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SME's

examining what comes next

## THE PANDEMIC'S IMPACT— NEW REALITIES PAINTING ALTERNATE FUTURE PERSPECTIVES

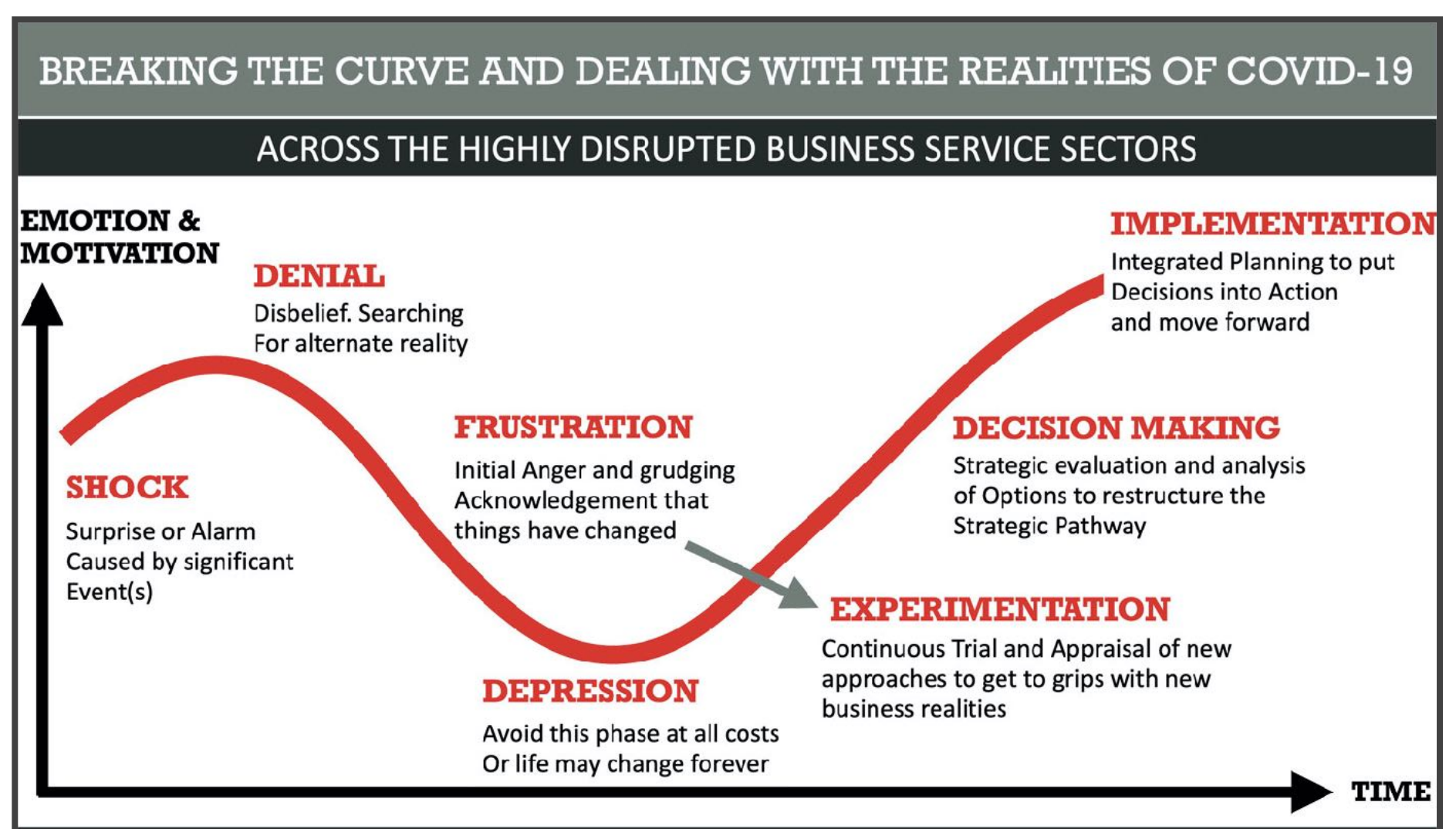
**Examining What Comes NEXT For S.M.E's....** As Service Sector Owners Attempt to Recover from the Pandemic's Impact, New Realities Become More Evident, Painting Alternate Future Perspectives.

