformation, as well as future sources of growth. So most of our clients touch multiple parts of the organisation.



We go from strategy to helping define new sales models to the IT and technology systems, as well as the organisational evolution with sales, operations and HR and recruitment, to bring that in. And we support them across the entire journey. For us, this journey has become much more complex. It's a journey that's being driven by changing consumer expectations and the convergence of communications and commerce, right towards as well as after the 'buy' button. And so those numbers of touch points that consumers interact with have significantly grown, and the expectation that consumers bring to companies and brands is that they need to show up consistently across this journey, which means that managing that complexity demands a depth of expertise that has to be there in the offering to orchestrate this successfully.






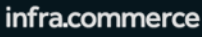
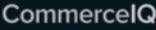










And that is the reason our offering is designed in the way that it is. So, starting at the very top with strategic consulting, supporting clients across new sales and services models, new product development and the go-to-market strategies behind that, down to helping them build that capability within their organisation through organisational design and enablement, and then taking that into the client-facing customer experience within the different shopping channels, starting at the very beginning of that awareness piece with brand equity building on traffic and acquisition, all the way through to standing up the platforms across major routes to market. Whether that is brand.com and direct-to-consumer propositions, marketplaces, e-retail and, more recently, social commerce as well. And then, finally, being able to connect that as well with the operational aspects of running commerce day-to-day: the trading and merchandising teams, as well as the fulfilment and logistics partners on operations, and customer services. And we're able to do this because we have a depth of expertise across the three key pillars that underpin the entire model, which is content, data and technology. And you'll hear a little bit more about those different aspects through the case studies, as well as the technology section and the deep dive that Glen will cover later on.



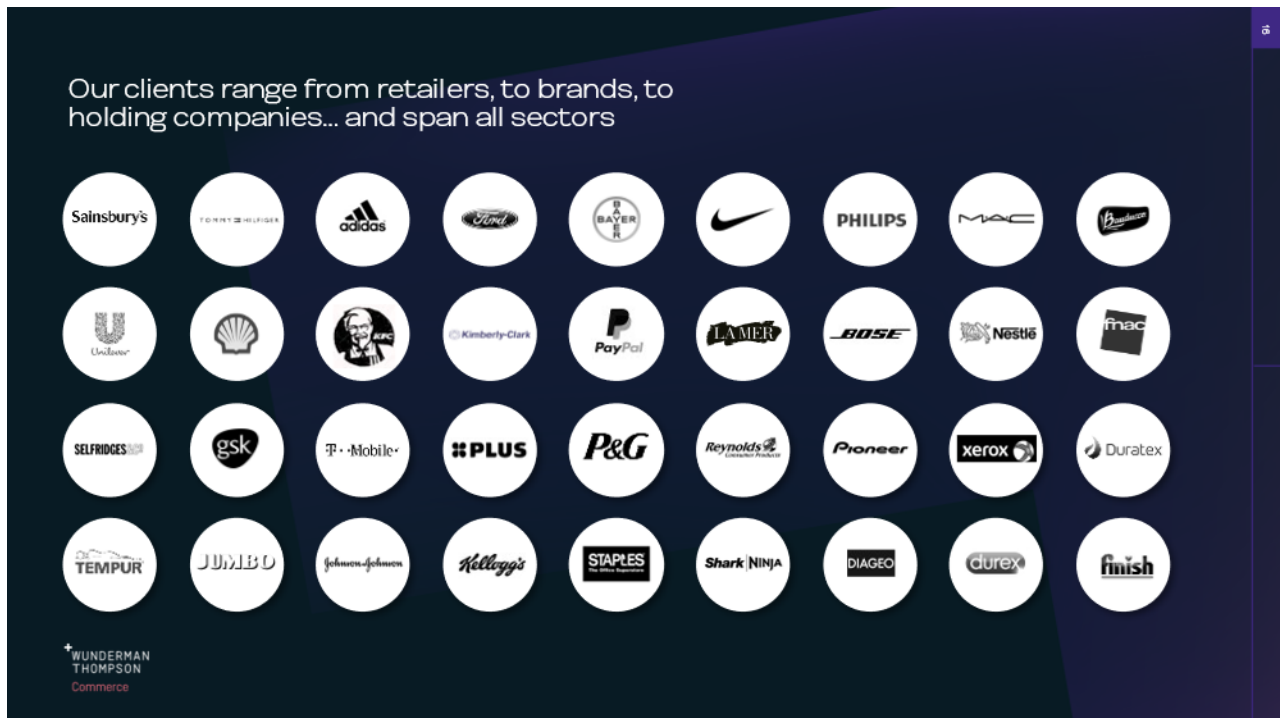
But what's important about this is that, through our offering, we're able to also access different stakeholders throughout the client organisation, whether that's a CEO who comes to us with more strategic questions about potentially new ventures, entry into new markets and channels, as well as capability development, or the chief marketing officer who may come to us to help them drive much more effective customer acquisition and loyalty in their existing customer base, down to chief operating officers who come to us with questions around supply chain optimisation and general business operation opportunities to be able to unlock some of those improvements across their bottom line. And then, finally, CTOs, who have more traditionally been our key customers in terms of the technology and the data infrastructure that needs to be in place to enable these operations.

Which means that competition can come from all angles...

Consultancies	Platform services	System integrators	Marketing agencies
   	  	  	   



But what’s important about this is that, through our offering, we’re able to access different areas of the business and, equally, different budgets to be able to deliver that growth, not only for themselves but also for us as part of WPP. And it is unsurprising, then, that when it comes to our competition, that competition is equally diverse. We come across management consultants, we come across platform service providers, the systems integrators, as well as marketing agencies. And as Neil has said at the beginning of this presentation, we win, and we’re very successful at driving clients through to those new business processes.



