

The Holding Companies Have Lost Their High Ground—Here Are Some Reasons Why

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As much as the story has generated a lot of buzz, I find the news of Omnicom's acquisition of IPG to be unsurprising and part of the natural order.

I am sad for the great agency legacies that will be mothballed. I am sad for the jobs that will be cut. I am sad that the holding companies do “innovation light” relative to digital and technology companies. I am sad that the holding companies have become, in finance terms, “cash flow plays”—like laundromats, car washes, and apartment buildings.

This cynicism toward holding companies has been earned. I started in this industry back in 1989 and have worked across five eras of the agency business, serving clients across TV, digital, performance, data, and now the AI era. Earlier in my career, I worked at IPG and reported to then-CEO Phil Geier, an experience that gave me a front-row seat to the inner workings of a holding company at its relevancy peak. At that time, the holding companies had grown for years by increasing their traditional media billings. It was an arms race, and it was all about rolling up agencies and media dollars globally.

Then the game changed, and the music slowly started to stop. In 1998, Google decided to bypass the agencies, and Meta followed their lead. Since then, the holding companies have been forced to milk the existing model.

Unfortunately, they did not have the market cap or the margins of the digital or software companies, so they have never been able to compete for the best technology people in the world. They never really had a shot at true innovation.

AI and the accelerating shift to in-housing

Adding to this problem, two other forces have accelerated their decline.

First, as we all know, clients today are increasingly bringing capabilities inside to save money, improve speed, and increase quality. The fact is that most large clients have internal agencies that proudly believe they can execute as well, if not better. Competition no longer comes from other agencies; an agency's biggest competitor is its own client. These trends around client in-housing have hit the fee structure hard and made these big agencies more project-based—further weakening their once powerful stocks.

Second, the multiplier effect on in-housing is artificial intelligence: AI is accelerating the in-housing trend as clients want to own and understand AI for their own survival. It is a strategic asset, not a capability to be outsourced.

For decades, the holding companies held the high ground in the advertising world. They were seen as essential partners, offering high-value, high-margin, and high-growth solutions to global brands. Clients turned to them for creative vision, strategic insight, and media expertise. That high ground, however, has now fully eroded. Today the holding companies mostly focus on serving the biggest companies in the world. They are doing everything possible to stay relevant with the top 100 spenders.

What's next for independent agencies?

But my views are not all negative. For the first time in generations, the grass is greener on the independent agency front.

There is innovation, freedom, and margin outside of those top 100 spenders. The holding companies need the top 100 to impact earnings—the rest of us do not. We can live very well by serving everyone else.

The top 100 accounts for between 20-30% of global GDP. That leaves 70-80% of the global economy for the rest of us to chase. The other good news is that these companies need good partners because they can't afford to build everything in-house like the top 100 can.

The independent world is about quality, not scale. There is always a market for quality. We can offer what the giants cannot: personalized service, genuine partnership, and the ability to adapt quickly to client needs. We can take pride in good strategy, creativity, digital, social. We can break new ground with AI. We can continue to build strong relationships.

Our industry is at another natural crossroads as the old models are replaced with new models. There is no place I'd rather be than at an independent firm.

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