



**Where next for your agency?**



# Strategic Objectives

**Grow** your agency revenues whilst improving **profitability**, **safeguarding** against future crises and enhancing the likelihood of a **successful exit** in the future.



# Approaches to growth



## Organic Growth

**Pros:**

- Lower risk
- No requirement for working capital

**Cons:**

- Slower growth
- May require equity incentives
- Harder to diversify
- Delay in realising revenue



## Joint Venture / Partnership

**Pros:**

- Allows diversification immediately
- Ability to accelerate revenue growth quickly

**Cons:**

- Medium risk – need good legal advice
- Usually a revenue/profit share mechanism
- Requires investment



## Acquisition

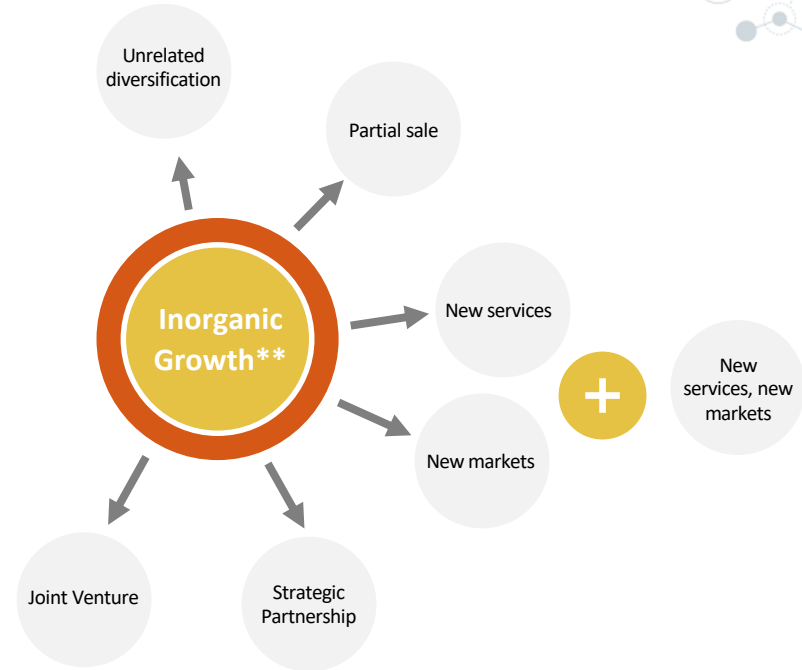
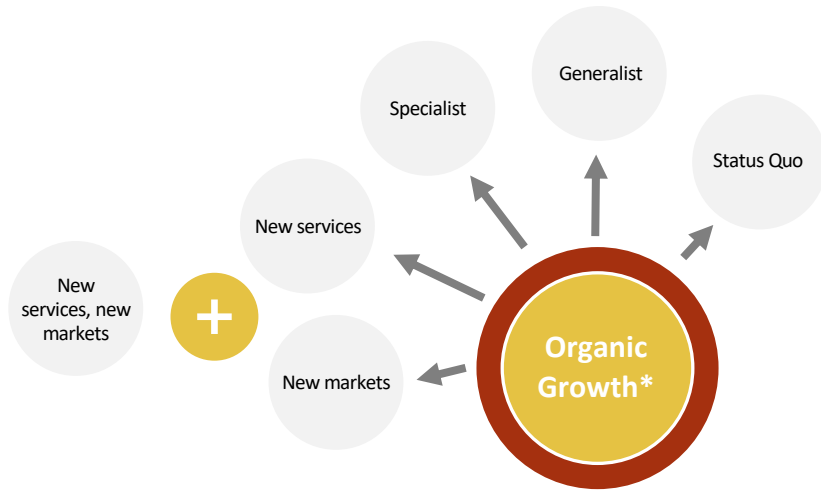
**Pros:**

- Immediate revenue
- Entrepreneurial talent
- Proven model
- Potential synergies

**Cons:**

- Higher risk
- Requires cash and/or equity
- Requires cultural fit

# Growth options summary



\* Organic growth - builds on the business' own capabilities and resources

\*\* Inorganic growth - uses external resources to grow the business





**ORGANIC  
GROWTH  
OPTIONS**

The background of the slide is a light gray network pattern consisting of numerous small circles (nodes) connected by thin lines (edges). Some nodes are solid gray, while others are hollow circles. The connections form a complex, interconnected web across the entire slide.

