

Partners@ Bertelsmann

Stories from Eight Divisions

What's Your Story?
Volume 4

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Thomas Rabe

Chairman and Chief Executive Officer of Bertelsmann

Bertelsmann, Partner of Choice

by Thomas Rabe

—**ARE YOU FAMILIAR WITH** Luiz Schwarcz and his publishing company Companhia das Letras, or Luis Carlos Bento and the financial services provider Intervalor from São Paulo? Have you ever heard of Chen Qi and the Meili Group from Hangzhou? Does the name of Torsten Wohlrab's company Trnd from Munich ring a bell? Or that of Relias cofounder Mike Mutka from Cary, North Carolina? Did you know that Michael Shehan and Steve Swoboda founded SpotX in Denver, or Ambareesh Murty the online furniture store Pepperfry in Mumbai? To be honest, a few years ago we at Bertelsmann wouldn't have known about these highly innovative, creative and courageous founders and their exciting startups either. Today it's a different story. Today, they are our partners.

These and other entrepreneurs from all over the world have joined us in recent years to further develop and grow their businesses together with

Bertelsmann. But of all the possible choices, why did they choose Bertelsmann as a partner?

— **BECAUSE** they know that as a privately owned, more than 180-year-old company, we think and invest long-term, and that we offer them long-term prospects as well.

— **BECAUSE** as managers, we offer our partners entrepreneurial freedom. We treat them, and encourage them, as entrepreneurs.

— **BECAUSE** at the same time, we give them access to the resources and networks of a global corporation.

— **BECAUSE** we empower them to develop and realize new business ideas together with our existing businesses.

— **BECAUSE** we can provide unique support to them in their own international expansion.

We are convinced that because of all this, we offer our partners an optimal entrepreneurial home. The new Bertelsmann wants to be the best possible choice, the first port of call for entrepreneurs from the media, services and education sectors who are looking for a partner that will help them move forward. This book presents examples of such partnerships.

Bertelsmann itself of course benefits from such partners as well. They bring their creativity and their skills, their ideas and powers of innovation to our company. The fact that we have invested in more than 125 digital startups all over the world strengthens our own digital expertise. And that is important, because while Bertelsmann is a content company, not a technology company, it does need first-class digital expertise to optimally disseminate its content.

Moreover, these investments increase our presence in the attractive growth regions of China, India and Brazil. They are the gateway to these markets. They strengthen our reputation as a reliable investor there, and they help us gain a foothold in those countries, to understand them better, and to develop businesses in them.

Finally, we enter and develop new markets and new businesses along with our partners. This is how we build our growth platforms with the help of partners – and how we diversify Bertelsmann's portfolio with them, as we turn it into an ever-faster-growing, more digital and more international company.

It does not matter whether we grow alongside our partners or become one with them. We can support their international expansion, or we can increase our shareholdings in their companies without suffocating them, and taking away their passion for their business.

We have taken both paths with the partners we introduce to you in this book. They are a small but representative sample of Bertelsmann's partners who have their say here and tell their own stories of how they came to found their companies. They also explain why they chose Bertelsmann, what they expect from our company – and whether these expectations are beginning to be met. For our part, we are delighted to have gained these partners and to have Bertelsmann associated with them.

Together with us, they open new chapters in the Bertelsmann story, as well as in the story of their own companies: SpotX, Relias Learning, Pepperfry, Meili, Intervalor, Companhia das Letras, Affero Lab, Trnd and 8ball Music– all of them are growing along with Bertelsmann. ■

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Mike Shehan (left), Founder and CEO, and Steve Swoboda, Founder and CFO of SpotX

A Lamborghini for a Dream

Partners @ Bertelsmann → SpotX

In 2001, Mike Shehan and Steve Swoboda founded a search engine company – at a time when no one wanted to have anything to do with internet startups.

— **HONESTLY** – in the middle of an economic crisis, would you clear out your savings account, mortgage your house, and borrow money from friends and relatives, all to realize an idea you absolutely believe in? To realize your dream of owning a business? To be your own boss? Most people would probably hesitate at such a leap in the dark, but Mike Shehan and Steve Swoboda did just that when they founded the search engine company Booyah Networks in spring 2001. And they did it a second time when they started the video advertising network SpotXchange, now SpotX, in 2007, which has been majority owned by RTL Group since July 2014.

As with many successful founders' stories, Booyah Networks and SpotX weren't just about a good idea; they were just as much about the people who believe in this idea and put it into action together, and with full personal commitment. In the case of SpotX, the people were Mike Shehan and Steve Swoboda, who had already worked together in the past. "In 2000, I moved to Denver, Colorado, to head the startup Ereo, a new search engine for images. Then we hired Steve as CFO, and that's how we met," says Shehan. However, the employment relationship was short-lived. "Soon after I joined, the dot-com bubble burst and Ereo had to pack it in – those were really black days for us," adds Steve Swoboda, who still recalls this time vividly. You can tell that the pair have worked together closely now for 15 years – they smoothly pass the narrative ball back and forth while telling the story, completing what the other is saying, just as they probably complement each other in the management of SpotX. Instead of throwing in the towel and seeking more secure employment in the old economy, after the demise of Ereo, Shehan and Swoboda teamed up together on their next internet startup, Booyah Networks. The idea at the time was to have an ad-supported search engine based on the pay-per-click principle, where the operators only earn money when users actually click on an advertisement.

"They treated us as if we had tuberculosis"

Steve Swoboda

"Today it's easy to get startup capital, but in 2001, after the dot.com bubble burst, it was nearly impossible to find anyone willing to invest in an internet company," recalls founder and CEO Shehan. "We approached venture capital firms to pitch our idea, and they treated us as if we had tuberculosis or some other contagious disease," confirms his partner Steve Swoboda, who as CFO was responsible for new startup's figures from the beginning. As no money was to be expected from investors, they literally had to beg and borrow the startup capital for their business from family and friends. "We stuck all our own money in. Steve took out a second mortgage on his home, I sold my house; my father, my brother, our families all lent us money," says Shehan.

The most unusual support they received was from an investor friend, Pete Estler in Boulder, Colorado. "At the time Pete told us – in the middle of the crisis, mind you – that he couldn't say exactly what his cash assets were at the moment, but he still had an old Lamborghini in the garage that he wouldn't be driving any more anyway, and we were welcome to take it," says Shehan. No sooner said than done – the car was given an overhaul, sold, and became

an immortal part of Booyah's founding story. "Pete didn't really know what we had in mind, he just believed in us, like the others," says Swoboda. No one who wasn't either a friend or family member gave them money at the time, he says. "Without them we wouldn't be where we are today." All in all, they scraped together around \$230,000 this way. "So we were completely underfunded," says Swoboda, describing the precarious situation at the time.

Following their fathers' advice

The fact that both Mike Shehan and Steve Swoboda held onto the dream of their own company despite the poor macroeconomic conditions in 2001 has a lot to do with their careers and families. Mike Shehan's father played an important role in his decision to become an entrepreneur. Shehan originally studied biology and wanted to be a veterinarian. When, in his final year at university, he realized that this was not the right career for him, his father just said, "You know, son, you don't really have to be a vet. It's enough to own a veterinary clinic, then you'll earn more money anyway." His father, himself the founder of a successful company in the oil industry, always advised him to start his own business. Shehan junior finally followed this advice in 1996, after working in Alaska and a ski resort in Vail, with his own web startup. "Just a year later we successfully listed the company. I was 27 and on a roadshow for the IPO – an incredible experience," says Shehan. "Earned a lot of money, lost a lot of money, learned a lot of lessons," is how he now sums up his experience from the first internet boom. Meanwhile, Steve Swoboda's entry into the online world was much more conventional. He studied accounting at the University of Colorado and started his career at the consulting firm Price Waterhouse in New York. "In the late 1990s, I was working on more and more internet deals at PW and thought: This is the beginning of a new era, and I want to be part of it," Steve recalls. "At the same time, I wanted to return to my home state of Colorado – and the job offer from Ereo allowed me to do both." Steve says his father, who had also started his own business after working for a large corporation for several years, likewise had a huge influence on him. Today Steve is particularly proud that with SpotX, he and Mike have created more than 200 promising jobs in his home state of Colorado alone. Both repeatedly emphasize how important the support of their families was, especially in the founding phase. "Because they always said: Do it, and do it without any ifs, ands or buts," says Mike.

Insufficient capital and an extremely difficult economic environment for internet companies made for a very bumpy launch of Booyah Networks in 2001. "It didn't work well initially. We had to adapt and change our business

model. We had to let people go. Steve worked for practically nothing at the time and had to find a part-time job to make ends meet. In short, the company only just survived,” says Mike Shehan. On top of all that, it soon emerged that there would be no long-term remedy against the growing market power of Google in the field of search engines. “We came to the market a little late with the idea and we didn’t have enough capital, so we sat down and re-considered: What next? What can we do that no one had done so far?” says the SpotX CEO. Since the Booyah team already had a lot of expertise in the field of search engine technology, Shehan and Swoboda promptly turned the startup into a search engine marketing agency. From that time on, Booyah earned its money by helping advertisers improve their placement on the results pages of Google, MSN and Yahoo.

The launch of SpotXchange

Mike and Steve had made exactly the right decision in realigning Booyah. In the following years, the young company grew quickly, and did very well. In 2006, Booyah was 23rd on the list of the 500 fastest-growing companies in the U.S. Soon, its two founders were looking around for new markets, and in 2006 targeted the field of video advertising. Until then, they say, online video advertising had worked in the same way as on linear television. It was purchased in large blocks and there was no targeted approach. But with the establishment of SpotXchange, the digital transformation now entered this sector as well.

