The Middle Has No Armour

Why independent generalist agencies are being taken apart one at a time, and what the survivors will have chosen not to do.

Justin Billingsley

October 2026

Executive Summary

In September 2026, M&C Saatchi Australia, one of the most decorated agencies in the southern hemisphere, was valued at one dollar by its own parent, and will cease trading in November after thirty years. It failed in the market best suited in the world to a large independent generalist. That is the reason to study it: if the model cannot survive in Sydney, it cannot survive on the strength of its market anywhere.

This paper is written for founders, chief executives and managing directors of independent agencies offering more than one discipline, in markets where the generalist model still appears viable: Australia, the UK regions, Ireland, the Nordics, the Gulf, South-East Asia, Latin America. It is not written for holding-company leadership, whose predicament is related but different, nor for single-discipline specialists, who are already on the other side of the line it describes. It argues that M&C's closure was not a leadership accident or a run of bad luck but the visible end of a mechanism that is operating on every independent generalist agency.

Five forces are acting on marketing services at once, and none of them is cyclical: marketing budgets that fell during the pandemic and have not recovered as a share of company revenue; the consolidation of client spend into one-stop-shop relationships with the largest groups; the in-housing of work that agencies once did; the disintermediation of agencies by platforms and technology companies dealing with clients directly; and AI, which multiplies the other four. Together they amount to a great compression of the industry's economics. Under it, the industry is bifurcating into integrated platforms at one end and depth specialists at the other. The middle, where most independents sit, carries the overhead of a network without its scale, has spent a decade giving away the margin that would have protected it, and receives the compression from all five directions at once.

The paper spends its opening sections on those forces deliberately, because the case it makes depends on the reader accepting that the pressure is structural. This is not a downturn to be waited out, and it is not a problem that cleverness or reputation will solve. The forces are relentless, mechanical and, on the evidence, permanent. An agency either changes its position or it does not, and the outcome follows.

The paper's central claim is that the diagnosis is mechanical but the remedy is human. What separates the agencies that will survive from those that will not is not insight, which is abundant, but the capacity to act on it, which is rare. Five decisions follow from the analysis, and every one of them is a decision about what to stop doing.

The five decisions

1. **Choose your end of the road, then choose harder.** Specialism is not fewer departments; it is being superlative at one thing, whether a craft, a category or a culture and geography. Closing four of five disciplines produces a smaller generalist, not a depth business.
2. **Recover the margin before it is needed.** The margin left through three doors: the free pitch, the free strategy and the retainer priced to keep the lights on. Each is a choice, and each can be reversed.
3. **Build armour.** Three numbers, fixed cost as a share of gross profit, client concentration and months of overhead in reserve, decide whether an agency survives the loss of its largest client. The middle typically fails all three.

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4. **Take a position upstream, or accept being downstream.** An independent cannot own a platform. It can own the buyer's question and it can point AI at depth rather than breadth. Neither happens by buying tools.
5. **Understand that knowing is easy and doing is hard.** Structure is the accumulated record of leadership decisions. Four unglamorous disciplines, culture built rather than declared, honest judgement of talent, the assembly of teams around purpose rather than identity, and daily execution amid distraction, are what the middle lacks, and they are entirely within a founder's control.

If these are challenges that you are facing, I can help. Whether just for a chat, or a workshop or something more, write me at justin@justinbillingsley.me

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1. About this paper

1.1 Scope and audience

The paper addresses independent agencies offering more than two service lines. It does not address holding-company networks, whose predicament is related but distinct, nor single-discipline specialists, who are on the other side of the line the paper describes. Figures are drawn from published company accounts, industry benchmark studies and analyst research, and are cited where they appear. Where a figure is illustrative rather than measured, the text says so.

1.2 Method: three chairs

Most guidance offered to independent agencies is written from a single vantage point. Clients advise agencies to add value without having carried a payroll through a lost pitch. Agency veterans advise founders to specialise without having sat in the finance review where the marketing line, and with it the agency, is cut. Technologists advise everyone to adopt AI without having sold a creative idea to a procurement director. Each perspective is partly right and each is blind to what the other two can see.

This paper is written from all three. I spent nearly twenty years client-side, at Unilever, Coca-Cola, Nokia, Orange and more recently with Nomad Foods, running agency reviews and defending marketing budgets in finance reviews. I spent thirteen years at Publicis Groupe, seven of them on its Management Committee, including as global COO of Saatchi & Saatchi and as the Groupe's Chief Marketing Officer. Since co-founding Simbioniq, an AI company, I have priced inference, tested models against real marketing tasks and learned the difference between a capability and a position.

Each of the five lessons is examined from the three chairs in turn: what the agency believes about itself, what the client actually sees, and what AI has changed in the underlying arithmetic. A lesson that could not withstand all three tests has not been included.

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2. The case: M&C Saatchi Australia

2.1 What happened

M&C Saatchi Australia was, for most of its thirty years, one of the strongest creative agencies in its market. It made "Where the bloody hell are you?" for Tourism Australia and "Can" for Commonwealth Bank, and for two decades it was where many of the country's largest domestic advertisers, banks, telcos, retailers and government bodies, went for their most visible work.

