



## Bucking the trend: a rosy outlook for marketing, technology and communications M&A

It seems that the global economy is on either shaky foundations or its last legs, depending on which news programme you watch.

Normally, macro-economic circumstances that unstable would slam the brakes on all M&A activity, but the truth is that our industry is still very active - both in the small to medium end of the market as well as among the large players.

So why is this? In essence, there has been a fundamental shift in the marketing communications and technology worlds; they are increasingly meeting to form a new landscape - a complex online and social marketing environment that the Boards of many companies are still figuring out how to make work for their brands. This means that new models are constantly needed to engage with their audiences.

As always, change means opportunity.

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# Bucking the trend: a rosy outlook for marketing, technology and communications M&A

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The current paradigm of change is driven primarily by digital technology and its adoption, so that marketing services companies need to retool or reshape their businesses to compete appropriately in this new world. It also means that for those with an entrepreneurial mindset there are opportunities to create completely new types of businesses.

Start-ups that blur the boundaries between marcoms and technology and whose style is not cramped by the old order mindset are seizing the agenda.

This melting pot of disciplines and business sectors is driving healthy M&A activity despite the uncertain global financial situation. Furthermore, this trend will continue as players are pushed on by a desperate need to simplify and consolidate the marketing communications and technology landscape.

New technology has given consumers more choice of media and ways to interact with each other and with brands than ever before. Audiences are spread far and wide and are often interacting with brands in places that are completely unfamiliar to marketers.

A plethora of systems has been developed to help identify this increasingly fragmented customer base, simply heaping confusion upon confusion. It's an unfamiliar and frankly frightening world, where the consumer appears to have seized control of the brand agenda, whether wittingly or otherwise.

Anything that can cut through that mist is beneficial, and it is this factor that is driving active buyers to maintain their level of M&A activity in a bid to offer the right services to the market.

However it's not all about digital: print media may have been eviscerated but, perhaps counter-intuitively, television is going well at present. It possesses a level of agreeable simplicity in a fraught market and still offers considerable viewer engagement, particularly due to a behaviour change with consumers watching television at the same time as using a tablet or smartphone. Getting similar levels of appreciation and engagement online is hugely

complex and difficult, even though you can be more selective and more accountable.

Those at the forefront of this maelstrom of change know that it represents a fundamental shift, a massive but essential retooling of an entire industry that must be undertaken if it is to prosper in the future.

Even as the current players realise they need to reshape their businesses to compete effectively, smaller niche digital businesses are doing an excellent job of stealing their dinner.

The crucial factor here is the flow of money needed for the M&A activity to continue. Despite all the financial trauma afflicting global markets, there is still sufficient capital in the system. The widespread cost cutting programmes embarked on in 2008 mean that many large buyers have accumulated significant amounts of cash, while the private equity sector has billions of dollars that needs to be invested somewhere.

Competitive bidding is ensuring that deals for the right companies remain strong. Still, thanks to the ferment, the marketing services/technology sector - is where it's all happening.

On the one hand, online advertising technology is burgeoning, social networks and mCommerce are big news and some big 'pure technology' players are migrating into the marketing communications space.

On the other, TV is still doing well, there's plenty of capital to keep things liquid and the market has strong fundamentals.

Here at Results International we have been talking about this potential shift in the market for 15 years, but the levels of activity right now are even greater than we anticipated. We expect this to remain the case for the next 18 months and possibly longer.

If you would like to discuss this article, please contact Angela Lurssen at [alurssen@resultsig.com](mailto:alurssen@resultsig.com)

## In the hot seat



**Phil Gripton**  
UK Managing Director  
bigmouthmedia

**Q: Your biggest challenge to date?**

**A:** Maintaining growth through the worst recession we have seen in my lifetime coupled with a merger of two businesses. Exciting but challenging!

**Q: A perfect day?**

**A:** Watching Newcastle United beat Manchester United 5-0 - it doesn't get better than that!

**Q: Most profound quote?**

**A:** "Leadership is about giving people the leadership they need, not the leadership you want to give them." John Pluthero.

**Q: Best project you've worked on?**

**A:** Back in my telecoms days - winning the Freeserve Contract in 2002, it was 11 months work for my team of 98 people (lots of late nights and weekends) resulting in us signing a £650m contract - fantastic team effort.

**Q: Your best characteristics?**

**A:** My work ethic, combined with my ability to get the best out of my teams and people.

**Q: Favourite film?**

**A:** Glengarry Glen Ross - legendary movie.

**Q: Your favourite media?**

**A:** It has recently become "Social". I am a "Flipboard" convert, voyeurism has taken on a new dimension making content so easy to manage in one place.

**Q: Rainy day objects?**

**A:** iPad, Sonos & Spotify - hours of entertainment.

**Q: Office mascot?**

**A:** Alan Shearer poster (there's a theme here).

**Q: Best advice given?**

**A:** If something is worth doing, it's worth doing well.

**Q: Goal for 2012?**

**A:** Grow the business above market trend and bring to bear market making additions to our portfolio of services.

**Q: Your final word?**

**A:** We are here for a good time not a long time!

[www.bigmouthmedia.com](http://www.bigmouthmedia.com)



# 2011 Review

At Results International back in January last year we had a sense that 2011 was going to be hectic, but it would be fair to say that none of us correctly forecast just what a busy and fascinating 12 months it would be.

Each year, defining "marketing services" as an industry becomes progressively more complex as its boundaries expand, blur and mesh with technology and media. The year of M&A activity that has just closed bears testament to the phenomenal change that is gripping the landscapes of media, brands, communications and the marketing services that unite them.