“We used our proven Booyah technology to build the first fully automated exchange for video advertising, which marked the birth of SpotXchange,” says Shehan. “We first transferred the principles that work so well in the world of pay-per-click search to video advertising: a trading platform where the ads of the highest-bidding advertisers are automatically served to users, a permanent optimization of the advertising in real-time, and a way for customers to directly operate the tool themselves,” says Steve. “The cool thing was that Booyah was earning good money, and we were able to use this capital to launch SpotXchange in early 2007 without having to heavily rely on external investors,” adds Mike. Although this time around, they both would have probably been welcomed with open arms.

The main components of the SpotX business model have remained the same to this day. “SpotX is a platform for monetizing video content. We help content providers to maximize the advertising revenue they earn with their videos,” says Mike. “However, this process has become more complex and difficult over the years. Videos are now available on a variety of devices, which means that advertising must be made available on a computer as well as on

mobile devices or internet-enabled TV sets – and SpotX provides the connective tissue that enables this.”

SpotX now has 310 employees, including 25 employees of its two joint ventures with European RTL Group subsidiaries. “There’s SpotX in Amsterdam, a joint venture with RTL Nederland, which covers the market in the Benelux countries and Scandinavia,” says Steve. “And then, our office in Hamburg, together with IP Deutschland, which handles the German-speaking countries in Europe.”

But why, after all their years of independence, did the two founders finally decide to partner with RTL Group in 2014? “We kept getting offers from investors, but we never had the feeling that the time was right for selling to a larger company,” says Steve. “In the end, a number of factors made us choose RTL Group, but one aspect was particularly important to us. Although RTL Group wanted a majority stake in SpotX, at the same time it wanted us to continue to exist as an independent company, in close cooperation with RTL Group and Bertelsmann. And so we are still SpotX. We have our own cul-

ture and can continue to grow.” In the online industry there are many examples of companies that have been completely absorbed following a takeover by giants like Facebook or Google. For example, SpotX’s three main competitors were swallowed by Facebook, AOL and Yahoo and disap-

peared from the market. Mike and Steve didn’t want to share their fate under any circumstances. “We wanted to do the right thing. For our company, for our employees. With RTL Group, we absolutely felt we were doing the right thing.”

Another crucial factor is the international presence of RTL Group and Bertelsmann. “From the beginning, we wanted to expand our business from the U.S. to Europe,” says Mike. “SpotX had already set up a subsidiary in the U.K., and we employed about eight employees there, but we hadn’t really managed the leap to the continent.” He says that with RTL Group’s help, the European business was established in a very short time. “Within a year of the acquisition we had grown from eight to 50 employees in the U.K., and set up the offices in Amsterdam and Hamburg.” The European business, adds Shehan, is now one of the fastest-growing areas at SpotX, which is undergoing rapid growth throughout.

The digital world is mostly about size, says Mike Shehan. “Companies that don’t grow and keep demonstrating their innovation won’t survive.” So

“The company
only just
survived”

Mike Shehan

the acquisition by RTL Group was not just about money, he says, but just as much about exploring the possibilities for new growth that the takeover would open up. “The expansion into Europe, the collaboration with RTL Group’s other digital companies like BroadbandTV, Stylehaul, Clypd and VideoAmp, the enormous knowledge base that RTL Group brought in – we could never have achieved all this on our own. So the partnership with RTL Group was the best solution for us,” says Mike with conviction. Their reasoning was evidently on target: Since being acquired by RTL Group in the summer of 2014, SpotX has tripled its revenues and doubled its employee headcount. “And the trend continues,” says Steve happily.

Mike Shehan and Steve Swoboda have come a long way since founding Booyah Networks in 2001. On February 14, 2014, they themselves probably became keenly aware of just how far, when they received the first concrete takeover offer from RTL Group. Thirteen years earlier, the pair had been traveling across the U.S., unsuccessfully knocking on doors and trying to get various investors to disburse money to set up Booyah Networks. This time, the situation was reversed: No fewer than five representatives of the investor RTL Group traveled to the U.S. from Europe specifically to discuss details of the possible takeover. Mike Shehan and Steve Swoboda now regard the fact that this first meeting took place at a restaurant in Denver on Valentine’s Day 2014, the day of lovers, as a lucky omen. “The partnership that was born that day really works,” says Mike. ■

→ **SpotX:** Headquarters: Denver (Colorado, USA) – Founded in 2007 as SpotXchange – Bertelsmann partner since 2014 – 310 employees – Services available worldwide – Branches in New York, San Francisco, Sydney, London, Amsterdam, Hamburg, Belfast, and Singapore → www.spotxchange.com



The founders in 2007,
when the company was still called SpotXchange

**“The partnership
with RTL Group
was the best
solution for us”**

Mike Shehan



Luiz Schwarcz

Founder and CEO of the publishing group Companhia das Letras

Rolling Stones Album Sparked the Idea

Partners @ Bertelsmann → Companhia das Letras

In 1986, Luiz Schwarcz and his wife Lilia Moritz Schwarcz founded the publisher Companhia das Letras in São Paulo – today it has grown into Brazil’s largest and most successful trade-book publishing group.

—**TALK TO ANY BRAZILIAN** entrepreneur these days, about any topic, and the conversation will quickly turn to the current state of the country, which is in a deep economic and political crisis. Our conversation with Luiz Schwarcz, Founder and Director of the Brazilian publisher Companhia das Letras, in which Penguin Random House now owns a 45-percent stake, is no exception. “Brazil is experiencing one of the worst crises in its history,” emphasized Schwarcz right at the beginning of the interview. But for Schwarcz, who was born in the Brazilian business hub of São Paulo in 1956, crisis is not an entirely new experience. When he began working in the publishing industry in 1978, Brazil was still a military dictatorship, albeit one where political change was already in the air. And when Luiz Schwarcz founded the publisher Companhia das Letras in 1986, together with his wife Lilia Moritz Schwarcz, the young democracy was in the throes of economic crises, currency fluctuations, and hyperinflation.

Luiz Schwarcz came to the book world somewhat by chance. He graduated in management from the Fundação Getúlio Vargas (FGV), the most prestigious business university in Brazil, and went on to study social sciences. “At that time, I was striving for an academic career and thought about becoming a social science professor at a business school,” recalls Schwarcz. “However, I had the idea of additionally running a small bookstore. So when it was time to do a compulsory six-month internship, I asked my professor to get me an internship at a publishing company.” He found Schwarcz a place with Editora Brasiliense, one of the most respected publishers in the country. Luiz Schwarcz enjoyed working with authors and editors so much that he promptly got a job with Brasiliense as an editor. The intellectual’s career rapidly took off, and he was eventually appointed the company’s Publishing Director.

“That was
the initial spark
for me”

Luiz Schwarcz

Luiz Schwarcz achieved publishing success at Editora Brasiliense with a program emphasizing political and socially critical works – novels and non-fiction alike. “That was the initial spark for me,” recalls Schwarcz. “That’s when I realized that there was a market for good literature in our country.” Because at the time, the classic trade book business, the sale of novels and nonfiction books in bookstores, only made up a small part of Brazil’s book market. The vast majority consisted of school textbooks, religious works, reference books, and books distributed by the government.

In 1986, he and the company’s owner Caio Graco Prado had disagreements about the future thematic direction of Editora Brasiliense – the reason he left the company, and a turning point in Luiz Schwarcz’s life. “We just had different visions,” recalls Schwarcz. At the time, Brasiliense had discovered young readers as a preferred target group, and Caio Graco Prado was absolutely determined to develop the publisher in that direction. “I wanted to produce books for young adults and more mature readers instead,” says Schwarcz. “So I went home, put on ‘Dirty Works,’ the latest Rolling Stones album, and wondered what to do. At that moment I made the decision to set up my own publishing company,” he recalls.

Without further ado, Schwarcz sold his condominium in São Paulo, and moved into a house that his grandfather had given him. “The sale raised \$100,000, which I used to lay the foundation for Companhia das Letras,” says Schwarcz. As that was not enough, his parents invested another \$40,000 via

their printing business. “\$140,000 really isn’t a lot of money to set up an entire publishing company,” says Schwarcz. But the family not only gave money, they also supported the couple with their entrepreneurial experience. “My grandfather was an entrepreneur,” says Luiz Schwarcz. “He survived the Second World War in Europe, emigrated to Brazil, and successfully built a printing company here that specialized in greeting cards.”

“To the Finland Station”

The Schwarcz family founded Companhia das Letras in São Paulo in 1986 with an unswerving commitment to producing good books – and were successful from the start. “At that time, there was a new cultural and political climate in Brazil, with debates, movie screenings, jazz festivals, and discussions about various ideologies being encouraged – all of that was very conducive to our publishing project,” says Schwarcz. Against this background, Companhia das Letras had a hit with its very first publication, “Rumo à Estação Finlândia” (“To the Finland Station”) by Edmund Wilson, which underscored the new publishing house’s intellectual aspirations. The book by the American writer and literary critic Edmund Wilson was first published in 1940, and traces the history, development and theory of European socialism from the French Revolution in 1789 to the Russian Revolution in 1917.

