

"Women want the real bag, even if rented or second-hand"
 ● The rise of 'used' luxury, page 18

ANALYSIS 3

Is now the time to launch a start-up?

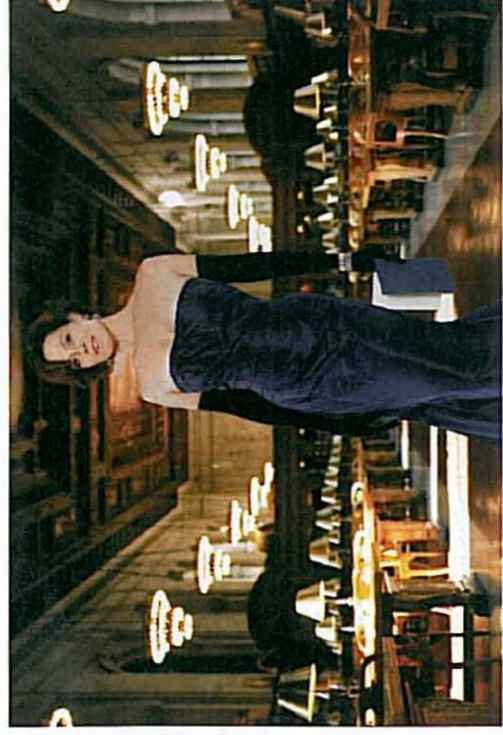
Should agency executives with redundancy payouts be setting up on their own? By Tracey Furniss

LIVE ISSUE

At a time when budgets are in freefall, deciding to start up an agency might seem crazy. But there is a logic to it. At the moment there are plenty of executives walking round with redundancy payouts in their pockets and with precious few options of rejoining the major agencies. At the same time, many cost-conscious clients are looking for cheaper options. So is now a good time to take the plunge?

Some certainly seem to think so. The Gang has been started by a former executive director at M&C Saatchi Singapore, Richard Johnson. It has been set up to offer value for money by cutting out the frills of agency life. Or as Johnson puts it: "No suits, no fancy boardroom, no expensive office we're paying WPP back for, no grey-haired men in a regional office skimming the money off the top but not working on the client's business, and we don't waste money doing free pitches for new business."

Two other M&C Saatchi alumni, former Hong Kong CEO Michael Moszynski and creative director Alan Jarvie, also started up London Advertising in the UK, and recently picked up the Mandarin



Mandarin Oriental... appointed UK-based start-up London Advertising

Oriental account. Again, their selling point is built around cost; they claim to offer their work 50 per cent cheaper than the networks by using an internet management system that saves time and money.

But the jury is still out as to whether it is a wise move to open an agency during an economic downturn. Ad agency veteran Kim Walker, who in 2007 started Silver — an agency that targets the over-50s demographic — believes that it is a good time for natural-born entrepreneurs. "True entrepreneurs tend to take such risks and go against conventional wisdom."

That's what defines us: high risk and high reward."

However, Ian Millner, founder and chief executive of marketing group Iris Worldwide, disagrees. He launched Iris, which now has an office in Singapore and is expanding in China, as a start-up in 1999, based around the account of Ericsson, formerly a client of his previous employer IMP. He argues that a downturn is not a good time to be starting from scratch. "Many people start up in a downturn because they have no choice," says Millner. "During a downturn, clients need less marketing and

fewer marketing agencies. Clients become more rational, more conservative, and more interested in consolidation around the key drivers of their business."

Millner and Moszynski agree that executives who have been made redundant and want to invest their severance pay into a start-up may be lacking the drive and confidence to be successful.

"They are the worst people to do a start-up," says Millner. "To do it you have to really want it. If you have a load of money in your pocket, you have something to lose. It is a real calling. Start-ups are usually defined by 'client-centricity' — usually this means, in the early days especially, speed and price."

"It is all about self-confidence," adds Moszynski. "Someone who has just been laid off might not be in the best state of mind."

Only time will tell who comes out of this downturn well. "Most start-ups remain invisible in their early years, until they have something to shout about," says Walker. "We'll learn about the amazing entrepreneurs born during this economic downturn only a few years from now. As for the failures, we're unlikely to hear about them at all."

