

Interview with Thomas Guedron, president, MCDecaux Inc.

S earch for Quality + Innovation + Timing = Business Success

MCDecaux's "Street Furniture" Business

By Antonio A. KAMIYA



Thomas Guedron, president, MCDecaux Inc.

Founded in 1999, MCDecaux Inc. has created a niche market in Japan, selling an idea that its French parent company, JCDecaux, developed 45 years ago and has since evolved into a 2.2 billion euro business with operations in more than 50 countries. The idea, as MCDecaux President Thomas Guedron described it, was simple: Build bus shelters for local authorities, keep them in pristine condition and collect revenues from advertising at these public transport nodes to finance the entire scheme. In 10 years, MCDecaux has established a presence in 32 Japanese cities through such "public-private partnership" (PPP) schemes. Initially, there was a problem: Commercial advertising on public land was forbidden in Japan. Mr. Guedron, who has been running the MCDecaux operation over the past two-and-a-half years, told the story of how the hurdle was overcome and how MCDecaux's "street furniture" business was done in Japan in a conversation with Naoyuki Haraoka, the editor-in-chief of *Japan SPOTLIGHT*, at the MCDecaux office in Tokyo.

Simple & Brilliant Idea

Please tell us briefly about the history of your company in France. I know MCDecaux has been in Japan for 10 years. What prompted JCDecaux to establish its presence in the Japanese market?

Guedron: As you know, MCDecaux is a joint venture between JCDecaux, which is 70% family-owned and 30% listed, and Mitsubishi Corp. When Mr. Jean-Claude Decaux started his company in France in 1964, he had very limited resources, but he had a very simple and yet brilliant idea: He supplied to the city of Lyon the first bus shelter with advertising panels. Little by little, he developed his business of PPP, proposing to city authorities, initially in France and a few European countries, a new way of approaching public services and upgrading public facilities and the quality of services to citizens, all free of charge to the local authorities.

To us, Japan is an extremely interesting market because when we launched the business here 10 years ago, we saw a similar opportunity we had in France at the start of our business there. Of course, Japan is much more developed than France 45 years ago, but we had this vision of a street furniture business where we invest upfront facilities on behalf of local authorities, maintain the facilities, and collect revenues through advertising. It took us 30 years in France to make significant development in this business, and it took us 10 years to build a presence in 32 cities in Japan. This is still a very modest presence, but we believe we have successfully replicated and adapted the business model to the Japanese environment. In addition, with Japan being the second largest advertising market in the world, we simply have to be in Japan.

Challenge & Opportunity

In the 10 years you have been operating in Japan, what kinds of difficulties you have faced so far in your line of business?

Guedron: The main challenge we had to face – which to us was also an opportunity – was the fact that the market was heavily regulated. Basically, advertising was forbidden on public land. In order to build our business, we had to press for deregulation. Sometimes, this can be a very long process, and it took us almost five years to achieve our goal, very challenging. But as I said, it was also an opportunity to us because there was no historical player. It was different in other Asian countries. Each time we arrived in a new country, there would be an existing player, usually a small company, and you have to reset quality expectations from decision makers. In Japan, there was no company in such a kind of PPP business with local authorities. So, we had to convince national authorities – specifically the National Police Agency and the Ministry of Transport – and local authorities to accept the introduction of advertising on public land and convince both public and private bus operators to outsource their advertising business to a third party.

Over time, we managed to adapt quite successfully our business model to Japan – working with Japanese designers, working with local manufacturers and maintenance companies, and developing together with the local authorities a clear process of safety for local citizens in this kind of project. Basically, we not only adapted our know-how to Japan, but we created know-how in Japan. Therefore, we brought new values to the Japanese market, besides creating jobs and creating economic activities.

Photo: MCDcaux



The world's first bus stop shelter with grass on the roof to help improve an urban landscape and contribute to CO2 reduction (location: Abenobashi, Osaka).

Isn't it true that old, historic cities like Paris and elsewhere have very vigorous regulations, particularly with regard to PPP business?

Guedron: Yes, it is true. I am not saying Japan is more or less regulated than other countries. You mentioned Paris. Around the historical monuments, Paris has very strong regulations, but not less nor stronger than the regulations around the heritage areas in Nara or around the Wakayama castle area, and so on. I think there are pretty much comparable regulations in all countries and cities. Nevertheless, for a new business to emerge, you need to explain and convince people why they should change these centuries-old regulations, and this takes time. It is not impossible, but it takes time.

External Support

Despite the challenges, your company has been pretty successful in Japan. Have you had, say, support from JETRO (Japan External Trade Organization) or other government agencies in your drive to operate in Japan?

Guedron: This is my personal opinion, but I do believe that in business, timing is at least 50% behind the chance of doing well. It is clear that we arrived in Japan at a time when cities and local authorities were ready to deregulate, and the government through agencies like JETRO was ready to support new initiatives, not only in terms of FDI (foreign direct investment) but also in terms of developing new business models. In that sense, it is totally true that JETRO was key in supporting our deregulation efforts with the government, in supporting our efforts to convince Yokohama, the first targeted city in our PPP proposal in Japan, to move ahead. It is also true that the mayor of Yokohama fully understood and supported this PPP initiative. You call it luck, you call it timing, you can call it many different names. The bottom line is: There was synergy at one point in time.

You mentioned the merits of the Japanese market. In terms of quality, what do you find the charm of the Japanese market?

Guedron: Actually, one of the reasons JCDcaux was ready to move to Japan is that there is a strong similarity between our corporate culture and Japan. Clearly, one of the common aspects of our business and Japanese customers, whether corporate or individual, is the search for quality. This totally matches our business. We are successful because we were able to provide high-class, quality service, very good design, neat maintenance, and high-quality sponsors and poster industries. This is something the Japanese market, whether citizens or advertising agencies, expects. It is basic. It is fundamental for business. So, the search for quality in terms of service and in terms of products is key in Japan.

Biking to the Future

How do you think the current economic downturn will affect your business?

Guedron: Again, challenge and opportunity. Challenge because our company is active around the world and with the current credit crunch, money is becoming rare and we have to fight to get the level of investment we need in Japan. As our business is very capital-intensive, we need to invest in order to get business. We have to fight but fight in a good way, meaning that we have to be responsible to our shareholders. The economic turmoil is affecting the way consumers are spending in Japan and therefore the way advertisers are spending their advertising budgets. Although we have very long-term objectives in Japan, we need to be able to manage the short term. At the same time, the current financial turmoil is also an opportunity because with this tightened situation, local authorities are looking for our kind of support to improve facilities and to create economic activities. In each city where we install new bus shelters, we create jobs. The level of maintenance we keep at these bus shelters also brings more economic activities to the cities.

What is your company's future strategy, in particular for the near future?

Guedron: As I have mentioned, we developed a business model, this PPP approach to public facilities, and we have a long-term relationship with many cities and many private operators in Japan. Clearly, we want to build upon that relationship, and we want to develop innovative products in Japan that can contribute to the local communities. One example we are working on is the free bike-sharing system, which became very famous after the Velib' project in Paris. Essentially, we have installed 20,000 bicycles in Paris that the citizens of Paris can use free of charge. The whole system is financed through advertising. In a country like Japan, we think this bike-sharing system is very promising because Japanese people are heavy users of bicycles. Secondly, as there is increasing concern worldwide about environmental issues, that should make bike-sharing projects really feasible. So, we hope to be able in the near future to launch this kind of project in Japan, not only to support public transport but also to give a new face to cities.

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