“We wanted to build a strong program with discerning titles that have the makings of ‘long sellers’ – at the time we weren’t even thinking about the current bestseller lists,” says Schwarcz, describing the new publishing company’s aspirations. 48 titles were published the first year, novels as well as non-fiction books on the arts and humanities. Rather surprisingly, “Rumo à Estação Finlândia” became an instant bestseller, revealing that there was a market for sophisticated books in Brazil – and that the Companhia title came at just the right time to meet this demand.

From then on, things really took off: Today, Companhia das Letras is one of the largest publishers in Brazil, with seven imprints, and is considered the country’s literary publisher par excellence. The publishing group’s backlist includes more than 3,800 titles by 1,300 authors, including 26 Nobel laureates. Other well-known authors who have found their literary home at Companhia include the Brazilian writers Jorge Amado, Chico Buarque, Milton Hatoum and Jô Soares, as well as the international stars Martin Amis, Paul Auster, Don DeLillo, Nadine Gordimer, P.D. James, Milan Kundera, Toni Morrison, Thomas Pynchon, Philip Roth, Salman Rushdie and Donna Tartt. Its nonfiction lineup includes such renowned authors as Harold Bloom, Roberto Calasso, Ryszard Kapuściński, Jon Krakauer, Alberto Manguel, Stephen

Pinker, Oliver Sacks, Carl Sagan, Edward Said, Simon Schama, Susan Sontag and E.O. Wilson.

Following the successful launch, Luiz Schwarcz and the Companhia team set out to expand the publishing program, beginning with the establishment of a children's imprint, Companhia das Letrinhas. This was later followed by an in-house paperback imprint, Companhia de Bolso, and the comic imprint Quadrinhos na Cia., which also grew into successful publishing houses. "We also gave top priority to quality in publishing at our new imprints," says Schwarcz. For instance, Maurice Sendak and Jules Feiffer are at home in the Companhia das Letrinhas publishing program, along with children's books by Dr. Seuss and the "Pippi Longstocking" series by Astrid Lindgren. And Quadrinhos na Cia. has well-known graphic novel artists like Art Spiegelman, Joe Sacco, Bryan Lee O'Malley and Craig Thompson.

Its publishing activities received a further boost at the beginning of the new millennium. "In recent years Brazil has undergone a huge transformation," explains Schwarcz. "The investments in education, which began with the Cardoso government, and the extensive reforms of President Lula from 2003 resulted in larger sections of the country's poor coming into contact with books and literature for the first time ever." The Brazilian book market has grown enormously as a consequence, and with it, the publisher Companhia das Letras, he adds.

Besides trade publishing, Companhia das Letras created a second pillar early on: The company entered the wholesale business, with a focus on textbooks and literature used in the school curriculum. In a developing country like Brazil, with its large, very young population, this is a big market – and the state is the largest customer. "We began by additionally publishing our titles, mainly Brazilian literature and children's books, as school textbook versions," says Schwarcz. Companhia das Letras soon became an important service provider for the Brazilian Ministry of Education, and a separate imprint was founded: Claro Enigma, which specializes in high-quality materials for teachers. However, this sector is also the one hardest-hit by the current crisis. "The government was our second-largest customer for years – today this revenue share has fallen to almost zero," says Schwarcz.

The publishing group experienced a milestone – a "transformational moment" as Schwarcz calls it – in 2011, when Penguin bought a 45-percent

"We gave top
priority to quality
in publishing"

Luiz Schwarcz

stake in Companhia das Letras. This greatly facilitated the Brazilian publishing group's access to the rich Penguin program – which in turn contributed to a further expansion of the Companhia program. The publisher had already published Penguin Classics in the past, which Schwarcz says drew former Penguin CEO John Makinson's attention to Companhia in the first place. "Among other things, this partnership, which extended to Penguin Random House post-merger, includes a 'first-look' deal, where we get information on new English-language books that are being considered by Penguin Random House publishers at an early stage, which enables us to secure the Portuguese-language rights in good time," says Schwarcz. The publishing house went on to found yet another new imprint, Penguin Companhia, which publishes both classics from the incomparable Penguin catalog and Brazilian literature classics. Today, says Schwarcz, Companhia buys many domestic licensing rights from Penguin Random House, but also from other publishers, and international translations now comprise between 60 and 65 percent of the publishing group's program.

In 2015, Companhia das Letras took another major step forward by merging with the Brazilian publisher Objetiva. The renowned publishing house became part of Penguin Random House with the acquisition of Santillana Ediciones Generales' trade book publishers in Spain, Portugal and Latin America. Objetiva's publishing program added such notable imprints as Alfaguara, Foglio, Fontanar, Objetiva, Punto de Lectura, and Suma de Letras, as well as popular Brazilian and international authors including Jon Lee Anderson, João Cabral de Melo Neto, Daniel Goleman, Daniel Kahneman, Stephen King, Haruki Murakami, Vladimir Nabokov, João Ubaldo Ribeiro, Mario Vargas Llosa, Luis Fernando Verissimo, and Carlos Ruiz Zafón. The merged publishing group consists of 17 imprints based in São Paulo and Rio de Janeiro, and has approximately 250 employees. Its extensive backlist comprises around 5,000 titles, with some 450 new ones being added each year. "This gives us a catalog that is unparalleled in Brazil," says Schwarcz proudly.

Gaining market shares

For Schwarcz, now 60, the Objetiva merger marked another decisive turning point. "Actually, I had planned to scale back work a bit and enjoy life. Instead, I'm working more than ever," says the publisher. "But I don't regret it at all. It feels good to face such a big challenge again in life, and there was simply no alternative." His children now work at Companhia, too. While his daughter Julia is already a renowned publisher, his son Pedro organizes reading groups at bookstores and in women's prisons. "Seeing my children successfully work

with us and our colleagues in our own publishing house is perhaps the best thing that has happened to me in all the years since founding Companhia,” says Schwarcz.

He now sees his most important task as steering the newly formed publishing group through the severe economic crisis that Brazil is experiencing. But although the education business with the state has almost collapsed, the Companhia das Letras trade book business is going well. “In the context of the market, we’ve done very well. We grew by five percent during the crisis and were able to add market share,” says Schwarcz. Being part of Penguin Random House was enormously helpful in coping with the crisis, he says. “The partnership has taught me a lot about new, commercial areas of publishing. I’ve learned to plan for the future – and frankly, in Brazil, that is no easy task.”

Luiz Schwarcz expects to continue on as CEO of the Brazilian publishing group until 2021. “At that time, my country will hopefully be a stable and promising country again – and I will be able to hand over my position of CEO to a young talent to grow what will continue to be a thriving company.” ■

→ **Companhia das Letras.** Headquarters: São Paulo (Brazil) – Founded in 1986 – Partner since 2011 (Penguin) – 250 employees – 17 publishing houses in São Paulo and Rio de Janeiro – 5,000 book titles → www.companhiadasletras.com.br



“Rumo à Estação Finlândia”
 (“To the Finland Station”) was Companhia das Letras’s
 first bestseller in 1986



Torsten Wohlrab
Founder and CEO of Trnd

Word of Mouth 2.0

Partners @ Bertelsmann → Trnd

With its innovative marketing approach, the agency Trnd perfectly complements the Gruner + Jahr portfolio.

— **WHEN TORSTEN WOHLRAB GIVES VISITORS** a tour of Trnd's bright and open second-floor premises in a building on Winzererstrasse, Munich, it quickly becomes apparent how much the story of the renovation of the floor reflects the company's growth story. "This is where we knocked out the first wall," explains the Trnd CEO as he enters a wide corridor. "Afterwards, the restrooms were too far away from the new employees, so we built them somewhere else." Two other walls were removed, followed by the relocation of kitchenettes, employee lounges and restrooms to accommodate the constantly growing team. However, the limit has now been reached on this floor. "If we continue to grow, we need to go upstairs," he says, smiling.

Wohlrab doesn't venture to predict exactly when he will be able to sign a lease for the rooms above, but if he has his way, the collaborative marketing agency will be taking up a lot more office space. As of summer 2016, Trnd has around 220 employees and eight subsidiaries in 19 European countries. Its revenues are increasing by the year. Its list of prominent customers keeps growing. Since Gruner + Jahr bought a stake in 2014, doors have been opening for Wohlrab and his team that were previously closed.

Things haven't always gone this well. On the contrary. When Torsten Wohlrab founded Trnd with Rob Nikowitsch in 2004, they could hardly have imagined how tough the early years would be. But skepticism has no place in the pioneering spirit – the self-imposed mission of revolutionizing marketing fueled the euphoria of the small team on Winzererstrasse. Their approach was that consumers should act as ambassadors for a product, publicize it through word-of-mouth, and have a say in product development or the creation of a campaign. “Collaborative marketing” is the name of this method to disrupt the traditional pecking order between the company “up above” and consumers “down below.” “We all wanted to take a new approach, and were convinced that our idea would immediately take off,” recalls Wohlrab. “Unfortunately, we soon realized that we were ahead of our time.”

In 2005 and 2006 when the four- or five-strong troop of pioneers – which Wohlrab describes as “highly motivated and full of energy” – went door to door to find potential clients, the visionaries were brought down to earth with a bump. Common reactions included: “We know best what our consumers want,” “No one watches online videos” or “What’s a blog? We log things in notebooks.” They had no customers worth mentioning. Even the offer of a free campaign was rejected. Their starting capital of just €25,000 melted away. The founders stopped paying themselves wages so they could at least pay their employees something. “Several times we were on the verge of simply packing it all in,” recalls Wohlrab. Finally, in 2007 they staked everything on one last bid for a campaign for the consumer-goods giant Procter & Gamble. After what felt like 25 meetings, they got the job. This not only finally brought in money, but, more importantly, publicity. The trade magazine “Werben & Verkaufen” published an article on the deal. Just a few lines, but they were worth their weight in gold. Suddenly, marketing and product managers from companies who had repeatedly rejected them just months earlier were getting in touch. Trnd had turned the curve.