Certainly at the start of the year few would have predicted the perilous current state of so many major national economies or the highly volatile financial markets on which M&A transactions rely. More surprisingly to many, however, the continued multiple national economic crises and political turbulence have not yet shown any signs of throwing marketing services M&A off-track. In the conflict in investment decisions between the need for caution in a difficult climate and the need for innovation in response to the irresistible change in media and technology, it appears that at least for the time being the latter is prevailing over the former.

We have seen M&A activity become more polarised during the year, with high quality businesses attracting strong interest and excellent transaction terms; whilst companies perhaps outside the top quartile of their sector fail to gain any significant interest at all, when in a more benign market we would expect good sale prospects for them. Still, this leaves marketing

services M&A as one of the true bright spots of the investment industry today.

Asked what trends can be banked on in any given year - relative to the general market conditions - the M&A activity patterns of the major international marketing services networks remain one of the safest bets and have been one of the most consistent and defining features of this industry for decades. Other than the transformative sale by Aegis of Synovate to IPSOS, the normal pattern of high volumes of acquisitions of class-leading independents by these serial acquirers has continued to be a dominant theme.

The second quarter saw two highly commented on transactions; the acquisition of US digital marketing agency, Rosetta, by Publicis and the acquisition of Germany's leading independent group, the private equity backed Commarco, by WPP. Publicis' third quarter acquisition of leading Brazilian agency DPZ is another highlight. The year as a whole, however, has featured these two acquirers in particular as part of their quest for ever greater digital expertise and drive to shift the concentration of their revenues away from mature Western economies to the faster growing economies of the East and South America.

This piece is a look back rather than a look forward, but other M&A highlights of 2011 inevitably signal gathering momentum on other fronts that will surely be highly influential in 2012.

2011 has seen the reconfirmation of the importance of private equity investment in the industry. Gone are the highly leveraged buy-out structures of the pre financial crisis era, and in their place are more sustainable investment vehicles where operating synergies and

integration drive value growth. In the UK, Vitruvian invested in College Group and Phoenix Equity Partners' marketing services investment vehicle, Karma Communications acquired both Karmarama and Crayon as the cornerstones of a major platform play. In the healthcare communications space we have seen US headquartered Inventiv Health and the UK's Fishawack complete acquisitions.

Other developing trends were the diversification of publishing groups into marketing services. On the international stage, US publishing giant and emerging digital marketing organisation Meredith took a significant minority stake in iris, the leading international integrated agency, creating global marketing services powerhouse capabilities. In London we saw St Ives acquire three significant marketing services agencies during the year.

Marketing solutions and digital production were also another feature of the year. The acquisition of London-based The Listening Company by outsource service provider Serco is representative of this trend and the sale of Tag to Williams Lea was a major transaction with huge ramifications for the industry through the combination of two such powerful organisations.

Did we see all of this coming? We'd like to think we have the experience to get it right more often than not, but this past year's been huge fun and enormously rewarding. More than we could have predicted.

Will it be more of the same for 2012? That's the job of the commentators overleaf to comment!

If you would like to discuss this article, please contact Jim Houghton at [jhoughton@resultsig.com](mailto:jhoughton@resultsig.com)

“ Working with Miles and the team at Results International really helped us execute a set of key changes to our business that we needed to make whilst in flight.

We had a clear lack of strategic planning/execution capability and capacity at that time and Results International clearly filled that gap to assist us with our organisational changes.

Working with the guys was a real pleasure, clear sensitive communication is their norm and an unwavering ability to remain focussed on task whilst a thousand distractions pass by gives comfort that the project will complete as planned.

A great experience I would be happy to repeat when the need arises in the business. ”

Phil Gripton  
UK Managing Director,  
bigmouthmedia

bigmouth  
media | THE LISTENING  
COMPANY



# 2012 Predictions



It's not so much a New-Year prediction, but something to watch very carefully - the 2012 Olympic Games and its impact upon our usage of

social media at scale and concentration. With an audience of approximately 4bn for the opening ceremony alone, 40,000 hours of official video footage, live streams of every event and athletes sanctioned to use social media - this is going to be a virtual experience not seen before and will be the catalyst for what may become standard audience behaviours. For example, social TV experiences, 4-screen viewing options, personalised editorial features and real-time measures of audience opinion. Making it a whole lot easier to keep up with Usain Bolt!

**Nick Farnhill** Poke London

Despite continuing volatility especially amongst western economies with the London Olympics and the US election, 2012 will witness the ever increasing global importance of Asia, notwithstanding the fact that Hu Jintao has to step down in China.



The mantra of 'more for less' will never go away - the austerity of 2012 will demonstrate how disruptive and winning firms create new business models, enhanced productivity by putting digital tools at the centre, to provide enhanced insights that drive customer engagement and loyalty. New technologies are creating new behaviours and higher consumer expectations.

Marcos evolving and dynamic landscape will see the broad acceptance of social business and the need for greater experimentation.

Yet, at the same time, integration will become organisationally more difficult and more important.

**Chris Beaumont** Results International

Creativity applied to both content and context will always be important, but in 2012 all roads lead to ROI. There will be an explosion in demand for 'actionable



intelligence' platforms that allow global brands and their teams worldwide to view, evaluate and optimise their overall marketing investment throughout the entire customer lifecycle. Successful marketers will be those who leverage the IP and data at their fingertips to transform not only their marketing and communications strategies, but also to modify organisational structures and refine internal processes to accelerate launch of new and better products and services.

**Kristin Ruby** LBi

## Mobile in 2012

**"Never make predictions, especially about the future."**

*Casey Stengel*



We are now very firmly in the decade of mobile - a gradual revolution in day to day behaviours driven by incremental improvements in device technology and capability along with improvements in networks.

The key evolution in mobile behaviour that we will really begin to see in 2012 (starting, as these things often do, with Christmas) is people's acceptance and willingness, even a need, to buy stuff online using the browsers (and apps) on their phones, rather than waiting until they get home or to the office.

