



Publicis Omnicom Group - Rumour into reality

Oliver Orchard, London 29th July 2013

Rumours of the merger between Publicis and Omnicom grew throughout the day yesterday as the media press got wind of the deal taking place in Paris. With the rumours grew a clamour for information and what this means for the industry.

First and foremost – the merger, in the short term, will change nothing – the two companies have timetabled 30 months to complete the deal, and with up to 50 individual markets' competition laws to navigate they're going to need it. Let's not forget that the Dentsu/Aegis takeover stalled for a time after the Chinese government expressed concerns.

A question of scale

The merger makes a lot of sense for Publicis and Omnicom and stems from a passing comment exchanged between Maurice Lévy of Publicis and John Wren of Omnicom at an industry function. By merging, the two companies will be able to draw on Publicis' strengths in Europe, and Omnicom's North American heartlands; whilst simultaneously pushing Sir Martin Sorrell's WPP group into overall second place for global billings (though not in all regions). WPP will remain ahead of Publicis Omnicom by billings in Asia – though both will continue to be dwarfed by the new Dentsu Aegis offering in the region.

Clashing Clients

It was pointed out in some newspapers, including The Times, that between them the agency networks handle Coca-Cola and PepsiCo, two famously determined clients when it comes to separation of servicing and confidentiality. The reality is that in an ever decreasing circle of agency groups, these kind of client conflicts will become more and more unavoidable. An acceptance of the 'Chinese wall' approach to privacy will have to suffice for confidentiality orientated clients such as these, given that the concept of a clean agency (in terms of competing advertisers) is going to be harder and harder to come by.

Impact on the industry

Despite Sir Martin Sorrell's "surprise" at the merger, he is likely to have his eye on the potential for further growth as clients fall away from the newly formed Publicis Omnicom Group, as established agency contracts come up for renewal, and procurement mandated pitch cycles kick in, setting his already overstretched new business teams some further late night finishes. Sorrell also predicts more consolidation in the future, perhaps IPG and Havas will tie up in the future, or even WPP with one of them? One thing is clear, the future is one of reduced competition in agency pitches, meaning advertisers will need to work extra hard to ensure they choose the right partners.

Clients will expect better costs as the new agency group throws its weight around in media buying, and the merger brings backroom efficiencies in HR, finance and trading; though lower costs and larger profits may be a difficult tightrope for the new company to manage, and much emphasis is likely to be put on capitalising on digital and the large profit margins available to large digital volume trading.

The shareholders of each group have come away with a great looking deal on the table, whilst the employees and clients will remain in the dark for some time to come about the true implications of such a merger.

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