

Digital marketer AKQA to hire 100

Indie isn't ready to sell out, CEO says

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Gap found a nice fit in AKQA. The retailer is one of many top corporations that CEO Tom Bedecarré and company have landed.

AKQA Inc. still rides alone. For now, anyway.

The San Francisco-based company grew throughout the recession and now has more than 900 employees around the world. It remains one of the last big independent digital marketing agencies, even as it is a rumored acquisition target and other agencies continue to be snapped up by bigger fish.

"From time to time you have conversations, and you take meetings with people," CEO Tom Bedecarré said this week. "There's been lots of interest, and lots of opportunities to sell the company, but we've chosen to stay independent."

Bedecarré says it has long been AKQA's plan to go public at some point. Bedecarré will not divulge revenue figures, but the Wall Street Journal reported that the firm had about \$120 million in revenue last year and is expected to have \$150 million in revenue this year. Advertising Age puts the 2009 number at \$166 million, which it says is up 17 percent over the prior year, with more than \$71 million of that coming from outside the United States. Clients include Coca-Cola, McDonald's, Nike, ESPN, Charles Schwab and Visa.

Bedecarré says AKQA is still growing, up from 700 people two years ago, and currently has 100 job openings, nearly half of them in the headquarters office, which already has more than 300 people. The company has more than 200 technologists on staff, and a media search and analytics division also headquartered in San Francisco.

In April, AKQA opened an office in Berlin, in addition to offices in London, New York, Washington D.C., Shanghai and Amsterdam. It also has a development center in El Salvador as a result of an acquisition three years ago.

"We're growing fast," Bedecarré said. "Digital marketing is where all the action's at."

Numerous reports have suggested, however, that General Atlantic, a Connecticut private equity firm that bought a majority stake in AKQA in 2007 for a reported \$200 million to \$250 million, put AKQA on the block last fall and hired Morgan Stanley to entertain bids.

This month, word was that Dentsu, a large Japanese advertising holding company, got deep into negotiations, but then pulled out. An effort to get comment from Dentsu was unsuccessful.

Like Bedecarré, General Atlantic managing director Anton Levy said AKQA "receives inbound interest from potential acquirers on a regular basis," but he said his firm is "a long-term investor" with an average investment horizon of five to seven years.

"We invested in AKQA in 2007 so we are still early in our holding period," Levy said. "We are strong supporters of the company and believe it has continued excellent growth prospects due to the large market, the strength of its exceptional team and the expansion opportunities both here and abroad."

As to whether a sale might occur without support from minority owners like himself, Bedecarré said that would be unlikely.

“There aren’t too many buyers that want to buy a professional services firm that doesn’t have the management team on board behind it,” he said.

AKQA, which started in 1995 in London and merged in 2001 with San Francisco ad firm Citron Haligman Bedecarré, which Bedecarré helped found, consistently gets high marks for the ingenious creativity of its work. It often seeks to engage audiences in some activity, and it has won a healthy share of industry awards and recognitions.

Last month, for the launch of Microsoft’s Xbox “Halo: Reach” game, AKQA brought a 3,000 pound robot from a Detroit auto plant to San Francisco, attached a light to the 15-foot arm and hooked it up to the Internet. More than 118,000 Halo fans then logged on and directed the arm to move around to create a “sculpture” from points of light to honor the “fallen soldiers” in the game, with the result being viewed by more than 1 million people.

Noah Elkin, a principal analyst with eMarketer, cited another campaign late last year for the 2010 Volkswagen GTI as impressive.

In that case, AKQA dreamed up what was apparently the first car launch in history based on an iPhone application, creating the free “Real Racing GTI” game for Apple’s iTunes Store. It became the top application in 36 countries, with over 6.4 million downloads, and sales linked to the game — which directed users to nearby dealerships — were reported within days.

Similarly, this week, Minnesota-based HealthPartners, a nonprofit health care organization, launched virtuwel, an online service offering designed by AKQA that provides diagnosis and treatment of simple medical conditions, and even allows for doling out prescriptions.

But Elkin said the market for initial public offerings remains troublesome, and he pointed to iCrossing, a 600-employee Arizona digital agency where he used to work, as an example of a company that had long talked of an IPO, but which sold to Hearst Corp. in June for a reported \$300 million-plus.

“You have the challenge of satisfying existing investors versus future potential investors,” Elkin said.

Other recent digital agency acquisitions include Dentsu’s January purchase of New York-based Innovation Interactive LLC, which owned the interactive agencies 360i, SearchIgnite and Netmining. South Korea-based Chiel bought The Barbarian Group, a 70-person digital ad firm in Boston, last December.

And New Jersey-based independent Rosetta last month bought Level Studios, a 215-person shop based in San Luis Obispo, giving it more than 1,000 employees and 2010 revenue expected to hit \$215 million.

Evan Kaplan, whose Philadelphia company Kaplan-Gardner recruits digital and interactive marketing executives, said AKQA has been known for its creativity and inventive use of media and mobile advertising.

The perception, however, is that as an independent the company it lacks the breadth of some of its larger competitors, particularly in the areas of analytics and user experience, Kaplan said.

“AKQA is going to continue to do good work, undoubtedly,” Kaplan said. “They have a strong leadership team and they have vision. But it really may be their time to integrate with a larger agency and broaden their service capabilities.”

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