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Smart thinking for business advisers

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CREATIVE FIXER

Advertising and PR clients looking for strategic direction have one name in their BlackBerries – Mandy Merron



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HOLIDAY

MEDIA MOGUL

Mandy Merron's 30-second pitch? She's no boffin, she speaks the same language as her advertising and marketing clients and can offer them all the services they need. It seems to work, says **Liz Loxton**

Mandy Merron enjoys the humour and fresh thinking of her clients in marketing, advertising and communications. 'One of the things I like about this sector is that you get to work with articulate, intelligent, quick-witted, challenging people,' she says. 'You can't just send them a convoluted letter full of references to legislation and section numbers. You have to give them the issues in plain English.'

The kind of people who spend their lives thinking up bright ideas for advertising and marketing campaigns can occasionally come unstuck, of course. The company Christmas card, for instance, can sometimes fall prey to the law of unintended consequences. Merron recalls one seasonal message including a child's rainmaker toy that was subject to a controlled explosion. But ideas people make for stimulating company and generate plenty of opportunity for advisers. At Willott Kingston Smith, the West End creative industries division of mid-tier firm Kingston Smith, Merron, two other partners and two directors work with nearly 400 'businesses where intellectual and creative skills generate the output', says Merron.

With that size and class of portfolio, there's obviously a great deal of enjoyment to be had. Willott Kingston Smith's client roster has been built up from scratch since 1991, when Merron, along with

Bob Willott and Graham Golding, opened the doors to the new practice in an office on London's Cavendish Square. They had no clients, but they had the reassurance of having their salaries paid by Kingston Smith and the freedom to build their own firm, 'which is the greatest fun you can have', Merron says. The three of them set about bringing in new clients and working out how to structure the office to best meet people's needs.

Spicer up your life

For Merron, it was a return to the kind of culture and fully rounded service offering she had enjoyed at the beginning of her career. She started out as a trainee with Spicer & Pegler, the mid-tier firm that was later to be subsumed by Touche Ross. At Spicers she came into contact with a number of marketing companies, US and UK fully listed companies, along with private companies. 'In the late 80s, Spicers was merged into Touche Ross and I joined one of the creative and entertainment groups. But what we had set up at Spicers was a practice where we were general practitioners. So we had tax experts and corporate finance experts - people who could advise clients on a range of stuff.'

Merron suddenly found herself in a department where everyone around her was carrying out audits. For someone who had been used to advising on tax matters, employee

incentive schemes and buyouts, as well as company audits, life had become quite regimented.

Opening the doors at Willott Kingston Smith meant not just a return to offering a wide range of business advice, but experiencing the growing pains, and exhilaration, of starting up a business.

'One of the characteristics of the marketing services sector is that it has lots of fragmenting businesses coming off, and we had been through a lot of that ourselves. We were not just advising people, we were advising them on the basis of experience.'

Things have moved on since then: Willott Kingston Smith has moved to premises in London's Soho, Bob Willott has retired and Graham Golding became financial director of ad agency Doner Cardwell Hawkins.

Merron now works with fellow partners Esther Carder and Cliff Ireton, plus two directors, Andrew Webster and John West. She has moved through the ranks - from manager to partner to lead partner within the firm's marketing services clients. 'That has brought its own challenges in terms of marketing effort. We need to understand what our target market wants and structure ourselves to provide it.'

Creative minds

Merron herself is an experienced adviser on audit, tax, business planning, employee share incentive

schemes and succession plans.

Within Willott Kingston Smith, she can also draw on wider tax expertise, as well as the services of KS Balanced People, a financial recruitment service, HR Insight for human resources services and an IT consultancy. 'The idea has always been to find a niche and add more services to it.'

The emphasis on creativity and communication means that businesses in this sector must compete for, and retain, talented individuals, so Merron finds plenty of opportunity to draw on her experience in devising incentive schemes. 'Because it's a sector that fragments a lot and businesses are only as good as their people, we spend a lot of time on employee incentives and succession planning, trying to find out what's going to lock in and motivate the next tier. That might be structured bonuses, an EMI options scheme or talking to [clients] about putting in specialised management training schemes.'

The marketing and communication services arena boasts plenty of mature listed businesses. But for every Bartle Bogle Hegarty, Omnicom or WPP Group, there are plenty of outfits that won't grow past a certain point. Many startups grow up into solid-looking owner-managed businesses that acquire others, merge, are snapped up by bigger players, or are broken up. 'Some individuals reach



the top of their business and don't see a way forward, so they'll fragment and start their own business. It's a seven-to-ten-year cycle,' she says.

Growing gains

Businesses have to grow up fast and that makes for fertile ground for advisers. Start-ups might need help with business plans and forecasts. Willott Kingston Smith will take entrepreneurs to banks and introduce them to potential investors (although this area has become less attractive due to regulation). As a business grows, the firm can take bookkeeping, accounting and IT issues off its hands. 'We can provide a complete wraparound service if they want it,' says Merron. Then there are acquisitions, joint ventures and the matter of grooming businesses for sale.

The emphasis on creativity means that businesses must compete for, and retain, talented individuals

It is a sector full of activity and competition and one where businesses need a distinctive offering and message to survive. 'The marketing services world is over supplied,' says Merron. 'We monitor financial performance across the sector with an annual survey. On the one hand, there are some businesses that perform brilliantly and, on the other, there are those that struggle. The reason they struggle, in my view, is because they have not found a strong definition of their market. They aren't able to say, "This is what I do: it's different from what the others are doing." Businesses that don't have a really clear strategy end up saying, "I try really hard. I'm really creative." And, of course, they all say that.'