# SWOT

Organic Growth Options

# Status quo (business as 'usual')

## STRENGTHS

- No financial commitment from the business aside from normal working capital demands.
- Strong revenue growth and profit margins to date substantiate the proposition and management.
- Lower risk route to growth.

## WEAKNESSES

- May not being inspiring for management.
- Will take longer to get to reach profit target.



## THREATS

- Increasingly uncertain world means businesses may be navigating turbulent waters for some time to come.
- Accelerated use of digital platforms, data and technology may leave the business behind its peers.

## OPPORTUNITIES

- Allows steady training and succession planning over time.

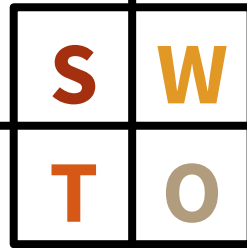
# Generalist (will do anything for anyone – no clear differentiated proposition)

## STRENGTHS

- Understand how to solve a wide range of problems for a diverse group of clients.
- Reduced concerns regarding conflict clients.
- Opens the scope to work with a broader range of clients than a specific sector or niche capability.

## WEAKNESSES

- Specialists can often charge more for their services than generalists.
- May struggle to find the very best talent that could be drawn to specialist / famous agencies.



## THREATS

- Some clients will be looking for the comfort of working with a specialist agency.
- Relationship with the client can sometimes be as a supplier rather than a business partner and therefore at more risk.

## OPPORTUNITIES

- Allows more agility and the opportunity for staff to transfer their skills to other clients, sectors, services, etc.
- As long as the quality of the work is high, it still allows you to achieve fame and reputation.

# Specialist (assumes multiple specialist 'teams' rather than one single specialism)

## STRENGTHS

- Understand how to solve very complex and specific problems for clients.
- Some concern regarding client conflict (in reality these challenges can be overcome).
- Can produce higher margins as you should command a premium on your fees.

## WEAKNESSES

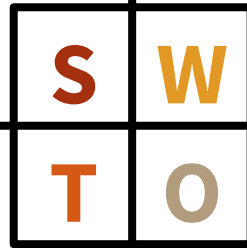
- Specialism should be (initially) led by management experience and expertise – market / capabilities will determine the opportunity for growth.
- Specialisms outside the management team need to be thought through and well recruited for – should be treated as an investment.

## THREATS

- Less agility in the times of adversity as skills and experience is less transferrable, e.g. current experiential / live events crisis.
- Competitive set is smaller but stronger than for a generalist agency.

## OPPORTUNITIES

- Will be working with C suite, so would expect growth opportunities to work as a trusted business partner.
- Could grow client relationships across verticals', e.g. could have a B2B team that works alongside a Corporate Comms team.



# New services (e.g. data analytics, content production, crisis comms unit)

## STRENGTHS

- Diversifies the current offering.
- Compliments existing services.
- Allows faster growth as you start building out multiple capabilities.

## WEAKNESSES

- Will effectively be a start up, which brings all the usual risk.
- Requires internal funding from cash reserves.
- Need to find the right people / team.



## THREATS

- Knowing when to turn off the funding tap.
- Likely to be a drain on management time.
- Positioning and 'sell' to clients needs to be carefully considered so it does not adversely affect the agency brand.

## OPPORTUNITIES

- Grow inside existing clients to get more budget and strengthen the relationship.
- More than one door to go through to start a client relationship.
- Offers some protection to external market forces.

# New market (e.g. Germany or USA)

## STRENGTHS

- Credibly expands your ability to service clients internationally.
- Compliments existing services.
- Allows faster growth as you would hope  $1 + 1 = 3$ .

## WEAKNESSES

- Will effectively be a start up, which brings all the usual risk.
- Requires internal funding from cash reserves.
- Need to find the right people / team.
- Would expect lower margin as you don't benefit from economies of scale from the core agency.



## THREATS

- Knowing when to turn off the funding tap.
- Will be a drain on management time.
- Market acceptance of a UK HQ business, e.g. don't try to open in France.

## OPPORTUNITIES

- Provides opportunity for staff in either location to get international experience.
- Could open access to a new sector.



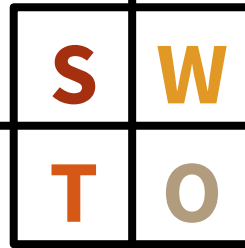
# New service + new market (e.g. content production + Germany)

## STRENGTHS

- Credibly expands your ability to service clients internationally.
- Compliments existing services.
- Rapid growth as you would hope  $1 + 1 + 1 = 5$ .