From then on, things really took off. The first campaigns convinced clients, securing follow-up orders. Word of the successful work got around. Collaborative marketing suddenly no longer seemed unattainable, but like the “next big thing” in marketing – something one couldn’t afford to miss. Of course, the parallel mainstreaming of Web 2.0 in the masses helped. This

“We all wanted
to take a new
approach”

Torsten Wohlrab

“participatory internet,” in which users can actively post their own messages and opinions, rather than being passively sprinkled with them, gave consumers completely new power. More and more companies began to see the potential of blogs and social networks for marketing their products, but most didn’t have the skills needed to exploit it. Agencies such as Trnd came just at the right time – in Germany but also in other European countries. In 2009, Wohlrab and his team ventured into a new market and opened an office in Spain. This was quickly followed by other countries. “In retrospect, we took on too much with the international expansion in the beginning. We wanted too much too quickly,” says Wohlrab, adding that the startup problems have now largely been overcome.

Word-of-mouth campaigns

Trnd has now planned, implemented and supported more than 1,000 projects for customers all over Europe. The agency’s portfolio essentially consists of two pillars: First, there are the campaign formats with which Trnd supports companies in their marketing. These range from straightforward surveys (“What is important when buying shoes?” “What shaving habits do men have?”) and the involvement of consumers in product development (chewing gum flavors, packaging design for a chocolate), to word-of-mouth campaigns. These are the agency’s core product and flagship business and reflect its basic business idea.

Trnd is relying the oldest form of advertising of them all – classic word-of-mouth – but has transferred it into the digital age, in the process opening up a new dissemination channel for advertising messages. The principle is simple: on a campaign platform managed by Trnd, individuals apply to participate in a word-of-mouth campaign. The product is sent to them so that they can try it out and share the experience with their friends and acquaintances. In this way, they serve as the company’s brand ambassadors – and do it willingly because they identify with the product. This method works online as well as offline and gives clients a large number of multipliers: 10,000 testers for a new detergent here, 15,000 people for a new cat food recipe there. “This means we generate hundreds of thousands of personal recommendations for our clients’ products among friends and acquaintances, as well as much more meaningful results than with conventional market research tools. Clients also benefit from a higher and longer-term identification of consumers with their brand,” says Wohlrab.

The second pillar in Trnd’s offer is its proprietary “trndsphere” software, an in-house development. It serves as the technical backbone for all

campaigns and the central interface the Trnd team uses to communicate with consumers on behalf of its clients. The software features an entire toolbox of formats ranging from surveys and blogs to comments. Functions for analyzing and presenting the data collected provide information about the target group's preferences. If a client wants to use an existing community or database for marketing purposes, "trndsphere" can be integrated into the customer's own website or content management system – the software is designed as a white-label solution. In this way, Trnd is now in contact with more than 3.5 million consumers who are part of a brand community.

The beginnings of the partnership

The new marketing tools gradually attracted growing interest from media companies that earn the bulk of their money by selling advertising space. Gruner + Jahr, too, explored the "collaborative marketing" trend, which is how Trnd came to its attention. In July 2011, a project group got to work and contacted the Munich-based agency to initiate a first joint project. This resulted in the launch of the "Markenjury" (brand jury) portal a little later in May 2012. The online platform presents current word-of-mouth campaigns, which the publishing house's various titles implement with advertisers. For example, readers of "Barbara" can test a new epilator there or "Essen & Trinken" readers can try a new ice cream.

"Markenjury" proved interesting to Gruner + Jahr and its advertisers from the outset – especially due to the cross-media value-add: ads for the campaigns, calling for testers, were run in the publisher's own magazines. The data generated in this way gives customers valuable information about how its product is received by the target group. After the campaign is over, the results can in turn be placed in the magazine's channels. For example, a statement such as "95 percent recommend this facial care product" greatly boosts the effect of a print or online ad. The collaboration with Trnd worked so well that the publisher's top management began seriously thinking about turning the agency into more than an external service provider.

In 2012 Gruner + Jahr sought a meeting. "They said that they would like to talk to us about future prospects once the first joint year with 'Markenjury' had been completed," recalls Wohlrab. It soon became clear that the Hamburg-based publisher wanted to invest in the Munich-based company. The offer came at a good time for Trnd, as the agency's management was just looking for a strategic partner anyway. "Until that point, we had grown exclusively organically, on our own steam," says Wohlrab. "On the one hand, we could be proud of that; but on the other, we often lacked the necessary resources to

step up the pace. We had to turn down some campaign requests, and it hurt every time. So we were ready to take the next step."

But Gruner + Jahr wasn't the only option. Trnd's senior management was also in talks with media holdings, agency networks and private investors.

"I simply had the best gut feeling with them"

Torsten Wohlrab

The decision was not easy – after all, we were choosing "whom to entrust our baby to," says Wohlrab. Within his company he was the main advocate for the Hamburg publisher – for several reasons: "We enjoyed the collaboration from the start. We

wanted the investment to have a clearly strategic character. Gruner + Jahr's quality standards matched our own. Being part of Bertelsmann promised entirely new possibilities. And, most importantly for us: Gruner + Jahr would give us sufficient latitude in our business. I also simply had the best gut feeling with them."

After numerous meetings and negotiations, the parties completed the deal in May 2014. Gruner + Jahr bought a neat 50-percent stake in Trnd. An unusual constellation, without a majority stake for either of the two partners, but Wohlrab and colleagues deliberately opted for this: "Despite our good customer relationship, we really didn't know how things would go with Gruner + Jahr as a partner, and we didn't want to let go of Trnd just yet. So it was absolutely the right thing to do."

But after the "trial period" proved satisfactory for both sides, the founders then declared they were willing to let go of a little more. In February 2016, Gruner + Jahr agreed to increase its stake in Trnd to 75 percent. Now that the publishing house owns a controlling interest, the agency enjoys numerous benefits that come from being a Bertelsmann company. But they want keep the remaining 25 percent for as long as possible, emphasizes Wohlrab. Of course, the monetary aspect plays a role, but the founder also has other reasons: "As long as we feel the Trnd 'product' isn't finished yet, we want to play some part in it. First, because we still want to be part of it, and secondly, to ensure that our corporate culture is preserved. If, for example, everyone would now have to move into individual offices or all the walls are painted green, that would no longer be the company that we built."

When Torsten Wohlrab says things like this, you can feel that here is an entrepreneur speaking from the heart. "I want to make a difference, try out new things and have fun doing it," he says describing his motivation. At the age of 12, he launched his first "startup," as it were, collecting old bicycle parts

to build “new” bikes and then sell them. After graduating from high school, then business school, he and a fellow student founded a startup for online advice about visa and immigration issues in the United States. Although the business went well and their service was used by customers from all over the world, at some point he no longer found it fulfilling. While he was looking around for a new challenge, the brother of a school friend, Rob Nikowitsch, approached him. He was the founder and owner of H2O Media, an online marketing agency in Munich – and wanted to win over Wohlrab for his latest idea. “His vision of revolutionizing marketing with a collaborative approach immediately inspired me,” he recalls. “I was also tempted by the task of starting an entire company from scratch.” Nikowitsch looks after the creative side, Wohlrab the figures, organization and sales. This is how the story of Trnd began.

Wohlrab wants to be on board to help write a few more chapters with Gruner + Jahr, because he says the initial objectives have not been fully achieved: “We wanted to be the market leader in Europe, which we have achieved. We wanted to turn marketing into a hobby for everyone, but that’s going to take a little time yet. And we wanted to cover all four of the dimensions of marketing – promotion, product, place and price – with our portfolio. We’re already strong in promotion, we’re developing well in product, but overall I see us at only about 40 percent of the way there.” Gruner + Jahr’s involvement hasn’t changed anything fundamental about the targets – except that the company is now able to set its bar a little higher, says Wohlrab. After all, the partnership with the publisher suddenly has opened up levers and springboards that did not exist before.

Partnership opens up levers and springboards

For instance, Trnd is aiming to enter markets outside Europe in the long term, especially the U.S. A collaboration with Ligatus, a wholly owned Gruner + Jahr subsidiary that specializes in performance marketing and online advertising, could be one way to go about this. Trnd would also like to expand its collaboration with several existing customers and bring their order volume to the level of Procter & Gamble – its first big customer is still its major client.

The alliance with Gruner + Jahr could provide an extra boost here as well, because the two partners have a near-identical client base. But the new potential lies in the fact “that thanks to Gruner + Jahr and Bertelsmann, we get to talk directly to a marketing manager about a project much more often than to a product manager. This is a much higher level of access,” says Wohlrab. He and his team also hope to play the wide and promising field of content com-



Torsten Wohlrab (left) and Rob Nikowitsch,
Founders of Trnd, in 2004

“I want to make a
difference, try out
new things”

Torsten Wohlrab

munication in the future, by increasingly linking their marketing solutions with editorial content. “In this regard, the close connection to Territory is a real godsend for us,” says Wohlrab.