As well as editing Willott Kingston Smith's Financial Performance of Marketing Services Companies annual report, Merron oversees the Design Business Association's confidential salary and charge-out rate survey and acts as



Four steps to success:

- Be accessible - being able to demystify legislation, and speak and write in plain English, is crucial.
- Expertise - as well as technical excellence, an insight into client businesses and the marketplace in which they operate means better informed advice.
- Thorough service offering - individuals in the fast-moving marketing and communications world are used to working to exceed their brief. They expect the same from their advisers.
- Be sociable - clients in this sector want to enjoy the client-adviser relationship. Deploying technical boffins who, for example, don't make eye contact just won't wash.

treasurer of the Direct Marketing Association. She is a director of Women in Film and Television and a scrutineer for Design Week's survey of the UK top 100 design companies - roles that give her great insight into the financial workings of the sector. The firm's annual survey, in particular, means partners are able to look at client numbers and give detailed advice on which parts of the business are falling below the industry standard. If an owner is grooming a business for sale and needs to up productivity and profitability, then learning that their charge-out rates are 10% below competitors will be timely and crucial information. 'To get that kind of advice off the back of an audit is quite good value,' says Merron.

To its critics, the creative sector is not just over supplied, it's hard to fathom and hard to quantify, busy foisting unwanted goods and services onto an unsuspecting public. But Merron does not suffer under any such illusion. Design, marketing and communications drive sales and growth, she says.

Designers are behind brands, corporate communications specialists are behind corporate social responsibility reports, and advertising professionals are behind sales figures. This sector is, she says, inseparable from business success. 'I think it makes a great contribution to understanding what customers want and - if marketing directors get it right - to shaping what businesses offer. It is an integral part of business planning.'

MISSION STATEMENT

Client's view: Willott Kingston Smith offers sound advise and 'face-to-face time'

Willott Kingston Smith client Mission Marketing Group is an AIM-listed advertising and marketing agency on a drive to create a new UK media group based on two key ideas. The first is to look for businesses outside the capital.

Agencies outside London have largely been ignored in the waves of consolidation that have occurred in media, PR and advertising, says CEO Iain Ferguson (pictured). 'If you're growing a global business you'll look for agencies in capital cities, but there's an interesting economic drift in Europe towards the regions. The cost of doing business in capital cities is only going to increase and governments are keen to see wider regeneration. So there are some really good businesses out there that have been overlooked.'

The kind of businesses that Mission is seeking on its hunt for acquisitions are agencies that have a broad offering in other words, businesses that are not solely based on TV or mass-market media. So Bristol-based PR firm Bray Leino also has a big training and education side. Importantly, Ferguson is looking for profitable businesses with lots of potential. 'We're not interested in turnarounds,' he says.

The second part of Mission's plan is to offer these companies an opportunity to grow as part of a

larger group. 'While you are an owner-managed business, there are always going to be barriers to growth. Our offer is that you'll be joining a group of like-minded people. There is no hierarchy in terms of one agency being more important than another - everyone is a stakeholder. We're offering deals in cash and shares and we don't have a complex structure.'

Mission's management team turned to Willott Kingston Smith because of its strong reputation in the sector. Deputy chairman and

Mission Possible

Willott Kingston Smith proved its value at the time of Mission's AIM listing. 'At a time like that, you don't have time to answer stupid questions. You need people who understand the business and know what needs to be done. We were crating a holding company and using the new entity for our acquisition. There are a lot of transactional issues there. They were pragmatic, quick and good.' Mission CEO Iain Ferguson is happy with Willott Kingston Smith. 'If I had to scorecard it, I would say: Are they good advisers and good counselors? Yes. Do they give pragmatic and well-grounded advise? Yes. Do they give plenty of face-to-face time with senior people? Yes.'

founder Martin Banbury, chief operating officer Jerram Shurvell, chief financial officer Tim Alderson, as well as Ferguson, had all worked with the firm in former roles. From the off, Ferguson says, the team was looking for the right kind of audit partner and full-service adviser. The didn't want to look to a Big Four firm, yet needed advisers who were well versed in the media sector. Mandy Merron, says Ferguson, 'understands our sector well. We get a lot of face-to-face time with them, which is helpful because we're looking for guidance along the way. We don't just want to talk to someone at some artificial date in the business calendar.'

The event in Mission's short history that best illustrates this is the



company's AIM listing earlier this year. Ferguson and CFO Tim Alderson joined the company specifically for the IPO. It was, explains Ferguson, not a simple matter, but a frenetic and challenging time. 'We were working hard, doing an IPO and investing at the same time in the acquisition of (PR agency) Bray Leino. There's a great deal of due diligence and preparatory work that goes into that.'

Mission has plenty of ambition. It expects to acquire forth company around the turn of the year and its strategy is to continue to look for interesting, profitable, low-cost agencies. Since listing on AIM, the company posted proforma interim results, showing turnover growth of 23% compared with the same period last year. The company is on track to make its next acquisition without going back to the market for more funds. Future acquisitions - the company aspires to making two each year - would require more funding.

The company's finance team talk to Willott Kingston Smith several times a week. 'We ask questions as we go along. It makes for a well-informed audit, with no surprises.' The continual contact, however, is not just confined to audit advice. Mission values the informal guidance about the marketing sector that it gets along the way.

 **Willott Kingston Smith**
A Kingston Smith LLP specialist division

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