## WEAKNESSES

- Will have two start ups, which doubles all the usual risk.
- Requires internal funding from cash reserves – can you afford to do both, would budget £200k investment for each.
- Need to find the right people / team.



## THREATS

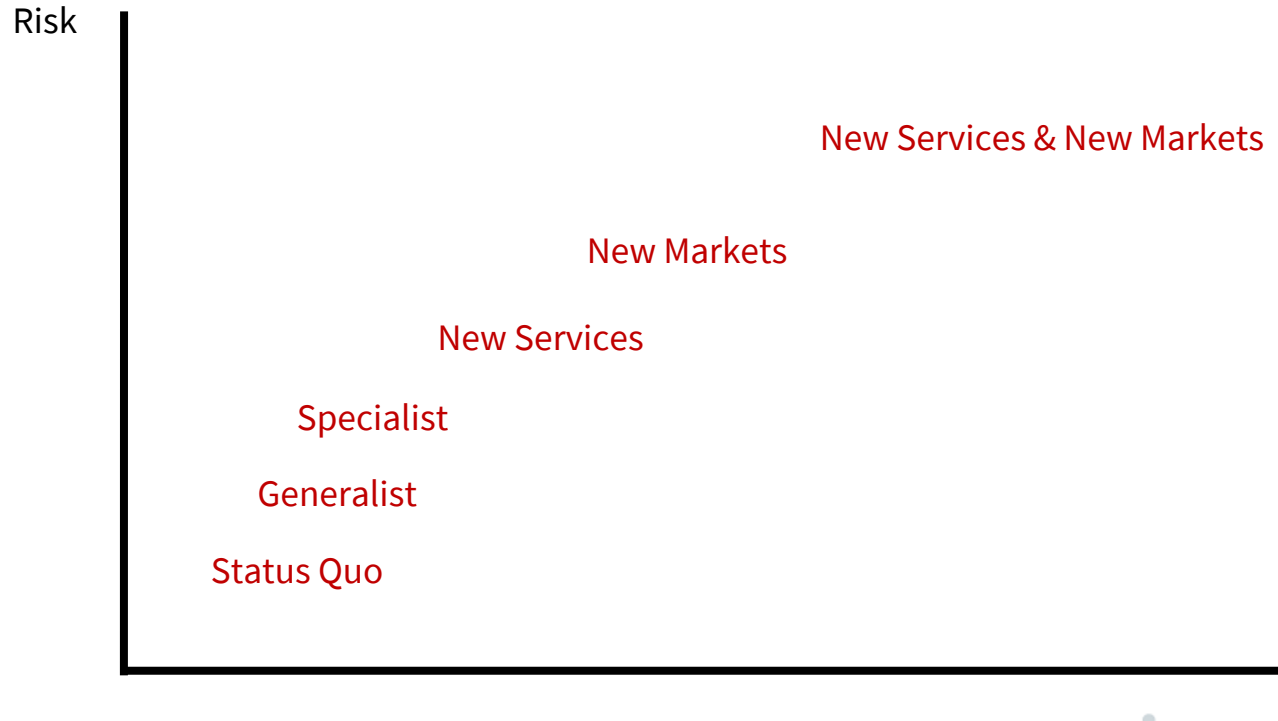
- Knowing when to turn off the funding tap.
- Will be a significant drain on management time – core needs protection.
- Should budget for external support to manage multiple growth options.

## OPPORTUNITIES

- Offers increased opportunity of new markets, growing existing relationship and developing new ones.
- Spreads your bets, although rare for all markets and capabilities to be ‘humming’ at the same time.



# Risk vs. Reward



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# Questions?