Google publicly state that 74% of the UK's mobile owners already use the devices at some point in the purchase process. As with eCommerce before it, it is a short step from research to actual purchase. If your website, and associated eCommerce systems, is not optimised for mobile, now is definitely the time to start putting those plans in place.

**Jonathan Bass** Incentivated

2012 will be a coming of age for digital media and technology - firmly establishing itself as the most important sector in driving global economic



growth. Facebook's IPO will usher in a wave of new acquisitions and start-ups; it will also be watershed for connected TV and 2nd and 3rd screen information radiators. We will see the consumerisation of business-to-business as the enterprise realises that their customers are consumers too.

Social media marketing will become more commoditised and be absorbed into the overall mix and this maturing of digital channels combined with a growing sophistication of how to procure them will mean that agencies will be put under ever greater scrutiny on price and their capacity to deliver ROI. Mobile Web and mobile payments will rise exponentially; London's Tech scene will continue to thrive and a whole new raft of British agencies will outperform the market by exporting and expanding their services overseas to the BRICS and CIVETS. Finally, what prediction would be complete without a royal birth?

**Justin Cooke** Fortune Cookie

In 2012 brands will make better use of the data they collect from their various customer touch points. A recent IDC report found that digital



information has doubled over the last 2 years and is set to keep that trend ongoing. Brands are still scratching the surface in how they use the data they collect (or more importantly don't collect).

To make sense of this 'Big Data' across offline and online channels, marketing departments need to work differently and adopt a different structure away from channel and around the customer lifecycle. Big opportunities exist for agencies to help brands make sense of this.

**Miles Welch** Results International

## Media: then and now

It is a brave man who attempts to call the bottom of the Media

sector. We believe that macroeconomic and political uncertainty is at unprecedented levels and can fully understand the flight to the safe havens of cash and gold.

However, we also note Paul Samuelson's observation that the market has discounted nine of the last five downturns and so for those who view the macro outlook as one with white or grey clouds (very low or no growth) rather than black ones (double-dip recession or depression), we have conducted an analysis of the FTSE350 Media sector now compared with when the sector troughed in the last cycle, post Lehmans in October 2008.

EV/revenues is our preferred long-term valuation measure and on this basis, the sector is trading on 1.9x, close to its trough multiple of 1.4x. Further, using our benchmark that a stock which generates a through the cycle margin of 10% is worth 1.0x revenues the sector is undervalued at 1.0x. In October 2008, the sector troughed at 6.4x EV/EBITDA and it is now at a modest premium to this, at 8.1x.

Finally, on a price/earnings basis the sector is currently on 11.4x compared with a trough of 8.2x. However, this understates two factors, each of which account for 1pt of difference on the p/e multiple.

Firstly, sector average net debt/EBITDA is now under 1x compared with over 2x in October 2008. Secondly, a number of companies have grossed up balance sheets having diversified their funding and extended maturities or following divestments.

Adjusting for these factors, we calculate that the sector is currently trading on approximately the same multiple as post-Lehmans in October 2008. We reiterate that we are not calling the turn, and that cheap stocks can get cheaper.

But, on a medium-term view we believe the sector offers attractive value while stronger balance sheets limit downside risk relative to 2008 at the very least.

**Lorna Tilbian** Numis Securities Limited



## Healthcare predictions for 2012

The impact of regulatory reform requiring value based pricing, coupled with blockbuster patent expiries will provide a continued focus on value messaging and communication. Market access and value communications is expected to remain a hot area for acquisition.

Healthcare services organisations are set to become increasingly global as the pharma industry continues to take advantage of the divergent healthcare growth rates in developed versus 'pharmerging' economies - with potential M&A acquisitions or start up operations in countries such as India, Brazil, Singapore and China.

Other key areas of focus as the healthcare landscape evolves are: innovative treatments (more specific niche drugs), healthcare IT (including medical records, health informatics, diagnostic equipment and 'telehealth' (remote patient monitoring). As patient access expands, we also expect healthcare organisations to increase marketing attention on social media channels and online communications.

### Hemavli Bali Results International

A combustious cocktail of tech led new comms platform providers and another potential 5 years of macro downturn led cost reduction programmes, will deliver to clients both the hands on experience, and permission (not least via procurement) to increasingly disintermediate the traditional agency role.

Experimentation with media monitoring and social comms moderation will, as one example, encourage internal handling of more traditional agency tasks.

Agency offerings that cannot be linked directly to building client brand assets and ideally, IP or processes, are likely to be removed or at the very least, further cost reduced.

**Ian Billington** Billington Cartmell



## Looking forward to 2012: the digital economy in the US

2012 promises to be prosperous for the digital economy. The technology sector will be a major driver of growth both in terms of jobs and commerce. Over the past several years, the Web has been rapidly developing towards an environment which is physically distributed, control decentralised and run by self-motivated software systems. The Internet has attracted a critical mass of subscriptions, from both businesses and individuals, where the web is used for information exchange, facilitating collaboration and cooperation, and carrying out eCommerce activities.

The consolidation of social media will be a key phenomenon this year. Facebook continues to dominate on the consumer side, while LinkedIn looks to overtake the B2B social landscape. Apple will continue gaining market share and completely dominate the tablet market. Apple devices, such as desktops, laptops, phones and tablets facilitate approximately 25% of technology interaction today. Competition will no doubt increase, moving forward, given the hyperbolic expansion of the Android platform. Marketers will continue to allocate larger percentages of their budget towards digital marketing. The explosion of social media vendors emphasises the need for an integrated online marketing approach. Daily deal websites will continue to flourish, but risk burnout towards the end of the year, and will require further consolidation.