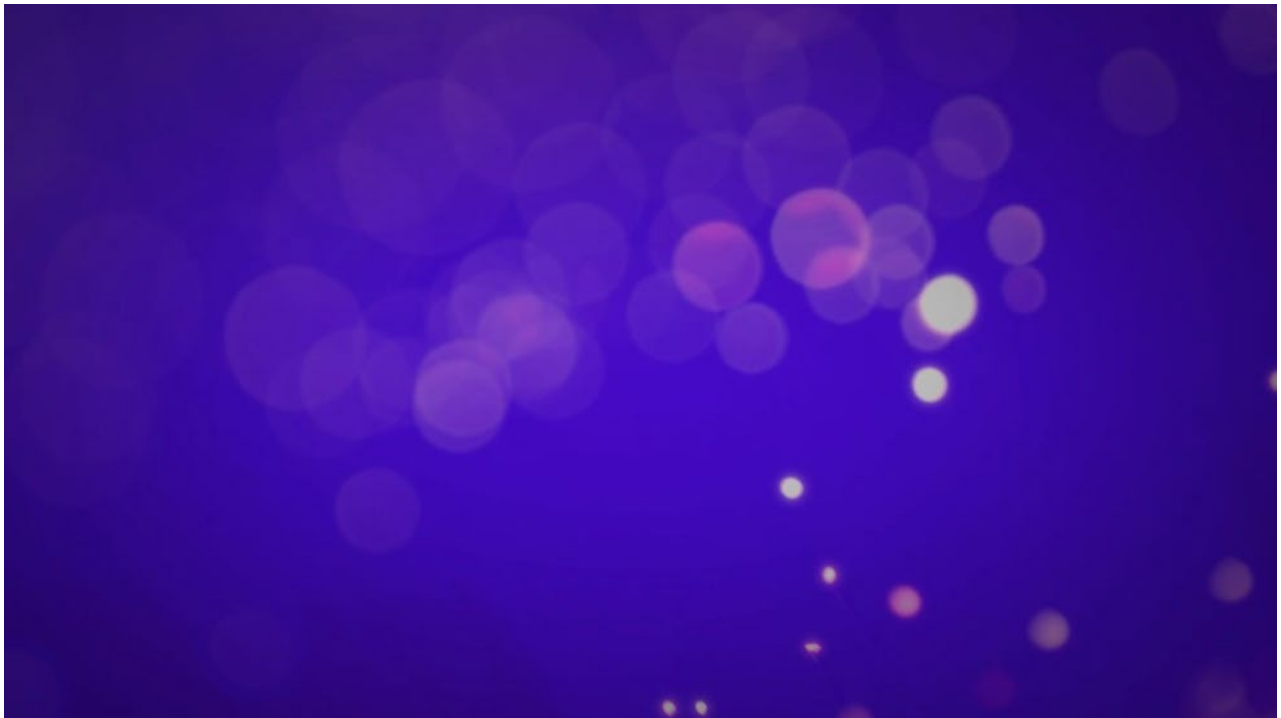
But don't take my word for it. I think the best testament to the work that we do is the diversity of our client list and our ability to deliver across all of these different areas. And we're privileged to work with such a broad client base, whether we're talking about building incredibly robust commerce platforms for leading grocers in the world to winning entire categories in marketplaces like Amazon, as Aimee will cover in a few moments, to finding that bottom-line improvement across logistics and fulfilment optimisation, we can hold our clients' hands throughout the entire commerce journey and make them very successful. So we support clients to win in commerce, and hopefully the next case studies that we'll cover will give you a good taste for how we go about it. Neil, back to you.

Neil Stewart

CEO, Wunderman Thompson Commerce

Thanks, Ruth. Hopefully, Ruth has highlighted there that we help our clients across a multitude of channels and that we provide services and support across the organisation. And to bring this to life, we thought we would highlight how we've done this across a couple of business models with a few of our clients.

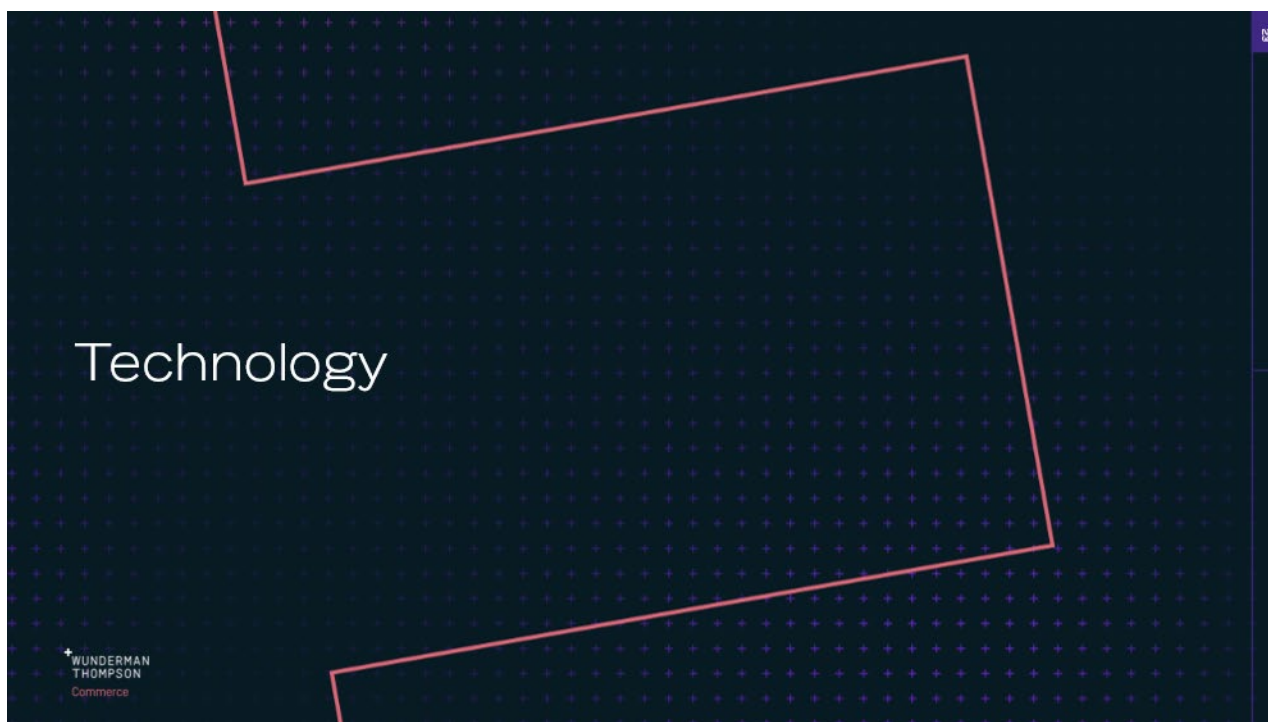
Firstly, D2C, and one of our major global clients who we are helping to grow new categories across new direct channels to market.



