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THE WORLD 2

More to MDC than just Crispin Porter & Bogusky?

The holding company says it's in good shape despite claims the 'talent gets a little thin' after the Miami shop. By Ann Cooper

One key to the success of MDC Partners, the Toronto-based holding company with a portfolio of 36 or so advertising, design and branding companies, most of which lie south of the Canadian border, lies in a catchy little acronym, CCPCC. Translated, this stands for clients, companies, people, cross-selling and culture.

According to MDC's chairman and chief executive, Miles Nadal, it's all part of a new operating model. "We help our partners find new acquisitions and talent, and cross-sell more services to more clients for more value and efficiency, while culturally enhancing their sustainable and profitable growth rate," he says. "So we've coined this acronym, CCPCC. We meet every Tuesday with the corporate group to identify ways we can add value within the network. And it is paying huge dividends."

In the burgeoning universe of MDC, whose acquisitions include the creatively acclaimed agencies Crispin Porter & Bogusky and Kirshenbaum Bond & Partners, Nadal intends mortgaging future growth to the concept of what he calls perpetual partnerships.

It involves crafting deals that allows management to sell additional stakes back to the holding company. Recently, for example, MDC upped its stake in both CP&B – from 49 per cent to 77 per cent – and KBP – from 60 per cent to 100 per cent. "CP&B wanted to monetise some of its investment, and we were happy to accommodate," Nadal says. "The partnership has been very successful."

At CP&B, there are about 15 shareholders in addition to the original four partners, Nadal explains. "We have recycled about 13 per cent of the company back into the hands of young management in equity. And we'll continue to do so," he says.

It's an arrangement that has such partners swooning with appreciation. Chuck Porter, the chairman of CP&B and the chief strategist for MDC, says: "From the beginning, money was never the most important thing for us. We thought we could do something new and exciting. Reinventing how people do things has always been an enormous motivation for us. We're looking at a lot of different things in order to grow our involvement with our clients. And MDC is giving us the opportunity to do that."

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Miles Nadal, chairman and chief executive, MDC

Richard Kirshenbaum, the co-chairman of KBP, says: "Our relationship with MDC is a great cultural, philosophical and entrepreneurial fit. I always felt there was a need for an entrepreneur network centered on creative agencies. MDC is very supportive and understands the creative mindset, but they don't tell you what to do. It's a very good match."

With an estimated $42.6 million in revenue in 2006, MDC still lags behind rival holding companies, but Nadal insists the focus is on "greatness, expertise and talent, not size".

However, he adds: "Our growth rate is four times faster than our nearest competitor, and it's almost five times the industry rate. Our margins are expanding faster than any of our competitors, so is our return on investment capital."

But there have been setbacks; the New York-based ad agency Margeotes Fertitta Powell was recently folded into KBP after a number of account losses. Nadal says: "We have been very fortunate that of the 41 deals we have done, 39 have been anywhere from successful to extraordinarily successful. Our portfolio is in the best shape it's ever been in. It's as good as anybody's."

The US view of the MDC philosophy can be summed up as one of cautious admiration. "The MDC model on paper is very compelling," one observer says. "It speaks to a truth that most other holding companies don't, which involves nurturing creative talent. The contradiction is that while it's compelling, it falls flat because it's got this one great example, CP&B, and then the talent gets a little thin. MDC is a very CP&B-centric universe."

Another criticism is that MDC lacks the CP&B equivalent in the digital world, and needs to diversify more. Nadal disagrees: "We have the largest component of digital content and capabilities of any holding company, which contributes to our growth rate."

And he's particularly interested in acquiring overseas. "We will go where the talent is," he says. "And geographic diversification will be part of our long-term strategy."

Kirshenbaum…'great fit'

Porter…new opportunities

While Kirshenbaum says that MDC's investment will enable its further expansion into the digital and Hispanic worlds, CP&B's ambitions are more organic. "We want to grow our expertise and footprint in terms of how we engage with a client's business," Porter says. "We're looking at product design, which is a core part of marketing."

And there may well be a London office in the Miami-based agency's future. "We handle Burger King in the UK, so we have account people in London already," Porter says. "There's enormous talent in London. There's nothing specific in the works, but we talk about it."

Potential partners take note.

INSIDER'S VIEW TURKEY

A number of factors driving change and growth in Turkey make what is an increasingly Westernised nation fertile ground for investment, David Blois writes

Turkey is a market with great investment prospects. Unlike the marketing communications sector in Eastern Europe, which has had to build itself largely from scratch, it's a relatively established market, but one that still has massive potential.

It has a sizeable and growing population and, unlike much of Europe, a young one – 59 per cent are aged under 29, and this audience has a voracious appetite for better living and better-performing brands. Turkey demonstrates a high volume of consumption and economic stability, and is now attracting global investors, funds and brands.

Another aspect that makes it appealing to the global ad industry is that there are relatively few brands in Turkey. While international services and brands are growing their presence, there is room for many more. Moreover, there are some excellent and successful homegrown brands, which have the potential to move beyond their local market.

The Turkish advertising sector has grown constantly at more than 20 per cent over the past five years, and ad expenditure reached $2.6 billion in 2006. However, the biggest challenge for the industry is to increase adspend per capita. While most of the major global comms networks have long-standing interests in Turkey in the form of partnerships or affiliations, further investment in the country has not been a strong strategic priority for them.

Yet Turkey is showing itself to be an exciting market. There is a significant increase in investment from newer companies, which have spotted the country's potential. These include the AIM-listed Moscow-based IMSG, which acquired RPM-Radar and Zap Medya. Medyaturk was also acquired by Aegis in 2006.

Another factor driving change and growth in Turkey is the negotiations for accession to the European Union, which formally began in October 2006. Much was expected of Turkey, and it has always delivered. These past achievements and the progress made in EU negotiations so far show that Turkey may not be as different from the European mainstream as some maintain.

Turkey's economic performance seems to bear this out. Whether it enters the EU or not, by bringing its laws in line with those of the Union, Turkey is putting out a very strong "open for business" message.

Importantly, the country now has political and economic stability. Hyperinflation no longer exists; the legal infrastructure has also substantially changed and is more or less in line with that of the EU.

Moreover, in 2010, Istanbul will be the Cultural Capital of Europe. As well as preserving its authenticity, Turkey reflects European values. The Crystal Apple Awards, the country's creative advertising awards now in their 22nd year, have clearly secured the status of a European advertising festival.

David Blois is senior consultant at Results International