The upcoming 2012 presidential election in the U.S. will be significant, as election years tend to be good for technology diffusion. 2004 gave us widespread blogging and Meetups, while 2008 showed how the web can be a very effective community organising and fundraising tool. The past few years has seen the public enjoying unprecedented access to information and interaction with the elected representatives. As in previous election cycles, companies that can connect the electorate with elected officials and local governments are likely to gain both in popularity and fundraising abilities in this election year.

**Maurice Watkins** GroupArgent

If you would like to discuss this piece, please contact [Angela Lurssen at alurssen@resultsig.com](mailto:Angela.Lurssen@alurssen@resultsig.com)





# Round table

On 7 September 2011, a handful of independent agency heads gathered for one of Results International's regular round table discussions.

The agenda was an open one and debate focused on the industry issues that kept the participants - all owners/managers of independent businesses in the sector - awake at night.

Results International's Managing Partner, Keith Hunt kicked off proceedings by asking the group whether it was more advantageous for them to be a specialist agency and stick with their niche, or whether agencies should in fact look to broaden out in order to give clients a bit of everything - in essence, to position themselves as being integrated.

The group agreed that it was an important question, as positioning your agency can be very tricky. One attendee quickly pointed out that there is a big difference between what his agency does in the industry and what clients understand it to do.

Another attendee said his agency was going back to the word 'interactive', because they're not digital, and they're not advertising.

"We do bill ourselves as creative as well," he said. "Because, if you have a problem our planners will think about it for you and tell you how you should be tackling it. But we have to find a way of talking about ourselves that does justice to our proposition."

For agencies that do business via other agencies, the same question can narrow in on and extend to: 'To what extent do you white label?'

"We don't white label," said one attendee. "We work with some great agencies around the world, and white labelling is more difficult to do now that clients can so quickly and easily look people up and find out exactly what's going on."

Transparency and openness is so important. Where we are working with other agencies we insist on that being made clear to the end client.

"You have to be completely open, and in fact that openness can even create a wider scope for bigger things. If you're open, you are creating a firmer relationship with the client, which makes your business more valuable. It's a vital building block."

Another attendee underlined the idea that, for anything outside your agency's standard remit, there is no harm in this age of transparency to say, 'we're

bringing in these guys because they're really good'.

One agency head at the table explained that the issue his business had was down to the common perception of social media agencies.

"Clients - at least our prospective ones, or people we are yet to do business with - believe we are an online PR agency," he said. "But we only say we do that to get ourselves meetings. What we actually do is help businesses to use social media to their advantage across the board. So we might work with the head of HR to recruit new talent more effectively through LinkedIn, for example. That has nothing to do with online PR."

"This whole perception vs reality thing can be really annoying and present a genuine challenge to an agency. It's a huge frustration. We have to work out to what extent we are willing to play the game to put ourselves in a position to access the substantial amounts of cash that are out there."

Keith Hunt interjected to raise the point that, from the point of view of building value and selling a business, it doesn't help to be working through other agencies, because your business needs to be seen to have the all-important client relationship.

"People are more likely to buy an agency that provides a specialism in a particular niche than one that's integrated," he said. "Because that's what they usually need. They're not shopping for generalists; they want particular skills."

When it comes to clients, the group broadly agreed that generally, the bigger the brand, the more they favour the specialist agency. Smaller brands, on the other hand, just don't have the bandwidth to handle six different agencies.

The discussion moved on to the resources an effective management team should use when it comes to actually running the business compared to that spent looking after clients. Smaller agencies can find it more difficult to balance this than larger ones, said Hunt.

How should agencies charge for work? What model do you use: do you bill hours or do you keep timesheets? Largely, it depends on the nature of the work, the client and what works for you. Importantly, the table agreed that scope creep can be a real issue.

"If you're doing on-off different projects for a team of 20, you have to track it or you don't know where you are," said one agency head. "My view is if you can work 9-5 and break even, then anything you do

outside that time, is pure profit - you're making money. It's also vital to let the people you are employing run things and have the freedom to make their own decisions. You can't try to control people too closely. They're coming in early; they're working late. Trust in them to do what needs to be done."

One attendee asked for the table's thoughts on the current state of the economy and whether macroeconomics were starting to effect the way they plan and how they see the future of their business.

"We're too small to worry about macroeconomics," said another. "We have to worry about our own performance in the market - there is plenty of opportunity in digital in London. The general pressure is margin pressure: downward pressure from clients, and upward pressure on wages, especially because getting the best people is a real dogfight."

"Another difficulty to compound that is that ATL agencies are typically hiring digital people on 20 or 30 per cent more than digital agencies can pay."

Digital agencies, the group noted, tend to have the lowest margins, because they tend to be run by techies and creatives, rather than what you would traditionally refer to as businessmen. They are not always good business people.

So, how can digital agencies improve profitability? More sales was the obvious answer. But on a project-by-project basis, working in digital, one participant pointed out that it depends on how savvy the client is in terms of your margins.

As the discussion drew to a close, one attendee shared his opinion that digital has gone from "this pioneering wild west phase when clients didn't really know what they were dealing with, to now when most clients are in fact digital marketers". In other words, agencies need to get used to working with savvier clients.

On the flip side, the same participant noted that "we're in a strata of agencies who are a little bit more experienced - that ought to mean improving margins in digital".

So, will the buyer or seller have more power in future? Will those margins be improved by digital businesses running themselves better? The group felt that they would be - and there is no doubt that collectively they share the determination to be among the best-run agencies out there.

If you would like to discuss this article, please contact Angela Lurssen at [alurssen@resultsig.com](mailto:alurssen@resultsig.com)



# Beginning to understand China

With the Western economies still on such shaky ground, many agencies and brand marketers are looking to the Asia-Pacific region for growth opportunities - and towards China in particular.

The appetite to work with Chinese brands looking to expand globally is now almost as widespread as the much-publicised desire for Western brands to gain a foothold in China.

