



Advertising's M&A Battle is On

First half of 2018 signals bold moves by industry leaders seeking to secure top digital talent through acquisitions.

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The battle for talent is on. Data from the first half of this year confirms we are operating in a very dynamic industry. It didn't start a few months ago. The marketing and advertising sector has been particularly active, with many mergers and acquisitions

(M&As) in recent years. Securing talent became increasingly critical to attracting and keeping large advertisers' budgets, since most budget dollars are shifting there. Yet everyone seems to compete for the same small talent pool, from advertisers

building their own in-house agencies to the irresistible entry of big consulting firms into digital marketing services. Holding companies are also doing their best to hold on to key clients by strengthening their existing portfolios.

In the past three years, the large majority of these acquisitions have been in digital services (60%), followed by creative (30%) and media services (10%). Back to the first half of this year: the most significant deals were Square Communications in Vietnam (acquired by Hakuhodo), Mackedvision in Germany (acquired by Accenture Interactive), MXM in the US (also acquired by Accenture Interactive). Other US deals included HelloWorld (acquired by Denstu) and Snow Companies (acquired by Omnicom Group).

Although Europe seems to have gained momentum in M&A, the US remains particularly active, as indicated by Interpublic Group (IPG)'s recent acquisition of the leading provider of data solutions, Axiom Marketing Solutions, for \$2.3 billion.

Here is a summary of these acquisitions:



According to COMvergence, which closely monitors M&A activity in the advertising sector, there are a few emerging trends worth highlighting:

- Most of the deals in the first half of this year were made by the large holding companies and top consulting firms (25 and 5 respectively), indicating that the rivalry between these two groups is likely to escalate as their core capabilities start overlapping;
- WPP and Dentsu conducted most deals, acquiring almost half of these agencies, showing a greater appetite than other holding companies. Interpublic Group's acquisition of Axiom was a bold move to build data-driven competencies. However, others like Omnicom and Havas made few acquisitions over the past three years. Publicis Groupe also appears to have put its M&A activity on hold after years of massive acquisitions – including Digitas (2006), Razorfish (2009), LBi (2012), and Sapient (2015). Publicis Groupe has instead been focused on reorganizing its activities around digital;

• Big consulting firms are building robust digital skills. Accenture Interactive was the most acquisitive consulting firm with three acquisitions, with one of the largest deals being MXM. Deloitte Digital bought fewer than half the number of agencies compared to Accenture Interactive. Others like IBM iX and PwC have considerably reduced their acquisitions since 2017.

• Follow the money trail. If you and I were plotting these acquisitions on a whiteboard, we would see another major trend emerge. They closely follow the evolving nature of marketing budget allocations by top advertisers, which increasingly favor data-driven and digital activities.

What are the implications of these H1 2018 acquisitions for advertisers?

While on the corporate side, I always kept an eye on major industry deals that would contribute to significant share gains by my agencies or improve their strength in a region or in a given capability. Recently acquired talent can then be

Limited to acquisitions made by top holding companies or top consulting firms. Data courtesy of COMvergence.

immediately leveraged. These recent deals are strengthening the offering of industry leaders, allowing them to broaden their capabilities. It often comes at a price. Acquired entities are often expected to contribute to higher pricing and margins through competitive differentiation, economies of scale, and

operational efficiencies. In return, advertisers are asking these new resources to seamlessly incorporate with other roster agencies. More can be less otherwise. The big advertising players are aggressively fighting for top talent and the battle is far from over.



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