[VIDEO PLAYS]

Hopefully, from the video you can see that we've helped this organisation define the experience, roll out at pace across markets and, most importantly, drive sales. And apologies for the complexity of the slide that follows but I was also keen to show you that this is all based on enterprise-level technology. We've helped the client design, implement and maintain this technology set to deliver global growth. Glen will describe and take you through it in far more detail later and explain it better than me, but what I was really keen to get across is the underlying technology and data skills that we have in the team to be able to support the organisations' and clients' growth that we drive.

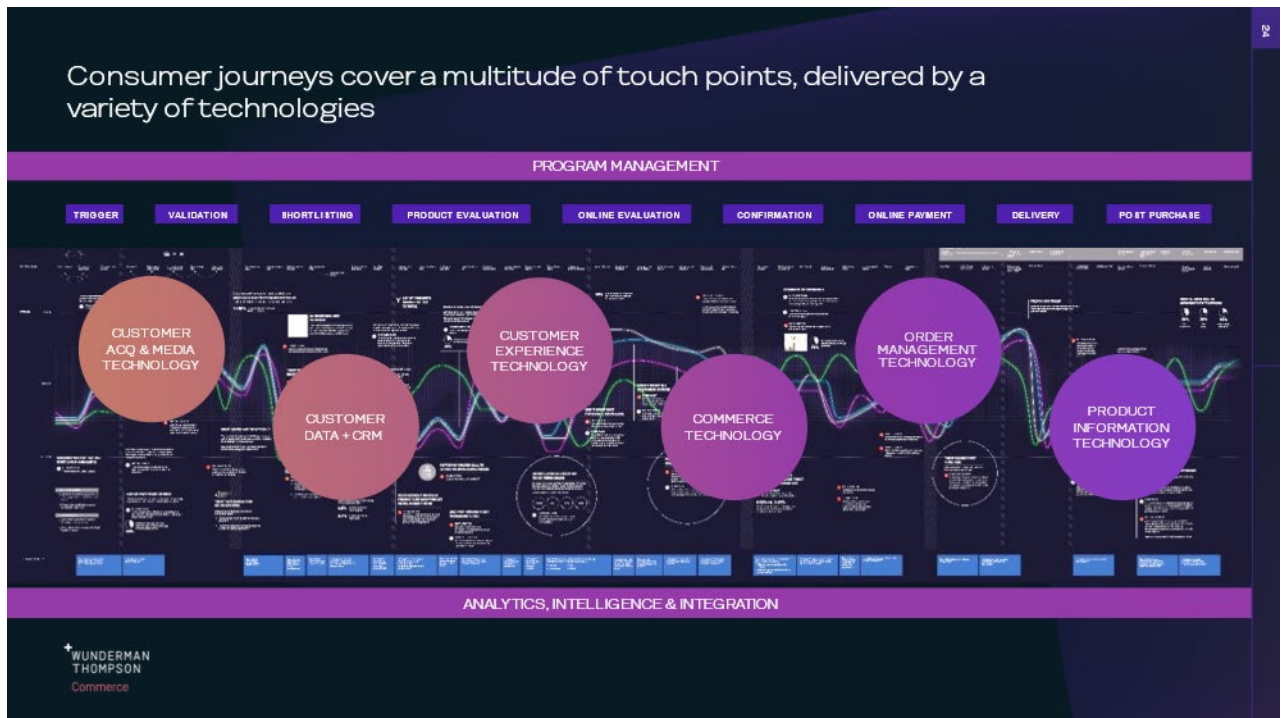
And, with that, I'll pass over to Aimee, who's going to take you through how we help clients on marketplaces and e-retail.



