

## DM Quarterly Review, M&A Activity Show Signs Of Movement

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Consumers may not feel as though their wallets are getting any fatter, but a few sectors within the direct marketing community are exhibiting signs of health. Petsky Prunier's assessment of the past month's merger and acquisition activity is above August 2009's level, while the Direct Marketing Association's Quarterly Business Review shows increases in spending on a variety of digital channels.

During August 2010, marketers struck a total of 57 deals worth approximately \$2.6 billion. This was a 30% increase over August 2009's level -- and a doubling of the value of the deals seen a year ago.

"The pickup is tied to two factors, Petsky Prunier partner Michael Petsky told Direct Newline. Strategic buyers who sat on the sidelines until early 2010 are not satisfied with single-digit organic growth. They've done their cost cutting and they've been hoarding their cash." Now, said Petsky, they are fulfilling mandates to accelerate growth through acquisition.

Petsky added that another key factor in the increase in in mergers and acquisitions is the emergence of private equity companies as players. "They are out there with money to spend, making it competitive for the [marketing service firms who are acquiring for specific strategic reasons]."

Of late, the money has overwhelmingly gone to digital acquisitions. For the second month in a row, there were no acquisitions involving traditional marketing services. "M &A interest is in digital, interactive, and social and mobile," Petsky said.

This reflects the Direct Marketing Association's findings within its most recent Quarterly Business Review. According to those findings, marketers are shifting their focuses to digital channels, and concurrently are getting more optimistic about future profitability.

"Since the recession in 2008, marketers have been able to maintain profits mostly by vigilantly cutting costs," Yoram Wurmser, director of research for the DMA said in a statement. "Marketers in Q2 finally have enough faith in their future profitability to start spending again, albeit cautiously. The rise of spending suggests the economic rebound that started in late 2009 has continued steadily. This spending is due in large measure by improved data analytics and confidence in new media channels, two factors that will be instrumental in future success and an economic recovery."

"It's now clear that the digital revolution -- driven by the maturation of online marketing channels such as search, display advertising and e-mail -- is leading the recovery effort," said Jonathan Margulies, a director at Winterberry Group, in a statement. "We absolutely expect to see more marketer emphasis on data, technology and other critical 'digital drivers' in subsequent periods." Winterberry, a sister organization to Petsky Prunier, assisted the DMA with its study.

Slightly over half of both marketers and suppliers surveyed indicated that second-quarter 2010 profitability improved over the previous quarter, as well as that of second-quarter 2009.