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The powerful forces propelling performance marketing

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After a period of uncertainty that tested the advertising world, characterized by volatile budgets and a quieter M&A landscape, a confluence of potent market forces could be set to energize the prospects of the performance marketing sector.

Fueled by an accelerated surge in digital expenditure, the advertising industry recorded an impressive 23 consecutive months of YoY monthly ad spend growth through March 2025, which has been building a renewed wave of investor enthusiasm.[1]

However, the latest tariff announcements have led to market fluctuations and uncertainty. This is creating hesitancy in many areas, including downstream advertising spends, which could impact the M&A landscape in the near term. More clarity and certainty over the coming weeks will likely help calm the markets and likely provide a more conducive environment for the expected upturn in agency deal activity.

Encouragingly, performance budgets have historically proven to be more resilient than upper funnel spends in periods of uncertainty, as businesses sharpen their focus on ROI and measurable justification for their advertising budgets.

While deal flow remained relatively subdued in both 2023 and 2024, we still expect the growing backlog of potential deals to create a competitive and dynamic M&A environment. However, this may now be delayed until the latter end of 2025 and into 2026, once the near-term macro and geopolitical uncertainties we are currently experiencing have receded.

A key area to keep a close eye on is the private equity-backed marketing platforms. These entities, which strategically acquired assets during the post-COVID rebound, are approaching the conclusion of their typical five-year holding period. The intervening years saw private equity platforms acquire smaller agencies and expand their capabilities, transforming them into desirable targets for both strategic buyers and fresh investors.

With more than 40 private equity-owned agency platforms actively pursuing roll-up strategies, the competition for high-quality, data-driven performance marketing capabilities is intensifying. Within this dynamic landscape, a number of scaled players are ripe for consolidation, many of which have expanded beyond their performance foundations into influencer, CTV (Connected TV), affiliate, creative, brand strategy and even earned media.

Capitalizing on behemoth consolidation

When the conversation turns to M&A within the marketing and advertising sphere, the proposed Omnicom-IPG merger cannot be ignored, having sent ripples of anticipation and strategic planning throughout the industry. This could present a significant window of opportunity for independent and challenger agencies.

As these two major holding companies navigate the intricate complexities of integration – a process that could potentially span a year or more – independent agencies are strategically positioning themselves to win enterprise clients who are seeking more agile and personalized service offerings.

Furthermore, given the substantial operational overlap between Omnicom and IPG, the merger could potentially release as many as 5,000 highly skilled professionals back into the job market. This creates a prime opportunity for independent agencies to fortify their talent base and further differentiate themselves from the established legacy players.

AI and the rise of CTV and commerce media

As previously discussed,[2] artificial intelligence (AI) is fundamentally transforming the marketing industry, driving agencies towards greater efficiency and data-driven decision-making. While AI's immediate impact has been most keenly felt in analytics and market research, its role in dynamic creative optimization is rapidly expanding.

Many of these sophisticated agencies are launching new AI products spanning a wide range of applications – including automated onboarding, competitor campaign analyses, media mix modeling, agent and chat functionality, audience building, generative creative, iterative testing, real-time campaign monitoring and optimization, and, of course, measurement, analytics, and reporting.

This paradigm shift presents a unique and compelling opportunity for agencies that have already embedded AI capabilities into their operational frameworks, making them particularly attractive to investors seeking scalable and future-proof assets.

However, concerns persist regarding AI-driven generative content, particularly the potential risks of brand misalignment and unsupervised automation. Nonetheless, agencies that strategically integrate AI while maintaining robust creative oversight are exceptionally well-positioned to capitalize on this technological revolution.

Simultaneously, CTV – which reaches viewers through streaming services and TV apps – continues its accelerated ascent as a significant driver of ad spend growth, as marketers strategically shift budgets from traditional television to digital-first formats.[3] CTV effectively combines the immersive nature of television with the highly targeted capabilities and measurement of digital advertising, potentially making it a premier vehicle for targeted brand campaigns. This emerging trend is further reinforcing investor interest in performance marketing agencies that can deliver data-driven, cross-channel media strategies.

In addition, the rise of commerce and retail media is fueling a land grab to reach consumers at or near their point of purchase. Specialist agencies are experiencing above-market demand and growth as the effectiveness of RMNs and commerce solutions continues to attract significant ad spend. Publicis' acquisition of Mars United is a prime example of larger agencies paying a premium to add these specialized capabilities to their service offerings.

Dealmaking environment remains compelling

Assuming that cooler heads prevail within the geopolitical arenas, investor optimism within the marketing services sector remains robust, bolstered by the continued recovery of ad spends and a favorable dealmaking environment.

While the backlog of private equity portfolio companies could require time to clear, demand for high-performing middle market performance marketing agencies could lead to investment activity through 2025 and beyond.

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Source List

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