Trnd has already worked successfully with G+J Corporate Editors several times in the past. When Gruner + Jahr merged its corporate publishing service with Medienfabrik and other specialized agencies in May 2016 to create Territory, Europe’s largest provider of content-driven communication, the publishing managers integrated Trnd in the new organization as well. Nothing changed regarding its operational autonomy as result of this, but exchange with the content experts intensified. Surprisingly, given the overlap between the two partners. G+J Corporate Editors produces corporate magazines for clients like Deutsche Bahn and Lufthansa, whose readers can serve as a target group for a word-of-mouth campaign. The information obtained in the process can in turn feed into determining the content for the next issue.

The added value for Gruner + Jahr and other Bertelsmann companies that Trnd brings to the partnership lies in these cross-media marketing models as well as the wealth of data on consumer behavior. For instance, RTL Group’s ad sales subsidiary IP Network is very interested in the collaborative campaigns. The increase in sales through word-of-mouth campaigns is not the decisive criterion for the marketer – what’s more important initially is being able to offer the client an innovative promotional tool, thereby demonstrating that it is on the cutting edge of the industry. Arne Wolter, Chief Digital Officer of Gruner + Jahr, describes the advantages of the partnership from the investor’s perspective: “By investing in Trnd, we have effectively strengthened G+J EMS’ leading position in marketing, and opened up new customer segments. Together, we offer advertisers innovative forms of collaborative marketing and a key component in integrated communication campaigns. This sets us well apart from the competition.”

Enriching the field of marketing

So its products are in demand at Bertelsmann, but after more than two years together, is the chemistry still right for Trnd’s protagonists? A good partnership, says Wohlrab, is generally characterized by trust, honesty, shared values and a relationship between peers. Business partners should also draw clear benefits from the collaboration, and believe in it 100 percent; otherwise it makes no sense. “We found all this with Gruner + Jahr, and are confident that it will continue to go this well and that we will achieve our goals,” says Wohlrab.

Even the original goal of revolutionizing marketing? “If one defines revolution as a total upheaval of the advertising landscape, then of course we have yet to achieve that,” says Torsten Wohlrab. “But we can surely say that we have enriched the field of marketing.” ■

→ **Trnd.** Headquarters: Munich – Founded in 2004 – Bertelsmann partner since 2012 – 200 employees – Eight subsidiaries in 19 European countries – Over 1,000 projects implemented for European companies to date – Connected with more than 3.5 million consumers → www.trnd.com



Tony van de Berkt
 Founder and CEO of 8ball Music

Cross-Generational Partnership

Partners @ Bertelsmann → 8ball Music

As CEO of Talpa Music, his father already successfully collaborated with Bertelsmann; as an intern he himself worked for Bertelsmann: Tony van de Berkt, CEO of 8ball Music, is certain that the partnership between 8ball Music and BMG is advantageous for both sides.

—**THIS IS WHAT YOU CALL A CROSS-GENERATIONAL** partnership: the father of Tony van de Berkt, co-founder of the Dutch independent label 8ball Music, trusted Bertelsmann so much that he sold his music publishing company, Talpa Music, to BMG in 2014. Hence, it is no surprise that last December his son followed this lead, and 8ball Music and BMG became close partners. van de Berkt is certain that the partnership is beneficial for both sides: “For us such a partnership is ideal – it enables us to grow without giving up our identity,” he says.

Tony van de Berkt has been very familiar with the music world for quite some time. “I got my first job in the music world in the publishing business in London,” he says. “I started as an intern in 1999, but ended up staying for two full years. During that time, I learned a lot about the industry from Andrew Jenkins, among others. The music business was excellent and the labels I was able to work with were legendary.” Van de Berkt is fond of remembering

Simon Cowell, who was managing the band Westlife for the UK as A&R manager at the time – and later went on to create the internationally successful TV shows “Pop Idol” and “The X-Factor,” and to be on their panel of judges. “I have been following BMG as a music company for quite some time, and I am favorably familiar with its philosophy,” says van de Berkt; with that in mind, the decision for Bertelsmann and BMG to partner was an easy one.

8ball Music, with its head offices in Hilversum, is especially successful with the development of new artists, including numerous Dutch stars such as Alain Clark, Miss Montreal, Pioneers of Love, A Silent Express and Bertolf. In addition, 8ball Music is the official label for the competition show “The Voice of Holland”, which has aired on the RTL Group channel RTL 4 since 2010. “We are strongly represented, especially in pop music. I believe it’s not an exaggeration to say that 8ball Music is the leading Dutch independent label in this genre,” van de Berkt emphasizes. But there is more: with its dance and electronic dance music (EDM) label Powerhouse Music and the Dutch repotoire label Dino Music, the music company, which celebrates its tenth anniversary this year, it has another two strong footholds. Van de Berkt: “We are also leading in the Dutch repertoire genre and are building our dance label.”

The way 8ball Music collaborates with its artists is rather similar to the BMG model. “It is about offering them comprehensive services, opening possibilities for their music on all channels, and thus achieving the best for both sides,” explains the 8ball Music CEO, who wants to make the company the biggest independent label in the Netherlands this year.

Miss Montreal is one of 8ball’s most important artists. She serves as a coach of “The Voice of Holland”. And her fourth album, “Don’t Wake Me Up,” was released this year, and promptly rose to No.2 on the Dutch charts. Her previous album, “I Am Hunter,” from 2012 also rose to the top tier of the chart lists, in fifth place. Several concerts and performances at music festivals, advertising contracts, club tours and other marketing campaigns aim to increase future sales numbers for Miss Montreal’s songs.

Newcomer Sharon Doorson is also on the artist roster of 8ball; this year, a total of four new songs will have been released – incidentally, all of them created during a BMG Talpa singer-songwriter camp. Of course, an album is planned as well. After all, the singer is not an unfamiliar name in the Nether-

“It enables us
to grow without
giving up our
identity”

Tony van de Berkt



House of creativity:

The 8ball Music headquarters in Hilversum

“That again
deepens our
partnership”

Tony van de Berkt

lands despite her young career: her songs can be heard on the radio 24/7, and she participated and performed for “The Voice of Holland” before she had to exit in the semi-final. Doorson also went through intensive training to internationally increase her profile.

For the label Powerhouse Music, which represents a close cooperation of 8ball Music with the Netherlands’ biggest pop-dance radio stations Radio 538 and Slam FM, a series of changes were lined up this year, as well. The label increasingly focuses on the global master rights to the work of artists, DJs and producers. The company thus participates in all conceivable possibilities for the distribution and use of songs, including live performances. The presence on social networks, at events or sponsoring, aims to intensify the cooperation of Powerhouse with the radio station Radio 538. There is also progress in the development of artists: This year, a special management team for Powerhouse Music has been established to better manage of all these projects.

8ball Music looks to the future with plans to further expand the market position of the label Dino Music in the Dutch repertoire genre, for example with more music streaming, sharpening the profile of talents and songs during the TV show “The Voice of Holland” in order to better exploit their talent in the music market later on, and the ongoing overall cooperation with RTL Group stations. And, of course, the young music company has already gained enormous experience in digital businesses: with Spotify, iTunes, Deezer, Google Play or YouTube placement for its artists, 8ball Music is focused on getting the attention of fans on all traditional and emerging channels.

“I am certain that all of our plans will be easier to realize together with BMG,” predicts van de Berkt, as he optimistically looks into the future for success beyond the Benelux countries. “For this purpose, we have daily contact with different BMG offices across Europe – and that again deepens our partnership.” ■

→ **8ball Music.** Headquarters: Hilversum – Founded in 2006 – Bertelsmann partner since 2015 – 10 employees – Leading Dutch independent pop label – Official label of casting show “The Voice of Holland” (RTL 4) – Collaboration with major pop-dance radio stations → www.8ballmusic.nl



Luis Carlos Bento

Founder and CEO of Intervalor

Connecting Value

Partners @ Bertelsmann → Intervalor

Intervalor, with its headquarters in São Paulo, has established itself as a specialist for outsourced financial services since 1999; the company offers integrated solutions for all common payment processes – since 2015, in cooperation with Bertelsmann.

—THE ERA IN WHICH WHEN AGRICULTURAL PRODUCTS SUCH AS COFFEE or soybeans formed the backbone of Brazil's economy are long gone. The largest country in South America now derives nearly three quarters of its economic strength from services. Financial services play the most important role, accounting for about 15 percent of gross domestic product. Companies that tapped into this market early on are now benefiting from their founders' vision – as demonstrated by the example of Intervalor, a partner of Bertelsmann since 2015.

In 1999, Luis Carlos Bento made a decision that would steer his life in a new direction. At the time, he had already worked in the Brazilian financial industry for 17 years, including at large local private banks such as BCN or BTG Pactual. Although he held high-level positions there, at director level, the urge to build something new of his own grew in him. Because he had always

been interested in and inspired by finance, innovation and technology, he recognized, early on, the opportunities that would arise with the spread of the Internet. Bento expected that businesses and consumers would increasingly use online financial services if simple, efficient and secure offers were available in the market. So, he decided to trade in his secure job at the bank for the riskier life of self-employment. He founded Intervalor in his hometown of São Paulo, where he was born and raised, and attended school and university. A few months later, he brought Jair Lantaller, a longstanding colleague from BCN Bank, on board. Shortly afterwards they jointly convinced two other companions from the financial industry, Antonio Carlos Canto Porto Filho and his son João Carlos Canto Porto, to also join Intervalor as shareholders, and grow the company.