However, to assume that brands and branding follow the same rules and development paths in the East as they do in the West is guaranteed to cause problems. For example, there are numerous parallels between China, Japan and Korea in terms of the significance and dominance of the company brand ahead of the product or service brand. For Chinese firms the link between business strategy and brand needs to be explicit, and in that respect the corporate reputation is an invaluable building block. Indeed the brand is able to stretch and cross-industry holdings are common - just look at how Mitsubishi operates everything from banks to elevator machinery; Sony makes more money from financial services than from the technology products it's best known for in the West. China's years of Communist rule also mean that many of the brands are state-owned and equally rooted in a communal heritage.

One of the most successful agencies in China is Japanese network Dentsu because of the way it, like so many other Japanese firms, approached the market and built up its corporate brand first. It spent a huge amount of time and money building relationships - 20 years of work that was simply viewed as a long-term investment. In a region where families and relationships are paramount it's essential to put the time into building trust and to respect this time-honoured way of doing business.

While Dentsu has tended to roll-out its Japanese media-centric model for its Japanese client base, WPP has taken a more holistic and authoritative approach, advanced by the personal commitment and vision of Sir Martin Sorrell. The remaining traditional marcoms groups are playing catch-up by devoting significant executive time in-country as they try to accelerate their growth and capabilities through acquisition. Compare that to the IPA, which flew in for a three-day visit as part of its (currently incomplete) efforts to sign a Memorandum of Understanding with the government-controlled China Advertising Association.

Looking at brands and branding can provide some insight in to how the Chinese marcoms landscape may evolve. The 'miracle of China' has seen a middle class of 350 million emerge in the last 35 years, when it took

Europe over a century to reach the same level of sophistication. It also begs the question, why would local brands want to go to Europe en masse when: **a)** the market there is still so weak, and **b)** they have a relatively captive domestic market crying out for their products and services? In fact, in tier-two and -three cities the preference is for domestic brands.

It is also pertinent in this context to take a holistic view around issues of 'brand China'. When people talk about how countries are perceived commercially around the world (e.g. Germany as the home of engineering; Japan for consumer electronics and reliability of cars; France and Italy as fashion centres etc.), China is currently noted for its low cost of manufacturing - after all, so many things are now stamped 'Made in China'. In the absence of knowledge this prejudice will prevail and hurt those Chinese businesses when they go overseas.

Currently, most Chinese businesses are naturally much more product manufacturing, rather than consumer-oriented. Their business model is all about manufacturing - rather than consumer choice, much like the West was in the 1970s. The culture and the business model for what we now perceive as the 'norm' of consumer centricity are not yet there, so it would be the height of folly to assume branding would be in tune with the Western way, at least currently. Of course there are some exceptions such as Shanghai Tang, which is now wooing Chinese luxury consumers, but with its imperial heritage and artisan skills the Hermes joint venture to establish Shang Xia is likely to help develop the contemporary credentials of what 'Created in China' actually can stand for.

A further factor that cannot be discounted is how brands communicate. There's a dichotomy of media affecting the way branding works. The marketing communications industry in China is built around very traditional media such as television and newspapers, but at the same time China Mobile has 600 million customers and most of them have probably never owned a landline. Digital technology has been handed to Chinese customers on a plate, not painstakingly developed over time as it was in Europe and the US, so the market will perform differently.

That means agencies should not expect the same rules and brands to hold sway digitally. Google's search engine barely exists in China, while the social media scene is dramatically more fragmented with bulletin boards, role-playing games and online avatars all accessed through mobile devices. Similarly, computer games in America are often the 'shoot to kill' variety whereas in China or Japan popular games are all about harmony and nurturing: mountains, rivers and families playing musical instruments. Tamagotchi is an early example of this worldview in action.

Understanding the Chinese market to do business there is only part of the equation - a lot of agencies are keen to help companies there expand overseas. However, it does beg the question of how well do Asians understand how the West does business. Many Chinese parents lived in poverty and suddenly their kids have a fast-growing business that is consuming all their time seven days a week. They simply don't think about the rest of the world because they don't know how long this is all going to last and focus entirely on the here and now; for the past 100 years the country has been massively unstable - still recovering from the end of empire - so there is a sense among many Chinese people that 'it's my time now' and that they need to make hay while the sun shines. China has naturally always been reclusive, like its neighbour Japan, and on top of that it was the most developed nation in the world for centuries, wearing silk when we in the West were still wearing sackcloth. It's little wonder that the Chinese are keen to re-establish a position of strength in the global economy.

But for all its rapid development, China still has an embryonic marketing mentality from a commercial activation perspective. So we have to ask ourselves again, whether Western agencies are best suited to help, since they will often assume a communications- and customer-centric approach (like the one they see at home) rather than the business development focus that is actually far more commonplace?

Moreover, when you have a massive untapped home market, why would you go global in a rush? This is the fortunate situation China Mobile finds itself in, while also moving one step ahead of global competitors and taking a prime seat at current 4G and 5G discussions where some of the traditional 2 and 3G leaders are conspicuously absent. There was a time in the late 1990s when the best mobile technology came out of Japan. Yet with 600 million Chinese with mobile phones, China Mobile has become a major player when it comes to designating new technical standards. It is perhaps a different story for Lenovo and a lesson for the future, with ThinkPad profitability more heavily dependent on sales in China than in the past.

The nature of the market also affects possible transactions. Agencies need to be aware of what is happening culturally when it comes to doing a deal with Chinese businesses. A deal between an American firm and a UK firm will all be done in the office, but Chinese companies would never do a deal with someone without meeting their family. As far as they're concerned, a vital component of engagement and relationship-building is about spending a lot of time together. For any deal to work, both sides need to understand how the other side does business.