Glen Burson

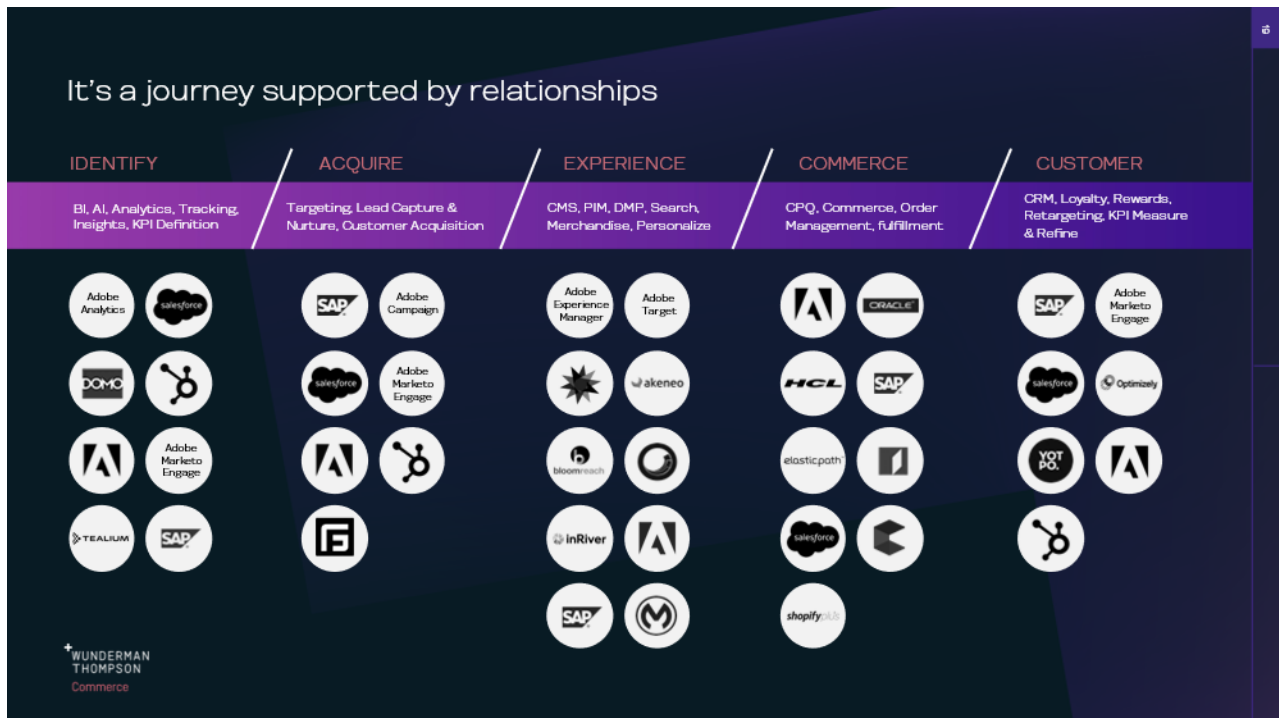
CTO, Wunderman Thompson Commerce

Thanks, Aimee. In this last major section, I just wanted to drill down a little bit on our technology capability – how we use technology to solve complexity for businesses that are operating across multiple digital channels.



So this slide, which I wanted to start with, shows a customer journey map. This is something we use regularly with clients to show how a consumer can move through different interactions with a brand across a number of digital – different digital touch points. So this could be being triggered through media and activation, product exploration, purchase, post-purchase activities like customer service etc. And it's overlaid with the different types of technology that support and deliver these customer journeys, which you can see in the circles there. And the challenge for brands, which Ruth touched on earlier, is that these consumer journeys are becoming vastly more complex and demanding. And there's two key trends driving this. So, firstly, as we've talked about, the number of digital touch points are rapidly expanding, so not only the media activation but also the number of online channels, such as marketplaces, social, retail, owned D2C, even e-retail, voice, IOT, not to mention a communications platform such as email, notifications, chatbots etc, which are all becoming more and more prevalent. And also the maturity of these channels is also increasing.

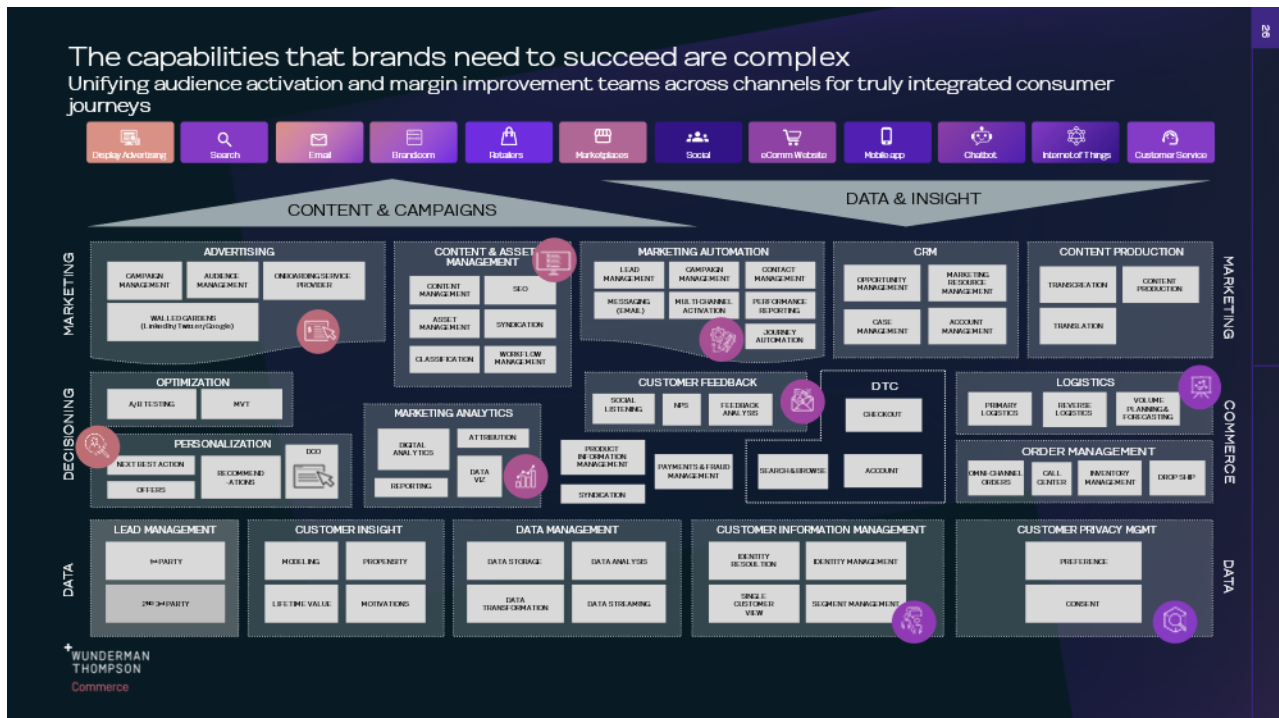
So if we look at marketplaces alone, as Aimee's just said, this allows brands to advertise and attract audiences, provide brand experiences, transact and even fulfil on those channels. So as well as brands operating their own technology, we also need to account for each of these platforms, which are using their own proprietary interfaces and tech. And herein lies the problem. So the technology that a brand needs to operate effectively across these platforms and digital touch points, be they owned direct channels or the walled gardens, is really broad. In fact, there are, like, thousands of technology vendors operating in this space. The tech, where it exists, is often disconnected, and therefore the user experience is disjointed and inefficient.



In essence, where we help brands is, you know, we bring thought leadership and knowledge based on real practitioner experience and as a partner that's built and operated this capability for our global clients over 20-plus years, we navigate the complexity and help brands win on these digital channels. We do that by deploying, integrating and operating the technology.

How do we do this? The technology partnerships are obviously a key part of this and our strength is what we have across a wide range of technology vendors. This includes the major players with broad capability. SAP we have been a partner since 2007 and Adobe who won Digital Experience Solution Partner of the Year in 2020. Salesforce who won the Partner Innovation Award multiple times, most recently in 2021. And because of their expertise in deploying these technologies, we do not just operate with them. These vendors actually come to us and ask us to participate in co-development where we help deliver new features into those platforms and they get delivered out to the wider consumers of those platforms.