Over roughly eighteen months from early 2025 the agency lost Tourism Australia, Optus, Commonwealth Bank and finally Woolworths, whose creative business moved to Droga5 ANZ. In July 2026 a six-person local management team announced a buyout backed by the investment firm Parc. In the weeks that followed the agency lost two further clients. On 9 September the parent announced that the buyout would not proceed after due diligence, and told clients and staff that the Australian advertising business would be folded by November. The parent had agreed to hand the business to its management for $1. It wrote off the goodwill entirely.

2.2 The financial anatomy

The group's half-year results, published on 22 September 2026, give the closure a financial shape that the trade coverage did not.

Measure	Figure	Source
Revenue, full year 2025	**A$74m**	M&C Saatchi FY2025 results, reported by Mumbrella
Loss, full year 2025	**A$13.5m**	As above
Revenue, H1 2026	**A$30m, down from A$44m in H1 2025 (–32%)**	H1 2026 results, reported by Mumbrella and Mi3
Staff costs, H1 2026	**A$15.5m**	As above
Project and direct costs, H1 2026	**A$12.5m**	As above
Cash consumed, H1 2026	**A$8.8m**	As above
Goodwill impairment	**£1.77m (A$3.6m); goodwill written off in full**	As above
Operating result, H1 2026	**£3.32m loss, against a £409,000 profit in H1 2025**	Mi3
Post-tax loss, H1 2026	**A$8m (£4.2m)**	As above
Agreed sale price to management	**$1**	As above

Three things to note from the table:

First, the cost structure. In the half-year to June 2026 staff costs exceeded project and direct costs, and revenue fell by a third while the staff line did not. That is what a network cost base on an independent's revenue looks like at the point of failure: the people were still there after the work had gone.

Second, the sequence. The group's own FY2025 results described "resizing in Australia" and active management of the advertising cost base. The cuts were being made. They were

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being made after each account loss rather than before, which is the difference between strategic and desperate reductions that Lesson 3 examines.

Third, the cash. A$8.8m consumed in six months against a business that management proposed to buy for a dollar means the reserve that would have funded a transformation had already been spent servicing the decline. There was no armour left by the time the buyout was attempted, which is why due diligence found nothing to buy.

2.3 Why this case matters beyond Sydney

Of all the markets in which an independent generalist could be expected to survive, Australia is the strongest. It spends more per head on professional services than any country in the world, which is why the consultancies prosper there. It has a deep bench of large domestic advertisers who want the best agency in Sydney and are prepared to pay for it. And M&C had the best brand in the market with which to answer that demand.

The middle did not die somewhere hostile. It died in the one place it had every advantage. A founder in Auckland, Manchester, Dublin, Copenhagen, Dubai or São Paulo who believes her market is different should treat Sydney as the control group.

2.4 Three failures

The closure resolves into three failures, each of which recurs throughout the middle of the industry.

It was built as a generalist without a generalist's scale. Media, design, sport and entertainment, customer experience, creative: a network in miniature, carrying network overhead with no proprietary technology, no data asset and no upstream position in the rooms where budgets are set.

When it retreated, it retreated to the wrong place. Faced with decline, the agency shrank back to its traditional creative core. An agency that has spent a decade spreading itself across five disciplines does not become a depth business by closing four of them. It becomes a smaller generalist with the same problem.

The middle has no armour. Integrated platforms absorb a bad lease. Specialists absorb a lost account. The middle absorbs neither, because the margin that would have cushioned the blow was given away years earlier in pitches, in free strategy and in retainers priced to keep the lights on.

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3. The forces

The pressure on the middle did not arrive with AI, and it will not leave with the next upturn in advertising spend. It is the sum of five forces that have each been building for a decade or more and that now operate simultaneously. This section sets them out one at a time, with the evidence for each, because everything that follows depends on the reader accepting that they are structural. A founder who believes the pressure is cyclical will build a bunker. A founder who understands that it is mechanical will build something else.

3.1 Force one: the budget ratchet

Marketing budgets, measured as a share of company revenue, fell in the pandemic and have not recovered. Gartner's annual CMO Spend Survey, which polls several hundred marketing leaders at large companies in North America and Europe, records the sequence.

Year	Marketing budget as share of company revenue	Note
2016–2019 average	~11%	The pre-pandemic norm
2021	6.4%	The pandemic trough
2022	9.5%	The recovery that stopped short
2023	9.1%	
2024	7.7%	Gartner: "the era of less"
2025	7.7%	Half of CMOs at 6% or below
2026	7.8%	Flat for a third year

Source: Gartner CMO Spend Survey, 2021–2026.

The pattern is a ratchet, not a cycle. Budgets fell by almost half in 2021, recovered part of the way in 2022, and have since settled roughly three points of revenue below where they stood for the four years before the pandemic. On a company with $5 billion of revenue, that is $150 million a year that has not come back. Within the smaller budget, the composition has moved against agencies: Gartner reports paid media protected and spending on agencies, marketing technology and labour falling, with 39 per cent of CMOs in 2025 planning to cut agency allocations further.