If you would like to discuss this article, please contact Andrew Kefford at [akefford@resultsig.com](mailto:akefford@resultsig.com)



# Global conference

## Guest speakers:



**Colin Petrie-Norris**  
Managing Director  
International  
Specific Media



**Kim Myhre**  
Managing Director and Senior  
Vice President EMEA  
Project Worldwide



**Kristin Ruby**  
Client Partner  
LBI



**Barry Houlihan**  
CEO and Founder  
Mobile Interactive Group (MIG)

Driving global growth is high on the agenda for many marketing communications agencies and related technology businesses. Increasingly these two worlds are meeting to offer brands new ways to connect with consumers.

With this in mind, to mark its 20th anniversary, Results International brought together a line-up of speakers for its annual Global Conference - Driving global growth & technology - who were superbly qualified to offer up thoughts on succeeding in both areas.

We hope this summary will provide a useful round up of the presentations given at the event on 16th November 2011.

First to the podium was Colin Petrie-Norris, Managing Director International, Specific Media who talked the audience through how to grow an international technology business, based on his experience of having done this several times already for leading names including Advertising.com.

Specific Media now has a presence in ten markets worldwide and via the network of companies in the group, which includes MySpace (its most recent acquisition) reaches 340 million consumers monthly.

Colin talked the audience through the key decisions that he felt needed to be addressed when pursuing global growth. Centralisation versus decentralisation was one. Tough questions should be asked around the product portfolio and whether selling every product in every country was necessarily the right strategy. Leaving the decision to the local manager to allow local experimentation seemed the best option.

Technology or “untangling the tech conundrum” as Colin called it is a vital consideration for tech businesses. Companies can easily come unstuck when they try to roll out technology globally whose architecture was developed solely with a local market in mind. So assuming international growth right from the start-off and ensuring that all platforms are built with global roll out in mind is fundamental.

Communicating effectively is a cornerstone of any successful international business. Sequential communication where directives are passed from office to office simply takes too long. Communication needs to be structured using a hub and spoke model, but as Colin commented, this insight came from hard-earned experience.

In a closing remark, Colin reinforced that Results International has always given businesses eager to pursue global growth advice. When planning to open an office overseas, first ensure you find the right person in that local market; someone who excites you, gets your culture and can grow the business on the ground. Sending someone who is not local and isn't familiar with that country's way of doing business can mean that you find yourself unravelling the issues years down the line.

Chair Chris Jones, introduced the next speaker, Kim Myhre, Managing Director and Senior Vice President, EMEA, Project Worldwide who provided the audience with a different perspective on global growth.

Kim explained that Project Worldwide, an independent global holding company launched at the start of the year is a unique approach to building an agency network. It bills itself as “the first agency network focussed on engagement marketing.”

Kim took the audience through the fascinating history of George P Johnson, the leading exponent of

experience marketing within the network. From starting out in 1914 repairing sails for schooners on the Great Lakes, the eponymous founder had the foresight to use that capability to move into creating banners and signage for the motor shows that were springing up in and around Detroit. From there, it was a logical move into the burgeoning events space.

George P Johnson's big break came in the 1990s when IBM decided to consolidate its event marketing worldwide. The computer giant was looking for an agency with a global footprint. Although no agency met this brief exactly, it hired George P Johnson because of its history of growth and innovation and set the agency a target of expanding fast to service its business. As Kim explained, this marked a period of rapid growth as the agency ramped up fast via a series of acquisitions globally.

Fast forward to 2011 and Project Worldwide is the largest privately owned agency network in the world with nearly \$1 billion in top line revenues and industry-leading levels of profitability. It offers a huge range of diversified services. Client delivery highlights include staging the largest virtual event ever for Cisco sales people and the recent IBM Think installation at the Lincoln Centre to celebrate a century of innovation.

Kim explained how events and experience marketing have traditionally been considered 'below the line' and not part of the mainstream world of communications. This world continues to view marketing communications through the more narrowly focused lens of advertising. But client needs are changing and there is need for a broader view of the types of marketing services now required. For this reason the decision was taken to create Project Worldwide as a way of bringing together complementary companies who could collaborate in this space. To support this move, Kim referenced Theodore Levitt's “Marketing Myopia,” a paper published in the Harvard Business Review in 1960. Levitt's talks about taking a customer focus as opposed to a product focus which Kim felt could be easily applied to agency models and how they should build their capabilities.

Project Worldwide continues to pursue growth globally. It has aggressive expansion plans both in terms of regions and complementary disciplines, with an eye on acquiring businesses who can in turn deliver growth

and deliver on the promise that the term engagement marketing sets.

The first half of the conference concluded with Results International's Keith Hunt, Managing Partner and Andrew Kefford, President International & Regional Director, Asia-Pacific presenting an overview of M&A activity in the sector.

Despite the bleak economic outlook M&A activity continues apace. The number of transactions continues to rise with a total of 266 concluded to date and 355 expected by the year end. This outstrips even the most recent 'frothy' year of 2007.

Points worthy of note include the following:

- WPP is placing its focus on China and digital.
- Emerging markets and digital are hot as are healthcare, adtech and social media.

When it comes to who's buying what, there are a range of interesting new entrants. Alongside the major networks, private equity, the mid market quoted companies and private buyers we see technology companies and non-traditional marketing companies cropping up; these include names such as Meredith who recently invested in iris and Hearst, another US media company who acquired iCrossing; St Ives and Deutsche Post have both also entered this space.

Keith and Andrew explained that as the line continues to blur between technology and traditional marketing communications, we are likely to see more transactions that cross both spaces and an increasingly changed industry landscape.

The audience were provided with information on how much each principal acquirer might realistically have set aside to spend on acquisitions in the months ahead. They noted that Aegis has come storming back and that we should expect to see more transactions from several of the networks by the year end.

