resultsINTERNATIONAL

GLOBAL LEADERS IN BUILDING AND REALISING VALUE IN THE MARKETING AND RELATED TECHNOLOGY INDUSTRIES

BULLETIN

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Overview

20:20 VISION

Yes, Results International has made it to the ripe old age of twenty, but it isn't in our DNA to wallow in nostalgia. A founding principle is that it's more important to focus on the future and the high-performance strategies that class-leading businesses pursue in building competitive advantage to maximise rewards for their investors.

By understanding these insights and intelligently extrapolating their plans we are uniquely placed to advise owners of independent businesses how they can become a desirable and valuable proposition to buyers and investors.

While not wanting to reflect overly on the past, there is no doubt that our second decade has been transformational and recent game changing developments will further re-frame the industry over the next two decades.

Investment in M&A is very much determined by global economics and politics and sadly there is not too much to be enthusiastic about over the next few years, particularly when it comes to developed markets in the West. It was quite a party, but the hangover could be with us for a generation.

A more optimistic outlook may be that the rise of emerging markets, particularly in the East (but not forgetting Brazil), might result in progressively wealthier consumers in these countries importing goods and services from the West. Germany has certainly recovered relatively well recently as Chinese demand for superior engineering has kept many German factories at full capacity. Demand from the East for luxury brands continues to increase and accounts for the lion's share of category growth.

So against this backdrop, what can the West do? The race is on for Western countries and

continued on page 2

20:20

VISION

continued from page 1

industries to exploit their technology, creativity and capital to carve out markets in the developing world before they work out how to do it themselves – and before their own asset bubbles (commodities, equities and Chinese real estate) explode.

Yet, strangely enough, despite these challenges and other geo-political threats our own industry gives rise for optimism.

Global, innovative, fleet of foot entrepreneurs are thankfully constantly attracted to the dynamic and potentially rewarding role of marketing as a capitalist imperative.

In emerging markets across the globe we now see hundreds of millions of people being lifted out of poverty, and rapidly growing consumer markets emerging as a consequence of commitment to open markets and global trade.

There are of course ever-present risks from protectionists, predatory exchange rates and the occasional despot, but nevertheless there is a relentless challenge for brands to meet the rising demands for choice and living standard improvements in developing markets, whilst also learning to adapt quickly to more austere economies in the West. This scenario is creating a ferment of marketing and branding activities.

Coinciding with this is a phenomenal rise in new marketing technologies and advertising models, fuelled by high speed internet and ever-cheaper data sophistication. Look what's happening with the exponential rise in the use of behavioural data, for example. This is producing robust, predictive and dynamic targeting analytics, which are transformational to established industry practices. Consumers have arrived at a place where they know they are much more in control and aren't going back to the old "push" advertising model. In fact, they're demanding even more democratisation of information.

It's a tough environment for marketers who are slow to adapt, but an incredibly exciting period for those who embrace the innovative nature of the industry.

From the perspective of the savvy marcoms entrepreneur there are boundless opportunities for building seriously valuable businesses in this environment. Moreover, the opportunity to extract value from these enterprises will probably be greater than at any time over the last twenty years – which themselves have hardly been bad.

There are simply so many new opportunities continuously opening up in the marketing and media services industry, principally driven by technology, innovation and geographies.

The traditional industry consolidators such as WPP and Omnicom are no slouches in adapting their business models to the new order. However, they are facing increasing competition as the media/marketing land grab accelerates between major players from entirely different industries – entertainment, search, media, telecoms, technology, management consultancies, etc.

Equally, there are numerous smart new players nimble enough to exploit the fruitful gaps that more established players often don't see from their loftier positions.

One thing we can be certain about is that long before Results International's next twentieth anniversary there will be as many multinational companies with their origins and capital base in the East as there will be in the West.

Many won't have the patience to spend 20 – 30 years building their brands as the Japanese did; instead they will prefer to acquire them – as we have seen already in the automotive industry.

As happened in the West you will see these businesses followed around the globe by their ambitious domestic marketing services suppliers.

We are already seeing this to some degree with the recent resurgence of Japan's Dentsu US and more recently European acquisitions and Korea's Cheil acquisitions.

Chinese and Indian players will follow over the next five years as they too learn how to manage the cultural hurdles.

Peering into this kaleidoscope of growing convergence and complexity it is impossible to predict the winners and losers and what it will all look like in twenty years. But have no doubt that such an environment fosters investment, new ventures and consolidation, all of which will in turn stimulate high levels of M&A activity.

Despite the challenges ahead the next twenty years for our industry should be even more thrilling than our first. Marcoms entrepreneurs will flourish and many more across the globe will translate their creativity and innovation into success and wealth.

CAMILLA HONEY
FOUNDER
JFDI

20 WINNING WAYS OF
NEW BUSINESS

There's no better tonic for your agency than winning new clients and looking after them so well that they never want to leave, and not just because it keeps your bank balance healthy.

A good new business record helps ensure your staff stay motivated – especially if they're all encouraged to play a part in that success – and that their morale is high enough that they'll always be willing to go the extra mile for you.

Well, that's the theory. In practice, winning new business has never been tougher. Not only is the competition for it intense – there are 17,600 marketing communications agencies in Britain alone – but client procurement specialists have seen to it that there are less briefs up for grabs.