For an agency this is the pie. Every other force in this section decides who gets which slice of it, but the pie itself is smaller than it was and there is no evidence it is growing back. Boards learned in 2021 that marketing could be cut by half without the company failing, and that lesson has not been unlearned.

3.2 Force two: consolidation into the one-stop shop

The largest clients are consolidating their agency spend into fewer, larger relationships, and the largest holding companies have rebuilt themselves to receive it.

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On the client side, procurement has spent a decade reducing roster complexity: fewer agencies, fewer contracts, one global relationship with a single accountable partner across media, data, creative and production. The account moves of 2025 and 2026 show the pattern at its largest scale. PepsiCo moved its global media to Publicis Groupe without a competitive pitch. Forrester reports that 85 per cent of US B2C marketing executives planned to review their media agencies in 2026, and that a further wave of consolidation would follow the Omnicom–IPG merger.

On the agency side, the holding companies have reorganised precisely to win these relationships: Publicis's "Power of One", WPP's single operating platform, Omnicom's merger with IPG to create the largest media buyer in the world. The offer is integration, scale and, increasingly, principal trading, in which the agency owns the media inventory it sells and can guarantee a price. None of this is available to an independent.

For the middle, consolidation removes the top of the pie. The largest, most stable, most profitable client relationships are being gathered into groups that can offer everything under one contract, and the independent generalist that once held a piece of a large client's business is now competing for the residue.

3.3 Force three: in-housing

Clients are doing for themselves an increasing share of what agencies once did for them.

The ANA's periodic study of in-house agencies found that 82 per cent of its member companies operated one by 2023, up from 58 per cent a decade earlier, and that the scope of in-house work had expanded from production and adaptation into strategy, creative development, media planning and buying. The drivers are cost, speed and control, and AI has strengthened each of them: a client with generative tools and a small in-house team can now produce, test and adapt a volume of work that once required an agency department.

For the middle, in-housing removes the execution layer, which for most independent generalists is where the billable hours were. The work that remains outsourced is the work the client cannot do alone, which is either highly specialised or highly integrated, and neither describes the middle.

3.4 Force four: disintermediation by platforms and technology companies

The platforms and the technology companies are dealing with clients directly, cutting the agency out of media, creative and increasingly strategy.

Meta's Advantage+ and Google's Performance Max began as tools for small businesses and have grown into enterprise offerings that automate targeting, buying and creative optimisation, drawing on first-party data no agency can match. The sequence has been methodical: first media buying was automated, which hollowed out the trading desk; then creative optimisation was integrated, generating and testing variations at a scale no studio could; now the platforms are adding strategic recommendations drawn from their own data and taking them straight to the client. Amazon has built a retail-media business larger than most holding companies. Beyond the platforms, the technology companies, Adobe, Canva, Salesforce and the model providers, are selling marketing capability to clients as software,

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and OpenAI's commerce initiatives point toward a future in which the agent that recommends the product is also the channel that sells it.

For the middle, disintermediation removes the transactional work, the large share of everyday marketing for which the platform delivers most of the agency's value at a fraction of its cost. What survives is work that requires judgement the platform does not have, and the middle, having spread its judgement across five disciplines, is thin in all of them.

3.5 Force five: AI, the multiplier

Generative AI is a force in its own right and a multiplier of the other four.

In its own right, it has automated tasks that required teams, and has done so on identical terms for every agency: the advantage it confers is temporary and the cost reduction it enables is universal, which means that whoever passes the saving to the client first sets the new price. Forrester's 2026 forecast of a 15 per cent reduction in agency headcount, following 8 per cent in 2025, is the labour-arbitrage model of the agency business being unwound.

As a multiplier, AI makes each of the other forces stronger. It lets the CFO hold the budget down because the same output now costs less. It lets the holding company promise integration at scale because the integration is increasingly software. It lets the client in-house what it could not have staffed. And it lets the platform offer strategy because the strategy is now a model trained on the platform's own data. The compression that the first four forces would have produced over a decade, AI is producing in years.

3.6 The great compression, and why it will not pass

Taken together the five forces amount to a compression of the industry's economics from every direction at once. The pie is smaller. The top of it is consolidating into groups an independent cannot match. The execution is moving in-house. The transactional work is moving to platforms. And AI is accelerating all four while removing the labour margin the agency model was built on.

Force	What it removes	Who absorbs it
The budget ratchet	Three points of company revenue, permanently	Everyone, but the integrated platform prices on outcomes and the specialist is small; the middle has fixed costs to cover
Consolidation	The largest, most stable client relationships	The integrated platform gains them
In-housing	The execution layer	The specialist keeps what the client cannot do; the middle loses its billable core
Platform disintermediation	The transactional work	The platforms gain it; the specialist never depended on it
AI	The labour margin, and time	The integrated platform and the specialist deepen; the middle's breadth is commoditised

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The last column is the argument of this paper in one table. Each force strips a layer from the industry, and in each case the two viable positions either gain the layer or never depended on it. The middle depended on all of them.

