

# How is adland responding to

Instead of holding groups like WPP or Publicis dictating the future of the industry, is it the big consultancies – Accenture, Deloitte, PwC and KPMG – now holding the power?

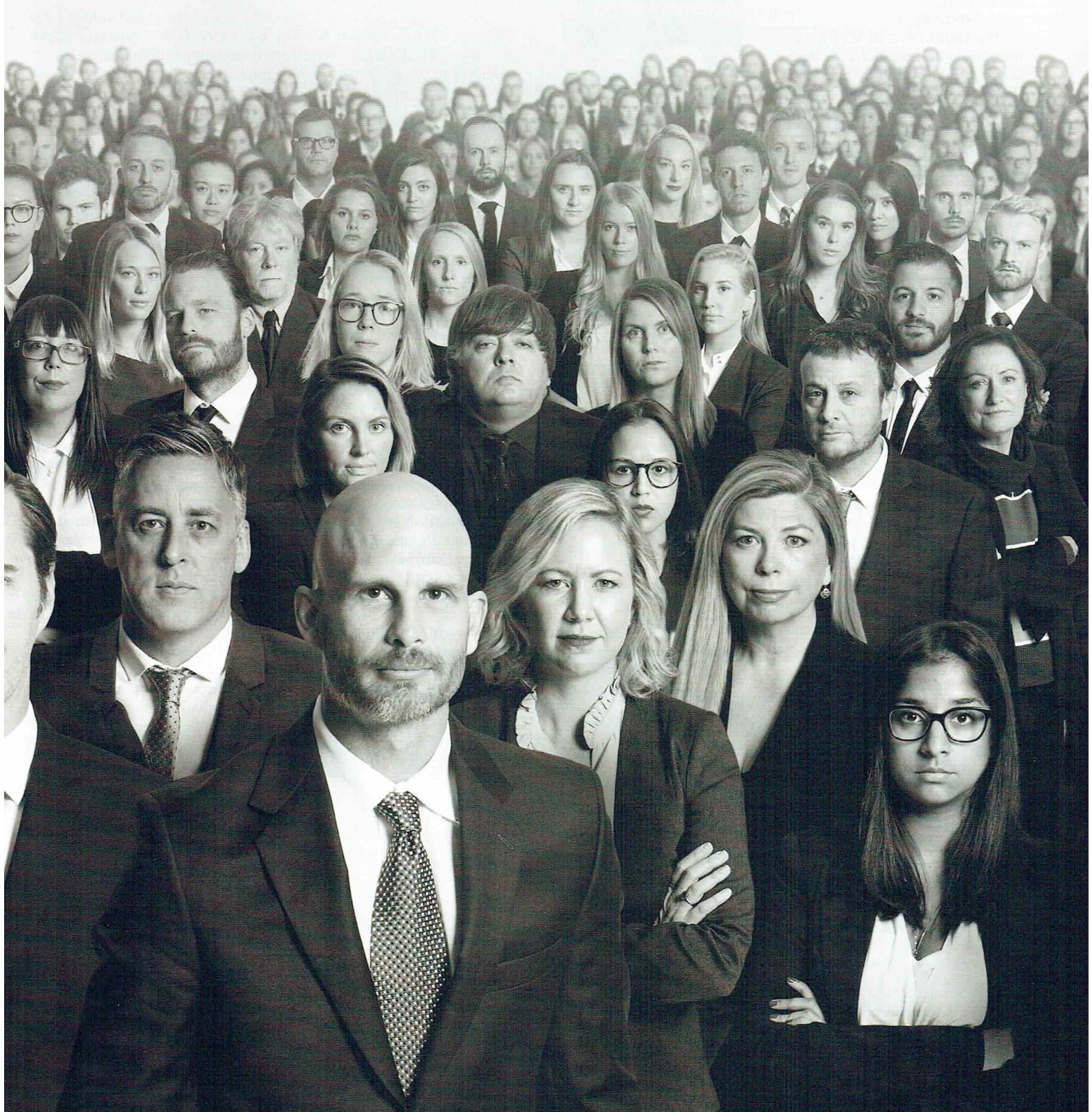




# he threat of consultancies?

WORDS BY

LINDSAY BENNETT & ARVIND HICKMAN





**“C**onsultancies can be the Martin Sorrell of 2018,” was the bold statement made by *AdWeek* editor James Cooper on a recent podcast. “The consultancies out there have little or no debt and have tonnes of cash so can acquire businesses much easier than an agency holding company could,” he said.