As I mentioned earlier, there are any number of niche players with strength in particular areas. This could be customer data, product experience management, etc. We have got over 100 active partnerships and we are constantly reviewing these, and the space, as you can imagine, is continually evolving.



If you flip this on its head and rather than focusing on the consumer, look at the capabilities that businesses need to operate across these channels, we can see it is equally complex. This slide shows the high-level systems and teams from advertising through to channel optimisation, direct-to-consumer, order capture, fulfilment, customer service, etc., that a business needs to trade effectively. Each one of these capabilities of course again is underpinned by technology and data.

I spoke earlier about our ability to help businesses navigate this complexity. This is where our digital consulting teams really excel. They help identify gaps in this capability. We recommend and then implement the right technology, as well as identifying opportunities to drive operational efficiency and cost reduction.

As well as technology implementation we can also run and operate these capabilities on a customer’s behalf, as Neil said earlier. We often do that. We have large amounts of revenue going through systems that we do deliver. But we also provide enablement and transition control back into businesses over time if needed.

That was it for technology. I will hand back to Neil to talk about the future of commerce. Thank you.



Neil Stewart

Global CEO, Wunderman Thompson Commerce

Thanks Glen. Before we pass over to questions we just wanted to take the final two minutes to touch a little bit on the future.

We invest to stay ahead, and publish this in the market

<p>FUTURE SHOPPER 2019 (June 2019)</p> <p>15,000 base US, UK, Germany, France, Spain, Netherlands, Belgium, Czechia</p>	<p>GENERATION ALPHA (September 2019)</p> <p>4,000 base US and UK</p>	<p>READY OR NOT? (December 2019)</p> <p>503 base US and UK</p>	
<p>BLACK FRIDAY (January 2020)</p> <p>4,000 base US and UK</p>	<p>FUTURE SHOPPER (B2C) 2020 (April 2020)</p> <p>16,000 base US, UK, Germany, France, Spain, Netherlands, Australia, China</p>	<p>B2B FUTURE SHOPPER 2020 (June 2020)</p> <p>8,000 base US, UK, Australia, Spain,</p>	<p>COVID, COMMERCE & THE CONSUMER (July 2020)</p> <p>4,000 base US and UK</p>
<p>WELCOME TO THE MEGA PEAK (October 2020)</p> <p>2,000 base UK</p>	<p>PEAK SELLING & THE PANDEMIC (February 2021)</p> <p>6,000 base US, UK, China</p>	<p>LIVING IN THE LAP OF LUXURY ONLINE (March 2021)</p> <p>3,000 base US, UK, China</p>	<p>FIGHTING FOR THE FUTURE OF FASHION (March 2021)</p> <p>2,000 base UK</p>
<p>FUTURE SHOPPER (B2C) 2021 (July 2021)</p> <p>28,000 base Global, 17 markets</p>	<p>B2B FUTURE SHOPPER (September 2021)</p> <p>600 base UK, US, China</p>	<p>THE FORGOTTEN SHOPPER (October 2021)</p> <p>28,000 base Global, 17 markets</p>	<p>SPACE COMMERCE (November 2021)</p> <p>4,000 base UK and US</p>

<https://www.wundermanthompson.com/expertise/commerce>

In a fast-changing landscape where digital routes to market continue to grow, customer adoption of platform changes, specifically across different demographics and some of the partners are making huge infrastructure investments, it is key that we stay ahead of the consumer change and help our brands plan for the future.

We invest quite heavily in this space and we publish leading market insights for review and debate, which in turn we take to clients to help them stay ahead. This is just some examples on the slide here.

Key trends to focus on...

- Retailers as media owners**
 - The \$100 Billion Media Opportunity for Retailers**
 - \$100 billion high-margin annual revenue opportunity.
 - Amazon leading the way (some estimate as much as \$26 billion in 2021 revenue).
 - Other major retailers, including Walmart, Target, and Kroger, are moving fast to establish their own positions.
- AI Optimized supply chain**
 - Wunderman Thompson Acquires Leading AI focused Tech Company Satalia**
 - Acquisition completed in August.
 - Satalia uses a combination of machine learning and optimization building technologies that help clients transform their business strategies and radically improve operational efficiency.
- Sustainability**
 - Wunderman Thompson Commerce launches Sustainable Commerce Practice**
 - Exclusive partnership with clean technology company, Vaayu, to create a Sustainable Commerce Practice.
 - The practice will leverage the strategic partnership with Vaayu to provide retailers and brands tangible opportunities to deliver against their environmental commitments.

WUNDERMAN THOMPSON Commerce

Retailers as media owners

We thought we should highlight three of these trends that we have seen develop and made investments in to support our clients as we think these trends will grow. The first, as Aimee touched on earlier, is retailers as media owners. There is quite a large amount of independent market research. There is specifically a good paper by BCG which points to a \$100 billion opportunity for retailers to take advantage of brands wanting to influence sales on their digital platforms. We are investing in our teams and tools to help our clients in this space and take advantage of this revenue opportunity, as Aimee has highlighted.