Three observations establish that the compression is structural rather than cyclical. Budgets have been below their pre-pandemic level for five consecutive years through a period of general economic growth. In-house agency prevalence has risen in every ANA survey for more than a decade. Platform automation has moved in one direction only, from small business to enterprise, and the holding companies have restructured around consolidation as strategy, not as a response to a bad year. None of these reverses when advertising spend recovers, because none was caused by advertising spend falling.

It follows that waiting is not a strategy. Reputation is not armour. Cleverness in the pitch is not a position. The forces are relentless and mechanical, and they are indifferent to how good the work is. An agency in the middle either changes where it stands or is removed from the middle by the forces; the only variable is the order.

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4. The mechanism

4.1 The bifurcation

Under these forces the industry is separating into two viable positions and one unviable one.

	Integrated platform	Depth specialist	The middle
Source of advantage	Proprietary data and technology; systems integration; outcome	Superlative craft, category or cultural expertise	Breadth of service under one roof
Cost base built around	Recurring technology and data revenue	The work itself	Client relationships
Response to a lost account	Absorbed	Absorbed: the next client for the same craft is	Not absorbed: cost base was built around the
Response to a fixed commitment (lease, platform)	Absorbed	Small by design	Not absorbed: no margin reserve
Effect of AI	Deepens the platform	Deepens the specialism	Commoditises the breadth
Ability to price the	Priced into outcomes	Priced directly	Given away to win

The middle is not a position. It is the absence of one, and the forces are removing it one agency at a time.

4.2 The evidence

The direction of the mechanism is visible in the benchmark and analyst data.

Forrester's 2026 predictions describe agencies moving from acting as agents to acting as "purveyors", owners and resellers, alongside the headcount reductions and principal-media forecasts cited in Section 3. On remuneration, Forrester's Jay Pattisall has warned that three in four agencies are absorbing the cost of AI-enabled work and only 6 per cent have been able to monetise it, and that the industry is at risk of mistaking efficiency for effectiveness.

The Wow Company's BenchPress survey of more than 800 UK independent agencies recorded, for 2024, the first fall in gross profit margin below 40 per cent in the survey's history among agencies with fee income above £1m, against a healthy benchmark of 50 per cent that fewer than a quarter achieved. Only 23 per cent held six months or more of overhead in cash, down from 29 per cent in 2022; a third made redundancies; and 58 per cent of owners were looking to sell. Its 2026 report finds profitability recovering, but notes that the gap between top performers and the rest is widening, that agencies "trying to be everything to everyone" face greater price sensitivity and lower margins, and that only 15 per cent of agencies use AI across the whole business. Its earlier finding is the one most relevant to this paper: the 17 per cent of agencies that described themselves as "very different" were twice as likely to achieve fast growth and high profitability.

On the cost of new business, the ANA and 4As Cost of the Pitch studies put the average cost to a non-incumbent agency at $204,461 per pitch, to an incumbent defending an account at

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$406,092, and to the client at $408,500, giving a total cost per review above $1 million. Forrester has separately estimated that US agencies spend up to 17 per cent of annual revenue chasing new business. The same bodies report that incumbents retain the business in roughly two-thirds of reviews and that a quarter of incumbents now decline to defend at all.

None of these sources describes the mechanism. Each records one of its effects: fewer people, thinner margins, less cash, a widening gap between the positioned and the unpositioned, and a new-business process that consumes a sixth of revenue to move accounts that mostly stay where they are.

4.3 Is your agency in the middle?

An agency is in the middle if most of the following are true.

- It offers three or more service lines and describes itself as full-service or integrated.
- Its largest client accounts for more than a quarter of fee income.
- Its gross profit margin is below 45 per cent and its operating margin below 12 per cent.
- It has less than four months of overhead in cash.
- Its strategy work is not separately priced and is routinely supplied in pitches.
- It has no proprietary technology, data or method that a client would pay for independently of its people.
- Its senior people are not present when the client's marketing budget is set.
- It would struggle to name the one thing a client would fly it in to do that no local competitor could.

Five or more is the middle. Eight is M&C Saatchi Australia in 2024.

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5. Three responses to the same forces

The compression forces are like persistent winds of change blowing through the industry. In the face of those winds, leadership responses fall into three categories, and eighteen months of observation have not produced a fourth.

Response	Characteristic behaviour	Outcome
The bunker	Doubles down on the existing model; treats AI and platform disintermediation as fads or as threats to others; trusts that reputation and relationships will hold; when pressed, retreats to the traditional core	Temporary protection. The forces do not stop; the bunker erodes from the outside while those inside feel safe
The leaf	Acknowledges the forces; talks transformation, opens an innovation lab, publishes thought leadership; leaves the operating model, talent strategy and organisation chart untouched	Travels a great distance and arrives directionless. Placates a board without changing a business
The windmill	Faces reality without minimising or catastrophising it; reimagines the business from first principles; invests ahead of demand; dismantles its own model before a competitor does	The only sustainable response, and the only one that requires giving something up

There are far too many bunkers, and the bunkers are the agencies being crushed. Not all at once. One at a time, in the order in which their largest client leaves. A bunker feels like safety from the inside, and in a mechanical environment that feeling is the most dangerous asset an agency can hold, because the forces are indifferent to it. M&C Saatchi Australia's retreat to its creative core was a bunker built from thirty years of reputation and the best creative brand in its market. It lasted eighteen months.

