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Driving and managing growth across borders — even in a global downturn?

Near-saturation conditions in many areas of the converged media and communications market, coupled with cut-throat competition, are causing many media players to look beyond the traditional developed markets for new growth opportunities. But what is the best way to exploit these growth opportunities and manage the resulting challenges? And what happens if – as many predict – the world economy spirals into a deep downturn? All the questions were raised and answered by speakers at the Summit.

Several claimed that the key to cross-border expansion lies in a careful and measured approach to M&A and partnerships, enabling entry into new markets at relatively low risk. Endemol CEO Aat Schouwenaar, speaking in the opening keynote address, said his company now covered virtually all the key markets through joint ventures and M&A. He went on to describe its strategy: “When we seek a potential acquisition, it’s important that it’s a financially solid company. We don’t invest in loss-making operations. It shouldn’t be dilutive. It should fit strategically into our own operations. And of course it must have growth potential.”

He added that a key consideration in any expansion into a new market was effective protection of Intellectual Property (IP). “It’s about being very aggressive legally to protect whatever you can protect – we have been in court in Brazil and also sometimes in European countries,” he said. “It always helps to have tapes – to have sold a programme so it’s a proper live format that you are protecting, not just a format written on paper.”

Drivers of M&A

In Europe, several speakers pointed out that the fast-growing economies of Central and Eastern Europe present prime opportunities for expansion – though these are not as easy to access now as they were a few years ago. “The good and the bad news are one and the same,” said Michael Garin, CEO of CME, in his presentation about opportunities in the region. “In the early days there may have been dumb sellers who sold below the real value, and some dumb buyers who paid more than the assets were worth. I don’t think either of these is around any more. And that’s a competitive advantage for us, because I’m not aware of anyone in our region who’s interested in selling 100% of

their asset. Every strong local broadcaster sees itself as the Rupert Murdoch or Berlusconi of its country – and they want to preserve that prestige and influence.”

Cultural and regulatory issues can also present challenges for entrants in some markets – especially when trying to come in via a partnership. Nuri Colakoglu, Vice President of Dogan Media, speaking in the panel session on Central and Eastern Europe, commented: “Partnership works well in Western Europe, but it’s not so easy in a market such as Turkey. For example, in Turkey one of the biggest media assets is up for sale, but all the negotiations have broken down because the Turkish investors wanted the last word – with the result that the investors have shied away. Partnership is a matter of culture: it requires compromise, which means shades of grey. And in Turkey people see things in black and white.”

In the same session, Maciej Sojka, General Manager, ITI Neovision, commented that EU membership for countries in the region gave a basis for this kind of ‘grey’ environment, opening the way to successful partnerships. He added that, for those who do manage to enter the region, markets such as Poland can present a good bridgehead for further expansion. “Some people look at Central and Eastern Europe and say the market is too small for complicated or advanced projects – but that isn’t always the truth,” he said. “This can be a perfect field for testing out new ideas. I also think the region is a good back door for someone coming in from outside Europe. Eastern Europe is not Western Europe – but it’s closer to Eastern Europe than the US market is.”

Bringing down walls

This comment raises the question of whether the media industry in Western Europe is managing to keep up with players in emerging markets in terms of fuelling and managing expansion – and here Saatchi & Saatchi Deputy Chairman Worldwide Richard Hytner had a warning for European players. “One of the key ways to earn loyalty beyond reason is to leap before you look,” he said. “From an entrepreneurial standpoint, Europe needs to get moving. It needs to wake up to Tom Peters’ formula – ‘fail fast, learn fast, fix fast’.”

Other speakers agreed that one of the ways to achieve this type of pace and momentum is by collaborating and sharing ideas with other companies. In the session “*Another life for advertising?*”, PwC’s Michael Kelley highlighted the need for companies to “take down the walls” between themselves and other players – including competitors. “Major companies have to rely on each other to develop the future,” he commented. “So sit down with competitors and talk about common areas of the ecosystem.”

The need to bring down walls was echoed by Marc Overton, Vice President of Strategy and Business Performance with Orange UK, when he highlighted the massive investment involved in building next generation networks (NGN). “If you want high-definition, multi-room broadcast over the internet, you will have to throw significant cash into an NGN,” he said, during the session “*Telcos and mobile operators: the new media players?*”. “Who is best placed to do that at the moment? The incumbent is struggling to do it. So partnership will be key, and the traditional media players who want to deliver a high-definition interactive experience will have to look outside their immediate market. So, I believe there will be consolidation – absolutely. Partnering – absolutely. What’s interesting is who will look to team up with whom.”

Under the shadow of recession

However, while the media industry continues to examine how to manage growth and rising investment, it is operating under the growing prospect of a major global recession, possibly on the

scale of the 'oil shock of 1973-1974. During the panel session on managing growth, John Smith, CEO of BBC Worldwide, commented: "We are planning at the moment for a global recession. I'm happy that our company is diversified across 200 countries, 10 with significant scale. We're also diversified by type of business. Any business that's 90% reliant on advertising is in a tricky spot when the market turns down - we are 25% reliant on it." He went on to highlight the BBC's focus on people's "passions" – including the recently-acquired *Lonely Planet* – as a sound strategy during a recession.

Other speakers also discussed the potential impact of a downturn. During the same session, Gavin Owston, Head of European Telecoms, Media and Technology at ABN AMRO, commented: "The more you are exposed to an extreme element of consumer behaviour, the more vulnerable you are. If that's combined with high fixed costs – we could be talking about football rights here – then you are trying to tap into retail spending wallet that is exposed to economic weakness". Hein Marais, Partner with PricewaterhouseCoopers, pointed out that using creative people in a merger integration can be a very effective approach – and the same applies to managing a downturn. "If you can channel creativity by challenging the way things are done, you can really improve efficiency for tough times," he said.

If creativity is a success factor in a recession, then media companies are well-placed to apply it. However, in the meantime, the media industry – like others – is hoping that the global economy manages to avoid a severe slump. Only time will tell.