

# Analysis of Focus Media's Acquisition of Target Media

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**Abstract.** As a matter of fact, building video advertising is one of the common advertising methods for companies and organization in recent years, especially in China. With the rapid development of the economy and information boosting, building video advertising has been affected strongly and lots of companies choose to merge. With this in mind, this paper selects the case of Focus Media's Acquisition of Target Media to analyze the impacts. After the acquisition of Focus Media, Focus Media's commercial building network will cover nearly 75 cities in China, more than 30,000 buildings, and more than 60,000 displays, thus monopolizing the Chinese building video advertising, and can reach more than 100 million urban mainstream consumers every day. Focus Media's market share after the acquisition of Target Media is now 98% of the whole industry. This consolidates Focus Media's absolute leadership in the industry. According to the analysis, corresponding suggestions and implications are proposed at the same time.

**Keywords:** M&A; Focus Media; Target Media.

## 1. Introduction

Building advertising is a form of advertising targeting residents of a specific building or neighborhood. Its industry background can be traced back to the 1990s when it originated in the Western market [1, 2]. With the development of China's economy and the acceleration of urbanization, building advertising gradually penetrated the Chinese market. In the early 2000s, because of the large-scale popularization of the Internet and the advancement of digital technology, digital media attracted a large number of consumers through its convenience, real-time and interactivity, and information technology to bring accurate advertisement reach, cross-media tracking, marketing effect correlation, refinement of the evaluation, fast real-time operation and so on, which reversed the traditional advertisement theoretical evaluation and operation, and was favored by the advertisers. Building advertising is also developing in the direction of digitalization. These advertisements are mainly presented in digitalized forms (e.g., LCD screens LED screens). From 2010 to the present, along with the continuous development of artificial intelligence and big data technologies in the market, building advertisements has also become more intelligent. These advertisements use more intelligent big data algorithms to precisely place different advertisements. Nowadays, building advertising has become an important part of China's advertising market, and its scale is still gradually expanding, in the future, with the general development of artificial intelligence, building advertising will be more intelligent. Personalization. Therefore, the research object of this paper is Focus Media and Target Media, Focus Media was founded in 2003, is the leading digital group in China, and has a strong ecological network and audience. Founded in 2006, Target Media is one of the largest digital outdoor advertising operators in China, with operations across the country. The research builds on the backdrop of Focus Media's industry-leading position following the December 2015 announcement of its acquisition of Target Media. The mainstream research is currently focused on the impact of Focus Media's acquisition of Target Media on Focus Media and ways to achieve industry leadership after the acquisition. The case study of this company was chosen to be analyzed as it has been an industry leader since 2005 until now.

## 2. Types of M&A and the Necessity under the Digital Environment

According to an advertiser marketing trend survey by CTR market Research company, in 2019, the proportion of advertisers' budget allocation to mobile Internet has reached 30%, and together with PC Internet, digital outdoor, OTT, etc., digital advertising has accounted for 53% of advertisers' budgets. Digital media is already taking a bigger share of advertisers' budgets than traditional media. So digitalization is an inevitable trend.

A sketch of the types is shown in Fig. 1. Corporate merger and acquisition is an act of acquiring property rights of other legal persons at the cost of a certain economic way, which is a basic form in the capital operation and management of enterprises. It is divided into horizontal mergers and acquisitions, vertical mergers and acquisitions and mixed mergers and acquisitions. Horizontal merger and acquisition refers to mergers and acquisitions between enterprises that belong to the same industry or industry or whose products are in the same market. Horizontal mergers and acquisitions can expand the production scale of similar products, reduce production costs, eliminate competition and increase market share. Vertical merger and acquisition refers to the merger and acquisition behavior between enterprises whose production process or business links are closely related. Vertical mergers and acquisitions can speed up production processes and save transportation, warehousing and other costs. Mixed merger and acquisition. Hybrid mergers and acquisitions are mergers and acquisitions between companies that produce and operate products or services that are not related to each other. The main purpose of mixed merger and acquisition is to spread the business risk and improve the market adaptability of enterprises.