The technology to build a windmill is available to everyone. Cloud, models, data infrastructure: none of it is proprietary. What is scarce is the cultural foundation required to use it, and Section 7 returns to why.

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6. Leadership and structure

When M&C's closure was announced, Chris Hirst, the former global CEO of Havas, offered a nine-word verdict: "There's one reason agencies fail. And it's the quality of the leadership. Everywhere and always."

He is right, and precision about the sense in which he is right matters, because the trite reading of that sentence does real damage. The trite reading holds that agencies are saved by a charismatic figure who rallies the building, and that M&C would still be standing had it possessed one. That is one type of leadership. It is not what Hirst meant and it is not what this paper means.

Leadership, in the sense that decides an agency's fate, consists of four disciplines:

1. Building and maintaining a culture, before anything else.
2. Judging talent accurately, including one's own.
3. Assembling teams and leading them.
4. Executing strategy, which is hard for one reason: amid every distraction the market generates, the leader must keep choosing the right path, and choose it again the next day.

Read this way, structure and leadership are not competing explanations. The structure an agency has today is the accumulated record of a decade of leadership decisions: the fifth service line, the free strategy, the lease, the retreat. Each was chosen by capable people and each hardened into structure. M&C did not lack charismatic leaders. It lacked the unglamorous kind.

The consequence for this paper is that the diagnosis is mechanical and the remedy is human. The bifurcation is arithmetic and does not negotiate. What an agency does about it is a sequence of choices, and strategy is the art of choosing what not to do. Lessons 1 to 4 concern the choosing. Lesson 5 concerns why the choosing is so much harder than the seeing.

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7. The five lessons

Lesson 1. Choose your end of the road, then choose harder

The three chairs. The agency believes it is full-service because clients want one accountable partner, and for a decade that was true. The client now sees a roster line that could be replaced by three cheaper specialists and one in-house team, and a strategy function she has never had to pay for. AI has made breadth the cheapest thing in the building, because every competitor has the same tools on the same terms, while leaving depth, judgement, taste, category fluency and local cultural truth, as the scarce input, and scarcity is where price lives.

The analysis. The error M&C made, and that most agencies in its position make, is to hear "specialise" as "operate fewer departments". The agency closes four of five and keeps the one its founders love, and is left with a smaller generalist carrying the same overhead ratio and a weaker story. Nothing about the surviving department became superlative on the day the others closed, and the client can tell.

Specialism is a superlative, not a subtraction. It is being the best a client can reach at one thing, and the thing may take one of three forms:

- **A craft.** Production, brand identity, performance creative, experiential. The specialism is the quality of the output.
- **A category.** Fintech, healthcare, luxury, B2B software, government. The specialism is fluency in the client's business.
- **A culture and geography.** The definitive agency for a market or a community. The specialism is knowing what a consumer in that place actually believes.

The third form is the one twenty years of "the world is flat" taught the industry to forget, and it is the one most available to independents. The three fastest-growing channels in marketing, retail media, influencer and experiential, are local by nature. More than a hundred countries now have data-sovereignty laws requiring in-country storage. The "upload and trust the algorithm" model fails where the algorithms were not trained on the market. An agency that is unarguably the best at reaching a Vietnamese, a Gulf or a regional Australian consumer holds a specialism no network can buy cheaply and no platform can replicate. M&C had precisely that specialism thirty years ago, when it understood Australia better than any competitor. It traded it for five departments.

David Baker has argued for many years that positioning is the decision from which every other agency decision flows, and BenchPress's finding that the "very different" agencies are twice as likely to grow fast and earn well is the quantitative version of his case. What the client chair adds is the test: what would a client fly you in to do that nobody local could do? If the honest answer is "our relationships", the agency is in the middle. If the answer is a craft, a category or a culture, the agency should name it and then choose harder, cutting the work that does not serve it, including profitable work, because profitable generalist work is how the middle survives long enough to fail expensively.

The objection. Founders in smaller markets say there is not enough specialist demand to sustain a business. Sometimes the answer is the third form: in a small market, the culture is the specialism. Sometimes there is no geographic answer, and the honest conclusion is that

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the market can sustain only a few specialists and the mechanism is about to decide which. That is not an exception to the argument. It is the argument.

The decision. Name the one thing. Stop selling the others, and stop taking work that requires them.

Lesson 2. Recover the margin before it is needed

The three chairs. The agency believes the pitch is how the best clients choose and that strategy is the relationship and cannot be charged for. The client, in my experience of running reviews, learns something else from free strategy: that thinking is an overhead throw-in. If an agency's best minds will work for nothing for eight weeks to win an account, the account is worth less than eight weeks of its best minds, and every subsequent negotiation starts from that number. AI has made the pitch producible at close to zero marginal cost, which means the free strategy is now worth less to the client and costs the agency the same in senior attention. The client knows both facts. The agency usually knows only the second.

The analysis. The middle has no armour because its margin left through three doors, each of which was a choice.

