

## Bridging the world

Can UK corporate financiers export their infrastructure skills to the global market?

*Thin blue line*

### **Apples and oranges?**

Can new accounting standards enable investors to better assess international corporates?

*Analysis*

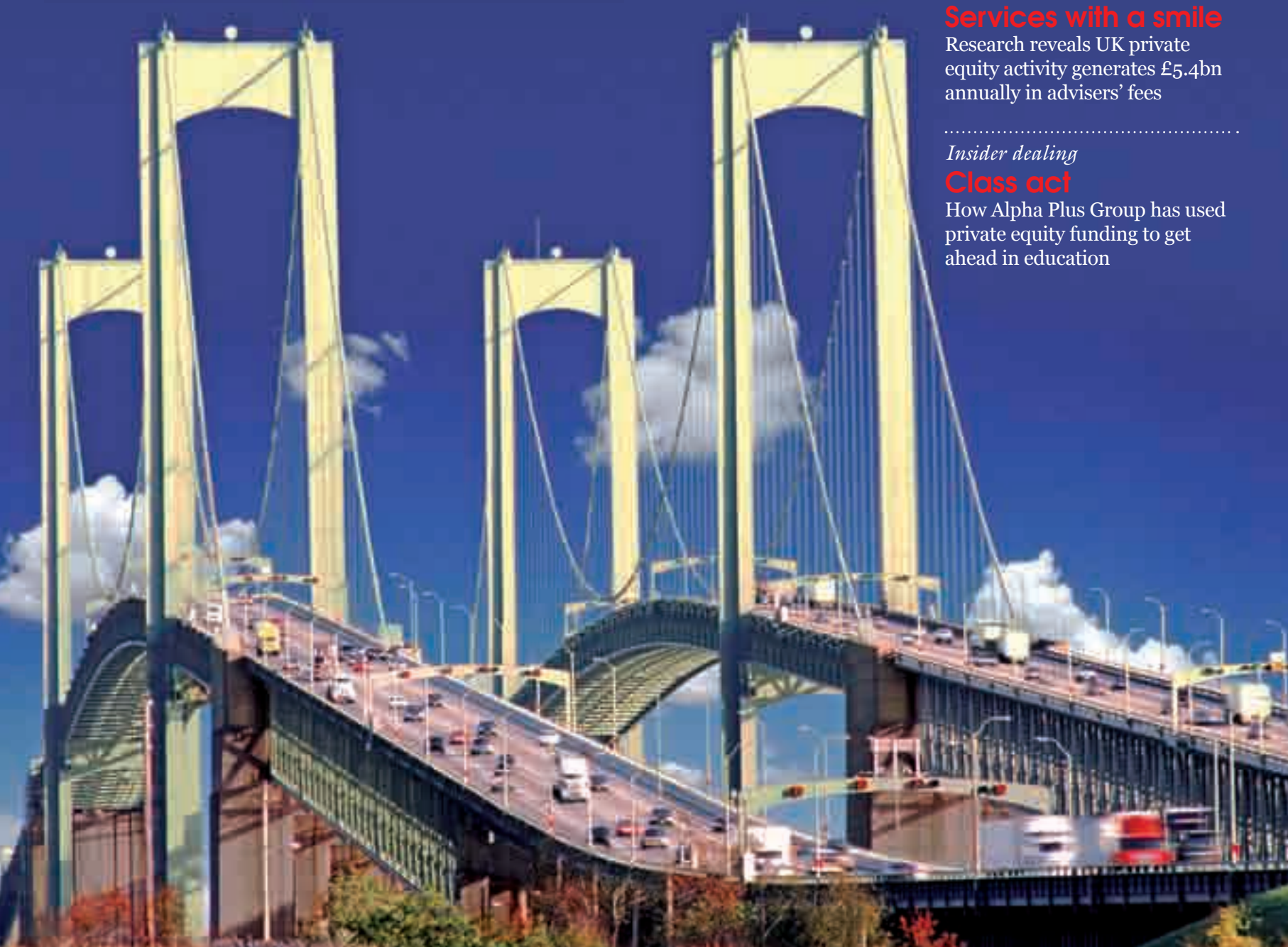
### **Services with a smile**

Research reveals UK private equity activity generates £5.4bn annually in advisers' fees

