Building Defensibility: 5 Moats Separating Top Ad Agencies From the Rest

Ad agencies are undergoing one of the most significant shifts in decades, driven by consolidation, new technology and evolving client expectations. This edition of L.E.K. Consulting's *Executive Insights* is Part 2 of our series on the agency landscape. In Part 1,[1] we outlined four consolidation models reshaping the industry, from holdco mergers like IPG-Omnicom[2] to private equity (PE) rollups and focused specialists. Each reflects a different strategic response as platforms like Google, Meta, Amazon and Walmart Connect take a greater share of digital ad budgets and as consultancies move deeper into marketing.
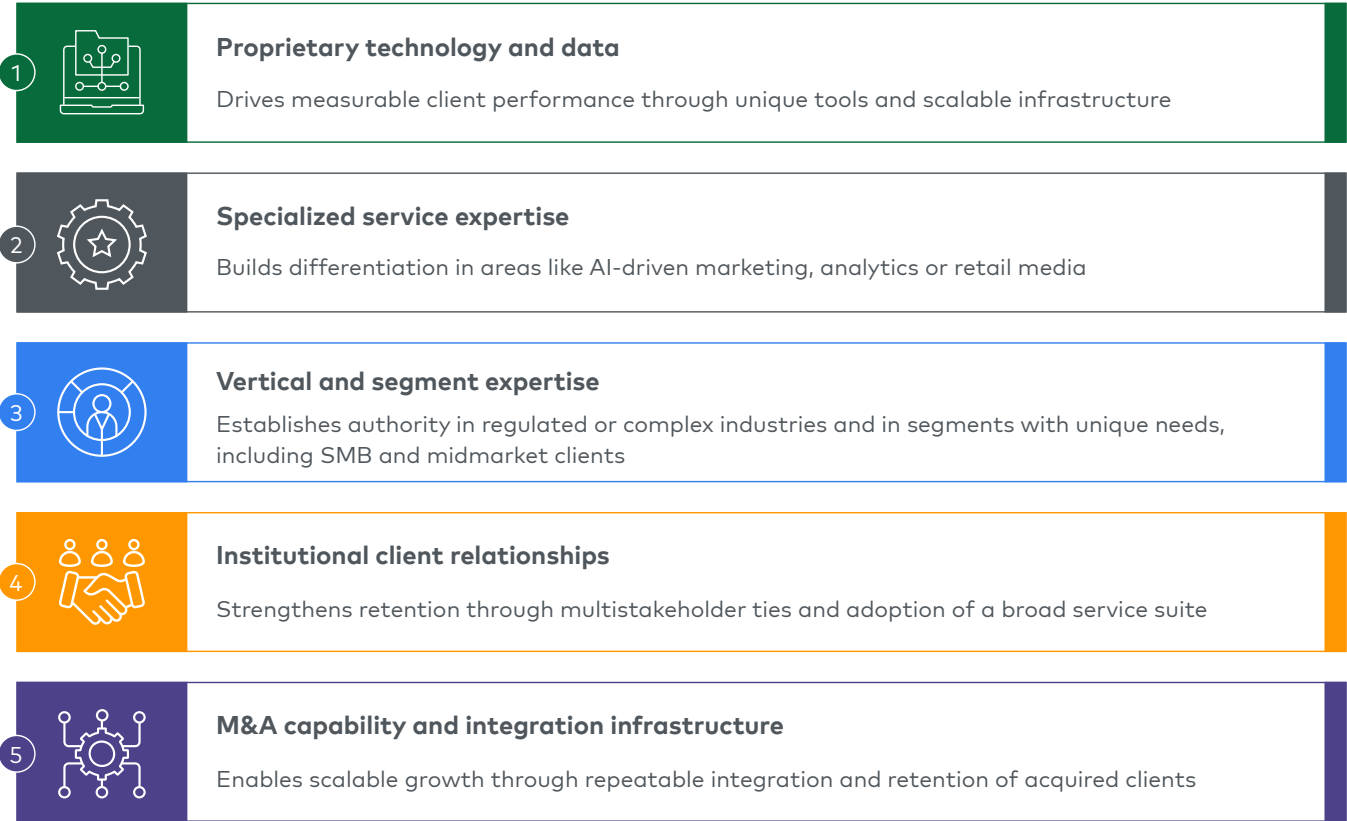
Still, consolidation alone doesn't determine competitive advantage. As artificial intelligence (AI) commodifies creative work and narrows execution differences, agencies need moats that can't easily be replicated. The real question is, what makes an agency's position defensible?

Our work with agency operators and investors has revealed five key protective moats that agencies build to create a long-term advantage (see Figure 1). Read on for a closer look at each.

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Figure 1

Leading ad agencies build defensibility across five moats that reinforce one another
to drive long-term performance

Five competitive moats of leading ad agencies

1 **Proprietary technology and data**

Drives measurable client performance through unique tools and scalable infrastructure

2 **Specialized service expertise**

Builds differentiation in areas like AI-driven marketing, analytics or retail media

3 **Vertical and segment expertise**

Establishes authority in regulated or complex industries and in segments with unique needs,
including SMB and midmarket clients

4 **Institutional client relationships**

Strengthens retention through multistakeholder ties and adoption of a broad service suite

5 **M&A capability and integration infrastructure**

Enables scalable growth through repeatable integration and retention of acquired clients

Note: AI=artificial intelligence; SMB=small and medium-sized business
Source: L.E.K. research and analysis

1. Proprietary technology and data

The most durable moats are built on technology infrastructure that competitors can't easily
match. Relying solely on off-the-shelf tools rarely creates meaningful differentiation.