The pitch. At $204,461 per non-incumbent pitch and $406,092 per incumbent defence, with two-thirds of reviews ending with the incumbent retained, the pitch is an expensive lottery in which the house usually keeps the account. The hard cost is the smaller part. The larger part is the opportunity cost of senior people not serving paying clients, and the risk taken on those clients while the agency chases the next one. Forrester's 17 per cent of revenue is the plausible total.

Free strategy. The holding companies built their scale in production and media buying, and to win and hold those engines they gave away everything else: growth strategy, consumer insight, the creative idea itself, priced at close to nothing and often at nothing. The independent generalist copied the model in miniature, giving away the half of the business that was valuable to protect the half that was about to be automated. One commenter on the M&C closure, Shirish Shetty, described the consequence exactly: giving away strategy in the pitch "trains clients to treat thinking as an overhead throw-in, guaranteeing you never get invited into the room where budgets get set".

The lights-on retainer. An agency in decline, out of good options, takes work at a low margin, then at no margin, then, to keep headcount busy, at a negative one. When the largest players in a market do this they reset the price of everything around them. They train clients, all over again, that the work is worth less. The disciplined agency did not lower its price; the desperate one lowered it for everybody.

Blair Enns has made the case against the free pitch, and for pricing the client rather than the service, for two decades, and the case is his. What the client chair adds is the observation that the outcomes-based model the industry keeps trying to write into contracts is already operating in plain sight. From the client's side, the agencies retained longest are not those that pitched hardest but those the client never had to think about replacing. The ANA and 4As report that average agency-of-record tenure has more than doubled since 2016, from 3.2

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years to roughly seven. The outcome being priced is trust; the payment is tenure; the penalty clause is the review.

The decisions.

Stop	Start
Pitching for business you would not want at the price you will be held to for three years	Applying the minimum standards every other profession takes for granted: a shortlist of three, a paid final round, a named decision-maker, a defined scope
Supplying strategy free in pitches and as an unpriced component of retainers	Pricing the idea, however imperfectly at first; an idea with a price is an idea the client must value
Measuring the agency on new business won	Measuring it on how little of its revenue is under review, and on tenure

The objection. A founder who cannot decline a pitch this quarter because payroll is on Friday is not making a free choice, and this paper does not pretend otherwise. The request is that the choice be made with the numbers in view: the hours the pitch will consume and the price the agency will be held to on winning. Most founders who run that calculation find that the pitch they cannot afford to lose is the one they cannot afford to win.

Lesson 3. Build armour

The three chairs. The agency believes it is lean, though rarely against a stated benchmark. The client sees concentration from the other side: a client who knows she represents forty per cent of an agency's revenue negotiates as though she does, and every account director knows it too. AI has made the fixed-cost base of a creative business optional in ways it was not in 2019; production, research, first drafts and layers of review can all be smaller, and an agency still carrying 2019 overhead in 2026 is financing its competitors' price cuts.

The analysis. Armour is three numbers an agency already has and rarely reads together.

1. **Fixed cost as a share of gross profit.** Overhead, rent, central functions and non-billable salaries, against the gross profit available to cover them.
2. **Client concentration.** The share of fee income from the largest client and from the largest three.
3. **Months of overhead in reserve.** Cash that could fund the business tomorrow if the largest client walked.

The following example is illustrative, constructed from the BenchPress benchmarks rather than from any single agency's accounts. Consider a sixty-person independent with £6m of fee income, a 40 per cent gross margin (£2.4m) and overhead of £1.8m, giving a 10 per cent

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operating margin. Its largest client is 30 per cent of revenue. It holds three months of overhead in cash, about £450,000.

The client leaves. Fee income falls to £4.2m. Billable staff cannot be released for a quarter or more, so gross profit falls to roughly £600,000 against overhead unchanged at £1.8m. The business is now losing £1.2m a year, or £100,000 a month, against £450,000 in the bank. It has four to five months before it cannot pay salaries, and every month of that time is consumed deciding whom to make redundant.

Compare a specialist of the same size with the same client loss. Its cost base is built around the craft, its next client for that craft is in the market, and its reserve is larger because it has never funded a pitch team. It has a difficult year. The generalist has a closing.

M&C Saatchi Australia's half-year is that example at scale: revenue down a third, staff costs larger than direct costs, A$8.8m of cash consumed in six months, and a reserve exhausted before the transformation was attempted.

The cuts an agency makes voluntarily are strategic. The cuts forced on it are desperate. The difference is not the cuts but who chooses them, and the condition of the survivors afterwards.

The decisions.

Number	Threshold to hold	Action if breached
Fixed cost as share of gross profit	Below 75 per cent	Reduce overhead ahead of revenue, not behind it
Largest client	Below 25 per cent of fee income; largest three below 50	Grow the second and third clients deliberately; price concentration risk into the largest
Months of overhead in reserve	Six or more	Fund the reserve before funding growth, pitches or premises

These thresholds are practitioner judgement, not survey medians. The test behind them is universal: can the agency lose its largest account and keep the ten people who matter most? If not, it is not lean. It is exposed and has not yet been hit.