The comparison to WPP’s former boss and consultancies may seem peculiar at first, and one that Sorrell himself would probably dispute, but there is no denying the two forces have shaped, or are shaping, what advertising looks like today.

Sorrell, whose 30-year reign came to an end earlier this year in a shock resignation, built the advertising holding group model – one which is now broken and in need of reconstruction.

In the 80s, WPP set off on an acquisition path that saw big agencies like JWT, Grey, Ogilvy, and dozens of smaller agencies pulled into its portfolio. These acquisitions kicked off mega mergers across the industry as agencies realised they had to join forces to fight off the threat of WPP’s burgeoning empire.

History is somewhat repeating itself. But, instead of holding groups like WPP or Publicis Groupe dictating the future of the industry, it’s big consultancies of Accenture, Deloitte, PwC and KPMG wielding the power.

**“Consultancies have helped the creative agency grow up by creating a thicker pipe into the true decision-makers of corporate Australia.”**

Adam Ferrier

Another move locally which piqued interest was ASX-listed consultancy RXP acquiring independent creative shop The Works last August.

As Darren Woolley, founder of independent management consultancy Trinity P3 explained it, Sorrell may have created the model, but his focus on operational efficiency rather than showing the value WPP could offer clients, fuelled a downward spiral on cost, eroding the profit margins of agency holding groups.

“Sorrell created the model and consultancies are now holding agencies accountable,” he said.

Just as Sorrell’s moves at WPP rippled across the global industry, the presence of consultancies has led to a wider shift in advertising, not just through acquisitions, but also in the way holding companies are responding to the threat of their new competitors.

## Holding groups up their game

The past two years has marked a flurry of consultant acquisitions and investment in some of the best creative agencies. These include several Down Under like The Monkeys, Thinkerbell, The Works and AJF Partnership. (See page 29 for the full timeline).

The emergence of consultancies into adland has been bold and agency leaders have taken notice. Top execs like The Works’ founder Damian Pincus have added insult to injury by claiming the hybrid consultant/agency model is stronger than a “traditional agency” model, turning down multiple offers from groups like Omnicom in favour of what he touts as “the future of advertising”.

There have been dozens of articles written about the potential impact of consultancies and how they will “eat agencies’ lunch”. There has been even more written about how consultancies won’t be able to foster the creative culture that leads to good work. But right now, it’s almost all speculation, with a lot of the long-term impact yet to be seen.

Despite its new more corporate parent company in Accenture, The Monkeys say they are far from looking, sounding or acting like consultants. That’s why it wanted to put an ironic twist on its agency by dressing up the entire workforce as serious high end business people.

The front cover vibe may signal corporate, serious and straight-laced, but The Monkeys show no sign of inching down that path.

Sorrell discussed the idea of consultancies threatening his holding company’s turf as “fake news”, but WPP, as well as Publicis, Omnicom and many of the major media groups, are nonetheless taking a run at consulting giants.



LEFT: Deloitte Digital office.  
BELOW: WPP Founder Martin Sorrell.







## Consultancies at Cannes

Last year, management consultancies took their tussle with agencies to the Croisette of Cannes in droves, with Accenture, Deloitte, EY, PwC and McKinsey all out in force at the festival.

Their presence is expected to be even greater this year with Accenture Interactive and Deloitte securing sponsorship positions.

They have also entered work. Accenture Interactive entered work via The Monkeys, and Deloitte also entered work from its Australian business..