**INORGANIC  
GROWTH  
OPTIONS**

# Types of investment

## Start-up

- Establish new business capabilities
- Create a subsidiary
- You finance and have control
- Build business from scratch
- Creates entrepreneurial environment with significant stake in the business
- Higher risk if founder unproven

## Acqui-hire

- Straight acquisition
- Acquire individuals / small team with revenue and client base
- Team comes with revenue from day one

## Majority

- When it's too early for the seller to achieve value required
- Acquire control (>51%) of business and control
- Remaining shares roll up on exit
- May allow a larger acquisition

# Inorganic growth – sources of funding

Type	Current cash (and future trading)	New Issue of shares	Bank debt	Private equity / growth capital
Pros	<ul style="list-style-type: none"><li>• Cheaper funding route</li><li>• Less risk should acquisition benefits not materialise</li></ul>	<ul style="list-style-type: none"><li>• Minimal cash requirement</li><li>• Seller incentivised for eventual exit</li><li>• Can structure a deal to buy back shares from leavers</li></ul>	<ul style="list-style-type: none"><li>• No equity dilution</li><li>• Capital quite cheap at the moment</li></ul>	<ul style="list-style-type: none"><li>• Largest source of funds – allows more expansive acquisition strategy</li></ul>
Cons	<ul style="list-style-type: none"><li>• May limit size of acquisition</li><li>• Flight risk once acquired</li></ul>	<ul style="list-style-type: none"><li>• Equity dilution (can be reduced by also using cash)</li><li>• May increase purchase price due to increased risk</li></ul>	<ul style="list-style-type: none"><li>• Covenants / repayments may constrain the business</li><li>• Personal guarantees required</li><li>• Increases risk profile of the agency</li></ul>	<ul style="list-style-type: none"><li>• Significant influence on business (loss of control)</li><li>• Equity dilution</li><li>• Requirement for return may put strain on the business</li></ul>

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# SWOT

Inorganic Growth Options

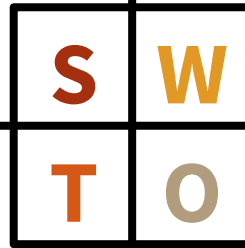
# Unrelated diversification (new or unrelated services in new markets e.g. recruitment)

## STRENGTHS

- Has potential for high revenues independent of core business.
- Depending on sector, could 'recession proof' the group, i.e. when marketing budgets get cut, what else prospers.
- Can provide a welcome distraction / scratch an itch.

## WEAKNESSES

- Does not enhance growth of the core agency.
- Future acquirers unlikely to want to buy the diversified asset.
- Need to find the right people / team.



## THREATS

- Knowing when to turn off the funding tap.
- Will be a significant drain on management time – core agency needs protection.

## OPPORTUNITIES

- Will provide alternative income generation options.
- Could set up a runway for a life after agency.
- Offers variety and could be a passion project.

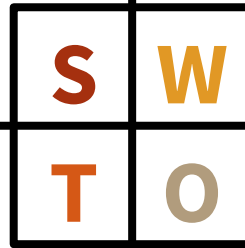
# Partial sale (assumes selling a controlling stake in the agency, e.g. 60%)

## STRENGTHS

- Finding the right strategic partner allows you to benefit from more infrastructure and access to resources.
- Allows shareholders to de-risk.

## WEAKNESSES

- Lower capital value than growing the business and selling in the future.
- Lose control.



## THREATS

- Needs to be the right strategic partner.
- Economic uncertainty adds increased risk in achieving earn out.

## OPPORTUNITIES

- Opportunity for all staff to grow their roles.
- Successful deal will allow a strong return on the remaining shareholding.



# New services (e.g. data analytics, content production, crisis comms)

## STRENGTHS

- Diversifies the current offering.
- Compliments existing services.
- Allows faster growth as you start building out multiple capabilities, which come with revenue.

## WEAKNESSES

- Need to find the right people / team and manage integration.
- Requires funding from debt, or equity dilution.



## THREATS

- Integration with existing core business.
- Likely to be a drain on management time.
- Client conflict.
- Duplication of resources.

## OPPORTUNITIES

- New client opportunities.
- Offers some protection to external market forces with a more diversified service offering.
- Take advantage of synergies, and some reduction in overhead, e.g. premises and back office.

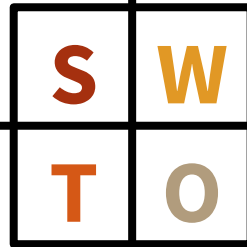
# New market (e.g. Germany or USA)

## STRENGTHS

- Credibly expands your ability to service clients internationally.
- Compliments existing services.
- Allows growth instantly without having to grow from zero in a new geography.

## THREATS

- Will be a drain on management time.
- Cultural differences.
- Integration with existing core business.



## WEAKNESSES

- Need to find the right people / team and manage integration.
- Would expect lower margin as you don't benefit from economies of scale from core business.
- Requires funding from debt or equity dilution.

