

## Increased Fragmentation, Integrated Service Consolidations and intensifying Talent Retention Problems emphasize the Critical Need to **Restructure** and **Rebuild** in the Advertising and Marketing Industry.

As the leading economies of the Western World are gearing up to support a strong and sustained post-pandemic recovery, the major Multinational Agency networks are forecasting a resurgent growth spurt over the next several years.

This table (Source: Media Post – December 2021) clearly illustrates the projected global reinvestment in marketing expenditures – driven in large part by the US market at +19.8%

| <b>NETWORK</b>   | <b>2020 vs 2019</b> | <b>2021 vs 2020</b> | <b>2022 vs 2021</b> | <b>2023 vs 2022</b> | <b>2024 vs 2023</b> |
|------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Dentsu           | -7.2%               | 10.4%               | 7.2%                | N.A.                | N.A.                |
| GroupM           | -1.5%               | 20.6%               | 11%                 | 5.1%                | 8%                  |
| Magna            | -2.5%               | 21.7%               | 12%                 | N.A.                | N.A.                |
| Zenith           | -3.9%               | 15.6%               | 9.1%                | 5.7%                | 7.4%                |
| <b>CONCENSUS</b> | <b>-3.8%</b>        | <b>17.1%</b>        | <b>9.8%</b>         | <b>5.4%</b>         | <b>7.7%</b>         |

The key question remains regarding the breakdown of those projected changes, with Digital expenditures accounting for around 75% of the total marketing spend during the pandemic years and much current debate as to the need to create a **more balanced** and **integrated** marketing approach going forward.

It will be interesting to see how the industry evolves over the years and months ahead, as it deals with increased levels of fragmentation and the challenges of talent retention. The issue of **fragmentation** is real with way too many agencies seeking to feed from the same trough. In the US alone there are well over 30,000 agencies of one type or another and in Canada which is widely acknowledged to be one tenth of the US market, the total exceeds 8000 agencies. While we may have expected some attrition in the Pandemic economy, the reverse has been true with government subsidies bolstering otherwise fragile bottom lines and mass industry lay-offs spawning numerous SME start-ups or in-house builds.



Obviously, this is not a sustainable situation and the expectation would be that we will see more planned exits, more closures or fold-ins and more positively, **service-driven mergers** amongst the Independents as they seek to strengthen their overall opportunity.

Recent predictive panel sessions facilitated by the AMA and Forrester Research provided clear insights into the need to fully embrace an **increasingly digitally-driven world** and equally emphasized the realities of a more complex post COVID marketing environment with clients requiring a **more consultative approach** from their agency partners in recognising the real world issues of the inherent social contracts of brands and companies and the stark realities of on-going supply chain problems. The question remains, who is best placed to provide that **comprehensive, full-funnel, marketing guidance** and leadership. The established, traditionally based advertising agencies or the upstart and tech-savvy digital agencies or perhaps a carefully integrated blend of the two disciplines?

---

In today's marketing environment, it's no longer about simply making a memorable visual impact or creating attention-grabbing content. Brands and businesses still need to make target audiences aware of their existence and provide relevant incentives to purchase, but they must also commit to connecting with customers in meaningful ways, then nurturing those relationships by establishing themselves as a trusted source of information and on-going value.

---

This also projects the need for **strategy-based, corporate growth planning** at both ends of that agency spectrum. Finding **M&A Advisors** with real 'hands-on' industry experience, who can help both assess the gaps objectively and seek out well-targeted acquisitions or potential merger partners.

A long-term client of mine who runs an established, independent integrated advertising agency has repeatedly stated that "it's impossible to build a brand with digital marketing alone" and challenged anyone who would listen to name any brand, other than an online service or platform, that has built its brand equity exclusively via digital marketing.

**it's impossible to  
build a brand with  
digital marketing  
alone...**

Despite his obvious bias, I believe that many agency owners, both traditional and digital, must soon be looking at ways to "**CONVERGE**" their **core service capabilities** to bring together traditional integrated communications and native, socially aware digital talent to better serve their clients' needs. Not an easy task in our newly remote W-F-H world for a piecemeal hiring process, but potentially a realistic goal for a **strategic acquisition** or **partner search**.

---



# DRIVEN BY THE RESIDUAL IMPACT OF COVID THERE IS A HUGE OPPORTUNITY FOR POSITIVE CHANGE.

Old workplaces may never be the same going forward. The workplace is no longer a single location, but rather a collaborative mindset. Agencies need to be creative in balancing productivity and the needs of their employees to retain their talent. **There is perhaps a real opportunity for ambitious Digital agencies to “take the lead” and acquire established traditional agencies – breathing new life and re-energising creative passions.** Equally, established Integrated agencies can look to merge in exciting, digitally driven Partners with a view to **expanding strategic planning horizons and pulsing new blood across the agency.**

If these thoughts are currently circulating in your brain or disturbing your sleep, as either a seller, buyer, or potential merger partner, you need to start the process of identifying a clear **Strategic Pathway** for your company. This begins by being totally honest with yourself about your agency’s resource and talent base, your competitive set and the type and nature of your existing clients, as well as those new business targets that you would like to attract. In my experience, it often accelerates and improves the process to bring in an **objective, third-party advisor** to help you see the wood for the trees and avoid unnecessary distractions from focusing on your day job.