But don't despair. Here are 20 tips to get the odds more heavily stacked in your favour.

Establish a clear positioning statement - it's astonishing how many agencies fail to do this. Tell everyone who works with you what it is, they are your best PR agents.

Recognise the qualities needed to be a good new business person. They are part planner, part creative but, above all, they get things done.

Let everybody in the agency know that new business is part of their job specification. And work at keeping their morale high, whether it be organising a summer barbecue or allowing people to finish work early on Fridays.

Don't wait until all your marketing materials are perfect before you send them out - because you'll wait forever.

Make sure your new business culture filters down through the agency. Get employees to put their talents at its service. Perhaps one is an impressive conference speaker, perhaps another is good at cultivating journalists.

Be a relentless networker. But make sure you approach it in the right way and allow for more give than take. Ask yourself what you can offer your prospect.

Make sure your new business people are properly trained. Their job isn't just to get prospects through the door but to talk with them knowledgeably.

Be prepared to play the long game. Draw up a shortlist of, perhaps, 30 long-term prospects. Get to know them so well that, if and when their account goes up for pitch, your agency will be shortlisted. Agencies cold call because they think new business is a numbers game. Far better to lavish your care and attention on a few key prospects, however time-consuming that may be.

Think what your social network strategy should be. Get your staff to Tweet about the agency.

Allow people to take time out to think, even if it's just to read a newspaper.

With competition for new business so fierce, put extra focus on existing clients. It's five times easier to win business from existing clients than from new ones. Become their trusted advisors. Make sure staff who grow existing accounts are rewarded in the same way as those winning new ones.

Be a good listener. Very few people do it well. Using no more than some gentle prodding in the right direction, get your prospects to open up about the challenges they face, and be sure you understand those challenges.

Get on the right wavelength. Is your prospect the no-nonsense type who prefers getting straight down to business or does he want to get to know you a bit first. A family photograph on his desk may give you a clue if it's the latter.

Think of yourself as a doctor with a patient. You can't prescribe a cure until you know all the symptoms, some of which even the prospect may be unaware of before he starts talking about them.

Think carefully about the questions you ask. Make sure they're designed to extract valuable information.

Give a prospect something of value to them. Are they interested in procurement? Invite them to a seminar on the subject or breakfast with a procurement expert. It takes effort, but it can pay dividends.

Decide early on if the business you're being invited to contest is worth pitching for. Will it make money? Will it enhance your agency's creative reputation? Work out your ideal client list and then stick to it.

Don't make the mistake of having just one pitch team. Keep those teams refreshed – and make sure pitch-winning skills are passed on.

If clients are leaving by the back entrance as fast as they're coming through the front door, you need to know the reason. Ask a good pitch consultant. Undertake regular client relationship audits.

If you've lost a pitch, always find out why. Use somebody who is impartial as the go-between but who'll interpret what they're told honestly. If the client doesn't rule out working with you in the future make them your hottest prospect.

Camilla Honey is the founder of jfdi® which helps agencies maximise their new business skills. She has worked extensively as a new business consultant and her company has worked with over 150 marketing communications specialists.

20 TOP TIPS ON GROWING YOUR BUSINESS INTERNATIONALLY

1. It's not about dots on a map; going international is not going global and trying to be everywhere.
2. Map the markets.
3. Remember how you grew your brand domestically when it was unknown at home.
4. Retain your culture.
5. Be yourself.
6. Ensure the NIH syndrome is done properly. Not Invested Here becomes NIH (Now Improved here).
7. It is critically important to have the right local directors on the board.
8. Globalisation is not just the worldwide spread of Western, particularly American, popular culture.
9. Move entrepreneurship overseas.
10. Today's consumer is digitally empowered; market development is a less important construct. Strategies need to be better deployed against where people spend their time.
11. Understand digital marketing, it knows no borders.
12. Design Thinking help new cultures collide. Friction has energy.
13. Project a new centre of gravity to counter incumbent domestic solutions.
14. Global connections = local insights.
15. Embrace uncertainty as the sure thing.
16. The name helps.
17. Respect local culture.
18. Have patience – it often takes more time than in your home market.
19. Be sure you have good advice.
20. Learn Chinese.

20 REASONS TO SELL YOUR BUSINESS

1. Enable international or regional expansion.
2. Provide further career opportunities for founders and staff.
3. Enable a broader range of services offered to clients.
4. Achieve a capital gain for founders.
5. Provide liquidity to options held under option schemes.
6. Provide infrastructure and administrative help, for example, with legal and procurement issues.
7. Raise the company's profile.
8. Access to funds for investment.
9. Strengthen management.
10. Enable one or more members of the senior management team to retire.
11. Achieve savings on property and premises.
12. Obtain access to a broader range of clients.
13. Provide a tax efficient means of drawing capital and funds from a privately owned business.
14. Reduce the risk across the business and promote job security.
15. Create scale across technologies and IP.
16. Be proactive whilst on a growth curve and maximise the value of the business when the market is buoyant.
17. Strengthen the positioning in the marketplace to create a competitive advantage.
18. Grow the team and diversify.
19. Realise the value of your business.
20. Buy the Ferrari you've always wanted.