Interestingly, while many assumed Sir Martin Sorrell would not be at Cannes due to his WPP exit, in fact he's actually taking part in Q&A at Cannes about the marketing industry issues of today.



Traditional ad networks are fighting fire with fire by launching new divisions to provide business transformation services like that offered by consultancies.

In Australia, WPP launched a consultancy division in March this year and CEO Mike Connaghan used the opportunity to take a swipe at global consultancies, claiming the new business unit would go "far beyond a conventional business consultancy".

Globally, WPP consolidated its consultant portfolio, merging four agencies under the Kantar umbrella. It is also eyeing further acquisitions in this space. Kantar boasts a wide client base including Amazon, Walmart and PepsiCo in the US.

Kantar in Australia is still branded as Kantar Millward Brown and is a quarter of the size compared to its US offering. It's yet to fully ramp up its offering in this country.

Publicis Groupe, the second largest holding group behind WPP, has also shared its interest in growing its consultancy offering, with CEO Arthur Sadoun recently outlining a three-year plan for the company that identified the area as one of three core priorities. Sadoun said Publicis would be focusing the transformation of its technology and consultancy offering led by its digital business unit Publicis Sapient, which it formed in 2015 when the holding group purchased Sapient.

If you speak to Publicis Communications CEO Michael Rebelo, he'll tell you Publicis was in front of the trend towards consultancy with the acquisition of Sapient.

And it's not only Publicis and WPP muscling into this space; M&C Saatchi launched a data consultancy in March; TBWA revealed its Disruption Labs in January; Omnicom brought its global consultancy Integer to Australia; IPG has ramped up its consulting offering via R/GA, and Havas launched a brand strategy and consultancy firm last year.

You only have to look at these major moves to see consultancies have laid out the blueprint for how agencies will do business moving forward.

## Consultancy Timeline

- 2013** • Accenture Interactive buys Fjord
- 2014** • Accenture Interactive buys Reactive
- 2016**
  - Accenture Interactive drops Reactive name
  - **November:** Accenture Interactive buys Karmarama in the UK
  - **December:** Russel Howcroft joins PwC as chief creative officer
- 2017**
  - **March:** PwC taps Sunita Gloster and Mark Buckman to front advisory board for CMO advisory practice
  - **May:** Accenture Interactive buys The Monkeys
  - **August:**
    - PwC invests in Thinkerbell
    - RXP buys The Works
  - **September:** McCann leadership joins Deloitte Digital
  - **November:**
    - AJF Partnership acquired by GrowthOps
    - KPMG launches CMO Advisory business



## Monkey magic

There's no denying that Accenture Interactive's 2017 acquisition of The Monkeys has been the most high profile consultancy move in Australia. The \$63 million sale sent shock-waves through the industry with at the time, 10-year-old The Monkeys widely recognised as one of Australia's best agency. Always ahead of the curve, the buyout was an indication of what was to come in the consultancy/agency space.

A year later and The Monkeys has reaped the benefit of its partnership with Accenture, enjoying its most successful year yet, with rampant growth, the launch of a Melbourne office, and landing big clients in the region such as Australia Post, Holden, CrownBet and Asahi Beer.

Monkeys CEO Mark Green described Accenture Interactive as a "rocket ship" now attached to the agency and said it has helped The Monkeys "see a bigger chessboard".

"People are griping about the challenges the industry faces, but we are seeing strong opportunity and we aren't taking any backwards steps," he said, adding that as much as The Monkeys are learning new things, The Monkeys have changed how the consultancy goes to market.

"The combination of consulting and advertising has been on the agenda for many years but with the sweeping industry changes it has really come to the fore," he said.

Accenture Interactive managing director Michael Buckley added that clients are increasingly wanting advice on strategy and assistance on delivery, as well as campaigns, which is the sweet spot for the consultancy/agency hybrid.

Buckley also said the best consultancies are nimble, which is something Accenture is learning from The Monkeys.