After almost 6 months of a daily bombardment of news, expert opinions and health and economic data on what is happening all around our world, perhaps it's time for Business Owners to sit down quietly and reflect on what's taken place. The differences in our everyday work and personal lives are significant and taking a long, hard look at what this might mean for their businesses in the short to mid-term seems like a necessary intervention.

### We're Only Human After All.....

This chart is a modification of the long-established **Kubler-Ross Change Curve**. It clearly demonstrates the immediate and progressive psychological effects of significant changes to peoples' lives—in both their business and personal ecosystems.

Looking at human psychology via the time proven Kubler-Ross Change Curve to demonstrate the need to break the curve and look for new ways to embrace organizational and operational change and create an optimal outcome.





We’ve all clearly been through the initial shock and awe of the COVID-19 crisis and equally clearly, it’s not over yet. Many companies have taken the opportunity to experiment by down-sizing or culling the non-essential roles or under-performing employees. Many of those eliminated positions will never be refilled in the same way again.

We’ve also learnt that good employees can be trusted to “**work from home**” and actually be equally or sometimes more productive – potentially removing the need for that expensive downtown office. By the same token, some of those now unemployed digital workers have used the situation to strike out on their own, emphasizing the realities of ever lower barriers to entry that exist in our digital world – ultimately this may increase the fragmentation of many already over-populated service sectors.

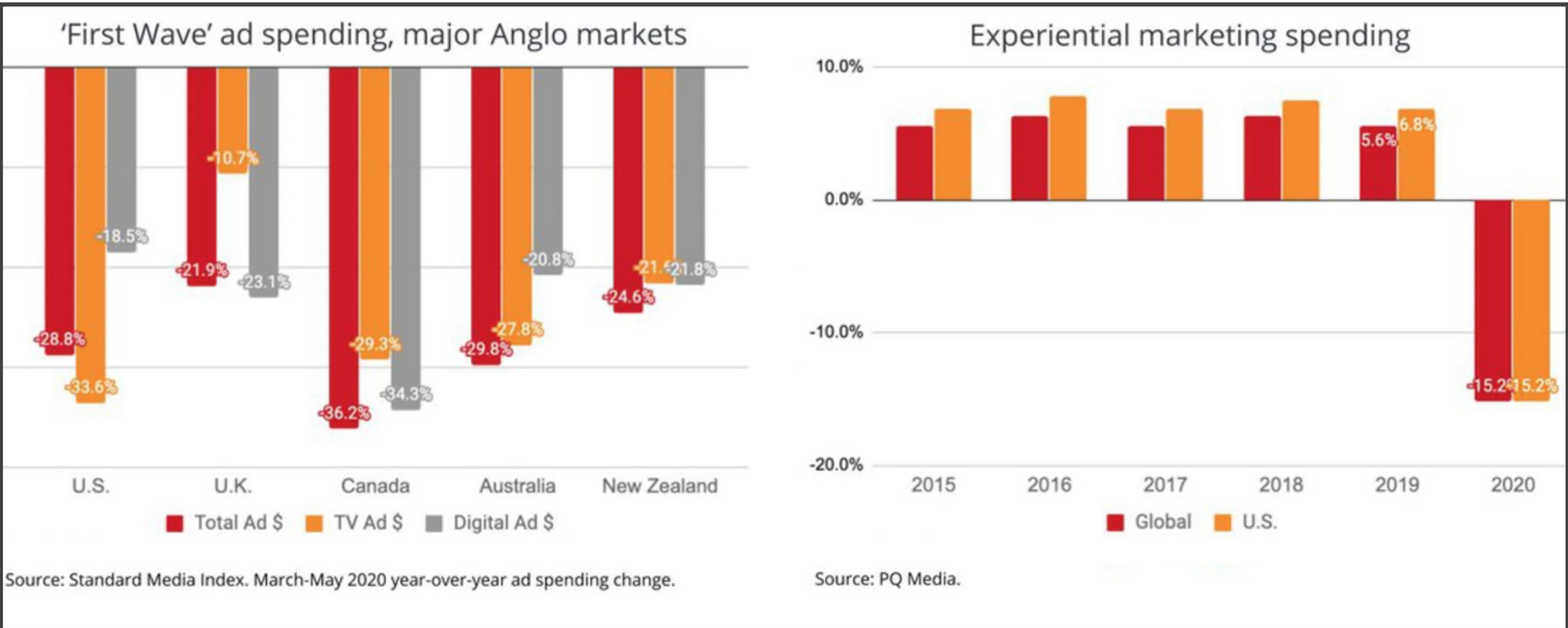
Importantly for those companies who have avoided bottoming out in a state of frustrated depression and have experimented purposefully with the inherent elasticity of their digital workforce, they now have an opportunity to get “real”, make some key decisions about the future and take positive action.