TOP INFLUENCERS AND INNOVATORS IN MARCOMS

It has to be **Mark Zuckerberg.** Facebook has changed the way we communicate online and is quickly becoming the main browser to the web. Zuckerberg's ethos of putting the user experience at the centre of development and creating an open flow of information for people is the key differentiator. Truly inspiring.
Sam Stokes, Managing Director, Punktilio

Martha Lane Fox. Not many people can claim to being a true 'icon of the dot com boom' but it's a title that Martha Lane Fox has earned throughout her career, from the launch of Lastminute.com to her role as the Government's Digital Inclusion Champion. In terms of sheer dedication, innovation and passion, she has done more for our industry than most others.
Hugh Robertson, Founding Partner & CEO, RPM Limited

Innovation and courage go hand in hand! When **Maurice Levy** elected to pursue the acquisition of Digitas/Modem media it was the boldest digitally driven acquisition the marketing services sector had ever seen. In typical Maurice style though, the addition of this world class resource was not enough, he then went on to create and deliver on a vision of media and digital together with the establishment of Vivaki, which contributed massively to the development of the Publicis Groupe's digital revenues to the pre-eminent position that it now enjoys in the sector. Vive la Maurice difference.
John Farrell, Principle,
John Farrell Associates

Evan Willams - the man behind both blogger.com and Twitter. If one thing can be identified as growing and commercialising the web it is blogger because it delivered a platform for niche content - and Google had the platform for niche advertising to cash in. Twitter reveals the next key innovation - that messages are not for influencing us, but for connecting us. Marcoms must adapt to that truth.
David Cushman, Managing Director, 90:10 Group

KEITH HUNT
MANAGING PARTNER
RESULTS INTERNATIONAL

SOCIAL MEDIA:

A LAND GRAB RUSH

At the start of the year we predicted a social media landgrab on the back of the Techlightenment/Experian deal.

Whole companies, not just marketing departments, are scrambling to get up to speed fast and to ensure they have the appropriate hard and soft wiring to deal with the seismic changes that social media brings with it. There is strong buyer demand for agencies that can provide a robust social media offer, both consultancy and delivery, and therefore instil confidence in twitchy clients.

Pure play social media agencies have first-mover advantage but other types of agencies are hot on their heels. Some are securing the necessary skills by acquisition; others are hiring the relevant talent and integrating expertise organically.

Owner/managers of social media agencies looking to realise the value they have built in their business may well be asking themselves how they should be approaching a potential sale. Currently there are only a few independent social media agencies of any significant size, perhaps a dozen at most in the UK - so rarity value is playing in their favour. It's a seller's market and we believe deals will be done at lightning speed.

Yet at the same time, the window of opportunity to sell is likely to be pretty brief - the 'sizzle' in the market is starting to disappear already, so it's time to act. Pressure from clients means that agencies across the spectrum are being forced to build their capabilities fast. Already we are seeing social media agencies starting to lose pitches to non-specialist agencies. This and other warning signs lead us to believe that social media agencies may have only 12-18 months to make their move.

On the upside though, in the short term we predict real competition to bag the most attractive assets in social media. Many buyers are willing to take a bigger bet on agencies with limited or no track record but genuine and proven skills. Not quite the $20m paid by Yahoo! for a 12 – week-old company, IntoNow, but nonetheless, higher than for conventional agencies.

Potential acquirers of social media agencies tend to place a greater emphasis on understanding the backgrounds of the key people. They are not quite as familiar with this territory as they are with other more conventional agencies and will spend more time getting to grips with the roles and expertise of the team they are buying into. They will also look hard at the financials and will expect to see revenues rising dramatically given the current appetite for social media.

For those social media specialists who decide to sell now, further rewards are likely to come their way when earn-outs are paid down the line. It's a proven fact that the right time to sell is part way through the agency's growth cycle, never at the end. As they say, timing is all and never more so than in the case of social media.

If you would like to discuss your social media growth plans, please contact Keith Hunt at keithhunt@resultsig.com

IN THE HOT SEAT WITH RICHARD EYRE

NON-EXECUTIVE DIRECTOR
RESULTS INTERNATIONAL

Q: Career highlight?
A: *Cancelling the production of Baywatch.*

Q: Best piece of advice given?
A: *Don't buy cheap advice.*

Q: Favourite book?
A: *The Revolution will not be Televised by Joe Trippi.*

Q: Favourite hobby?
A: *Cooking while playing loud music.*

Q: Best moment?
A: *Cold beer in a hot bath after walking to the North Pole.*

Q: Business or brand to watch?
A: *Quora.*

Q: Biggest challenge?
A: *Keeping pace with change.*

Q: Media must haves?
A: *iPad, Blackberry.*

Q: Rainy day objects?
A: *Internet.*

Q: Best digital campaign?
A: *Uniqlo Twitter campaign.*

Q: What will a 2020 agency model look like?
A: *Very high calibre concierge outsourcing to hungry specialists.*

Q: Your final word?
A: *Fear > dream = regret.*

CHARITY FUNDRAISING

Results International are taking part in various sporting events for charity this year.

