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CONFLICT CONCERNS & RELIANCE ON BIG CLIENTS BUT A BOON FOR INDIES? INDUSTRY REACTS TO GROUPM'S REPORTED GLOBAL CONSOLIDATION PLANS



Arvind Hickman

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Industry leaders have warned that GroupM's global plans to centralise media buying, eliminate agency job titles and cut staff, may raise concerns over client conflicts and will not solve the structural problems that have seen the WPP media arm struggle compared to its rivals in recent quarters. B&T understands its Aussie business is a shining light and is unlikely to be too impacted by decisions made abroad.

This week, GroupM CEO Brian Lesser sent an internal memo, seen by B&T, to GroupM's 40,000-strong global workforce announcing the new operating structure that will centralise parts of media investment, and combine the unit with its performance business, Nexus, in a new division called 'Media Management and Delivery'.

Lesser said the aim is to "evolve the agency brands to house dedicated client teams, but no longer operate as distinct business units", which means a single operating model under a single P&L.

This will mean "sunsetting agency-specific titles that create barriers to working together and moving towards a unified naming structure," Lesser added, while unconfirmed speculation mounts that GroupM could be rebranded to WPP Media.

The group will move to a "unified named structure that reflects our commitment to operating as one company".

"We've had to make difficult decisions as we work to improve our team structure and reduce overlap," Lesser wrote. "This will affect some roles across our markets."





Layoffs have already begun in the US in roles where there is duplication.

B&T understands the situation in Australia is vastly different and the global plan is unlikely to have much (if any) impact. Locally, GroupM's Australian agencies continue to outperform their global counterparts, and the global restructure comes in the context of the group struggling in the US and Europe where there have been major account losses, such as the Coca-Cola North American media account.

Just this year, **EssenceMediacom Australia won Lion's \$60 million media account** and the work for **Warner Bros. Discovery's new streaming service MAX**. **EssenceMediacom also picked up B&T's coveted Media Agency of the Year title**, taking the crown from its **GroupM stablemate Wavemaker**. *B&T* understands that **Mindshare now controls EA Games' sizeable media account**, as well as the sought-after Labor party election media war chest, while Wavemaker has had also a strong year of high profile client wins and retentions, as reflected in their industry leading **Agency Scorecard**.

In Australia, GroupM is also further advanced in transforming its structure with several support functions already operating in a centralised fashion, such as finance, HR and marketing. *B&T* understands that even with the new global restructuring, core media planning and buying capabilities will continue to be embedded in client teams, and there will be minimal impact on how the businesses operate.

At this stage, there are no plans to change GroupM's agency brands, despite industry speculation.

'A play for performance'

B&T approached industry leaders about what they think of the GroupM's global plans, as reported in the US trade press and laid out in Brian Lesser's staff memo.

They told *B&T* the global move is motivated by cost-cutting, might not solve the underlying problems of the holding company business model, and could pose potential conflict issues for some clients.

Sangeeta Leach, a founding director of the management consultancy The Leach Partnership, has previously held senior roles at agencies including Saatchi & Saatchi, George Patterson Partners and St Luke's Communications.

She believes GroupM's plans could have some benefits from an efficiency standpoint, but also comes with potential risks.

"On paper, centralising media buying boosts scale and efficiency, but effectiveness isn't just about consolidation. Clients don't buy media; they buy outcomes. They don't just want cheaper, they want better," she told *B&T*.

"GroupM's restructure is a play for performance in an increasingly automated landscape, where data scale, and precision are the new currency. The risk is that streamlining (apart from the obvious impact on talent retention and organisational culture) could dilute the strategic edge and agility clients value from individual agencies. The real test will be keeping the work sharp, not just the operations."



Mat Baxter, Sangeeta Leach and Darren Woolley.

'Holding companies model is broken'

Mat Baxter, the former global CEO of IPG Mediabrands agencies Initiative and Huge, holds the view that the agency holding company business model is fundamentally broken.

"This is a big seismic shift that is going to happen and be systemic across the entire holding group landscape. This is the end game in that respect, because you've only got a few levers to pull in a marketplace where fees continually contract and where labour costs are continually increasing. It's a mathematical equation that doesn't work, and that's why the service model and the hours model is not a sustainable model," Baxter said, reflecting on the bigger picture of GroupM's global plans rather than its impact on GroupM Australia.

"It's easy, to some extent, to manage costs. You just cut your way to sustaining the business, but the problem is that it's a short-term strategy. The harder thing is to grow your top line. The harder thing is to redesign your entire business model and product so that it has long-term appeal, it embraces AI and is therefore able to extract more value from clients. That is the thing that all holding companies have failed at."

TrinityP3 founder and global CEO Darren Woolley isn't quite as gloomy, but believes any moves to consolidate services are about cutting costs and "playing catch up" to the likes of Publicis Groupe, which is "ahead of the curve" having operated a more centralised media investment model through Publicis Media for a few years now.

