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Omnicom Acquires IPG: What's Next for AUNZ HoldCos, Indies, and Licensing Deals?



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Darren Woolley notes the deal is evidence of a scale and efficiency strategy, writes LBB's Brittney Rigby, while un-held's Tim Harvey says, "this is another chapter for the independent revolution"



Omnicom's acquisition of IPG is "continuing evidence that the major holding companies are pursuing a strategy of scale and efficiency in the face of multiple business and economic challenges," according to global CEO of pitch consultancy TrinityP3, Darren Woolley.

The merger, confirmed overnight Australian time, creates the world's largest advertising holding company, and will reshape the industry globally. Omnicom said the deal would achieve USD\$750 million cost savings.

"While it is evident this will mean consolidation across the new larger group, there are still plenty of options for advertisers going to market on a global or regional basis, not just with the remaining networks but with the rise of the independent networks, too," Darren told LBB.

Tim Harvey is the founder of un-held, which calls itself an un-holding company designed to help independent agencies across the world scale without selling. He thinks it's a "scale play" "born out of a stalemate, a model that isn't delivering enough."

"It will be most felt in the US and UK due to weighting of revenue and size of market, but I don't think we're going to see too much immediate impact in ANZ, largely because we've already witnessed the un-holding in the market, and actually IPG has already contributed to that story significantly," he said.

"The excellent Cam Murchison had already been quietly building Attivo through acquiring IPG powerhouse brands. McCann became Hero, and Huge barely had time to get well, huge, in its short time here prior to its private equity snap up.

"In many ways, the market which sits a day ahead in timezones has

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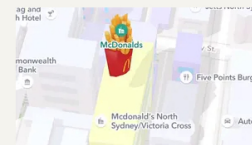


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been years ahead in model evolution.

"In this market, it therefore puts more pressure and eyes on the Omnicom powerhouse brands who have recently delivered mixed results, as the IPG deal gives them very little."

IPG's licensing arrangements with the likes of Futurebrand, McCann, MullenLowe - a majority stake was bought by NZ-based Attivo in 2021 - and Weber Shandwick across Australia and New Zealand pose an "interesting challenge", Darren noted.

In 2020, Ben Lilley acquired McCann Australia from IPG, before making a string of acquisitions and creating HERO to house the capabilities later that year. He still has a licensing relationship with McCann globally.

TrinityP3's Darren added the end-of-year deal will make 2025 "very interesting," especially with the merger of Omnicom's Omnicom Media Group - housing OMD, PHD, and Hearts&Science - and IPG's Mediabrands, which includes Initiative and UM.

In October, OMG's CEO Peter Horgan said he'd be departing the business, with a successor expected to be announced soon. Initiative has also experienced leadership changes this year, with Jo McAllister recently promoted to CEO, after previous boss Melissa Fein left with MD Sam Geer and CSO Chris Colter to establish a media unit for Accenture.

"Let's remember the OMG and Publicis tried a 'merger of equals' in 2013 before cultural and client conflicts scuppered the deal," Darren said.

"This is very much a takeover that will provide the opportunity to rationalise the underperforming media agency brands."

In January, Omnicom will group its creative agencies under the banner of Omnicom Advertising Group (OAG), the creative equivalent to OMG. OAG CEO Troy Ruhanen told LBB during an October trip to Australia that OAG will flex to best-serve its clients needs, and ensure agency brands like BBDO, DDB, TBWA, and CHEP "really thrive" as other holding companies shutter storied brands.

"The others, either their agencies have gotten weak and they therefore have become one, or they've collapsed so much that it's a lot of holding company solutions all the time," he said.

It's that weakening that has led to an explosion of local independent agencies, according to un-held's Tim. He believes the global acquisition will spark "another chapter for the independent revolution" in the UK and US.

With costs savings to come in part by removing duplicative senior roles, many have asked whether senior leaders impacted will set up their own shops.

Australia's independent agency market has boomed over the past few years. Pre-COVID, strong independents like Thinkerbell, Special, and Bear Meets Eagle on Fire were the dominant indies. But the pandemic brought with it a flurry of holding company executives leaving to start their own agency, among them Chris Howatson; Jaimes Leggett; Laura Aldington, Simone Gupta, and Jon Austin; Justin Hind; Alex Derwin and Hugh Munro; Emily Taylor and Cam Blackley; Pete Bosilkovski; and Ryan O'Connell.

This recent pattern of holdco leaders turning independent hasn't yet been replicated on the same scale globally. At the start of the year, DDB's former global CCO Ari Weis set up Quality Experience in the US. And just last month, adam&eveDDB stalwarts Richard Brim and Martin Beverley - CCO and CSO, respectively - announced they would be setting up their own agency, too. All three worked at DDB agencies within Omnicom.

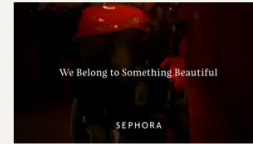
"Some will argue we're oversupplied, but all that means is the best will rise to the top," Tim said of the possibility that more indies will pop up.

"Some will also ask, 'Can the industry afford to have more independents?' Others will respond, 'In an industry increasingly diluting the value of creativity, can we afford not to have more?'"

The combined Omnicom and IPG will retain the Omnicom name and trade as OMC on the New York Stock Exchange. Omnicom's global CEO John Wren remains in the top job, while IPG CEO Philippe Krakowsky and existing Omnicom COO Daryl Simm will become co-presidents and COOs of Omnicom.

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Once the transaction is completed, Omnicom shareholders will own 60.6% of the company, and IPG shareholders 39.4%. IPG's CEO said the merger "represents a tremendous strategic opportunity for our shareholders", while John Wren added the two companies combining will "better serve our clients and drive growth."

"Through this combination, we are poised to accelerate innovation and harness the significant opportunities created by new technologies in this era of exponential change," John said.

"Now is the perfect time to bring together our technologies, capabilities, talent and geographic footprints to bring clients superior, data-driven outcomes."

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