DIARY OF EVENTS:
Three Peaks Challenge - **17th/19th June**
MAA triathlon - **1st July**
English Channel relay swim - **21st July**
English Channel solo swim - **20th August**
Farnham Half Marathon - **18th September**
Challenge Henley Iron Man - **18th September**

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JIM HOUGHTON
PARTNER
RESULTS INTERNATIONAL

20 THINGS BUYERS

LOOK FOR

No two acquisitions are the same, of course, but there are a number of common focuses for buyers. In no particular order, 20 of the most common are:

1. **International client servicing capability**
   This doesn't mean offices all over the map, but the proven ability to work with key clients outside the domestic market demonstrates relationship strength, quality of work and business acumen.
2. **Clear scope for future development and growth of the business**
   Don't take the business on too far; if the fuel tank is about to run dry there's little potential future return for the acquirer.
3. **Succession management**
   It doesn't matter what the seller says, the buyer will assume that within 3 to 5 years the sellers will be exiting and if there is no succession a deal won't be viable.
4. **Equity held by key management**
   Management who are key to value now and in the medium term, not every single employee, need to hold meaningful levels of equity to incentivise them to drive the business forward and to lock them in.
5. **True sector leadership in key offerings**
   A non-leadership position is likely to simply mean no deal in the current market and depressed valuations even at the best of times.
6. **Diversified client base**
   Too much revenue dependent on too few clients or revenues spread too thinly respectively represent big risks and a recipe for poor margins.
7. **Strong revenue growth**
   Consistent double digit growth is a key ingredient for most buyers.
8. **Margin enhancing profitability levels**
   Buyers look for targets whose margins are stronger than their own.
9. **Quality management team**
   The oldest cliché of them all – it's all about the management, and it's true.
10. **Understand the need for consistent profitable growth post acquisition**
    Great clients. Great work. Great talent. All for nothing if it doesn't result in consistent profits and growth.
11. **Operates in a dynamic new or sustainable and proven sector**
    Every sector has its stars, but a star in a buoyant sector will always have far greater appeal.
12. **Management committed to the business**
    If quality management is the key, they have to be committed to the business too.
13. **Clear and sustainable differentiation from competitors**
    There are always other competitors or substitute agencies out there vying for the same acquirer's money, so a clear and compelling differentiation is very powerful.
14. **Long-standing senior client relationships**
    Clients can always move and procurement is never too far back in the shadows, but senior clients are stickier and less price-sensitive.
15. **Professional back office**
    A great business that is hard to integrate will quickly become a headache, so a quality finance and commercial set-up is essential.
16. **Systems and procedures that will be adequate post acquisition**
    Ever heard of Sarbanes Oxley? It's decimated the league tables over recent years but has had even more of an impact on how listed companies have to operate, who still form the biggest and most active acquirer group.
17. **Flexibility on real estate**
    Might seem like a detail to you, but imagine you're a big corporation with twenty or thirty other partially occupied premises in your city.
18. **Drive and ambition in management**
    Moving from independence to being an owned agency is a big adjustment and anything other than complete drive and focus from the management team is a recipe for trouble for the year.
19. **Good client fit with the acquirers' own clients**
    Client conflicts are one of the most frequent reasons why deals don't get done.
20. **Scalable business model**
    It's all about profitable growth post acquisition, and if top line growth means big step changes in the overhead base this is a sure fire way of undermining this.

If you would like to discuss this article in more detail, please contact Jim Houghton at jhoughton@resultsig.com

RESULTS INTERNATIONAL TEAM IN NUMBERS

1 Pilot
2 Black belts
2 North pole trekkers
1 Ice climber
1 Photographer
2 Netballers
2 Musicians

2 Scuba divers
2 Skippers
2 Triathletes
2 English channel swimmers
2 Kite surfers
8 Foreign languages

8 Three peak hikers
2 Hockey players
5 Marathon runners
3 Polo players
11 Skiers
200 transactions completed

YEARS EXPERIENCE

20 SECONDS
3 QUESTIONS

JASON GOODMAN
CEO
ALBION

TOP AGENCY ■
MOTHER

BEST CAMPAIGN ■
Honeymonster for Sugar Puffs

2020 MODEL ■
Live, agile, highly analytical, completely measurable, always leveraging new technologies, creating business changing ideas, building branded products, doing stuff that is inherently customer centric, so useful and entertaining.

Not interrupting peoples lives but being part of the conversation.

www.albionlondon.com

MARK BLENKINSOP
EXECUTIVE CREATIVE DIRECTOR
EXPOSURE

TOP AGENCY ■
Wieden and Kennedy
Every credit to Dan Wieden who has managed to evolve his agency into the agency still to watch. The Old Spice "video responses" created a new blueprint in consumer engagement campaigns.

BEST CAMPAIGN ■
DDB - VW Snowplow (1963)
"Have you ever wondered how the man who drives a snowplow drives to the snowplow? This one drives a Volkswagen. So you can stop wondering." Black and white ad. No special effects. Just a beautifully simple idea with great copywriting.

2020 MODEL ■ A blend of scientists (focussed on communication analysis and data) and artists (a collection of hybrid creatives from various disciplines). Specialist production units and crowdsourcing will continue to flourish and challenge the very nature of an agency. Exceptional ideas matched with robust data will rule the day.
www.exposure.net

ANDY COLLINS
SENIOR PARTNER
RESULTS INTERNATIONAL

JIM HOUGHTON
PARTNER
RESULTS INTERNATIONAL

RESULTS INTERNATIONAL - ROUNDTABLE DEBATE

AGENCY EVOLUTION

Results International's latest round table debate on 18 May 2011 chewed over a broad spectrum of issues currently affecting the agency world.