The objection. Founders sometimes read "armour" as austerity and an instruction to gut the culture they built. It is the reverse. Armour is what buys the right to keep the people who matter when the account goes, instead of losing them in a redundancy round the agency did not choose. A culture that can exist only while the largest client stays is not a culture. It is a lease.

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Lesson 4. Take a position upstream, or accept being downstream

The three chairs. The agency believes it is a strategic partner. It is, in most cases, downstream of a brief someone else wrote, in response to a budget someone else set, about a question someone else decided. The client sees that most agencies arrive after the decisions: the budget was set in a finance review the agency never attended, the media allocation was made by a platform's recommendation engine, the brief is the residue. Once or twice in a career she meets an agency that changed the question before the brief was written, and she remembers it, because that agency was in a different business from the others. AI has made every agency faster at downstream work and almost none more upstream, because a position is not a capability; the Forrester figures of 75 per cent absorbing AI cost and 6 per cent monetising it describe that gap.

The analysis. The first of M&C's three failures was the absence of any upstream position. An independent cannot answer that as Publicis or Accenture does, with a proprietary platform, a first-party data asset and a systems-integration practice. If "upstream" is to mean anything to a sixty-person agency, it must mean two things that agency can do.

Owning the buyer's question. When a client demands three bids on a piece of production, most agencies supply all three, bid first, or route around the request. The better strategy is available and harder: teach the buyer. Raise the capability of the procurement function rather than route around it. Explain what a triple bid is for and what it is not, what a scope of work should contain, how conflicts should be managed and what a review actually costs. It takes longer, earns less this quarter, and is the only version that cannot be read as deception. An independent that teaches its clients how to buy what it sells is upstream of the brief without owning a line of code, because it has changed the question, and the ten agencies competing on the old question are downstream of it.

Using AI as a depth multiplier, not a breadth substitute. The temptation is obvious: the tools allow a forty-person agency to claim eight disciplines. That rebuilds the network in miniature at lower cost and ends the same way. The alternative is to direct every hour of machine time at the one thing chosen under Lesson 1, so that the specialism becomes deeper than any generalist can match at any price. AI compression moves from the execution layer upward, not from the strategic layer downward: production, buying and campaign management are automated first, and the layer above them, where judgement and design live, becomes more valuable. A specialist can move its whole business into the appreciating layer. A generalist cannot, because it has too many kinds of execution to redesign and not enough depth in any of them to climb out.

A discipline accompanies this, learned from pricing inference rather than reading about it. The question a serious buyer now asks any AI-enabled supplier is not "do you use AI?" but "show me your inference bill". Applied to an agency: if its AI costs nothing meaningful to run, it is not doing meaningful work; if it cannot say where in its process it has chosen not to use the machine and why, it has a subscription, not a position. A founder who can place both numbers in front of a client, what the machine costs and where the human judgement sits, is having a conversation none of her competitors can have. That is what upstream looks like at sixty people.

The objection. Capability bought is not position earned. A founder who has purchased the tools and is waiting for the position to arrive will wait indefinitely; every competitor holds the same subscriptions. What they do not hold is the question the agency decided to own and the discipline to point the machine at it.

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The decision. Choose one buyer question to own this year, build the teaching material for it, and redirect AI investment from breadth to the chosen specialism.

Lesson 5. Knowing is easy. Doing is hard.

In thirty years across the three chairs I have not met a senior agency leader who did not know what needed to be done. The diagnosis is not scarce. Every founder reading this could have written Lessons 1 to 4, and most have, in an offsite, on a whiteboard, in a plan that was agreed and then not executed.

Seeing what needs to be done is easy. Doing it is very hard. That is the paper's finding, not its encouragement. M&C Saatchi Australia had the diagnosis; the industry had been describing its predicament for years and the people inside it had known for longer. It chose the bunker anyway. The reason is the subject of this lesson, which is the one part of the paper that does not rest on any prior work but this author's own.

The three chairs. The agency believes it knows what to do and is waiting for the market to turn. The market has turned; what remains is doing. The client can tell within a quarter whether an agency's leadership changed the deck or changed the building, from who attends the meetings, who has been promoted and whether the thing the agency said it was becoming is what walks through the door. AI has changed nothing about the disciplines below and everything about the speed at which their absence is exposed.

The four disciplines.

A. Culture, built rather than declared. Culture is not what is said at the all-hands. It is what is rewarded. The self-check takes five minutes: list who was promoted in the last four quarters and what each is known for. If the list is full of people who win pitches and rescue crises, the agency has built a culture that will pitch and rescue its way into the middle regardless of the strategy. If it is full of people who have gone deep on the thing chosen under Lesson 1, the culture is already ahead of the strategy. The promotion list is a more reliable diagnostic than any consultant.

B. Judging talent, including one's own. When an agency chooses its end of the road, some of its people can do the specialist's work and some are there from loyalty to the agency it used to be. Founders judge talent through affection, because the people were present at the beginning, and affection is why four departments stay open long after the strategy said to close them. The judgement must include the founder. If the thing the agency has chosen to be best at is not the thing the founder is personally best at, the leadership of the work belongs to someone else, and the founder's role becomes making that possible. Many founders would rather run a smaller generalist than accept that sentence, and that preference is how the middle stays populated.