“From the outset, our goal was to combine specialist knowledge of the credit and debt-collection market with modern technology. Accordingly, we developed and expanded our skills and capabilities in order to keep designing new service offerings and do pioneering work in this field,” says Bento, who still heads the company as its founding CEO. “In fact, I expected to face typical problems of startups, but always kept thinking positively,” he says. Of course, there were the usual teething problems of a startup to cope with, from overcoming bureaucratic obstacles to the pressure to capture significant market share as quickly as possible. “I had invested all my assets in Intervalor and initially lived with the typical uncertainty faced by practically every company founder,” recalls Bento.

“I had invested
all my assets in
Intervalor”

Luis Carlos Bento

But his instincts proved right, because the framework conditions during Intervalor’s early days could hardly have been better. Brazil’s economy entered the 21st century with a boom. In 2000, the country’s GDP grew by over four percent. There was enormous demand in the financial markets for services and technologies to improve payment and loan processing. Numerous companies were looking for outside providers to which they could outsource the management of their financial transactions. “I’m convinced that we founded Intervalor at a very opportune time,” says Bento. “At least as important, however, was the team with which we built the company. There were only a handful of colleagues, but all of them were creative, motivated and had multidisciplinary skills,” recalls Bento. And the same still holds true for the company’s current – significantly larger – workforce, says the CEO.

As digitization progressed, and customer requirements grew, along with the success of the business, Intervalor steadily expanded its portfolio and its market position. Over 17 years, the company became a one-stop shop in financial solutions, providing services to the credit cycle: credit origination, credit analysis, CRM, consumer affairs, all phases of debt collection and IT solutions. Nearly all of the programs and applications for handling the various operations are developed in-house. This not only strengthens Intervalor’s technical competence and independence, but also allows it to offer custom-tailored services to customers and to keep developing the underlying technology – a decisive advantage in the outsourcing sector.

Big player in the financial sector

Thanks to the combination of industry and technological expertise, Intervalor has become a major financial service provider in Brazil and throughout Latin America. Today, the company has more than 3,000 employees in its São Paulo and Osasco offices. Among other responsibilities, every year, Intervalor performs 1.5 million credit assessments, 250 million car-loan origination processes, and services more than 13 million active debtors and 15,000 active users of IT solutions. Interactions with consumers amount to more than 100 million contacts per year.

Luis Carlos Bento is particularly proud that this rise to become one of the big players in Brazil’s financial sector was achieved exclusively under the company’s own power, without acquisitions or alliances. “And yet, starting around 2013, we realized that to continue on our path of profitable growth, we would need a business partner in this increasingly competitive and complex market,” says the founder. Although there were initial discussions with private equity funds about a possible participation, Bento and his team were clear from the start that it shouldn’t be a purely financial transaction. Instead they were looking for a strategic partner, who would provide operational value to Intervalor with their perspective, experience and business activities.

So, it was a fortunate coincidence that at the time, Bertelsmann was intensifying its search for new growth opportunities in Brazil, the world’s seventh-largest economy. A check against the profile of requirements quickly established Intervalor as a preferred candidate: an already-established and successful provider with further potential, operating in the defined-growth platform of financial services, and anchored in the designated-growth region of Brazil. Within the Bertelsmann Group, Arvato Financial Solutions offered itself as a natural partner for Intervalor. International expansion was already an important cornerstone of its strategy, and as Arvato’s financial services

division it had already established footholds in markets such as the U.K. and Ireland, the Netherlands, Spain and Scandinavia, as well as in the U.S., Mexico and the Philippines. However, at the time, Arvato Financial Solutions had not found a suitable springboard in South America.

This now opened up a good opportunity for Intervalor to enter the market, especially given that the Brazilian financial-services provider's portfolio was as broadly positioned as Arvato's. This meant that one wouldn't just be offering a few niche products locally, but a range that was on a par with that offered in the other markets. International clients could therefore be offered the option of having Arvato handle their receivables management in South America as well. The necessary local expertise would be guaranteed by Intervalor's staff, who are very well-versed in the financial laws and realities of the Latin American countries.

Identical values

So, it was only a matter of time before Arvato reached out to Intervalor. "At some point, I got an email from Elias Reitter, who asked me whether Intervalor might be interested in a partnership with a German company that was looking for business opportunities in Brazil," recalls Bento. Reitter, then Head of Corporate Development, and today Chief Strategy Officer at Arvato Financial Solutions, was also the contact for the first face-to-face meeting between the two companies' representatives. "We were confident from the outset that there would be worthwhile process- and product-related synergies for both sides", says Bento. "At the same time, we could rely on our values and our corporate culture being preserved as part of the partnership. That was the main reason why, despite other attractive offers, we opted for Bertelsmann." Incidentally, the word construct "Intervalor" translates to "connecting value" in Portuguese.

After further introductory meetings and intensive rounds of negotiations in Brazil and Arvato's finance division headquarters in Baden-Baden, the new partners formally signed their alliance in May 2015. Arvato Financial Solutions initially acquired a 40-percent stake in Intervalor – with the option of gradually increasing the shareholding. After the 2013 takeover of the Gothia Financial Group, the investment in Intervalor represented a further important step in the systematic internationalization of Arvato Financial Solutions' businesses.

There were no appreciable startup difficulties; the working relationship delivered what the analysis and exploratory talks had promised. "Even before the partnership began, we knew about the growth potential that would



Luis Carlos Bento
in 2007, presenting an award to
a company's employees

result for us in the years ahead, thanks to Arvato and Bertelsmann – from developing new lines of business, to synergies with shared global customers, to expansion into other regional markets,” says Bento. From the beginning of this collaboration, Intervalor has noted additional benefits that are also pertinent for a successful future: above all, the constant exchange of experience and sharing of good practices and methods, to permanently improve their own processes. “All the Arvato colleagues we have had contact with are proven experts in their respective fields, and working with them on projects is extremely productive,” says Bento.

However, the most important thing from the perspective of Bento and his team, is that Intervalor and Bertelsmann, particularly Arvato, share the same values and ideals. “We had mutual recognition of employees and meritocracy as relevant values for the company culture from the very beginning,” says Bento. “In 2012, we had the pleasure of making three of the top executives of Intervalor minority shareholders. This was a measure that has brought significant benefits to the company, and promoted a greater engagement from the executives. Also technology, innovation, and creativity are part of our DNA – and we quickly realized that these topics also shape Bertelsmann’s identity,” he adds. “But, just as importantly, we attach great importance to the welfare of our employees, and to harmonious, personal working relationships. For us, it’s good to know that Bertelsmann fosters a very similar corporate culture.” The partners are also in agreement regarding their goals. First and foremost, synergies resulting from the collaboration should help either to expand Intervalor’s position in Latin American countries, or to consolidate it where it is already leading. It may make sense to develop additional new markets when the time is right, depending on Arvato Financial Solutions’ overall international strategy. For Intervalor, it is also essential to at least keep pace with technological developments, and ideally to advance it themselves, as has already happened several times in the past, so as to maintain market leadership in this area. “Since our founding, this has been a top priority, and it will be an ongoing guiding principle,” says Bento. Intervalor wants to continue deepening its customer relationships and maintain long-term ties to lay the foundations for sustainable, profitable growth. Arvato takes this approach in all of its business activities as well. The investment in Intervalor now puts the

“Technology,
innovation, and
creativity are part
of our DNA”

Luis Carlos Bento

Bertelsmann subsidiary in a position to explore new options for developing other service sectors in Latin America based on the Brazilians’ customers and contacts – be it CRM solutions, SCM solutions or IT solutions.

With passion and dedication

Bento and the other Intervalor shareholders want to fully support their new partner in this process. Arvato’s entry marks a turning point for the founder: “The vision of the company that I had when I founded it has now become a reality,” he says. He wants his own success story to inspire young entrepreneurs in Latin America to work with passion and dedication to make their dreams come true. Bento looks forward to his future mission with Intervalor expectantly: “The partnership with Arvato has opened a new chapter in our history, and I’m excited to see how it goes. Everyone here at Intervalor firmly believes that this collaboration has great potential for continuous further development. We are delighted to be witnessing this period in our time, and to help set the course for a promising future for our company.” ■

→ **Intervalor.** Headquarters: São Paulo (Brazil) – Founded in 1999 – Bertelsmann partner since 2015 – Over 3,000 employees – Locations in São Paulo and Osasco – 1.5 million credit checks performed, more than 13 million debtors serviced, 15,000 active users of IT solutions → www.intervalor.com.br



Jörg Raschpichler of Mohn Media (left) and
Adrian Rettich of Stora Enso

Trust, Not Just on Paper

Partners @ Bertelsmann → Stora Enso

During their more than 20-year relationship spanning the highs and lows of the printing market, the Finnish/Swedish paper manufacturer Stora Enso and the printing experts at Bertelsmann Printing Group in Gütersloh have managed the market's sinking prices and rising requirements with flexibility, an innovative spirit and mutual trust.