Under these mergers and acquisitions, focus media and mass media mostly exist in horizontal mergers and acquisitions. According to the analysis of the reasons for mergers and acquisitions of advertising companies: Companies with large data resources and professional services should be prioritized as M&A targets, while technological change has led to a vertical division of labor in the advertising industry, resulting in the emergence of a number of companies specializing in digital creation, which have unique advantages in content production, software acquisition, traffic integration and management. At the same time, advertising companies need to build their own digital transaction ecosystem based on industrial chain mergers and acquisitions. At this stage, the digital advertising industry chain is developing towards both technology and data capabilities, creativity and content control. Therefore, advertising companies should no longer be limited to a single industry chain, but to form a model covering the whole industry chain, enhance their overall service ability, and obtain the right to speak in the market. Therefore, under the digital development, the advertising company of mass media has more advantages in acquisition, and acquisition is a necessary behavior to improve market share and adapt to the development of The Times [4].

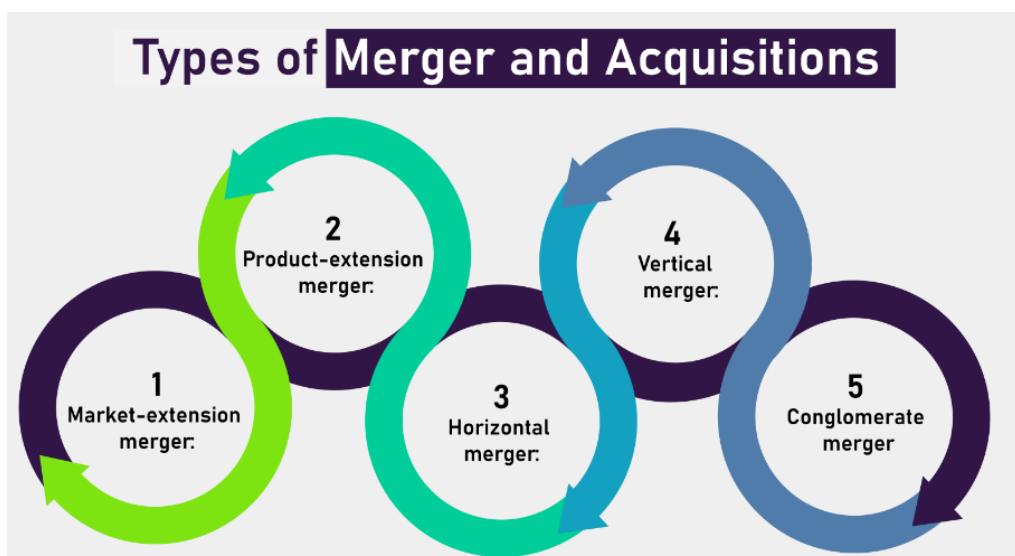


Fig 1. Types of Merger and Acquisitions.

### 3. Analysis of Motivations

In the process of scientific and technological progress, digitalization has become the inevitable choice of all walks of life, and advertising companies are no exception, becoming a digital advertising company is an inevitable choice. First of all, we think there are two reasons for the merger of digital advertising companies. First, in the process of digitalization, different companies have different processes. Some companies have successfully transformed, but others have not successfully transformed, or the benefits of the companies have been poor after the transformation. For example, in the two companies analyzed in the case, the degree of digital transformation of mass Media is significantly higher than that of Focus Media. From the perspective of economics and marketing, the total resources are limited. In the limited market share, the inferior party will always be eliminated, and a piece of cake will always be insufficient. Therefore, it is inevitable for advertising companies to merge under the digital transformation. Second, the merger of advertising companies under the digital transformation is also a mode of enterprise upgrading. Advertising agencies facing transformation under digitalization will also face a variety of instability before and after the transformation. As a corporate strategy, mergers and acquisitions can rely on capital operation to obtain a large number of external resources in a short period of time and achieve extraordinary rapid development. At the same time, after these external resources enter the company, there are often conflicts and contradictions in technology, business, customers, organizational structure, corporate culture and other levels, which become the hidden concern of enterprise operation after the merger, which requires the company's management to re-optimize the allocation of resources from the enterprise strategy and daily operation level [5].