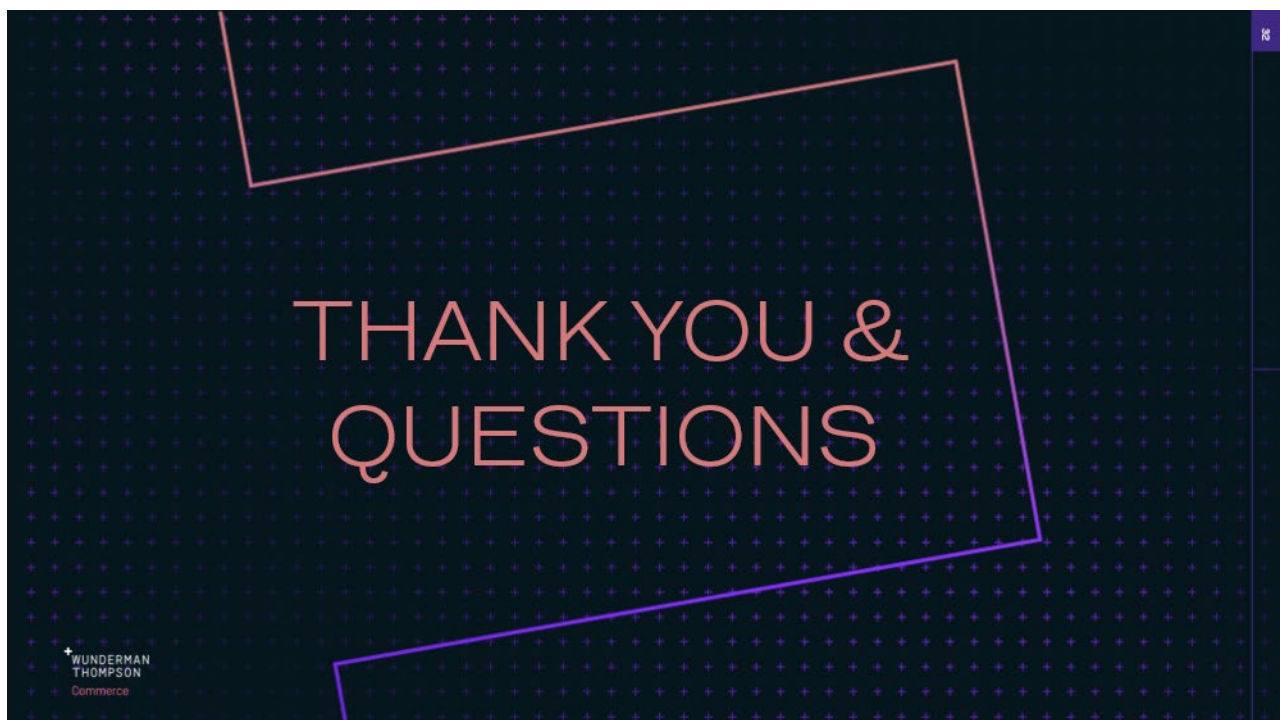
AI Optimised supply chain

The second, AI enabled supply chain optimisation, and this is basically making sure we gain as much efficiency out of the delivery infrastructure our clients have. Whether that be across warehouse positioning, van delivery capacity or driver availability, to make sure that the customer delivery promise is delivered at cost effective rates. We have recently invested in a real leader in this space in the UK, a business called Satalia who leads specifically around the grocery optimisation and last mile delivery space.

Sustainability

Finally, helping our branded clients understand and overcome the sustainability challenge. How they deliver the demand that they are seeing from their clients within e-commerce but in a way that addresses their consumers' environmental concerns. Last week we announced the launch of our Sustainable Practice an exclusive partnership with a business called Vaayu, that lets us audit, measure and support the client to improve their sustainable proposition throughout consultancy and cost-efficient production and technology services to drive a sustainable offer.

On that note, that brings us to the end of the presentation. We will go over to questions.



Q&A

Neil Stewart: The first question that we have got which I will pass over to Ruth is, what further capabilities would you like to acquire or grow?

Ruth Zohrer (Chief Client Success Officer, Wunderman Thompson Commerce): Thank you Neil. Definitely some of the future propositions that we are talking about around the application of artificial intelligence, especially in the post buy button capability, become quite important. There is also great appetite for environmental sustainability in commerce and the launch of that practice has been quite key. Equally we see a very important role of measurement that has to play in this space. Being able to connect some of the media touch points in the brand equity and demand generation capabilities to our sales delivery mechanisms. The opportunity to connect some of those walled gardens as well through intelligent application of data science. Understanding the interplay between, let us say, direct-to-consumer platforms, marketplaces and e-retail. More and more driving towards what we are calling commerce intelligence. The ability for companies to use operational data

sets that are derived from these commerce touch points to inform proposition development into the future. That is where the three opportunities that Neil talked about towards the end, alongside the measurement and modelling piece become quite key as well.

Neil Stewart: Thanks Ruth. I think my only add to that would be we increasingly get asked broader questions by our clients to take a bigger responsibility in terms of how we support them maximise these channels and help them manage the complexity all the way down to order fulfilment, logistics and partnership setup. Any opportunities that we see in that space that help us take a broader support offer to our clients is interesting to us.

Which actually ties in to the **next question that we have got on the chat, which is around revenue model. Is it build versus run?**

We actually have a mixture of revenue models so in areas where we own the entirety of the platform space, for example on Amazon in EMEA, yes, we have performance-based revenues that we align our revenue opportunity with the client's revenue opportunity and we take a percentage of sales. However, there are other organisations similar to the one that Glen has identified, that had an end state of owning the application and run services themselves. In an enablement model that tends to be more on a traditional T&M or fixed priced engagement.

We are seeing an increased demand for what we class as outcome-based performance models. We see that as a real opportunity for an organisation like WPP where it gives us a broader responsibility and a more strategic relationship with the client. That has been part of a couple of pitches that we have done recently.

Okay, I will go to the next question. Maybe I will pass this one over to you, John. We have got, **how much of your revenue is Commerce and what is the growth rate?** It is probably best to go over to you, if that is okay for that one John.

John Rogers (CFO, WPP): When we updated you in December at our strategic update we talked about 8% of our net sales being Commerce and we are growing at double-digits. Today we are roughly about 10% of our total net sales comes from Commerce and continuing to grow at double-digits. We will of course give you a further update at the prelims in February once we have run the analysis but about 10% double-digit growth.

Neil Stewart: Great, thanks John. **The next question is, are you pitching for work or do you upsell to existing clients? How does that affect economics?**

The answer is both. The teams that we have across WPP that work within the Commerce space tend to have direct sales teams and win work across three major sets. That is direct selling into targeted opportunities that we have identified depending on market and brand that we are looking to achieve work with; our strategic partnerships that Glen has touched on, some of the technology vendors and how we partner with those organisations to attract clients and to win new business; and existing clients that are part of the WPP network. All of the organisations globally tend to target their wins in that way.