The discussion, chaired by Managing Partner Keith Hunt, covered overseas expansion, the role of digital, over-reliance on major clients and the classic post-recession mainstay of growth and recruitment.

Tarek Nseir, Founder and Chief Executive of digital agency Th_nk, kick-started the conversation on growth and recruitment – his agency has added 45 heads in this financial year, meaning it has focused a lot of energy on delivering quality work and maintaining reputation.

That burst of recruitment is down to a client that Nseir says will "potentially elevate us as an agency because it is one of those unique products that doesn't come around very often. But it puts pressure on everything – from management resource to constant reprioritisation of what matters in the business."

Th_nk has also recently benefitted from an injection of private equity – has this given the agency the confidence it can ride out another storm, and therefore be a bit bolder asked Hunt.

Nseir countered that although it gave his business the confidence to recruit people, it had taken Th_nk six months to raise the money, by which time the agency did not require it because working capital was no longer a concern. Now the challenge is proactively doing something with the money, which requires time and management effort. That cash injection was required after a client

continued on page 10

4 TOP TIPS ON GROWING YOUR BUSINESS INTERNATIONALLY

Western Europe: Jim Bell

1. **Have deep pockets**
   Whilst trying to replicate the success of your home market in other markets is a laudable goal, the multinational agency networks have often discovered, to their cost, that international expansion can be an expensive business. If the intention is to grow organically there can be a considerable gestation period where revenues are elusive, set up costs are high and competition is established, talented and aggressive.

   If the intention is to acquire an existing business, you will need to invest in local knowledge, which usually means hiring experienced, trusted advisers who can guide you through the pitfalls of doing business in foreign jurisdictions. Either way, it will be more difficult and potentially more expensive than you may have anticipated.

2. **Have the management bandwidth and experience to manage across borders**
   Assuming that you successfully establish your international operation, you will need to devote the same level of time commitment that you did when growing your original home market operations.

   This means spending considerable time yourself in the new operation or appointing one of your senior team to do so. The transfer of skills, culture and experience can only come from the heart of the business. If this commitment weakens your existing home operation, think twice.

3. **Go where clients lead**
   There is clearly no point in opening other operations if there is no immediate prospect of business.

   However, whilst your international clients may suggest you open offices in other markets to serve them, there is a world of difference between a ‘suggestion’ that you open an office elsewhere and the reality. Your client may also be new to the market and have limited budgets.

   The client you speak to in your home market may not actually control the decision making in the market where he has suggested you open and the local management of the client may already have strong local agency relationships which will be hard to break through. Unless there are contractual, written obligations on the part of your client(s) be sceptical.

4. **Do a thorough competitive analysis and establish who your clients work with in the markets you intend to enter**
   Whilst international client/multinational agency alignments continue to feature strongly in the profile of international markets, there remain both client sector (healthcare and technology for example) and agency service areas where alignment is weak or non-existent.

   Even major brands will use non aligned agencies to provide skills in digital and other specialist services and the mantra of ‘best in class’ can be to the advantage of ‘upstarts’ (or start ups!).

   However, the major markets internationally often have a wealth of local, talented agencies, especially in emerging economies, so unless you can deliver ‘best in class’ services from the outset, you may find business hard to come by. In addition, you will need to succeed in gaining local new business, as even the multinational agencies cannot survive without it.

Be careful, it is a jungle out there....

Germany: Arne Tödt

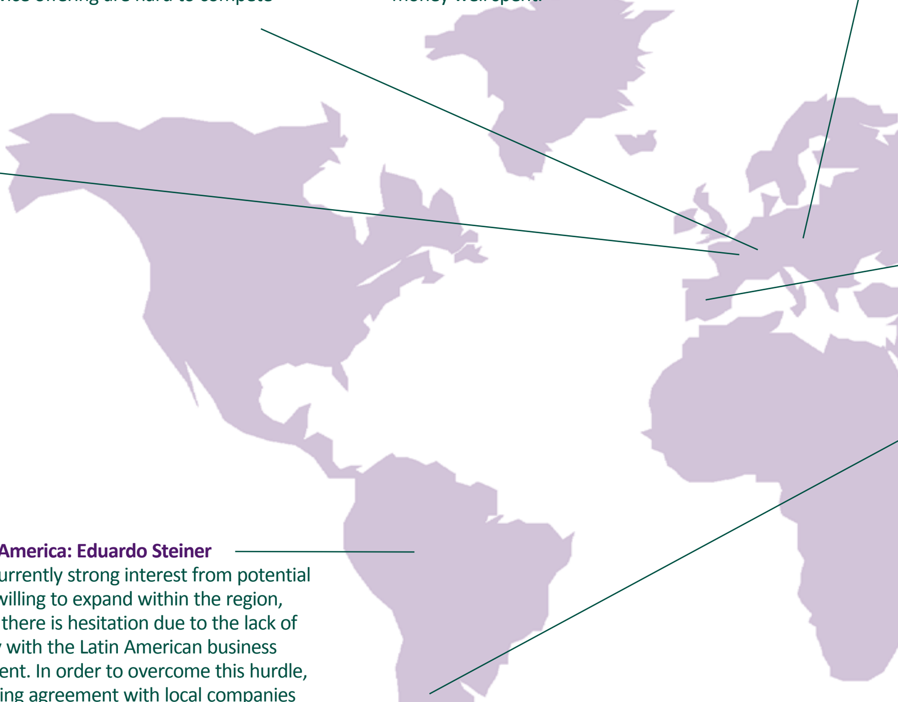
1. **Leverage strong client relationships into other markets**
   Establishing a new business in another country from scratch can be a very challenging task as well as a risky venture. Identifying the long term business needs of a key client and developing a joint strategy to either establish an office or find a smaller strategic partner in that country will not only increase the chance of success but can also create a win-win situation with your client.