*Insider dealing*

### **Class act**

How Alpha Plus Group has used private equity funding to get ahead in education



# Points of difference

In today's crowded and competitive marketplace, every business must stand out. But the quest for differentiation is not easy and no two companies' aims and objectives are the same, as **Neil Sackett** of Arbor Square Associates explains

“What's your USP?” In the private equity world, it is a common question and one that most potential investee companies, entrepreneurs and managers are expected to be able to answer, if not on a postcard, then in a 30-second elevator pitch. It is a question that many firms have increasingly been asking themselves as the market for deals and investment capital becomes more crowded and competitive.

In the past, getting an early listing in directories seemed a key factor in choosing a name. Of 221 private equity firms that are members of the BVCA, 24 have names that begin with the letter “A”. Then there was a standard format: pick your name and add one of a handful of other words: capital, (private) equity, partners, ventures, finance and management cover most bases. While the industry is refreshingly free of eponymous outfits, the reality is that many firms have built their images around charismatic founders.

Today, differentiation is important in all segments of the market and firms have to be much smarter about marketing and brand creation. At the top end, firms are increasingly global institutions managing funds across a range of asset classes and in “partnership” with the big limited partners. They all have their “value creation” strategies, but with the likes of Carlyle, Blackstone, KKR, CVC and Permira competing for the same deals, they have to work hard to stress their unique attributes.

In the mid-market, there are a handful of firms who are “generalist and proud”, but over the past decade most have adopted more specialised strategies, whether by size of deal, sector, type of deal, geography or exit horizon, where some captive funds appeal to entrepreneurs through their longer-term approach.

Creating a coherent and differentiated image is a complex task. Firms must take into account their historic strengths and structure (such as track record, people, ethos, CSR approach), the market segment they operate in and, importantly, who the messages are aimed at.

For example, CEOs will want to hear about the investor's partnership approach and ability

to add value, while limited partners will want to hear about the general partner's strategies for generating superior returns. The LP audience might be attracted to a “hands-on” strategy that sees underperforming managers replaced quickly and efficiently, but aspiring management teams may find such characteristics less appealing.

## The right balance?

Intermediaries need to know which opportunities really tick the right boxes, in terms of risk appetite and portfolio balance, as well as the more obvious sector and size characteristics and the firm's ability to deliver the deal. The need to raise funds influences marketing strategies, particularly for smaller firms. A €10bn fund supports a dedicated team of investor relations professionals to manage and generate ongoing relationships with LPs. The same cannot be said of a €100m fund, so when money needs to be raised, the limited resources available are turned to the investor market.

The targeting of the messaging is often a case of appealing to those who are most crucial to success. For those houses in the top end of the market, investment banks and vendors are arguably those that most need to be cultivated. The institutions lead the deal, so while management need to be properly incentivised, post-deal they can be, as one experienced private equity investor suggests, “put in their box” until the deal is done. In smaller transactions, incumbent or incoming management usually have a stronger hand and are more crucial

to a deal's eventual success, so messages are more tailored to them.

Despite the growing need for differentiation, many private equity firms (and others in financial services) share the same USPs, usually based on broad statements about track record, experience, sector knowledge, partnership approach and so on. To stand out from the crowd, firms need an angle, but they must also make sure their claims are rooted in fact. Groups need to be honest with themselves about their strengths and weaknesses, and about how the outside world perceives them.

To build a long-term, sustainable business, marketing messages must be turned into reputations with solid foundations. Consistency and team-wide, firm-level messages are important and behaviour has to reinforce those messages. When we talk to people about their perception of particular groups, it often comes down to the softer issues: rapport, chemistry, trustworthiness and relationships. It is crucial that whatever marketing angle is taken to gain a competitive edge, the story and the firm's USPs are demonstrated and substantiated throughout the firm. Style is important, but not at the expense of substance. ■

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