Of the mid market quoted companies, Chime is the most active. Huntsworth is doing fewer deals since its busiest M&A period several years ago, M&C Saatchi is steady at about two deals a year and Next Fifteen has been busy reinventing itself. The share prices of Creston, Cello and the Mission Marketing Group have never fully recovered since the crash of 2008 so their ability to use their equity to secure banking lines in order to make acquisitions, is very limited.

Currently capital is relatively cheap and this is fuelling the buying ambitions of some of the biggest groups who are eager to continue to grow and diversify by

acquisition. Yet, they cautioned, we are living in a time of conflicting pressures and drivers; there is nothing to say that we might not wake up in just a couple of months to find ourselves on the edge of a precipice. Suffice to say that we live in uncertain times.

When it comes to multiples we are seeing a broad range of values. The average EBITDA multiple of 6.5 in 2011 is historically low and compares to a figure of 7.8 in 2010, yet multiples are driven by a variety of factors. We are also seeing more and more revenue-driven multiples compared to the earnings-driven multiples that are generally used to value people businesses. This is due to the new acquirers, in particular tech companies who favour this valuation method. Businesses who secure top end multiples are those where there are strong synergies with the acquirer.

They will have an attractive geographical presence and ideally will be best in class and have a true specialism that sets them apart.

Earn-outs continue to be common - they occur in seventy percent of all deals - but are decreasing as new acquirers enter the market from industries where earn-outs are less usual. In the current financial climate less cash is paid up-front so that acquirers can be sure they are not overpaying in the longer term. Today's deals are also characterised by more cash and fewer shares.

After this whistle-stop tour of M&A trends, Andrew Kefford gave an overview of the deal market in Asia Pacific. While in the main this follows the global trend presented by Keith Hunt, the region probably lags about a year behind and deals are taking longer to come to fruition. We should expect to see a total of around twenty five by the end of 2011 with the big networks doing most of the buying. WPP accounts for 45% of deals, with Publicis proving to be extremely active too. Most of the deals are taking place in China, followed by India, Singapore then Hong Kong. Digital leads the disciplines followed by advertising then PR, activation, research, healthcare and media.

Andrew predicted a future where we can expect to see Chinese companies acquiring on the world stage. He mentioned a major PR firm that has been highly acquisitive in China and which may well have further expansion plans.

The second half of the conference kicked off with a fascinating presentation from Kristin Ruby, LBi. LBi is now present in 17 countries with 27 offices and can truly call itself a global player. Kristin talked through the challenge of global brand management in the context of a communications landscape that has

changed at lightning speeds over the last decade and cited some of the stand-out work that LBi has created for its clients.

She explained the challenges of global brand management remain the same: balancing the needs of a global brand with unique insights from local consumers. Different approaches to global brand management can span the entire spectrum from highly centralised to completely disaggregated. For some brands universal insights apply; for example, Johnson's Baby can harness the universal truth that "every mum loves her baby" the world over. Yet for other brands, consumer responses in different markets will vary greatly; like with sun block, between India and the UK.

The fact that digital technology has given consumers new powers was a recurring theme in each presentation. Kristin reminded us that marketers and their agencies have had to develop new ways of engaging empowered audiences who actively voice their preferences.

Brands can no longer expect consumers to accept the messages it chooses to send out passively; and simultaneously we have seen the steady rise of content which has taken its place at the heart of the media landscape. Yet agencies and clients have not traditionally been in the business of content creation and Kristin explained that this has meant that LBi and the agency world in general has had to rethink itself as the world around it changes.

Kristin showed the conference audience a range of campaigns created by LBi for global brands with content creation at their core. American skincare brand Neutrogena has adopted a very different communications strategy when targeting French consumers. French women are hugely knowledgeable about skincare and tend to purchase their products in specialist pharmacies as opposed to mass market outlets, which is often the case in the US. With this in mind, LBi is creating a brand agnostic online platform, "entre nous" sponsored by Neutrogena, where French consumers are positioned as skincare experts.

In another example, the audience was shown a video about a campaign for a Sony Ericsson Xperia handset. The brand invites collaborators of all varieties - hackers, musicians, scientists, bikers, filmmakers - to push the phone to the max based on the concept of "reality remade".

Further, there has to be a business value for brands to put content at the centre of the new brand narrative. This is why LBi recommends that our global clients take advantage of unique global & local

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# Global conference

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market dashboards to evaluate marketing performance holistically – managing the media mix and message optimisation throughout the entire customer lifecycle.

Kristin brought her presentation to a close with some challenging thoughts and questions keeping global CMOs up at night:

- How 'digitally ready' is your brand marketing team in each key territory?
- Has your organisation begun to evolve from management of brand guidelines into digital asset management?
- Have you begun to consider the next horizon – managing assets you didn't create on channels that you don't own?

The final presentation of the night came from Barry Houlihan, CEO Mobile Interactive Group who just 24 hours earlier had sold his business for a cool \$59 million to Velti.

MIG's turnover of £100 million, 200 headcount and global reach combined with the powerhouse that is Velti created the world's largest mobile marketing group overnight. With the best planning in the world, Results International could not have hoped for a better example of "driving global growth & technology" to end with.

Barry explained the founding vision behind his business which was quite simply that the customer of

the future would be a digital one. MIG was born to help companies think about mobile differently and to help brands find new customers by building engagement and offering great experiences. At its core the company was created to take great big web properties and migrate them to mobile.

Thanks to Apple, Barry explained, mobile is no longer painful and phones can now be used to do extraordinary things. People consume content wherever they want and expect brands to engage and participate with them on their own terms.

Early on in MIG's development the founders agreed that it was important to build platforms that were open and could interface easily with the proliferation of platforms that already existed. They applied the same "open" principle to mobile payments with the development of a technology that over 50 carriers could use. This mindset and the acquisition of global micro mobile payment platform Zaypay, has earned them global leader status in the provision of mobile payment solutions.