In terms of how that impacts economics, it really depends on the initial piece of work that is up for offer and how we can enter that client. Like most more traditional consultancies that you will talk to, will tend to in a new business have a land and expand type strategy. We will tend to use the more strategic services that Ruth touched on as part of our offer around helping organisations understand the types of products and services they can take to market and across which channels. That will tend to be a more strategic level and then hopefully that leads to a long tail of services to help deliver that strategy in terms of the experience definition, the underlying technology and the run services to support that. We will price that accordingly, depending on the competitive set that we have got. There were highlighted earlier in the Forrester slide so we can be price competitive there if we need to be or alternatively the margin can be quite strong at that level because of the company that we keep in that space.

How it affects differently between new business and existing clients, obviously the existing clients we tend to know more about and knowing more about the client and the way that they work tends to make us more effective in the way that we estimate and we price for that organisation. There are idiosyncrasies between the two, but I would not say there are two specifically common patterns. It is more that the better we know the client the better we can price for in essence.

The next question is from a gentleman called Richard Eary. Thank you for the question, Richard. **How do you price the service proposition?** I will take that.

We price for it based on what the client has asked for, what we actually think the need is and then the assets that we look to bring to that proposition. If it is a consultancy piece of work, what we will tend to do is price that's based on people x time because that is pretty consistent in the way that the client likes to buy it and the way that we can price it. If we are pricing a solution more in tune with what Glen touched on where we have a mixture of consultancy, run services, technology and some potential data assets and technology assets that we bring, we will tend to either align that more to some level of end state outcome or at least fixed price in which we can embed our IP and take advantage of that as part of the fixed price offer. It really depends on the piece of work that we are bidding for and the constituent services that we take but the more services we take and the more IP and existing assets we take, the more we embed that into the way that we take that to the organisation.

There is another question from Richard. **How should we think about Commerce margins and can these improve over time?**

John Rogers: I am happy to take that one up and then you can build on it, if you like. Obviously for commercial reasons we do not want to expand in too much detail what our margins are in Commerce but they are healthy. In terms of can they improve over time, I think Neil has already alluded to the fact that the Commerce ecosystem is only getting more complex, not less complex. Our ability to understand the end-to-end value that we can deliver in that very complex environment is increasing over time. Therefore, I feel very

confident about our ability to at the very least hold margins where they are but potentially expand those over time.

Neil has already alluded to working a lot more closely with clients thinking about how we can position ourselves to a much more value-based billing, which I think is a real opportunity for us. If we genuinely think we can add and understand the end-to-end value that we help support our clients in delivering then we would love to be able to bill on that basis. That would certainly help improve our margins. I feel pretty confident but obviously I am not going to divulge the detail of that for commercially sensitive reasons at the moment.

Neil Stewart: Thanks John. I think my only comment, I am in agreement with the points, is the closer we get as an organisation to the sales number the more options we have in terms of the pricing that we can take forward to our clients. These are services and ways to market that traditionally have been filled by potentially other partners like retailers and there is existing margin there that we can take advantage of as we move forward. Yes, I think we try and price accordingly to value and it gives us more opportunity because we can very directly highlight to the sale and the profitability of the product.

Next question we have got is from Dan Salmon. Thank you Dan for the question. **You noted that you are pitching against Accenture and Deloitte consistently. How are those pitches different from traditional RFP processes and what are the KPIs and metrics that you are evaluated against?**

Yes, we are pitching against those organisations and similar organisations probably more so than we are the traditional competitors that you would identify WPP to be part of. They tend to be different in terms of the way that we approach the client and the answers we need to give, the structure of the responses and the commitments that we are willing to make based on the stakeholder that we are selling to. I think Ruth did a great job earlier on of highlighting within Commerce it touches multiple parts of the organisation and those elements of the organisation tend to consume our responses to them whether they be post-RFI or pre-RFI, because there are a number of pre-RFI approaches that we will take in our direct sales operation, differently than traditional marketing services. Marketing services was traditionally very led by the creative output and the potential impact of that creative output in terms of brand. Whereas lots of our sales channel or IT channel type buyers buy on a different basis. They buy on perceived sales numbers, growth numbers or within IT the proven quality of the work, the time to market and the ongoing security and scalability skills that we can bring to the offer.

We will tend to align our outcomes or our strengths to the stakeholder that we are dealing to and that is pretty traditional for us. The businesses in the Group that have been doing that have been doing that for over 15 years, are well-versed at that and have pre-existing relationships with those stakeholders and clients so we can get insights into the specific outcomes they are looking to measure us against. Like I say, that is pretty traditional for us as a business. Hopefully that is an answer that is understood but in essence we answer the KPIs that suit the stakeholder and they vary across the stakeholders.

The next question we have got is, **for historical context, at what point in the timeline of e-commerce did digital media commerce become such a driver of growth? I.e., when did e-commerce players outside of the walled gardens realise they had a revenue opportunity largely untapped or has this evolution been gradual?** Ruth, would you like to take a crack at this one or would you like me to?

Ruth Zohrer: No, that is absolutely fine. I can cover this and I am sure Aimee will also have a point of view on this. I think when you look at the advent of programmatic marketing and the ability to make inventory available through auction-based mechanisms in the open exchange, that transition into commerce platforms, first with Amazon very tangibly and following Amazon into other e-retailers like Walmart and recently Tesco, Sainsburys, has led to this huge growth in terms of retail media, as it is now called. The reality is it is formats that we have known from many, many decades that are transitioning into the digital space, not dissimilar to the transition that we observed in press about a decade or so ago. I think people are starting to realise that this story has been played before, that it consolidated within a handful of players, some of those technology platforms that we all are very familiar with. We have now the opportunity to further diversify that media ecosystem through some of the offerings that retailers are bringing into the market.

That would be my response to this. Aimee, I know that you play in this space very regularly. Is there anything else that you would add to it?

Aimee Pierce (VP Business Development, WPP's Centre of Excellence for Amazon): Sure, I think the last two years have been transformative in the Amazon/Walmart/Instacart space, not just for our clients but also for those platforms. Those platforms have finally gotten it together and built self-service tools so they are more accessible to more brands and manufacturers and more agencies like us. I think everybody who did not have a great digital plan prior to two years ago certainly has figured out that they have got to have a strategy, and the tools, and the inhouse expertise and the agency expertise to be able to make up for instore numbers online. The last two years has been a burst of activity for us.

