

Playing the field pays off for Photon

Neil Shoebridge

The sluggish state of the marketing sector and the assumption that all marketing businesses are struggling have hit the share prices of companies such as STW Communications Group, Photon Group and Mitchell Communication Group.

But the increasingly cautious and tight-fisted attitude of marketers has been good news for one division of Photon.

The marketing-services group's retail "field marketing" arm posted strong growth over the past six months, as companies outsourced retail sales, marketing and merchandising to businesses such as Photon's The Bailey Group and devoted more money to in-store marketing.

Photon chief executive Matt Bailey said revenue in the field marketing division, which covers six companies in Australia and three in Britain, jumped 25 per cent in the December half.

"It had a ripper six months and we're very optimistic about its prospects over the next two to three years," he said.

"The division is in a very good space, because in tough times a lot of companies change their business models and look for ways to make their retail marketing and sales forces a more variable and flexible cost.

"At the same time, companies are more focused on grassroots marketing, that is, marketing in stores to reach consumers just as they make



Stewart Bailey, managing director of field marketing at Photon.

Photo: JIM RICE

their buying decisions," Mr Bailey said.

The number of companies hiring Photon's field marketing firms to act as their retail sales arms and to handle in-store merchandising and marketing is steadily increasing. The division has more than 200 clients, most of which are in the packaged-goods sector.

"The packaged-goods industry was the core of most of our field marketing companies, but in recent

years we've moved into new areas such as telecommunications, financial services and information technology, and picked up some work for government departments," said Stewart Bailey, managing director of Photon's field marketing division and chief executive of the division's largest company, The Bailey Group.

The field marketing division's revenue jumped 86 per cent to \$128.1 million during 2007-08, in part because of acquisitions, and its

earnings before interest, tax, depreciation and amortisation rose 37 per cent to \$23.1 million. It was Photon's biggest division, accounting for 34 per cent of revenue and 26.8 per cent of earnings.

Photon executive chairman Tim Hughes would not discuss the company's December-half results ahead of their release on February 24, but said the field marketing division had continued to post strong growth. Stewart Bailey said its staff numbers had increased by more than 200 over the past six months to 6500.

Analysts estimated the division's December-half earnings would be up more than 20 per cent and it would post full-year earnings of about \$30 million.

Photon entered the field marketing industry in 2004, paying \$36.8 million in cash and shares for The Bailey Group, which had been set up by Barrie and Fran Bailey in 1980 (Matt and Stewart are their sons).

The takeover made the Bailey family the second-largest shareholder in Photon; the family now owns 12 per cent. Photon co-founder Reg Grundy owns 27.5 per cent of the company.

Since 2004, Photon has added the Australian companies Brand Impact, Counterpoint, Demonstration Plus, Ausrep and Club Sales to the field marketing division, plus the British companies REL, Sledge and Retail Insight.

REL opened an office in Australia in August 2007 to work with

the local division of its British client Diageo, while The Bailey Group set up a British office a month later. Retail Insight, a data analysis company, opened an Australian office in July last year.

Stewart Bailey said the growth of Demonstration Plus, which runs store product samplings, highlighted marketers' changing attitudes. "In the current environment, a growing number of marketers are deciding that a mouthful is better than an earful," he said. "They want direct contact with consumers, rather than relying on media advertising alone to sell their products."

The Australian field marketing sector is dominated by Photon, CPM - which is owned by the American marketing services giant Omnicom - and The Marketing Department, which was acquired by American company Crossmark last year.

The Marketing Department chief executive Kevin Moore said the local field marketing sector had grown 25 per cent a year over the past decade and now turned over \$225 million a year.

Stewart Bailey questioned Mr Moore's numbers. "There's no independent data on the size of the market and no way of knowing exactly how much companies are spending on outsourcing," he said.

"What we do know is that about 60 per cent of companies still run their own internal retail sales and marketing departments, but that proportion is declining."