

M&C Saatchi Buys a Stake in SS&K

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SS&K's Lenny Stern, left, Rob Shepardson, third from left, and Mark Kaminsky, fourth from left, with Moray MacLennan of M&C Saatchi. Rohanna Mertens

THERE may not be a saying that advises: “If at first you don’t succeed, try, try advertising.” But if there were, the executives of M&C Saatchi might qualify as fervent believers. After two unsuccessful tries by the London-based agency to crack the competitive New York market, M&C Saatchi is buying a minority stake in a successful New York shop, SS&K, which will serve as the M&C Saatchi outpost there.

SS&K, which began in 1993 as Shepardson, Stern & Kaminsky, and M&C Saatchi, which was opened by the Saatchi brothers, Maurice and Charles, in 1995, are to announce the transaction on Tuesday. Although financial terms are not being disclosed, the stake in SS&K that M&C Saatchi is acquiring is estimated at 33 percent; the remaining, controlling interest continues to be owned by three founders and partners: Rob Shepardson, Lenny Stern and Mark

Kaminsky.

The travails of M&C Saatchi in New York, the gateway to the world's largest ad market, are indicative of how difficult it can be for agencies with headquarters outside the city to make a place for themselves. A dozen or so well-regarded agencies have in recent years opened New York offices; some are still struggling and some were closed.

“With hindsight, I don't think we ever invested, if we're honest with ourselves, the time or money to create a flagship office in Manhattan, the toughest of all markets,” said Moray MacLennan, worldwide chief executive of M&C Saatchi. “It's a brutal old town you have.”

Mr. MacLennan summarized the agency's New York story succinctly. “If at first you don't succeed, we've tried and tried again,” he said. M&C Saatchi arrived in New York for the first time in 1995, then closed the office in 2007, two years after losing the worldwide British Airways account. The second time around in New York began in 2012.

M&C Saatchi determined recently that Version 2.0 was performing nowhere near as well as the agency's other American office, in Los Angeles, and lagging the offices in cities like Berlin, Madrid, Paris, Shanghai, Singapore, Sydney and Tokyo.

“It wasn't thriving in the way we'd planned,” Mr. MacLennan said, adding ruefully, “The plan was it would always be ‘a little bigger.’”

A decision in July by Jeff Brooks, chief executive of M&C Saatchi New York, to leave to become chief commercial officer of Assembly, an MDC Partners agency in New York, “really was the catalyst for our change of direction,” Mr. MacLennan said. Mr. Brooks was not replaced and the office began winding down like a watch. (Millennials, ask your parents what that means.) A timetable calls for the office to be closed by year-end.

Mr. MacLennan said he hoped to “move across” some people and clients to SS&K, and “we're already working on an international pitch with SS&K.”

“It was never an option in my mind not to be in New York” because an agency with a worldwide footprint requires “a strong presence” there, he added, so the strategy became to “buy into an established shop”

rather than to start once again from scratch.

Top managers of M&C Saatchi and SS&K “got to know each other a little bit” by working on anti-obesity campaigns in their respective countries, Mr. MacLennan said, “Change 4 life” for the National Health Service in Britain and the “Let’s move” campaign for Michelle Obama in this country.

Political campaigns are also in the DNA of both agencies. SS&K worked to elect and re-elect President Obama, while ads by the Saatchi brothers for the British Conservative Party date to 1979.

Additionally, the partners of SS&K were familiar with having a minority owner because the Creative Artists Agency, the Hollywood talent and sports agency, owned a minority stake in SS&K from 1999 until selling it back this year.

SS&K was interested “in a partnership that would let us compete against larger agencies and maintain our culture, which is really important,” Mr. Stern said, and offer “a chance to enhance our capabilities by offering clients international reach without losing our identity in some kind of bureaucratic flytrap.”

The SS&K partners were not put off by M&C Saatchi’s track record in New York because “we appreciate the tenacity,” he added. “They will not stop till they get it right.”

SS&K, which has about 60 employees, will continue operating as SS&K, Mr. Stern said, and “on our materials, on our website, we’ll acknowledge we’re in partnership with M&C Saatchi.”

Mr. Shepardson described the timing for a deal as propitious because SS&K has recently landed additional clients that include E*Trade Financial, FreshDirect, HBO, The New Yorker, Starbucks and Wells Fargo. Indeed, those gains, according to Mr. MacLennan, suggested to M&C Saatchi that SS&K was “in the ascendant.”

Richard Plepler, chief executive of HBO, part of Time Warner, praised a humorous campaign produced by SS&K for the HBO Go service. “We think the world of the SS&K guys,” Mr. Plepler said, whatever percentage of their agency they may own.

Mr. Shepardson, Mr. Stern and Mr. MacLennan agreed it was possible that M&C Saatchi might increase its ownership stake in coming years. “We anticipate a long, long partnership,” Mr. Stern said.

If the M&C Saatchi experience in New York is a cautionary tale, no one told an Australian agency, Cummins & Partners, which announced last week that it had opened an office in New York. Among its initial clients is Perrier-Jouët Champagne, which suggests another new saying, “Toasts spring eternal.”

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