## Becoming Intimate With Your New Value Proposition.....

Making important decisions requires Business Owners to objectively and accurately assess exactly what the key Value Drivers of their business really are, or must be, in a new Post COVID business environment. The differences between achieving an optimised Exit while your overall health is still good, as opposed to seeking accelerated growth by folding in smaller, less stable competitors with complimentary services will often be miles apart. Equally focusing on a single specialist service ‘Centre of Excellence’ is very different from building the broad- ranging, integrated service base that you feel your clients demand.

## Taking a Look at What Is Currently Happening Out There.....

Using the example of the Advertising and Marketing services agencies as a relevant indicator across the broader Business Services sectors, the charts below focus on the enormous impact felt across that sector in the wake of the global pandemic’s first wave.



**Data reported by Media Post News w/o July 22 on overall % Ad Spend cutbacks in key Anglo Markets and the massive impact of safe, social distancing on the Experiential Spend in N. America and globally.**

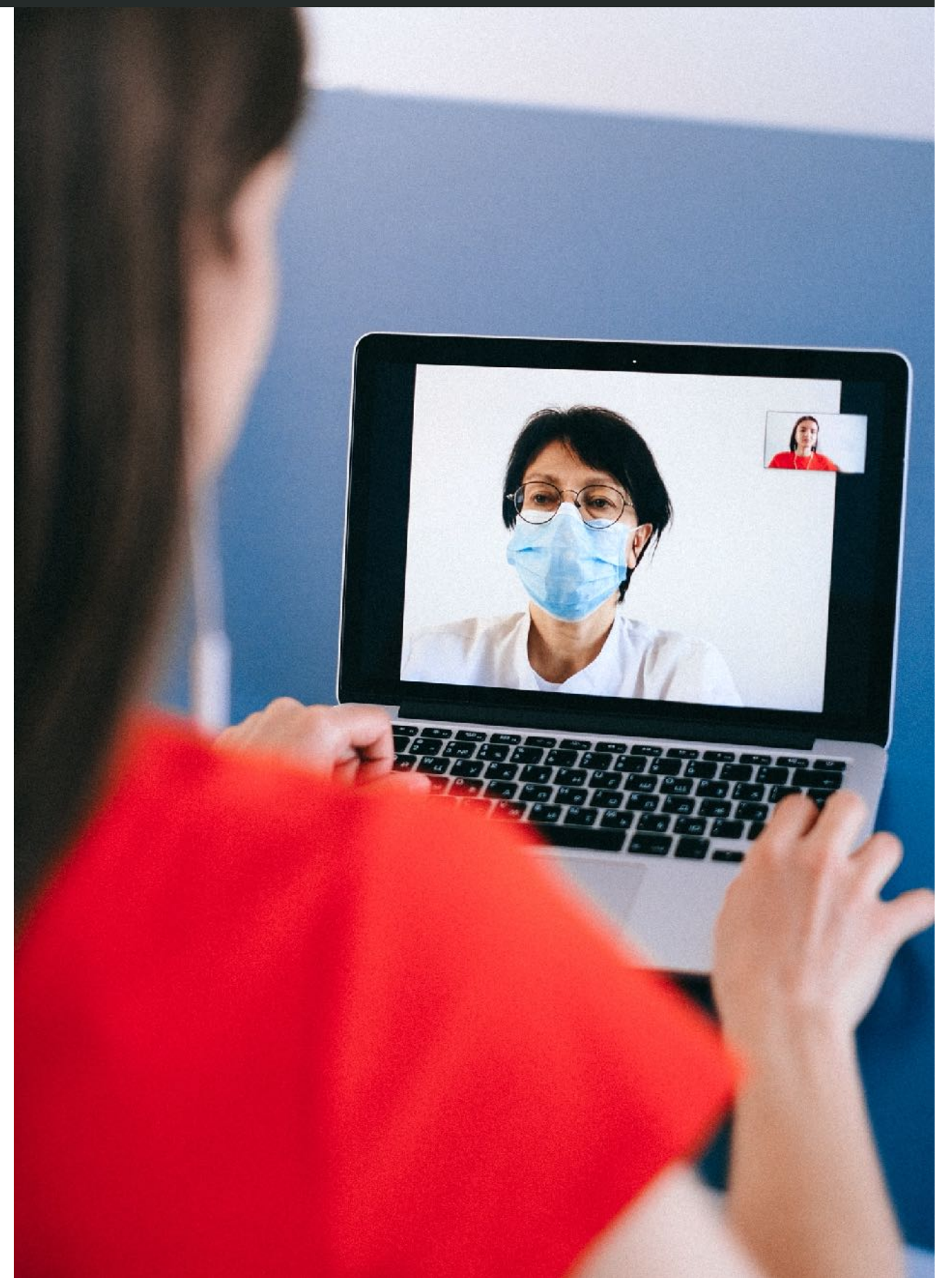
The above data clearly demonstrates that 2020 will not be a banner year for many companies with N. America taking the hardest hit. In a highly fragmented, highly competitive and significantly over-served industry sector, those modern agencies that were already balancing resources between full-time and short-term contract employees and operating with a ‘flexible’ approach to ‘working from home’ have taken full advantage of governmental financial subsidies, maintained their staffing levels and successfully absorbed the COVID hit and are now progressively gaining strength.