C. Assembling teams around purpose rather than identity. Leadership operates at three levels, leading oneself, designing the team and changing the system, and the third fails

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where the first two have not been mastered. The distinction that decides this discipline is between purpose and identity. Purpose is essential. Identity derived entirely from the business is a trap, and it is the specific trap that makes Lesson 1 impossible to execute: the founder who cannot separate what the agency is for from who she is cannot close four departments, because the departments are the self, and the team she assembles will be one that protects the self. A windmill is built by someone who can bear to demolish the bunker they live in.

D. Executing strategy amid distraction. Strategy is the art of choosing what not to do, and the part rarely said is that the choosing is not a single act. It is daily. The pitch that arrives on a Tuesday. The client who asks whether the agency could handle the social as well. The award, the conference, the acquirer who takes the founder to lunch. Each is a distraction with a good reason attached, and the agencies that end in the middle are led by people who said yes to a thousand good reasons. The free strategy, the fifth department and the retreat to the creative core were not chosen in an offsite. Each was a failure of not-doing, on an ordinary afternoon, by a leader who knew better.

These four disciplines are the whole difference between the bunker and the windmill. Not vision, not charisma, not a better strategy document; the documents are all the same. The bunkers are being crushed one at a time by a mechanical force, and the leaders inside them could, almost without exception, have described in advance exactly what was going to happen. What they could not do was the four things above, on the days it was hard, for long enough for structure to change.

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8. The scorecard

The scorecard converts the four disciplines into evidence a founder can gather in an afternoon. No label attaches to the result; the value is in the pattern across the four.

Discipline	Evidence to gather	The question
Culture	The promotion and bonus list for the last four quarters	Does it describe the agency you say you are becoming, or the one you used to be?
Talent	A list of the people who can do the chosen specialism at the level required, and those who cannot	Have you decided what happens next for the second list, and is your own name on the right one?
Teams	A one-sentence statement of what the agency is for, written without reference to its founders	Could a stranger read it and understand the business? Could you read it without flinching?
Execution	Everything the agency declined in the last ninety days	What did you say no to that a good reason argued for? If the list is empty, the strategy is not being executed

Four honest answers say more than any benchmark, because benchmarks describe where the middle is and these describe whether an agency is leaving it.

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9. Recommendations

The following sequence assumes a founder who has read the paper, applied the Section 4.3 test and found herself in the middle. It is ordered by dependency: each step makes the next possible.

Within thirty days: decide.

- Name the one thing (Lesson 1). Write it in a sentence a client would recognise and a competitor would find hard to copy.
- Produce the three armour numbers (Lesson 3) and compare them with the thresholds.
- Complete the scorecard (Section 8), alone, before showing it to anyone.

Within ninety days: stop.

- Close the pitch pipeline to anything outside the one thing, and adopt the minimum standards for anything inside it (Lesson 2).
- Price strategy separately on every new proposal, and begin the conversation with existing clients whose retainers include it unpriced.
- Reduce overhead ahead of revenue where the fixed-cost ratio is breached, choosing the cuts while they are still a choice (Lesson 3).

Within a year: build.

- Redirect AI investment from breadth to the chosen specialism, and be able to show a client the inference bill and the human judgement it protects (Lesson 4).
- Choose one buyer question to own and build the material that teaches it (Lesson 4).
- Rebuild the reserve to six months of overhead before funding any expansion (Lesson 3).
- Re-run the scorecard and compare the promotion list with the one from a year earlier (Lesson 5).

Every recommendation is a decision about what to stop. That is deliberate. The agencies that will still be trading in five years are not the ones that discovered something the others did not know. They are the ones that stopped doing what everyone knew they should stop doing, and kept stopping.

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10. Conclusion

M&C Saatchi Australia was not destroyed by a bad quarter, a lost pitch or a single leadership failure. It was taken apart by a mechanism its leadership understood and chose to meet with a bunker. Thirty years of reputation and the most protected market in the world for a generalist did not slow the mechanism by a month.

The five forces acting on the independent generalist, the budget ratchet, consolidation, in-housing, disintermediation and AI, are mechanical, ruthless and relentless, and they are acting on every agency this paper is addressed to. They will not pass, and they cannot be outlasted. What they are not is mysterious. The diagnosis is available to anyone who wants it. What separates the agencies that survive is the capacity to act on a diagnosis they already hold, which is to say the four disciplines of leadership in its unglamorous form.

Strategy is the art of choosing what not to do. The only question that matters is not what an agency should do next. It is what it is prepared to stop doing, starting tomorrow, and whether its leadership can keep that decision on the days when every good reason argues against it.

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Justin Billingsley is co-founder of Simbioniq and author of the Brandflow newsletter, read twice weekly by senior marketing leaders. He spent nearly twenty years client-side at Unilever, Coca-Cola, Nokia, Orange and more recently Nomad Foods, and thirteen years at Publicis Groupe, seven of them on its Management Committee. The views expressed are his own.

justin@justinbillingsley.me

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