**"They're nibbling at the edges of some programmatic capability, but it's not at scale."**

**Peter Horgan**

Adam Ferrier, co-founder of creative agency Thinkerbell, which is minority owned by PwC, describes holding groups moving into the consultancy space as a "local milk bar trying to launch a five-star restaurant".

"It's very difficult to extend up into strategic consultancy rather than extend down into more executional services," he said. "I'd worry about the legitimacy of the consultancy offering, but if holding groups can launch consultancy services, they should."

Ferrier acknowledged his own bias, being part of PwC, but also speaks from experience collaborating with the consultancy on various clients. However, he isn't completely dismissive of agencies. "Some of the best agencies are not associated with any consultancies ... yet," he said.

He is alluding to more acquisitions in this space and it's a safe bet, with Accenture, Deloitte and McKinsey collectively spending US\$1.2 billion on agency acquisitions in 2017 according to analysis from marketing consultancy R3. Within the same year, top agency holding group mergers and acquisitions plummeted by US\$1.8 billion - a reduction of 46% on 2016 levels.

Other consultancies like multinational professional services firm EY, Bain & Co. and Boston Consulting Group are still yet to show their marketing hand.

## Making media moves

Consultancies are competing with media agencies for certain services, particularly around media strategy and tech stack advisory, but have avoided media agencies' core business of media buying.

Media agency bosses who spoke to *AdNews* believe that until consultancies take on media buying they lack the ability to effectively execute on their consumer journey advice.

Consultancies and media agencies typically "bump into each other" in tech stack consultancy, tech and analytics optimisation and broader communications strategy.

Moreover, another trend occurring is that media agency groups are providing more management consultancy-type services that encroach upon the global consultancies' territory, which means there is competition both ways.

The advantages consultancies have, according to media group leaders, is enormous scale, deep pockets and an unrivalled access to the C-suite, particularly CFOs and CEOs.

"Brand inertia is a huge part of [a consultancy's appeal]," Omnicom Media Group CEO and Media Federation of Australia chair Peter Horgan told *AdNews*. "It's almost like a C-suite security blanket."

Dentsu Aegis Network (DAN) ANZ CEO Simon Ryan said that for a lot of large listed clients, the "stamp of a consultancy" gives the perception of credibility to the board.

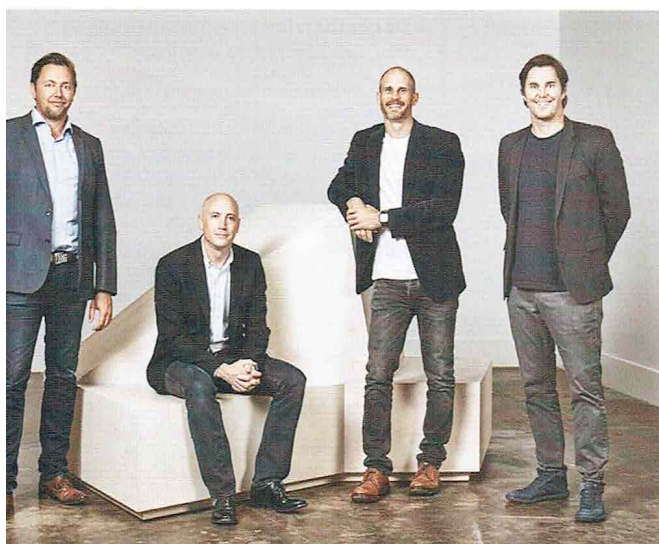
"I think what we're finding though is a lot of CMOs, CFOs and CEOs are now saying, 'Okay, that's good in theory, but how do we implement it'," Ryan explained.

"And I think that's where the difference in parent companies like DAN and consultancies is, that we can actually implement it. The scope of our experience and capabilities in the industry means we take the leadership position when it comes to executing on strategy, on plan and on delivery."