MIG has also been able to globalise its advertising business. While it remains a challenging space in which to make money, MIG has succeeded in turning a profit despite being a relatively new entrant to that market.

Whenever they work with clients, Barry explained, the starting question is always how to take a great brand and make it work superbly on a mobile platform. In taking his business global Barry adhered to a number of principles to ensure that mobile would deliver on

the promise:

- Give consumers what they want, when they want it.
- Help brands get better at talking to their customers.
- Focus on commerce - use available technology to create an amazing experience that people will want to return to (the price of a new mobile commerce store compares favourably to that of a bricks and mortar store).
- Focus on engagement.
- Be social - brands need to have the right platforms for engaging with customers.
- Ensure business models can scale - both your own and the platforms you create for clients.
- Don't let the brand down - when launching on a mobile platform the experience has to deliver superbly.

Barry talked through a number of high profile initiatives where MIG has played an important role. These include providing a mobile voting platform for The X Factor in several countries. The company has also developed new opportunities for broadcasters to engage with audiences, harnessing the social graph to show what the user is doing at any particular moment and outlining the potential this provides for advertisers. He told those attending the conference that the "second screen" opportunity will radically change how audiences view and engage with television.

If you would like to discuss this article, please contact Angela Lurssen at [alurssen@resultsig.com](mailto:alurssen@resultsig.com)

## M&A Opportunities

The following summary is a sample of the range of companies seeking trade buyers currently represented by Results International. If there are other sectors or areas of opportunity not indicated here that interest you, please contact us at the earliest opportunity. If you'd like to discuss the opportunities below in more detail, please contact Angela Lurssen at [alurssen@resultsig.com](mailto:alurssen@resultsig.com).

### UK & Europe:

AVIEMORE	Scandinavian marketing PR network with EBIT of €550k, headquartered in Stockholm.
CYRUS	Swedish based B2B specialist agency with international client portfolio and high margins. EBIT €800k.
GREEN PARK	Barcelona based top quality, specialised outdoor media services company offering research, strategy, planning and buying. 2010 billings €7.4m.
TOWER HILL	Madrid based digital agency offering global integrated solutions seeks trade buyer. Blue chip clients and 70% gross margin. 2010 EBITDA €300k.

## Central & Eastern Europe:

NOBLE	Leading Istanbul integrated agency, highly profitable with EBIT level of €1.2m.
TESLA	Leading Istanbul PR consultancy with top international brands and €6.5m fee income.
XENON	Istanbul based media sales agency with revenue €2.5m and EBIT of €0.8m.

## Asia-Pacific:

ARUBA	India based independent experiential, activation, retail merchandising & promotions agency.
CASCADE	Leading independent, integrated direct marketing services firm, headquartered in HK with EBITDA of US\$1m (approx).
FRANKLIN	Independent, high profile PR consultancy headquartered in Hong Kong with offices in Shanghai and Beijing. Positioned for accelerated growth advising MNCs and Mainland Chinese firms alike.
GEORGETOWN	New Delhi based database and market research company with Fortune 500 clients.
GRENADA	Brand strategy, brand experience, events, retail activation, graphic design and CRM agency.
OLYMPIC	Fast growing full service digital solutions agency, Singapore based with additional offices in China, Hong Kong, Malaysia and Vietnam. Revenue of \$5m.
ST JOHNS	India based integrated communications agency.
ST KITTS	Leading India based, well established integrated software solutions provider specialising in web design, CRM, online advertising and email marketing with a blue-chip client base. Revenue of \$2.5m.
ST VINCENT	India based leading, independent, full service digital services & communications agency. Revenue of \$2.9m and EBIT of \$0.8m.

## MENA:

AQUA	Dubai based experiential marketing agency with young and creative management team. PBT over \$1m.
BAHRI	A fully integrated and award winning mini network with 27 employees and head office in UAE.

## Latin America:

CHARLESTON	São Paulo based digital PR, media relations and reputation management agency. Impressive annual growth +70% in the last 3 years. Among 15 largest corporate communications agencies in Brazil. Revenue \$7m. Multi-disciplinary profile.
CONGA	Leading Brazilian production company, market leader in digital content development for mobile and new media formats, seeks an investor to help to establish a footprint and expand through the exploitation of new franchises in global markets.
MAMBO	Sports marketing/entertainment company based in São Paulo. Over 35 years operating in sports in Brazil and internationally. Owner of some of the most renowned sports events properties. Seeks a strategic investor.
TANGO	Digital agency founded in 2000, with offices in São Paulo and Porto Alegre and one of the leading digital agencies still independent. The agency has a blue chip/multinational client list, is innovation driven with solid social media expertise. The agency has enjoyed a 70% plus growth rate year-on-year for the last 4 years.

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Founding Partner  
& Non-Executive  
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Knowledge Manager



**Andrew Dysch**  
Head of Finance



**Alison Austen**  
HR Manager



**Hannah Jones**  
Marketing Assistant



**Daniel  
Thumpston**  
Analyst



**Sheungyu Cho**  
Analyst



**Jessica Mann**  
Team Assistant

## International



**Andrew Kefford**  
Regional Director,  
Asia Pacific  
& MENA



**Imad Kublawi**  
Partner, MENA



**Sunil Gupta**  
Managing Partner,  
South Asia



**Chris Beaumont**  
Regional Director,  
North Asia



**Eduardo Steiner**  
Regional Director,  
Latin America  
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**David Blois**  
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**Maurice Watkins**  
Partner,  
GroupArgent



**Drew Meyers**  
Partner,  
GroupArgent



**Pierre-Georges  
Roy**  
Partner,  
GroupArgent



**Jim Bell**  
Regional Director,  
Western Europe



**Jamie Kefford**  
Manager,  
South East Asia

27 Soho Square, London W1D 3AY  
Tel: +44 (0)20 7629 7575

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