Woolley said that it wouldn't surprise him if this is the first step towards eventually sunsetting GroupM's agency brands—EssenceMediacom, Mindshare and Wavemaker—and operating as a single consolidated media planning and buying business. Neither Lesser or GroupM have ever indicated that there are plans to resign individual agency brands.

"I really don't see how it's going to be an advantage for their clients," Woolley said. "First of all, it's going to create a whole lot of conflicts that they're going to have to manage. That's one of the reasons that they created GroupM in the first place, to manage conflicts."

Although client conflict concerns have eased in recent years, there are still categories where it can be an issue, such as airlines, banks and FMCG giants. He believes GroupM will need to find a way to manage these or restructure teams into bespoke client outfits.

"If you look at any of the big food manufacturers, like Mondeléz and Nestlé, they're not going to be happy sitting side-by-side in the same agency," Woolley said. "Data analytics and media trading is going to be coming through a common back end; there won't be an end-to-end solution. So I think there are going to be some clients that are really going to struggle with this model."

Client conflicts are also a watch out for Leach, who added: "While GroupM's agencies have traditionally maintained strong separation between competing clients, a centralised structure blurs those operational lines. Even with firewalls in place, perception matters. GroupM will need robust governance and clear communication to reassure clients that strategic integrity and confidentiality remain intact. The optics—and internal trust mechanisms—will be critical, especially in pitches and procurement discussions."

Steve Boehler, the founder of management consultancy Mercer Island Group, noted that GroupM could have problems with client conflicts and trust, an issue that will need carefully navigating once the new centralised structure is in place.

"This new structure blows apart the very thin confidentiality lines that were supposed to exist. Watch this space for many unhappy clients opting out of this new structure," Boehler said.

A boon for indies?

Another concern is that GroupM agencies will need to manage is how to serve smaller clients. Boehler, who is based in the US where GroupM has not performed as well as other markets, predicts that centralisation of services could lead to "more woes for the middle market".

"The largest media agencies already were having trouble paying attention to accounts in the US\$50 million (\$77 million) and US\$60 million range. What's next - US\$150 million or

bust? There is a clear and now unprecedented opportunity for independent media agencies and smaller holdcos to enthusiastically serve media accounts approaching US\$100 million," he said in a post on LinkedIn that addressed the problem with a US lens," he said.

In an Australian context, small to medium sized clients could have annual media budgets up to around the \$20 million mark.

"The big agencies are already struggling to manage smaller clients," Woolley added. "And when you then fold all of them in together...and create this big behemoth called WPP media, how will you serve them?"

"If I'm a medium to small size client, I'd be wondering, 'am I going to get the same level of service I'm getting now? There are a lot of small clients, and this will help accelerate their move to the indies."

'Limping on a battlefield'

Baxter isn't just bleak about GroupM's fortunes. He said the consolidation trend, which is also likely to occur once Omnicom completes its merger with Interpublic Group, is symptomatic of advertising holding companies scrambling to transform business models that have "not adequately evolved since the 80s and 90s".

"[Globally] they are on a slippery slope to declining revenues, declining profitability, and they have to fundamentally reorganise," Baxter said. "In my view, they'll all break up. The constituent parts that are sellable will be sold, the things that are won't be, and there won't be holding companies in five years time, they just won't exist.

"This move by GroupM is like limping on the battlefield for relevance. This is a wounded organisation trying to survive."

Baxter says the great paradox about the media agency sector is that they regularly advise clients to get ahead of changing media trends and category dynamics, but are blind to some of the systemic changes to the advertising industry that have challenged their business models.

"The agencies have been on the pointy end of the spear on this exact issue for every client except for themselves," he said.

The media agency business, Baxter added, is under pressure from all corners, such as Google, YouTube and Meta who now own more of the ad ecosystem, and econometric modelling that is "beginning to own ROI and channel optimisation". Agencies are also under pressure from AI startups like Springboard.ai that use AI tech to democratise media planning and strategy, while clients continue to in-house areas such as programmatic buying.

"They haven't tackled the underlying cause of these issues. They're just dealing with symptoms as they arise. When the patient turns up, they're sticking a Band-Aid on a bleeding artery and thinking, the patient's going to survive. The patient is seriously bleeding out here, and cutting your cost base, all your talented people, which compromises your capital investment in systems and technology," said Baxter.

"In my view, the writing has been on the wall, this has been a known thing for a long time, and nobody's done anything meaningful about it. Even if you're in one of these agencies and you try and do something internally to fix it, you can't ever get the budget. All they want to do is manage costs and get their quarterly number, rather than invest in fundamentally transforming the business."

GroupM declined to comment on the internal memo and its consolidation plans, telling *B&T*: "we don't comment on speculation".

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