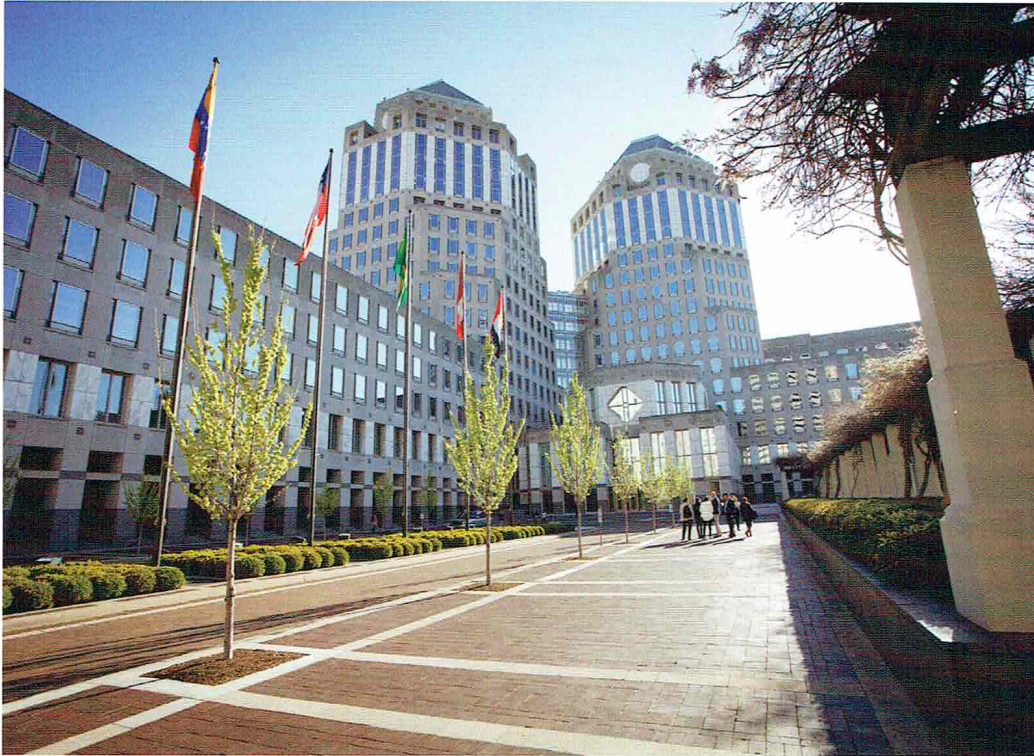
Horgan believes that while global consultancies talk a good game about owning the whole consumer journey, in reality they will never get there until they can implement these strategies, which means acquiring a media buying capability.

"Until they get that ability to execute through the funnel, and by that I mean in broadcast areas, which is expensive, complicated and really messy when you get it wrong, they're going to be slightly stymied," he said.

"They're nibbling at the edges of some programmatic capability but it's not at scale. You've got clients saying, 'if my programmatic and digital is completely unhinged from the rest of my channel to market approach







that's probably not smart given the relationship between top of funnel and lower funnel."

Without the ability to execute, argued Horgan, consultancies don't possess visibility of how consumers are behaving online and how they respond to marketing messages across the digital and offline media ecosystem.

"That's a big gap," Horgan said. "You can have all of the Harvard educated strategists in the world and all of the tech consultants out of Silicon Valley helping clients build out their tech stacks, but if you are not able to execute out the back of that you're missing a huge part of the trick.

"To do that you need to be able to build a big, expensive, low margin infrastructure."

Horgan believes it is possible that one of the global consultancies with deep pockets (the likes of the PwC, Deloitte, EY and KPMG, as well as Accenture), could buy a media holding company, but they "won't with the sort of margins those guys are used to enjoying".

"It will be interesting what happens when management consultants want to charge consulting prices for advertising agency services," he said. "And likewise what would happen if agencies really got serious in pricing their services based on value and price and not simply on cost?"

## Getting back in the boardroom

If a CEO needs to cut costs, one of the first places they zero in on is marketing.