WPP, the holding company behind GroupM, Ogilvy and VML, increased its investment in WPP
Open, its AI-powered marketing operating system, from £250 million in 2024 to £300 million
in 2025. The platform helped secure major wins including Amazon and Unilever.

PMG's proprietary marketing operating system, Alli, is the result of a long-term technology
investment and now manages $6 billion in media spend annually. It consolidates data from
more than 30 sources per client and automates campaign optimization and creative analysis
through AI.

The question for evaluating an agency's tech moat isn't whether they use AI but rather: Does the agency possess proprietary tools that enhance client performance in measurable ways? Can these capabilities scale without proportional increases in headcount?

2. Specialized service expertise

Capabilities in AI-enabled marketing automation, analytics tools, performance media (retail media, CTV) and influencer or social commerce are attracting strong buyer interest[3] in M&A.

Accenture Song's August 2025 acquisition of Superdigital[4] added deep expertise in short-form video and influencer partnerships. Previsible's July 2025 acquisition of Internet Marketing Ninjas[5] brought legacy SEO and authority-building capabilities to its AI-native search platform. These specialized service capabilities enable differentiation and premium positioning in competitive categories.

3. Vertical and segment expertise

Agencies that specialize in serving clients in specific industry verticals or client segments tend to build stronger and more durable client relationships than generalists do. This focus enables agencies to deliver not only creative solutions but also industry insight, compliance precision and a deep understanding of the client's priorities, all of which drives trust and retention.

In complex and highly regulated verticals, such as finance, legal and healthcare, specialization creates defensibility and differentiation. Agencies that have deep institutional knowledge and are compliant with regulatory frameworks and data privacy requirements are better equipped to command premium pricing and repeat business.

For example, in 2023, Amulet Capital Partners and Athyrium Capital Management formed Unlock Health[6] through the merger of Eruptr and DECODE. The result is a $500 million healthcare marketing platform, illustrating how vertical focus strengthens defensibility and consolidation value.

The same principle applies to client-size segments. Agencies that serve small and medium-sized businesses (SMB) or midmarket clients can tailor offerings to limited budgets, faster decision cycles and hyperlocal targeting. Companies such as Scorpion, Thrive Digital and Hibu have built strong positions with regional SMB clients by packaging digital marketing, lead management and reputation services into scalable, high-retention programs.

For additional perspective on how digital-first strategies are redefining defensibility in marketing, see our recent piece "Is Your B2B Marketing Strategy Obsolete? Here's How Leaders Stay Ahead."[7]

4. Institutional client relationships

Are client relationships institutional, rooted in the agency's broader capabilities or dependent on a small number of individuals whose departure could jeopardize the account?

Top-performing agencies with deeply institutionalized relationships can reach client retention rates near 97%, while others struggle with constant churn. This directly influences valuation. Agencies selling at premium EBITDA multiples of eight to 12 times often demonstrate low client concentration[8] and relationship longevity averaging around 22 years.[9]

Defensibility increases when relationships are spread across multiple stakeholders, often across multiple business units or brands, and supported by a broad suite of adopted services. Agencies embedded in several teams through strategy, creative, media, analytics and technology work are far harder to displace than those limited to a single service line.

In contrast, relationships concentrated among a few senior leaders or tied to one niche offering are vulnerable to disruption, price pressure and internal shifts within the client organization.

5. M&A capability and integration infrastructure

The ability to successfully acquire and integrate other agencies has become a valuable moat.[10] Consider successful exits: Croud completed five strategic acquisitions during its PE hold period, carefully staged over two years. Two Circles made three acquisitions within its first year. Both achieved strong exits because the acquisitions delivered material value.

Compare this with the broader market reality: Bolt-on acquisitions dropped 40%[11] year over year in 2024, with more than a quarter of PE-backed firms (27%) now adopting organic-only growth strategies, often due to harsh lessons from botched integrations.

Agencies with genuine M&A capabilities demonstrate:

- Documented integration playbooks covering day-one operations through team and process integration
- Financial and operational systems built to absorb acquisitions without disruption
- Track records with measurable retention rates after acquisition

Without these capabilities, acquisitions fail to create the intended defensibility.

Implications for investors and agency leaders

Few agencies excel across all five dimensions, but those that lean into their strongest moats tend to build the most durable positions. We've outlined several key factors for investors and operators to consider when evaluating the defensibility of their company's or a target's market position.

For investors:

- Prioritize targets with at least two demonstrable moats backed by quantifiable metrics, not just claims in pitch decks.

- Assess moat durability under current market pressures. Is proprietary tech actually delivering measurable performance advantages, or is specialized expertise eroding as platforms democratize the capability?

- Evaluate transferability through ownership transitions. Client relationships dependent solely on the founder won't survive the sale, regardless of earnout structures.

For operators:

- Audit current positioning against all five moats quarterly. Identify which dimensions are strengthening versus eroding.

- Choose battlegrounds deliberately. Becoming exceptional at service expansion requires different investments from those for building proprietary technology.

- Document institutional knowledge aggressively. The difference between a personal relationship and an institutional one is whether the departure of your top client lead would trigger account reviews.

Navigating today's agency landscape takes perspective and experience. L.E.K. brings together advertising industry veterans who have advised many of the world's leading agencies. We help investors and operators evaluate M&A opportunities, assess competitive moats and build defensible growth strategies. Learn more about our **media industry expertise** or **contact us** to discuss how we can help.

Endnotes

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