Neil Stewart: Thanks Aimee. **The next question is from Julian. WPP has several e-commerce pods. That is a question. Or most consolidated into WTC. If several, how do you differentiate? Are you competing?**

I think as Aimee highlighted earlier, we actually collaborate on pretty much most of the clients within WPP and specifically because we do have e-commerce capability embedded into each of the agencies because we think that is vitally important to be able to deliver a true informed and knowledgeable service to our branded clients. However, there are lots of opportunities and lots of areas for growth that mean in order to compete and to continue to scale, we collaborate very well.

There are odd opportunities when we have competed but that is more from a within the WPP Group for a client they would like maybe two different options that the client can take one different angle on. Each of the groups tend to come at a slightly different angle on it. We are

very end-to-end focused in providing a broader completed service. Some of the other organisations are more experience-focused, but we work with all of them and they work with us on our clients. It has actually been very complementary. I think that is because the growth of our capability has existed since the restructuring that was put into place a number of years ago and that has underpinned the way that we collaborate across the teams. Yes, they do have capability in each of the pods but there tends to be good collaboration across the teams, as Aimee identified earlier.

Next question we have got is from Richard. **How sticky are the revenue streams and how easy is it for clients to churn?**

This is a really good question and something that we spend a huge amount of focus on.

It depends on the service and the number of services that we take to our clients. If we think about that service model that Ruth described earlier on, where we have provided strategy, organisational design, run and technology services, those clients and those service lines tend to be very, very sticky for a number of different reasons. We have multiple stakeholders in the organisation, multiple points of success that we can measure against and also it is a lot more difficult to make a different decision in terms of a partner change when an organisation is managing the technology platforms and embedded in the trading and merchandising services. That basically is a target that we have as an organisation. We tend to focus on making sure that we are supporting multiple stakeholders with multiple service lines across our clients. We know that tends to drive increased customer satisfaction which is very positive in terms of our brand within the client and that in turn equals stickiness in terms of the services that we provide.

Obviously, if we are providing a one-off consultancy service around a new market or a new product set, they tend to be more project-based and the client can make easier changes within that realm. We are always focused on making sure we touch as many parts of the business as we can because that tends to equal great relationships between the clients and ourselves.

Next question is, metaverse, opportunity or threat? We have actually just released what I think is some pretty world class thought leadership on this. The way that we see the metaverse is it adds another channel, another set of routes to the consumer and another level of complexity that the client needs to be part of, needs to understand and is an opportunity to sell goods and services in a whole new way. For a number of our fashion clients we are talking about digital products versus physical products and that is actually becoming part of their sustainability agenda. Whenever there is a new channel in the market that needs explaining, understanding and is an opportunity for sales growth for our clients, we embrace that and see that as a huge opportunity for the organisation. Hopefully what has come across in the service lines as we have gone through is that we think omnichannel and we think best channels for best products. The metaverse will be a new environment in which we can take advantage of that.

I will actually throw that out. I will throw it to Glen as well, to get his view but I think my view is opportunity.

Glen Burson: Yes, thanks Neil. I was hoping I might get a shot at this one but I echo a lot of what you said. It is another channel in the same way that social was another channel and that gaming is another channel. On one hand it is more complexity for our clients. On the other hand it is a new channel for the same services that we provide in other channels around marketing, understanding audiences and also transactional commerce. It is interesting because we do a lot of, more than you would think, some of our commerce deliveries are actual digital products so that is no different. However, when you buy a physical product or even make a purchase then all of the non-channel-specific stuff still matters. Content creation, integrational payment providers, shipping and fulfilling, logistics, all of that sort of stuff still applies. For us it is a growth area and in fact not only the thought leadership that Neil mentioned, but we are doing a lot of consulting around this for brands at the moment to help them understand how they play in this space.

Neil Stewart: I think the last question we have got on the list is from Julian. **\$100 billion in retailers' advertising, good for you but bad for GroupM because these retailers are in-housing media.**

I think my answer to that Julian would be it is actually good for the whole of WPP and that is because our view is these budgets are different. Most of the retail media budgets that we are accessing are budgets that have come from sales promotion. They have come from the sales part of the business as opposed to the media, marketing and branding part of the business, which is one of the reasons in the Commerce team we are seeing real success in that area. These organisations are really keen in working with hopefully organisations like ourselves that understand product mix, channel mix, product placements, how we can directly link the search media to the buy button and our stakeholders tend to be sales stakeholders in the clients. There is a link into marketing but it tends to come from a different budget.

We had a win recently, unfortunately we are not allowed to mention it on this call, in EMEA for one of our large global FMCG brands where GroupM helped us into that organisation and we are now taking over the sales activation media from a competitor across some of the retail channels in EMEA. We actually think it is complementary and it is also probably worth pointing out, the \$100 billion opportunity is an opportunity for retailers. As Ruth answered before, this is a new way for them to make revenues on platforms that they own as brands want to influence and take advantage of driving their product to the top of search, banners or creative executions on the channel. It is an additive opportunity for retailers and brands need that managing. We think we are well-positioned based on our broader commerce and data knowledge to take advantage of that.

John Rogers: Having come from a retailer in Sainsburys, I absolutely can support the point that this is monies that would have traditionally been used for sales promotions, not traditionally a pot that WPP would have tapped into. We certainly see this as upside potential.

Neil Stewart: Thanks John. I think that takes us to the end of the questions. John, maybe back to you.

John Rogers: Thank you Neil, thank you to your team. What a fantastic presentation. I hope all of the listeners and viewers will have found that very helpful. Please feel free to send

us any of your feedback, anything you think we can do differently. What we do well, what we could do differently is always welcomed. Thank you to you all for attending. Thank you to Neil and his team for presenting. It just remains, as I said at the beginning, to wish you all a fantastic Christmas and a great holiday. We look forward to continuing our series of webinars in the new year. Thanks very much everyone and see you in the new year.

[END OF TRANSCRIPT]