— **HELSINKI AND GÜTERSLOH.** At first glance, there isn't much that connects the two places – they are, after all, 850 miles apart, and in different countries. And yet, for decades, the most important commodity of the printing sector – paper – has traveled from Finland to the eastern Westphalia region of Germany with reliable regularity. Over the years, the Finnish paper manufacturer Stora Enso has provided staunch support to the printing experts at Bertelsmann. Mohn Media, Prinovis, Vogel Druck and GGP Media have had close business ties to the company for more than 20 years. "Our mutual relationship is on a more intensive level than with other suppliers," explains Jörg Raschpichler, Purchasing Manager at Mohn Media in Gütersloh. Raschpichler has known the salesmen, managers and directors of Stora Enso for all of the 21 years he has worked at Prinovis and Mohn Media. Ability to deliver, speed, and consistent high quality – these are the demanding criteria of the paper industry and the reasons that Stora Enso is one of Bertelsmann Printing Group's key suppli-

ers. But trust and continuity also play a role in the relationship between the East Westphalians and the Finn managers: “Our dealings are professional and respectful,” says Raschpichler.

Every day, Mohn Media produces as many as 130,000 books, more than ten-million brochures, and some 2.5 million catalogs or magazines. Every household in Germany is supplied with printed paper from Mohn Media in some way or another. And some of this paper comes from Stora Enso. In the past year, Mohn Media printed 530,000 tons of paper – Stora Enso supplied one-fifth of it, or around 40,000 rolls.

Papers with beautiful-sounding names like Nova Press or Lumi Press Art run through the printing presses at Mohn Media, Prinovis, Vogel Druck and GGP Media, to become catalogs, telephone and coloring books, magazines and many other printed products. The weekly sales offerings and brochures for many supermarkets and chain stores, and also phone books for the entire world, as well as high-quality catalogs and magazines, are printed on the Finnish group’s paper.

The range of print products has seen a vast expansion in recent years. “In the past, the business primarily revolved around quantity, price and availability – we even had a paper shortage on one occasion,” says Raschpichler. At first, there was only a handful of standard papers for newspapers, magazines, glossy magazines or books, and far more paper mills in Europe. In the 2000s, however, an increasing diversification began. “The work has become more complex, the customer requirements increasingly specific,” explains Raschpichler.

Mohn Media’s 2,000 employees in Gütersloh no longer carry out simple print jobs, as they also offer customers around the world integrated solutions – from marketing and data services, to prepress, printing, finishing and Lettershop services, to comprehensive supply-chain management and customer-loyalty solutions. Nowadays, the key customers of publishers, mail-order companies, and brand-name manufacturers are more precise about what they wish to achieve with a print product: Should it be a bulky paper, or thinner, so that a larger number of pages will fit into standard mail-boxes? What environmental certifications must it meet? Mohn Media delivers solutions for all these questions – and Jörg Raschpichler finds the right paper at Stora Enso for each customer. “We are not just a supplier and producer, but

“Customer requirements have become increasingly specific”
Jörg Raschpichler

a strategic service provider. We not only print, we advise and develop together with customers. Consultation and sourcing have become part of the daily routine, and are now among our core competencies,” explains Raschpichler.

Environmental aspects play an important role

With customer requirements becoming more complex, expectations vis-à-vis suppliers have also increased. The quality traits of the papers and the range of varieties have become more diverse, and environmental aspects have become increasingly important. The global player Stora Enso was able to meet these expanded requirements. The Finnish-Swedish group, with around 26,000 employees in more than 35 countries, generated revenues of over ten billion euros last year. Paper production is only part of the business of the world’s second-largest forestry company. Its portfolio also includes wood products such as pulp, cardboard, corrugated cardboard and wood pellets. The wood that is processed in its paper mills comes from sustainably managed forests in Sweden, Finland and Germany. In the paper machine, the pulp-water mixture is introduced into dewatering screens, where it is pressed and dried. The finished paper webs are rolled onto huge spools before being shipped to customers around the world. At Stora Enso, environmental protection is taken very seriously across the entire production chain.

It almost goes without having to be said that FSC or PEFC-certified papers are also essential to the group’s repertoire. The FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification Schemes) organizations issue certificates to help ensure that no over-exploitation or clear-cutting is practiced to produce a paper, and that forests are managed responsibly and sustainably. “Eco-awareness has become so much more important,” says Raschpichler. The majority of customers want to use environmentally friendly paper for their products, which is wholly supported and encouraged by the company. At Mohn Media, as at Stora Enso, FSC- and PEFC-certified products are regularly checked and validated in the supply and processing chain. All of the papers purchased and processed at Mohn Media are certified as sustainable.

Instead of being printed on coated paper as in the past, major TV guides are now printed on Stora Enso paper made 100 percent from recycled paper – with print runs in the millions of copies per week. “The collaboration with Stora Enso has always been a mutual initiation of new developments and offers,” says Raschpichler. Another example of their collaborative cooperation is as a major international mail order specialist and retailer. In its customer marketing, the client, who also has a strong online business, is coming to

rely increasingly on catalogs printed by Mohn Media again. Its hardcover catalogs, regarded as collectibles, are printed on Lumi Press Art, one of the highest-quality coated papers, from the Finnish Stora Enso site in Oulu. In Gütersloh, they are packed and shipped in personalized individual cartons. Stora Enso, too, is full of praise for the ten years of collaboration on this project: “The most important success factors are product quality, punctual service, the years of experience of all participants and trusting cooperation,” says Adrian Rettich, Area Sales Director of the Stora Enso Paper Division.

“When competent business partners work together efficiently and creatively, it leads to the best possible result for the customer,” says Raschpichler. Even if the two companies are anything but “small fish,” what makes the business relationship so special is the personal contact: “Business is always done between people, and personal contact is very important.” At times, deals with difficult issues involve tough negotiations on-site at the paper mill. “There have occasionally been deals where we don’t come to an agreement, because our first priority is to meet the customer’s needs.” Stora Enso, too, appreciates the Bertelsmann Printing Group company as a long-standing, occasionally combative partner in a changing industry: “Even if negotiations were sometimes controversial, we always found a solution. We are proud of our enduring business relationship,” says Adrian Rettich. ■

→ **Stora Enso.** Headquarters: Helsinki (Finland) – Founded in 1288 (Stora) and 1872 (Enso), fused in 1998 – Bertelsmann partner for over 20 years – Approx. 26,000 employees – Locations in 35 countries – World’s second-largest forestry company (in production capacity) and one of the largest manufacturers of paper and packaging materials → www.storaenso.com



Certified paper

from sustainably managed forests as standard:
The paper purchased and processed at Mohn Media is derived
exclusively from sustainable forestry



Mike Mutka

Chief Strategy Officer of Relias Learning

The Founding Father

Partners @ Bertelsmann → Relias Learning

To ensure the best possible treatment for his daughter, who had been diagnosed with autism, Mike Mutka took a new job with a young healthcare company in 2005. That company later became Relias Learning – now a fast-growing Bertelsmann subsidiary.

—IF THERE IS A REAL FOUNDING FATHER AMONG ALL THE HIP, young American startup founders, then it's Mike Mutka – and on two counts: As the concerned and pragmatic father of a daughter, now 15, Mike moved his family thousands of miles away from home virtually overnight when she was diagnosed with autism in 2005. Why? Because Cary, North Carolina simply had the best school for children with autism. But schools like hers don't come cheap, and Mutka had left his secure, well-paid old job when he moved – so he joined a four-man troupe of founders in Cary “with a pretty good idea,” an idea that first became Silverchair, later Relias, and, later still, a high-growth Bertelsmann subsidiary. It was a long road to get to this point – and the journey hasn't ended yet because Mike Mutka, who once joined as a Bertelsmann founder, is about to become a founding father once again at Bertelsmann. But more on that later.

Back to Iowa, and the vastness of the American Midwest. Mike Mutka lived there, “in the middle of nowhere,” as he calls it, until the start of his first founding story. The tall, rangy man with distinctive horn-rimmed glasses has worked in the U.S. healthcare sector since 1989. He sold hospital beds and surgical lights in the U.S., but also to well beyond U.S. borders, and even to Germany. Business trips take him to places like Hannover, Stuttgart, and

Munich. In the end, as department head at a large and respected company, Mutka had 65 employees working for him. It was the kind of job most people dream of: secure, well-paid, and seemingly his forever. He had a dream house. A happy family. But then everything changed.

In April 2005, his young daughter Megan was diagnosed with autism. “She just wouldn’t talk,” says Mutka, recalling the concerns and uncertainty before the diagnosis. As stressful as the diagnosis might have been at first, for a man like Mutka with his infectious laugh and engaging manner, it was never reason to give up. Quite the opposite. “It was the moment for a complete paradigm shift in our lives,” he says calmly. “The fact that a little person needed to be cared for around the clock shifted all of our priorities. Completely.” He says all of this without a trace of bitterness, but with a broad, matter-of-fact smile.

In their search for the best school for children with autism, the Mutka family found what they were looking for in North Carolina – in the Cary, Raleigh and Durham Research Triangle, to be precise. The house in Iowa was sold, Mike quit his job, and called in the movers. However, it was clear that he would have to quickly find a new job in Cary, because his daughter’s school “costs more than studying at Harvard,” he says. He faced the choice of working for a large company again, or accepting an offer from one Bill Glass, who was in the process of founding a company in Cary that would offer online training courses for nurses. It was a choice between security and money on the one hand, and risk, excitement and uncertain stock options on the other.

Mike Mutka opted for the risk, “because it really was a revolutionary idea.” But he also knew that “failure was never a viable alternative, because if I failed couldn’t have continued paying for my daughter’s treatment.” Today, knowing that he didn’t fail, he adds emphatically: “A lack of alternatives can really boost a person’s motivation.” After Mutka made the decision, everything happened very quickly. He set up the startup’s marketing and sales headquarters in his daughter’s bedroom. Knowing the American healthcare industry like the back of his hand, he made phone calls day in, day out to one nurses’ home after another, crisscrossing the U.S., to interest them in the benefits of the new training offer. It wasn’t easy, as the nurses were neither terribly interested in mandatory training, nor had they much experience with the online realm. They didn’t want training, and they didn’t know online.