## OPPORTUNITIES

- Provides opportunity for staff in either location to get international experience.
- Could open access to a new sector, e.g. Healthcare in Switzerland, or capitalise on existing specialisms such as clean energy in Berlin.

# New service + new market (e.g. content production + Berlin)

## STRENGTHS

- Credibly expands your ability to service clients internationally.
- Compliments existing services.
- **Immediately adds scale, reach and capability.**

## WEAKNESSES

- Need to find the right people / team and manage integration.
- Would expect lower margin as you don't benefit from economies of scale from core business.
- **Requires funding from debt or equity dilution.**



## THREATS

- Will be a significant drain on management time – core business needs protection.
- **Cultural differences.**
- **Integration with existing core business.**

## OPPORTUNITIES

- Offers increased opportunity of new markets, growing existing relationship and developing new ones.
- Spreads your bets, although rare for all markets and capabilities to be humming at the same time.
- **Allows the opportunity for transformative growth.**

# Strategic partnership

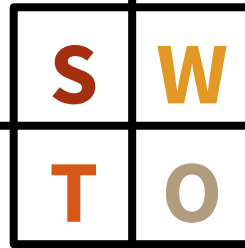
(e.g. commercial agreement between two companies that do not directly compete with each other, e.g. creative agency and a PR agency)

## STRENGTHS

- Allows you to provide services to clients that you wouldn't otherwise be able to.
- Compliments existing services.
- Minimal financial investment.

## WEAKNESSES

- Revenue reward is lower than building/buying the complimentary services yourself – often not transformational.



## THREATS

- Need to play nicely together.
- Would need flexibility, but also protection on who works with who.
- Needs management time to maximise opportunity.

## OPPORTUNITIES

- Offers increased opportunity of new markets, growing existing relationship and developing new ones.
- If you prove the model, could turn into a more formal relationship, such as a JV or merger.

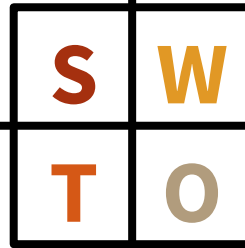
# Joint Venture (e.g. business venture where two parties pool resources to create a new business, e.g. creative agency and a research business)

## STRENGTHS

- Allows you to provide services to clients that you wouldn't otherwise be able to.
- Compliments existing services.
- Leverage resources and spreads the cost of starting a business.

## WEAKNESSES

- Unwinding a JV can be complex.
- Often not flexible.
- There is no such thing as equal involvement.



## THREATS

- Need to play nicely together – profits will be shared, so creating a clear and transparent mechanism is essential.
- Conflicts and disputes are common, so need robust legal advice to resolve them.
- Needs management time to maximise opportunity.

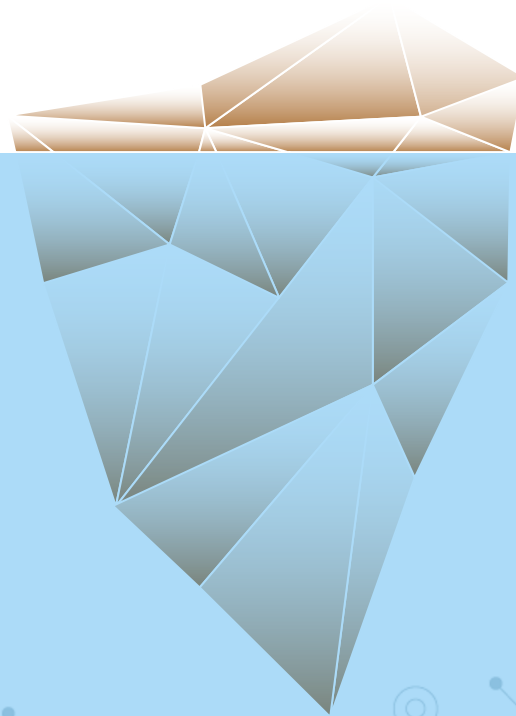
## OPPORTUNITIES

- Combines expertise.
- Creates a unique proposition.
- Revenue and profit opportunities are there if the JV is successful.

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# Questions?

# This is just the tip of the iceberg.....



## Takeaways

- Your growth strategy will be determined by your ambition and appetite for risk.
- There are many, many options.
- You won't grow without a strategic plan – even if that strategy is the 'status quo' route.

## What's next?

- Have a think about your end goal – when do you want to not have to work anymore?
- Contact me for a chat – virtual or otherwise.