Got a view?

Email: feedback@media.asia

24 HOURS WITH...



Name Paul Soon
Job Regional director, XM Asia/RMG Connect
Professional mission Being fearless.
Personal mantra Dare. Be resolute.

6.30am Still sleeping but peeped at my BlackBerry for any interesting news bites from the US.

7am BlackBerry wakes me up. What would I do without it?

7.30am Morning kiss to the boys; head to the gym to try to defy the laws of ageing.

8.30am Drive to work feeling as though I am already carrying the weight of the day on my shoulders. Had a long night working on yet another pitch.

8.45am First in the office. Grab my morning cup of latte and launch my iTunes to start some vocal exercises. Apparently, I can't sing well.

9.10am The day starts with me looking at the 'numbers' again. I am beginning to wonder if eye power alone can make things better.

10.30am Call a client to check on things. It's a monthly thing to make sure that we are working our jobs right.

11.04am Speak with Vince Lui, our director of marketing technology, about how to make money while we are sleeping. This is a constant personal ambition we both have.

12pm Grab lunch at my favourite chicken rice store around the corner. Feel better with all that buttery rice in me.

1.30pm Review a proposal and wonder if this is the 'one'.

3pm Back to my desk to catch up on emails and updates on potential new business opportunities across the region.

4.03pm Need my coffee fix at Starbucks. Take the famous Shaw Tower lifts that only operate one at a time.

4.07pm Finally get into a lift.

4.20pm Attend a new business meeting with my business teams. Things are looking good but as we all know, it's not over until the fat lady sings.

5.19pm Meet my financial director to confirm our second-quarter numbers because we're meeting the bosses next week.

6.30pm Off to our office party to celebrate our historic Singapore Tourism Board win.

8.39pm Head home happy with the day's progress. Watch Barney the dinosaur on TV with my youngest. Decide that I will one day be a Barney back-up singer: "I love you, you love me, we are one big family..."

Agency founder



Michael Moszynski, founding partner/CEO, London Advertising

"We made the decision two weeks after the demise of Lehman Brothers and the markets went into freefall, but it did not deter us from our chosen course. I have not had even a minute when I have regretted it. It is liberating and invigorating as there are no constraints apart from any you impose on yourself.

I do believe that fortune favours the brave, as we got a call out of the blue by a former client who appointed us on our first day."

Entrepreneur



Kim Walker, founder/CEO, Silver

"Start-ups are difficult, no matter when you start. When you start in difficult times, you are more likely to keep your overheads to a bare minimum, yet you are priming the business to accelerate as the economy recovers.

If a redundancy payout is all the money you have to 'play' with, then don't bet it all. You need to set some basic goals of revenue and profit/loss within reasonable time spans, even when you're starting from nothing.

You need to determine capital requirements based on a business plan not based on the amount of a redundancy payment or other arbitrary sum."

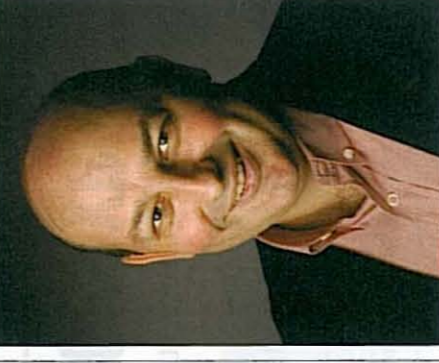
Start-up boss



Richard Johnson, founder, The Gang

"It's a bit like deciding to have kids: there's always plenty of time, but in the end you've just got to get on with it. The Gang's business model wouldn't have changed if we'd been in boom times. It was based around the question: 'If no one had ever started an advertising agency before, what would be the best way to do it?' Simple as that."

Analyst



Greg Paull, principal, R3

"Clients are always open to new ideas and new thinking in a downturn — so a new and nimble option might have more cut through in such an environment. The other benefit of starting in a downturn is that costs can be more negotiable. From lower rents to better deals on talent and overheads, you might be able to set new low benchmarks for getting things done."