Mid-sized Independents have been forced to downsize dramatically, focus on core clients and with careful management or targeted Merger or Acquisition initiatives, they will survive to grow again. Private Equity backed, larger independent groups will undoubtedly rely on the dry powder available to them to actively seek out cost and profit-efficient acquisitions.

The larger established agency groups have had to lay-off at least 20-30% of their core talent base and will be facing major restructuring and the probable consolidation of two or more, previously separate agency brands in order to meet the financial demands of Wall Street.

At the same time, the newly minted concept of “**Acqui-Hiring**” (Acquisition by Hiring and Earn-out bonuses) will become more commonplace, as smaller specialist agencies e.g. Experiential, Graphic or Tech-driven specialists are folded in to growing digital shops to enhance their strategic planning and execution capabilities around the creation of **on and offline customer experiences**.



## Moving Forward With Purpose.....

Based on my 30+years of entrepreneurial and corporate management experience, I believe that the 2<sup>nd</sup> half of 2020 and the first half of 2021 will see a significant growth in M &A activity. The strong will devour the weak, the independents will look to seek out mergers or amalgamations to optimize resource utilisation in terms of Finance, Talent, Technology and Facilities and the ‘tired’ or ‘frustrated’ older owners will look to exit quickly and as positively as they can. Each business owner must be guided by the previously stated re-appraisal of their Value Proposition and the resultant development of a clear **Strategic Pathway** towards Growth, Amalgamation or Exit.

Whatever the direction you select, seeking out the support of an objective and experienced professional advisor should be considered “**Mission Critical**”. Trying to go it alone will distract you from operating the business effectively and efficiently. Having that industry-savvy advisor can provide guidance, mentorship and a willing, insightful listener as you focus on today’s issues and tomorrow’s opportunities together.



*Kevin Astle is the Founder and Managing Partner of MultiVisory International - an M&A advisory service focused exclusively on Agencies and Marketers across all marketing channels. Having worked on both sides of the Atlantic and on both sides of the Client/Agency desk across North America, he brings an international perspective and deep, multi-sector knowledge and network to his Clients.*

**KEVIN ASTLE**  
Managing Partner  
Phone: 647-339-8681  
Email: [kevin.astle@multivisory.com](mailto:kevin.astle@multivisory.com)  
Website: <https://www.multivisory.com>

