**On Advertising: A strategy of change**
*Stuart Elliott*

Miles Nadal is at it again, doing what he loves to do best: making deals. But when is enough enough?

Nadal, the chairman and chief executive of MDC Partners, an advertising conglomerate based in Toronto, hopes to get ahead in the intensely competitive advertising industry with a contrarian strategy of almost continuous change.

Nadal has persuaded the owners of well-known agencies like Crispin Porter & Bogusky, Cliff Freeman & Partners and Kirshenbaum Bond & Partners to cast their lot with MDC rather than far bigger competitors like the Omnicom Group, the WPP Group or the Interpublic Group.

But following that philosophy can be fraught with risk, as was demonstrated last week with the unraveling of an acquisition and merger involving two New York agencies, which Nadal orchestrated less than two years ago.

The agency formed by those deals, Margeotes Fertitta Powell, is being closed because it failed to grow as Nadal had hoped; the closing costs are being determined.
Yet Nadal is about to announce another round of deals, with agencies that work on tasks like brand identity and corporate communications. He plans to spend $150 million in the next three years on acquisitions, to beef up MDC in important, fast-growing areas like digital advertising.

"All service businesses, all businesses in this industry especially, need to be in a constant state of evolution," Nadal said. "With the changes in consumers, in the media, we're under more pressure to add talent, to add capabilities. The long-term success stories in advertising have evolved, and constantly changed, with the environment."

The affable, fast-talking Nadal can be a charmer. But his ability to close deals is probably predicated less on his personality than on his offbeat strategy: Rather than acquiring an agency outright, he initially takes a stake - typically from 20 percent to 80 percent - and lets the agency operate autonomously, under the MDC umbrella.

By comparison, the giant rivals of MDC almost always acquire total ownership of the agencies they buy. If the former owners stick around, there are operational rules to follow.

"The really talented, creative people don't like being told what to do," said Jonathan Bond, co-chairman of Kirshenbaum Bond, who with Richard Kirshenbaum sold 60 percent of the agency to Nadal in 2004. "I don't know if we'd be good in a corporate structure. We'd probably get fired in a week, with good reason."

In contrast, "MDC has been a good fit for us," Bond said. "We just go do it till someone tells us not to - and no one ever has."

One reason for Nadal's belief in constant change is how it has paid off for him: a net worth estimated at more than $100 million; homes in the Bahamas and Palm Beach; an 80-foot, or 24-meter, motor cruiser with its own Web site - yachtdaretodream.com; and a special bonus from MDC in 2003 of $5.3 million.

Nadal started his business in 1980 on a far smaller stake - 500 Canadian dollars, or $450, in a cash advance on his Visa card, which helped him open a company called Action Photographics. He has parlayed those modest beginnings into MDC, one of the world's largest ad conglomerates, with revenue last year of $423.7 million.

From the start, Nadal has relished making over his holdings continually, shifting focus from photography to check printing to marketing services. Along the way, he bought and sold everything from a catalogue retailer to a postage-stamp producer to a seed company.

Since deciding a decade ago to cut back the churn and concentrate on advertising, Nadal has amassed a portfolio of 30-something agencies in areas like creative services, online marketing, public relations, package design and sales promotion.

"Miles keeps his promises," said Chuck Porter, the chairman of Crispin Porter in Miami, arguably the hottest agency in America for its irreverent campaigns for Coke Zero, Sprite and Volkswagen.

Nadal sometimes "comes across as a salesman," said Porter, who joined his agency partners in selling 49 percent of Crispin Porter to MDC in 2001, "and a lot of people do not necessarily want to talk to a salesman."

"But he genuinely, truly believes in the product," said Porter, who also serves as the chief strategist for MDC. "It's not like he's selling Chevys this week and Volkswagens the next."

Nadal said he believes his approach encourages the founders of the agencies he buys to stay on, limiting the damage that can occur when they leave after deals are closed. He also appeals to their entrepreneurial side by letting them share in the future financial success of their agencies.
"We talked to an awful lot of people who wanted to buy 100 percent, but we were never interested in that because we felt our biggest growth was in front of us," Porter recalled. "Miles understands the value of partnership instead of ownership."

A new convert is Hamilton South, who with his partner, Lynn Tesoro, is selling MDC a majority stake in their New York agency, the HL Group, which handles communications and marketing tasks for clients like Vera Wang and David Yurman.

"We didn't know who he was," South said. "But we did a lot of research and talked to a lot of people, who told us he had a very interesting model."

When the HL founders met Nadal, "he asked a lot of questions about how we do business rather than giving us all the answers," South said. "He's curious and passionate. I have a lot of clients I'd be thrilled to introduce him to."

That reaction is crucial for the MDC strategy to succeed, because Nadal relies on his agencies working voluntarily with each other rather than mandating cooperation, as is the wont of his bigger competitors.

Critics of Nadal point to that as his Achilles' heel because, they contend, if he does not fully control the agencies he owns he cannot maximize the benefits of owning them all.

The failure of Margeotes Fertitta Powell may serve as a cautionary tale for Nadal and his strategy. Hoping, as he put it, to "turbocharge" the venerable Margeotes Feritta & Partners, which joined the MDC fold in 1998, Nadal acquired Powell, a small New York shop, and merged it with the older, larger agency in July 2005.

But the combination of the "different cultures, different management teams," never gelled, Nadal said. So MDC is moving ahead with a reorganization that will likely cost up to 20 people their jobs, combining the remnants of Margeotes Fertitta Powell with Kirshenbaum Bond and spinning off Neil Powell, chief creative officer, into his own agency with the fanciful name of We Are Gigantic.

"We think we're very successful, but we knew we'd never be perfect," Nadal said. "No batter bats 1.000."

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