2. **Look at similar and less competitive markets**
   Markets such as the US, UK of France are very competitive and hard to enter for any agency outside these territories. Therefore, for German agencies to enter countries with a similar cultural environment such as Austria or Switzerland or neighbouring countries in Eastern Europe with good growth potentials are more likely to succeed.

3. **Play to your strength and USP**
   International marcoms networks with their broad service offering are hard to compete against internationally. However, agencies that have a proven specialism and a strong competitive position in their home market will find it easier to leverage their business into other countries. Many clients and independent agency owners are more attracted to partner with larger owner managed agency businesses than the big networks.

4. **Do your homework and get to know the market first**
   Each market has unique characteristics that can be quite different from the home market. In Germany, for example, agency businesses are spread out over more than five major cities and in certain sub sectors the market tends to be more fragmented than the UK or US for example.

   Therefore, investing some time and money in understanding the local business dynamics, the competitor landscape and insights about potential partners or teams in order to make the right decisions at the outset is always time and money well spent.



Brazil/Latin America: Eduardo Steiner

1. There is currently strong interest from potential entrants willing to expand within the region, however, there is hesitation due to the lack of familiarity with the Latin American business environment. In order to overcome this hurdle, an operating agreement with local companies prior to a formal acquisition could potentially be a workable first step solution.

2. Currently there are key opportunities to expand digital agency services throughout the region. Due to Argentinean agencies enjoying low production costs, cross border activity is becoming more frequent and resulting in a pan-regional delivery of digital services.

3. The 2014 World Cup and 2016 Olympics taking place in Brazil is generating a flurry of new business opportunities as agencies manoeuvre to participate in the two major media events. Middle and small size companies are teaming up through international associations to embrace the opportunity. Business generated via post-event exploitation will be a substantial investment opportunity for foreign companies.

4. Several essential elements must be considered when planning expansion in Latin America. These include understanding the regional cultural barriers and business practices. Be prepared to navigate the labyrinth of bureaucracy, overlapping regulations and complicated tax codes.

Middle East & North Africa: Imad Kublawi

1. **Product**
   Make sure you have the right partners, staff and skills to offer the latest in digital. Traditional agencies will find it hard to grow organically or through acquisition unless they develop what they are offering to capture the digital users and attract global buyers.

2. **Outsourcing**
   Some MENA markets have the talent, culture & language and cost efficiency to act as outsourcing centres for digital solutions.

3. **Finance**
   Invest time and money in getting your financial reports on time and ratios above industry average. The Founders, understandably, devote time to new and current business and ignore this crucial aspect of the business, that will discourage potential serious investors.

4. **Corporate governance**
   Although this is taken for granted in Western organisations, many MENA agencies fall short of practising it, which places them at a disadvantage with potential global partners.

Central & Eastern Europe: David Blois

1. Follow your client
When your client establishes a new office in the region go with them. The chances are that the new office will require similar skills and understanding of their brand and find difficulty in getting what they need from local agencies.

2. Solve your client's problems
Ask your client where they need help and offer your services. Similarly to the above, clients are looking for a high standard of marketing skills and in some emerging markets will have trouble sourcing them locally.

3. Export your skills
Niche skills honed in highly competitive but low growth Western markets can be transported by acquisition or joint venture into the high growth markets of Central & Eastern Europe. A strong Western offering in a fast growing emerging market can be a very powerful recipe.

4. A path less trodden
Establishing a strong marketing communications or digital brand from scratch in the crowded markets of the West can be an uphill struggle. Emerging markets of the East are less crowded, high growth and there is less competition from larger agency groups - a great place to grow a strong brand.

Spain: Pedro Calderón

1. Business growth
Spanish marcoms companies should leverage Latin America's expected business growth, especially in Brazil and Mexico. These business projections coupled with Latin idiosyncrasy and culture are a great opportunity for Spanish companies to grow. A good example of this are the many Spanish companies that are already present in Latam markets that together account for the biggest investor in the region (Telefonica, Santander, BBVA, Repsol, Endesa, Iberdrola and FCC).

2. Digital
There is a great opportunity for a big and strong digital Spanish multinational to expand further in Europe and Latam. Business sophistication in Spain is strong and well developed and costs are still below average Western Europe. Those two will be the key drivers in the following years to fuel rapid growth.

3. Technology
Spanish mobile marcoms companies could exploit their expertise and technologies to expand internationally, gaining critical mass. Spain has a 'country partner', one of the world's biggest telecom companies, Telefonica, to help their expansion to fuel growth, in particular within Latam and across Europe.

4. Production
Spain and Portugal have the opportunity to be a quality production facility center for international companies (digital, TV, content production). Production quality is excellent within these regions and the cost is still lower than average across Europe.