### 4. The Choice of M&A of Advertising Company under Digitalization

Under the continuous development of technology, digitalization is gradually popularized in various industries; and the use of digital production and services has become a trend of The Times. Take advertising companies as an example, the use of information analysis has given birth to targeted advertising, information flow advertising, native advertising and other accurate and interactive features of new advertising forms; The advertising programmatic trading mechanism of DSP (demand-side platform), SSP(supply-side platform), DMP (data management platform) and AD Exchange (advertising trading platform) is becoming more and more mature, and can realize intelligent advertising delivery and reconstruct the advertising chain with the help of RTB (real-time bidding), consumer big data portrait and other technologies. In addition, the merger of advertising companies will generally follow the following steps:

Select professional companies with big data resources and service capabilities as M&A targets.

Build its own digital business ecosystem based on industry chain mergers and acquisitions.

Business integration and operation synergy become the key to ensure the performance of M&A.

For building TV media, the commercial building media market is close to saturation, we must find a new breakthrough, i.e., to find a new resource, to open up new markets [6, 7]. Therefore, when choosing merger and acquisition companies, Juzhong Media also analyzed according to these three steps, mainly integrating resources after merger and acquisition, stabilizing the market, occupying the industrial chain of the building market, and improving its digital business ecosystem [8-11]. After that, it is easy to earn more profits.

### 5. The Reorganization Strategy after the Merger

The integration is the most important part to ensure the smooth merger of two companies and achieve synergies, and the integration process involves many aspects, including strategic planning, organizational structure adjustment, human resources integration, business process coordination and so on. After the merger and acquisition of the two media companies, it is necessary to integrate the resources of human organization and so on. Allocate resources.

In terms of culture, in the integration process, new organizations can often adopt the "3I strategy" to bridge cultural differences, and then promote cultural integration through the "IASD model" (seen from Fig. 2). The so-called "3I strategy" refers to: (1) information strategy, that is, to convey their concerns to employees of both sides, especially employees of the acquired enterprise, through rapid and open communication; (2) involvement strategy, that is, senior managers of the acquired enterprise are involved in the integration planning and implementation; (3) Integration (integrity) strategy, the senior managers of the enterprise to be acquired and the senior managers of the enterprise to be acquired are treated equally and give the same respect.



Fig 2. 3I strategy.

After cultural conflict and management, the two cultures will gradually merge. The integration of corporate culture can choose four modes: (1) integration mode, that is, under the premise of thinking that the "other culture" is very attractive but not willing to accept it at all, through two-way penetration and compromise, the formation of a mixed culture inclusive of both cultural elements; 2) The assimilation model: under the premise that the "other party's culture" is attractive and one is willing to accept it, the culture of the acquirer usually replaces that of the target company, and the target company is assimilated into the other party completely. (3) separation mode, that is, on the premise that the "other culture" is not attractive at all and is not willing to accept it, limiting the contact between the two sides and maintaining the independence of the two cultures; (4) deculturation mode, that is, when the employees of the acquired enterprise abandon the original values without cherishing them, and at the same time do not agree with the culture of the acquired enterprise, the cultural and psychological bonds between the employees will be broken, and the values and behaviors will become chaotic, and cultural reconstruction is needed at this time.

## 6. Conclusion

To sum up, in terms of human resources, two-way communication between employees and managers should be carried out to deal with the pressure brought by the change of roles. In addition, the new organization can negotiate and clarify the organization's expectations for employee roles through one-on-one discussions between managers and employees. In view of the pressure brought by the change of organizational culture to employees, the merged new organizations, as they are all advertising companies, mostly share the same corporate culture, but there are subtle differences, so it is necessary to make reasonable adjustments according to the ideas of employees.

## Author Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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