

Making Marketing Services Pay

Evolving and scaling a traditional media company into a true marketing services business is hard work. But the rewards of pursuing that journey are becoming increasingly clear. You can not only create predictable, recurring revenue streams, but also increase the value of your business.

For Collingwood Advisory's 2021 Media Acquisition Report, we interviewed corporate buyers and private equity (PE) investors. Businesses that are able to deliver true integrated marketing solutions have become essential to their clients' marketing and business development workflows, and this type of business model has overtaken exhibitions over the past year in terms of attractiveness to a broader set of buyers. The Covid-19 pandemic has shown the value of having an integrated, multi-channel approach to the solutions you're providing to your clients. Creating an 'always on' suite of products enables you to secure additional client budgets and win new customers.

Marketing Services now sits only behind Business Intelligence and Subscriptions/Memberships, with valuations at between 6-8x ebitda for Scaleup business, and 10x for those of platform scale (£3m+ ebitda), compared to 4-5 for a traditional publishing business. So there is a huge opportunity here to build value in your business.

What do we mean by Marketing Services?

We're often asked what we mean by Marketing Solutions or Marketing Services businesses. Fergus Gregory, Collingwood's Director of Scaleup Advisory, explains that "a highly valued Marketing Services business is a business that delivers services that integrate into their clients marketing and business development workflows in multiple ways. It's more than providing a series of emails at the end of a lead gen campaign, more than sticking adverts in front of a few people, more than setting up a shell scheme. It's about providing a much more holistic experience to clients, and in some cases it's using your ability to engage your audience to create valuable insights so that marketers can actually plan their strategy."

There are typically 2 types of business model in this area. The first is events and trade show businesses who are now investing in year-round digital audience engagement (which is increasingly being seen as a must-have in the events space). The second is traditional digital publishing businesses who are delivering multi-channel digital solutions and have figured out how to create a data-led approach to deliver outcomes for clients. Both are very highly prized by corporate buyers who have historically spent a lot of money investing in trade shows. Bringing new skill sets, talent and approaches into their businesses is something they are now looking to invest in. So if you are embarking on the journey to Marketing Services, or have already begun, you are creating more value than ever before.

Let's be clear, this is not about becoming a marketing agency. Because the one thing that differentiates you as a Marketing Services business is the fact that you own the relationship with your audience, and that is absolutely vital in order for your clients to get results. But looking at some of the behaviours, talent and approaches you'll need for this transformation, you could learn a lot from looking at performance marketing and creative agencies and how they operate, and adopt some of that into your business model.

Why Transition?

The rewards for making this type of transformation are most clear when looking at companies like TechTarget, who provide a full suite of solutions to those needing to market to their customers, and have had an estimated value close to 50** EBITDA.

During our recent panel at The Publishing Show we spoke to Dan Loosemore, COO at Data Center Dynamics (DCD), who joined the business 3 years ago. Dan has sought to drive additional value from and to monetise the data which DCD was gaining from their audiences: “Our customer’s customers’ consumption habits were changing. They wanted information more quickly via omni channel, and they needed to understand technology developments in the market. The current situation of disaggregation of our content and a disconnected user journey was completely unacceptable. There was a clear opportunity to provide information at scale to this audience.”

On top of this Dan identified that “clients were starting to demand an integrated approach. Marketing in the tech sector had previously been about capturing demand - trade show lists, google ads, LinkedIn ads. Over the last few years that’s no longer been enough. Most sophisticated clients still need that data capture but the ones who’ve become most agile are those who have been actively looking at how to create that demand through their own channels - be it video on demand content, podcasts, webinars. So helping them on that content creation journey has been absolutely key.”

The Skills and People to Deliver the Vision

This type of transformation demands leadership from someone who understands the journey, and the introduction of different skill sets that traditional media businesses haven’t had, or haven’t previously placed importance on. In order to make the transition, it’s essential you have an experienced marketer, or adviser, to represent the voice of the customer within your business.

Look at the team you currently have and ask yourself not only where the skills gaps lie, but also are your current team adaptable, flexible, agile? And can they grasp the vision and potential of the future of the business?

Not only that, Dan Loosemore makes a great point that “if you know that all of these changes are happening on the customer side, then doesn’t it make sense to take a more introspective look at your own marketing strategies? If you’re not investing in and interrogating your own marketing, how are you going to sell integrated marketing campaigns with credibility?”. Marketing can often be an overlooked function, especially in startup and Scaleup media businesses, but investment in marketing skills is essential in making a success of a Marketing Solutions model.

Adding a Customer Success role to your team is also key. Dan commented that “if you want to become a strategic ally to your clients’ marketing functions, Customer Success is key to that, to act as a project manager in campaign delivery, but also as the campaign is being delivered to educate the client on value and to spot those opportunities over the duration of the campaign. Being able to visualise results and having a Customer Success team who can talk clients through that so that you’re continuing to prove the model and continuously demonstrating value. You’ve got to be thinking about how to deepen the relationship, so you’re not even approaching renewal discussions with ‘do you want to repeat’ you’re talking about ‘what does 2022 look like?’”.

And Fergus Gregory followed up with the additional impact on value creation, adding that “it plays to the overall value of the business. One of the reasons subscriptions businesses are so highly valued is that renewable revenue and the promise of future Customer Lifetime Value. If you can show that your team and your services are totally entrenched in your client’s ability to deliver the results that they need, and it’s painful for them to unpick all of that, that’s where real value is built in the business.”

Common Pitfalls

The most common mistake I see is creating bespoke solutions and campaigns for low value clients. You need to look at where the opportunity is with your key accounts to increase share of wallet and to establish recurring revenues. Separate out your smaller clients, who want to continue with a transactional relationship on a product basis, but don’t allow these to morph into bespoke offerings where the delivery eats into your margins.

As you move through this journey you have to be confident in managing ROI. Consider revenue per head of your entire business as a crude measurement to do that. We typically set a benchmark of a business that is performing well as over £200k per head. Some of the buyers we spoke to are looking at £300-350k per head as their sweet spot and they’re delivering that via integrated Marketing Solutions business models. So be very conscious of margin and ensure that your pricing and packages reflect the true value that you are delivering for clients.

Fergus agrees that “it’s important to be able to make the change from doing this at a project level for a few clients to being able to really scale it across multiple clients. I hear a lot of organisations saying ‘we’re doing that’, but when you unpick it they’re doing a few one-off projects that have to be reiterated again and again. That’s not what we’re talking about, we’re talking about an ‘always on’ solution for key clients. So that you’re naturally there when marketers are having strategic conversations and planning their annual campaigns because you’re seen as the ‘go to’ solution. And mirroring what SaaS businesses do in that way is a key takeaway in this.”

3-Year Plan

If your aim is to become a strategic marketing services partner with the top percentile of your market then it’s likely that they only set their strategic plans once a year. If you’re looking at a three-year plan that means you’ve only got three opportunities to really get a place in that strategic conversation. So in line with that we recommend a three-year planning cycle - with year one being about test, learn and iterate, year two about embedding and optimising, and year three is when you really start to accelerate.

Takeaways

1. Get close to your audience and clients and really understand their needs and challenges
2. Create a value proposition and vision around solving those challenges.
3. Define where the opportunity and need is in your market based on rigorous competitor analysis.

4. Make a plan for building a scalable marketing services business - be clear on what you do and don't do, and who for.
5. Build an organisation that's 100% focused on client success - and ensure you have the right structure, skills and team to deliver.

Collingwood Advisory is helping media entrepreneurs to embark on the journey to marketing services. [Contact us](#) to learn more.