North Asia: Chris Beaumont

1. Go where the new consumers will be
Not all people are equal, and some are more equal than others. The rising economy in China will lift hundreds of millions of households out of poverty creating a new and sizable middle-class. Some Western early movers are developing new strategies in anticipation.

2. Globalisation is not massifying countries
Despite earlier fears that standardisation and globalisation would massify the human race, we are witnessing still further evidence that Asia is moving in a different direction. The Asian individual is triumphing and becoming more significant. Particularly in marcoms, 'development' is less about realising Western values, but reassessing and reinforcing local values and beliefs in a contemporary manner.

3. Reinforce your DNA to acclimatise
Take your strong culture and values and ensure it helps to differentiate into new markets. It will be important for external profiling, but critically a central pillar for staff retention. The staff churn in some recently emerged markets is >100%.

4. The offer is holistic and digitally empowered
The value is in a strategic brand offer that is agnostic. Mobile marketing in Northern Asia leads the world and fits seamlessly with an emerging traditional media market. Be prepared to take initiatives for your new market around your network. Ideas come from anywhere, not just the centre.

India: Sunil Gupta

1. Often international buyers look at Indian firms through Western financial prisms, but that is a mistake. Purely financial considerations for valuations will hardly ever compensate the entrepreneur adequately for the toil put in for setting up and operating a business in conditions that do not even remotely compare to those found in the Western world. Companies that recognise and reward such firms for the work done at the coal face and factor this into a valuation will earn the trust of the target firm, and get an immediate foothold into a large but logistically difficult market. The valuation multiple must appreciate this reality and cater for it.

2. The 3rd tier profit-making companies (agencies) can provide the emerging networks a base in the major cities (as most are located in Delhi and Mumbai), so infrastructure, clients and people are available to hit the ground running, providing a platform for quick geographic expansion and integration of diverse resources across sectors. This has to be factored into the valuation equation.

3. The post-merger stage is fraught with the possibility of individual egos and cultural incompatibilities posing real integration problems. Small companies are inevitably dependent on the 'personal' relations that owners have with clients. The buyer must be able to respect the constraints of these 'personal' egos and equations (very much like Gary Kirsten, the Indian cricket coach).

4. Prospective investors must approach India with an innovative mindset and see value in smaller companies which provide much quicker market traction. The operative word will be 'partnership' and the best strategy ones of inclusive growth, not takeover. Any network that can offer these companies growth perspectives that are win-win will reap the rewards of realistic valuations and ambitious partners.

South East Asia: Jamie Kefford

1. Geographical size
Although a sub region within Asia Pacific, make sure you know the geography - South East Asia covers a very large area, ranging from the Philippines in the North to Indonesia in the South and East and Indo China in the West.

2. Cultural diversity
Within this area, there are a significant number of cultural differences primarily based on ethnic race and religion; Catholic Philippines, Malay, Islamic Indonesia, Buddhism and Taoism in Thailand and Indo China, and secular Singapore.

3. Business etiquette
This cultural diversity leads to significant differences in business etiquette within the markets. Although English is widely spoken in each business community, the ways of doing business vary according to the country with Singapore on familiar Western lines through to critically important personal relationships in many of the other business centres.

4. Patience is a virtue
Due to the importance of personal relationships, business activities will take quite a while longer than in more developed markets. Success will come to those who take the time to appreciate the mindset of building solid relationships before any business can be concluded.

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AGENCY EVOLUTION Continued From Page 7

worth a major percentage of Th_nk's business pulled out.

"It forced us to break that reliance on one client," said Nseir. "We're in a healthier position now." Miles Welch, Director at Results International, pointed out that agencies have to plan strategically for life without a major client. Matthew Tod, Chief Executive of Logan Tod, said he wished that in the past he had measured his agency's sales and client retention without his key client – "otherwise I was telling myself I was doing brilliantly".

Andy Collins, Senior Partner at Results International, recalled a client whose biggest problem was that the entire agency culture was having to wrap itself around its own biggest client. The negative impact this had on the rest of the agency meant that, in the end, the agency took the bold decision of resigning the client.

"They worked out that they would struggle to survive without it, but the cultural impact of getting rid of the client – despite the lower profits immediately afterwards – resulted in a much more harmonious team and better staff retention," said Collins. "They decided that internal harmony was more important to them. But they made that decision because in the end they could not contain that client."

Jeremy Brown, Chief Executive of Sense Worldwide, agreed that resigning a client in those circumstances is the right choice: "A bad client is like poison," he said. "You absolutely don't need them."

Nseir countered that his agency's current biggest client was worth the time and effort. "They've been brilliant for us and the team has loved every moment of it," he said. "It's been a year-long programme of work, but there has been no fatigue."

im Houghton, a Partner at Results, questioned what happens when that client has gone. "It's important to build a structure around the client while they are there and enjoy it," he said. "But when they are gone be sure that your structure is flexible so their departure it is not going to kill your business."

At what point do agencies expand overseas, and how?

Nseir offered that his agency, Th_nk, were contemplating opening an office in New York City.

"Three of our clients would actively take us there, but the board are cautious because we have plenty of opportunity in our local markets for now that it makes sense to focus on," he said. "We'd also be stretching our management resource too far if we did expand. I still think there is a point where you need to create further reach, especially if that reach brings benefit to an existing model."

"That's a symptom of one of the most frustrating things for me over the past couple of years – having a growth curve that was rising so steeply before hitting a plateau," said Brown. "And now things are on the rise again."