You only have to look at the world's two biggest advertisers, P&G and Unilever, cutting their marketing budgets by more than US\$100 million, to see how some CEOs view the marketing service – as a cost rather than an investment.

Ferrier believes that PwC, and other consultancies in the wider industry, are getting creative agencies back in the boardroom and shifting perceptions that marketing is only a cost.

"Consultancies have helped the creative agency grow up by creating a thicker pipe into the true decision makers of corporate Australia," he said.

Management consultants have a reputation for being expensive and firm negotiators. Unlike agencies, which in some cases have bent over backwards to land a big account, even if that means agreeing to fees that are almost unprofitable.

With top marketing advisers like Sunita Gloster, Mark Buckman and Russel Howcroft now working at PwC, director of the consultancy's CMO Advisory Board, Justin Papps, said his recommendation is often to increase budgets rather than shrink them.

Howcroft added: "The more we can push the marketing conversation back to the top table, and help leaders see it as a driver of growth, the better for everyone in the marketing value chain."

Consultants already have C-suite access, and their upscale perception has much to do with taking the place of agencies as advisers to the CEO.

Woolley said what marketers have previously struggled to do is to prove their value.



FROM TOP: Peter Horgan, Russel Howcroft.



# A Investigation

## More money in media?

If there's more money to be made in media agencies, why are consultancies investing in creative agencies?

"If you're going to play in a cash-rich environment, you would think consultancies would invest in the media space, especially the digital media space," Woolley said.

"The fact that consultancies have invested in the creative space seems to indicate they're using the investment to understand the landscape from a creative point of view, where if it was a business play, the absolute opportunity is to invest heavily in media."

There are a few reasons why consultancies aren't racing into media buying and it has something to do with the murky supply chain that P&G CMO Marc Pritchard called out last year, according to Deloitte Digital partner David Phillips.

Speaking at the AdNews Media and Marketing Summit in May, Phillips, who joined Deloitte from McCann last year, said as one of the world's biggest accountants, "you can't dip your toe into an industry that's a little bit questionable at the moment in terms of transparency".

He also said margins are an issue and consultancies will never be able to compete with the low margins agencies offer.

"Ad agencies work off of about 12-19% on average so it would be hard for us to do that," Phillips said, adding that 90% of an ad agency's revenue comes from "low baby production stuff".

Also on the Summit panel was RXP founder Ross Fielding, and KPMG CMO Advisory partner Carmen Bekker, who agreed media isn't a move for their businesses.

"Our business models are quite different from media agencies. They are based on retainers and long-term, strategic contracts," Phillips explained.

"Consultancies work on a much shorter engagement, but they're a lot deeper and they go a lot higher in the organisation."

In addition, he said adding a retainer model doesn't make sense for consultancies.

While right now consultancies are adamant they don't want to be involved in media buying, Woolley said they offer the potential to "redesign the whole model".

"The biggest opportunity is for them to go into media and totally reinvent the model around performance and delivering value to clients, and eliminate murkiness," he said.



"For a long time, it's been a battle to get the industry to focus on value and perhaps with the involvement of Accenture, KPMG and the likes, the model of value-based marketing will actually get traction," he said.

"Otherwise, we're all left with a procurement focus that reduces the cost of marketing – and that's a race to the bottom."

## Questions remain

Nick Garrett, CEO of Clemenger Sydney and Melbourne, said agencies losing access to the executive team has been a "tragedy" for the advertising industry, but he also shared an anecdote of where his former agency taught a consultant a thing or two.

"I can remember back from my time in New Zealand, a consultancy paid Colenso BBDO \$25,000 a day to consult on their pitch documents and presentation technique because they knew they were boring, uncreative and unimaginative in storytelling," he revealed.

While Omnicom has a consultancy play through Annalect and now TBWA's Disruption Labs,



LEFT: RXP CEO & executive director Ross Fielding, Deloitte Digital partner David Phillips and KPMG Customer, Brand & Marketing Advisory partner Carmen Bekker.