

Crossmark bulks up the retail department

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The United States retail marketing services company Crossmark has boosted its Australian operation by buying Sydney-based The Marketing Department for an undisclosed sum.

Crossmark Australia and The Marketing Department, which both handle promotions and marketing campaigns in retail stores, have been merged under the Crossmark brand. The Marketing Department's former chief executive, Kevin Moore, has been appointed chief executive of the new business.

Mr Moore was one of three owners of The Marketing Department – the others were founder Peter Tully, who has retired, and Peter Mattick, the founder and joint chief executive of direct marketing group Salmat.

Mr Mattick was chairman of The Marketing Department and, according to Mr Moore, the person responsible for the sale to Crossmark.

"It was Peter who kept telling us we needed to find an overseas partner to improve the depth and breadth of our retail marketing services, give our staff new opportunities and gain access to global clients," he said.

Mr Moore said The Marketing Department's owners spent four years looking for an overseas buyer. The privately owned Crossmark operates in the US, Canada, Mexico, Australia and New Zealand. Its biggest clients in the retail sector were giant US retailers Wal-Mart Stores and Home Depot.

It set up an Australian business in 2000 after making an unsuccessful offer for The Bailey Group.

Four years later Bailey was sold to Photon Group for \$36.8 million in cash and shares. One of Bailey's owners, Matt Bailey, became chief executive of Photon, which has since acquired similar companies such as Ausrep, Counterpoint and Brand Impact.

Photon was understood to have looked at buying The Marketing Department 18 months ago but decided it was too reliant on large clients such as Telstra, Sony and Paramount.

"The Marketing Department is a good business, but Crossmark hasn't been a great success here," said one retail marketing executive. "Crossmark has struggled against established rivals such as CPM [owned by the US-based marketing services giant Omnicom] and the various Photon companies."

Mr Moore said the merger of The Marketing Department and Crossmark Australia created a business with annual revenue of \$45 million and 2000 staff.

We needed an overseas partner to improve our depth and breadth.

"Each company was turning over about the same," he said. "They were a good fit, with no client conflicts. Just 10 people out of the combined staff of 2000 left because of the merger."

The Marketing Department focused on working for companies selling products to what Mr Moore described as "high-value consumer durables" retailers such as Harvey Norman, JB Hi-Fi, Sanity, Big W, Target and Retravision. Crossmark focused on the grocery and hardware retailing sectors, working for clients such as Nestlé, L'Oréal, Kraft, Pfizer and Reckitt Benckiser.

Mr Moore said the local retail marketing services sector had grown 25 per cent a year over the past decade, and companies were now spending \$225 million a year with companies such as Crossmark, CPM and The Bailey Group.