"New York," said Brown, "or even the west coast of the US, can be done with day trips if you get your timing right," though he "wouldn't recommend it for your health".

The table discussed the best place to launch your first Asian outpost, before Farrell countered that the Chinese will soon "save you the trouble of the trip, because they may start buying businesses quite aggressively over here".

Wherever you intend to launch overseas, he added, the market will be very different: "And it is fundamental that you have three or four clients who will support you, bankroll you and commit to no less than 18 months together. Then maybe it's a good move."

Brown agreed: "You need clients who will support you – you cannot go in cold."

Data is fundamental. Digital is taking a leading role

The table agreed that in the digital and non-digital world, data is fundamental. "It gives you a customer insight, a competitive insight and industry insight," said Nseir. "The challenge is putting it in plain English and bringing it to life."

Farrell said one of the things he found most encouraging was that the scope and scale of digitally-led campaigns is growing exponentially, and therefore 'the side street that used to channel things into has now become the main street'.

"Look at agencies like LBi – the scope of their remits now are enormous," said Farrell. They are now getting the type of assignments that advertising agencies were going for in the mid-90s. What they haven't done is try and take on the world and say 'we'll take in the creative bit as well'."

Nseir ventured that he would like to see an agency group "properly lead with its digital agency" – "I'd love to see what would come from that," he said.

Farrell pointed out that the dynamic is changing and improving – Publicis, for example, has won a few pitches in the past two or three years led by Digitas.

Digital is integrated in everything most agencies do. How long, then, before head of digital becomes the managing director?

"A lot of clients come to us because digital is part of everything we do," said Daranyi. "We don't outsource it. Agencies like ourselves, who are a bit smaller and a bit more flexible, are able to pick up a lot of business because of that."

Being flexible also creates a huge opportunity for small and medium-sized enterprises because they are able to move in multiple directions at very short notice when it comes to engaging with and responding to consumers.

Farrell was keen to underline this advantage after the question was asked as to whether consumers really own and control brands, as opposed to agencies and corporates.

"Consumers shape brands, and brands are now much more about a dialogue, not a monologue," he said. "Consumers are more important than ever in shaping brands. They are invited to interact with them and engage with them. What are companies doing about it? It's an interesting challenge. A lot of companies have opened themselves up and invited opinion – but they don't know what to do with it, or how to reply even."

"If brand owners invite consumers to participate in their brands then they better be prepared to make it meaningful and real!"

A problem a lot of brand owners and their agency partners have is managing the new world of genuine consumer-shaping brands, because a lot of people are not prepared for it.

Tod put forward Asos's openness in engaging with customers on Facebook as a great example of a brand unafraid to have genuine conversations and customer queries.

"There are no guidelines for it," he said. "It's called trusting your staff and being human."

M&A Opportunities

The following summary is a sample of the range of companies currently represented by Results International. If there are other sectors or areas of opportunity not indicated here that interest you, please advise 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.

UK & EUROPE:

AVIEMORE	Scandinavian marketing PR network with EBIT of €550k, headquartered in Stockholm, seeks trade buyer.
ELISE	London based niche B2B PR consultancy with international reach, seeks trade sale or merger. EBIT £0.3m.
GREEN PARK	Barcelona based top quality, specialised outdoor media services company offering research, strategy, planning and buying seeks trade buyer or merger partner. 2010 billings €7.4m and EBITDA €120k.
MORZINE	UK based award winning full service PR agency with key strengths in consumer and B2B with a strong digital capability seeks trade buyer.
TOWER HILL	Madrid based digital agency offering global integrated solutions seeks trade buyer. Blue chip clients and 70% gross margin. 2010 EBITDA €303k.
VAIL	UK leading full service PR consultancy, outstanding client list and EBIT significantly in excess of £1m seeks trade buyer.

EASTERN & CENTRAL EUROPE:

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

ASIA-PACIFIC:

CAMERON	Singapore-based 28-strong leading independent interactive agency with two additional offices in the region seeks trade buyer.
GEORGETOWN	B2B database/MR/BI IT focussed rich database with fortune 500 clientele seeks trade buyer. Revenue $2.7m.
MONTSERRAT	One of the top few independent full service digital agencies based in New Delhi, India, seeks trade buyer. Revenue $0.8m.
NASSAU	Independent multinational search, interactive services & analytics digital agency with offices in Seattle, Mumbai and Singapore, seeks trade buyer.
ST JOHNS	India-based integrated communications agency seeks trade buyer.
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 seeks trade buyer.
ST VINCENT	New Delhi/Mumbai leading independent full service digital agency seeks trade buyer. Revenue $3m.

MENA:

AQUA	Dubai based experiential marketing agency with young and creative management team. PBT over $1m, seeks trade buyer.
ATLANTIS	Dubai based award winning advertising agency with a talented and ambitious management team and diversified income seeks trade buyer.
CORAL	Market leading digital agency with people, processes and technology of world-class standard and headquarters in Dubai. Revenue $8m seeks trade buyer.

LATIN AMERICA:

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-over-year over the last 4 years.

Conditions:

1. All clients whose details are provided in this bulletin, and respondents, are deemed to accept the need for absolute confidentiality on all information provided by clients and will be expected to sign a confidentiality letter before any information will be provided.

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