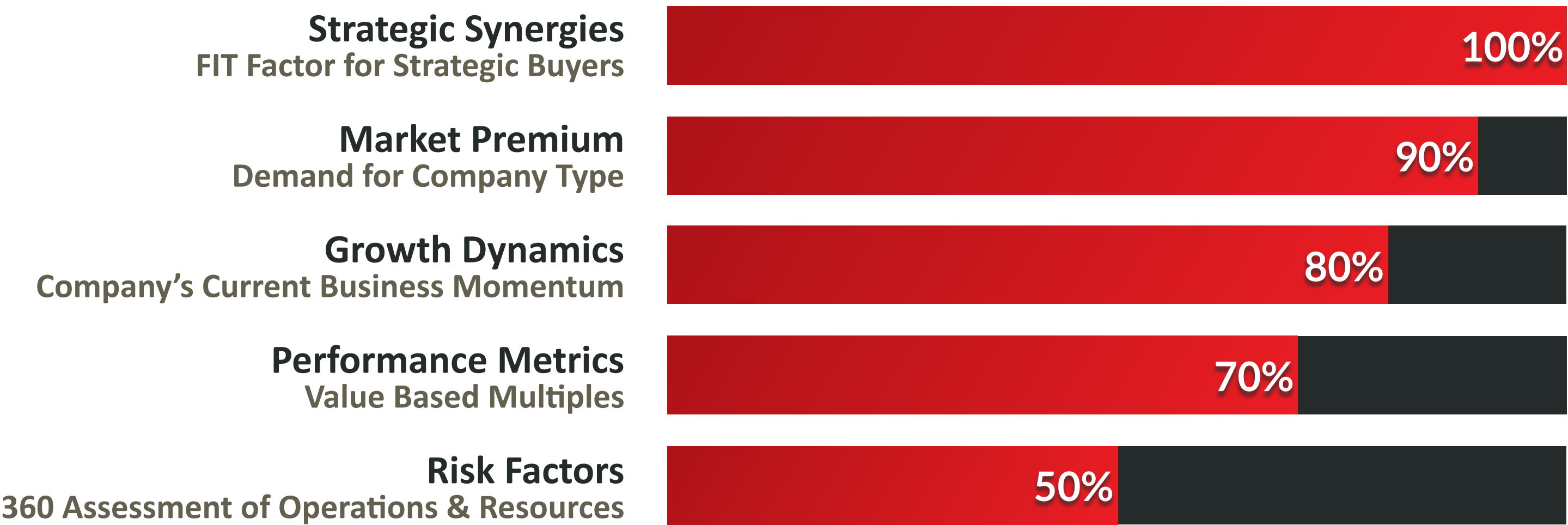
## WHAT THEN ARE THE MISSION CRITICAL STEPS THAT A WELL-QUALIFIED M&A ADVISOR SHOULD BE CAPABLE OF FACILITATING?

Primarily a well-networked and industry experienced senior executive with a true understanding of the dynamics of the marketing and advertising sector, nationally and internationally, should be capable of evaluating **where your agency is today and where it needs to be tomorrow.** To do this effectively, advisors need to listen carefully, probe insightfully and propose future options realistically.

Once you and your selected advisor have agreed on an achievable Strategic Pathway, the next step is to establish some realistic goals ie. whether to acquire or seek a merger, of what size, location and type of company etc. From that point on, a **well-structured process** that delivers and develops an accurate **Target Profile** should logically lead to the creation of a manageable **Target List** which can be addressed systematically and phased over time to initially prioritise high profile target outreach. Importantly your chosen advisory service should be willing to and capable of managing the M&A process from **START to FINISH** and carefully avoiding the unnecessary distraction of drawing you, the client, into the negotiation stages with ‘qualified’ sellers or potential partners until it makes sense.



The chart below can provide a useful indicator of the key factors which, in combination, can accurately predict a current Value proposition of any potential Acquisition or Merger Partner.



As the graphic indicates the real key to successful outcomes should always include a focused and realistic evaluation of the **Risk Factors** at play on both sides of any deal. Ideally a 360° assessment of the major **Value Drivers** within any business – from Financials to Marketing to Client mix, Systems, People and IP .

RETHINKING YOUR BUSINESS STRATEGY, MANAGING CHANGE, TAKING RISKS... MOVING FORWARD WITH A PURPOSE

The next 24 months are going to be exciting and challenging for our industry. Rethinking your business strategy, managing change, taking risks and moving forward with a purpose will be the critical factors in charting a successful course through the complexities of a post Pandemic world.

THE BOTTOM LINE..... Don't be tempted to go it alone. Find a qualified and objective advisor to guide the process and deliver the results you need.



*Kevin Astle is the Founder and Managing Partner of MultiVisory International—an M&A advisory service focused exclusively on Agencies and Marketers across all marketing channels. Having worked on both sides of the Atlantic and on both sides of the Client/Agency desk across North America, he brings an international perspective and deep, multi-sector knowledge and network to his Clients.*

KEVIN ASTLE  
Managing Partner  
Phone: 647-339-8681  
Email: [kevin.astle@multivisory.com](mailto:kevin.astle@multivisory.com)  
Website: <https://www.multivisory.com>