“Failure was never a viable alternative”

Mike Mutka

“We not only had to launch a new business, but had to actually create a market for the new business of online education, and with it the readiness for a new, digital way of learning,” says Mutka. Over weeks and months, Mutka essentially was a door-to-door salesman. Each quarter, he could only sleep easy for about three weeks because the pressure from the figures and financial statements was too great. But he did it. He did it because he was fully behind the product that he was selling, because he knew that it would help the most vulnerable people in American society – and those who care for them. He also believes: “We are helping to raise U.S. standards for nursing care for sick, old or disabled people.” This spurred him on.

And this is how it worked out: From 19 courses and \$78,000 in the beginning, the company has grown to 3,000 courses. More than 2.8 million participants from over 5,000 companies and healthcare institutions have completed more than 60 million Relias courses to date. New content is constantly being added and existing content revised. In 2012, the new company Relias was born from the merger of Silverchair and Essential Learning. Senior care became another focus. Relias Learning soon became a leading provider of online training for the entire healthcare industry, highly esteemed by its partners. Revenues skyrocketed, to over \$70 million.

The search for a strategic partner

But despite all this, despite leading the market, Mike Mutka and Jim Triandiflou, on board since 2012 as the new CEO and driving force, took their company in a new strategic direction in 2014. “We were the number one, but we were too small to continue to grow on our own,” explains Mutka. The search began for a strategic partner who could promise more than just money – for a partner like Bertelsmann, a dream partner, as Mutka says in retrospect: “because it is a company owned by a family and a foundation, that takes a long-term view.”

There are three things Relias wished to achieve with such a partner at its side. First, to move into adjacent American healthcare segments, such as hospitals; second, to develop innovative products for existing markets; and third, to expand internationally, beyond U.S. borders. All three goals seemed attainable with Bertelsmann, as they were not very divergent from the Group’s own strategic priorities. And more: “We not only share the same goals, but also the same values,” says Mutka. From the beginning there was a relationship of trust between Jim Triandiflou on the one side, and Thomas Rabe and Kay Krafft on the other. As Relias increasingly came to realize: “This Group does not want to micro-manage us. It gives us latitude. It supports us. It wants to grow with us.”

For Bertelsmann, Relias quickly became a mainstay of its new education division. And from Relias' point of view, Bertelsmann delivered on its promises. The Group made strategic investments in the company, enabling further acquisitions. It put its global expertise and one of the world's most tightly-knit international corporate networks at Relias' service. Relias was soon able to realize its expansion plans. After intensive preparation, the company launched in the United Kingdom in June 2016 – starting with 20 courses, as it did in the U.S. in 2005. Other Bertelsmann companies, and of course the Corporate Center, are supporting the launch: BMG is providing office space in London; Arvato UK is supplying partners and customers; and Penguin Random House is managing the payroll.

As Relias CEO Jim Triandiflou puts it: “We are now part of the growth strategy of a global corporation. Before the takeover, no one at Relias would have dared to even consider the opportunities that are now opening up to us.” And Alex Osadzinski, Managing Director, Global Operations, has precise ideas about how the international expansion should continue: “Our goal is two new countries per year,” he says. “Germany, China, France, Spain, Italy, India and Brazil are at the top of our wish list.” Countries, that is, where Bertelsmann is also well known, and where it can and will support Relias.

“We not only share the same goals, but also the same values”

Mike Mutka

Just as the Group will support Mike Mutka, when he fulfills his next mission. Because the founder of yore is about to become a founder again. Once a founder, always a founder. Yes, he laughs, it's probably in his blood, you can't get rid of it. And after all, this is precisely what Bertelsmann is looking for, he says. “For me, things come full circle here. It's great to be part of a company that lives and loves entrepreneurship so much.” His old headquarters has long been off-limits to him. The former spare bedroom is now his daughter's chic teenager den, and like millions of other fathers, dad has been banned from the premises – a “Parents Keep Out” sign firmly conveys the message on the outside of the door.

Meanwhile, Mike Mutka himself is fine-tuning an exciting new project of his own behind closed doors, one that can only really be conceived and realized in association with Bertelsmann. Besides Relias, it involves another Bertelsmann Education Group company: HotChalk. “We intend to combine the strengths of the two companies into a new product, perhaps ultimately even a new education business in the healthcare industry,” says Mutka, who



The Relias founding team in 2006: (from left)

Mike Mutka (EVP of Sales and Marketing), Michael Royal (VP of Client Care), Mike Benzian (CEO), and Bill Glass (Founder)

can easily imagine other Bertelsmann Education Group subsidiaries such as Alliant or Udacity being brought on board as well. In this way the unaligned companies within the group would be joined into a consistent whole in a new business.

Mutka plans to use the resources of Relias and HotChalk to build a self-contained system for lifelong learning in the healthcare industry. With online training as before, but also with entire degree programs, degrees and certificates along the lines of nanodegrees. All this would be closely aligned to the needs of the healthcare industry, and be based on the two companies' enormous database and detailed customer knowledge.

Mutka believes in the potential of his idea – not least because he finds that Bertelsmann provides an ideal environment. “Entrepreneurship is writ large here,” he says. “You’re allowed to take calculated risks, which I see as the most important prerequisite for a founder or entrepreneur to succeed. In addition to this are the strength and opportunities that arise from the combined forces of Relias and HotChalk and the backing of the Bertelsmann Education Group.” And finally – barely two years after the takeover by Bertelsmann – Mike Mutka sees the Essentials as a competitive advantage. “At Relias, we feel that the Essentials really are put into action – and that we can build on them with our work.”

And that’s not all: “At Bertelsmann,” he says, with smiling eyes after the Management Meeting in Gütersloh, and a meeting with colleagues from other healthcare businesses, “a single evening at the hotel bar was enough for us to come up with at least a couple dozen other ideas for possible joint projects.” He says it reminds him a little of the early days of his first founder’s story, when he designed early campaigns for Relias over beer and chips, and when the headcount at the first Relias staff meeting didn’t exceed that of the gathering at the bar. And we all know how the founding father’s story continued from there ... ■

→ **Relias.** Headquarters: Cary (North Carolina, USA) – First training courses in 2002 – Bertelsmann partner since 2014 – Approx. 300 employees – Customers consist of over 5,000 companies and institutions plus a good 2.8 million users in the USA and UK – Approx. 60 million completed courses to date – Over 3,000 courses currently available
→ www.reliaslearning.com



Partners of Bertelsmann Investments:
(from top left to bottom right)
Dandan Chen, Ambareesh Murty, Alexandre Santille,
and Reggie Renner

More Than an Investor

Partners @ Bertelsmann → Meili, Pepperfry, Affero Lab, Zergnet

Bertelsmann's four investment funds buy shareholdings in promising startups around the world with a view to long-term growth.

— **BAI, BBI, BII AND BDMI** — these acronyms represent businesses with huge potential. The four investment funds: Bertelsmann Asia Investments (BAI); Bertelsmann Brazil Investments (BBI); Bertelsmann India Investments (BII); and Bertelsmann Digital Media Investments (BDMI), for years have strengthened Bertelsmann's activities and reach, especially in the global growth regions, through strategic investments in promising startups. By mid-2016, there were some 125 of these in our portfolio. The funds also serve as successful digital-trend scouts. Pooled in the newly created Bertelsmann Investments division since the beginning of 2016, they are focused on long-term growth rather than short-term value gains. The many partners who work closely with Bertelsmann confirm this direction.



Dandan Chen

Vice President of Operations and Head of
Corporate Development at Meili Inc.

Online Fashion Shopping

Partners @ Bertelsmann → Meili (China)

—“**BERTELSMANN IS AN AMAZING COMPANY.** It’s very different from other companies that invest in China”, says Dandan Chen, Vice President of Operations and Head of Corporate Development at Meili Inc., the leading online women’s fashion-shopping community. “Bertelsmann isn’t just a financial partner for startups; it is interested in the long-term potential of a growing business,” she explains. “Which is why the Group supports us in many ways, too, with the expertise it has gained from its global businesses and the large network it has built in the process.”

Dandan or Vivian Chen, as she calls herself in English, studied drama, Japanese culture and intercultural communication in Munich from 2002 to 2009 – and started writing her first blog during this time. “I wrote about fashion, makeup, and brands and after a while started working with companies to promote their products,” she says. Back in China, the enterprising young businesswoman opened her own online fashion shop called T-World, which soon merged with Mogu Street. This is where Dandan Chen and Bertelsmann first met, because Bertelsmann or more specifically Bertelsmann Asia Investments, headed by Annabelle Long, Managing Director of BAI and CEO of the China Corporate Center in Beijing, was one of Mogu Street’s first investors.

Mogu Street was founded as Mogujie – “jie” means “street” – by Qi (Shark) Chen in Hangzhou, eastern China, around 200 kilometers southwest of Shanghai in 2011. In the beginning, he and his small team had only two offices in a building complex in which the Chinese online giant Alibaba has its headquarters. The initial idea was to provide young women in particular with a platform for exchanging views on fashion and beauty topics. Bertelsmann, via its BAI fund, was one of the first investors to recognize Mogu Street’s potential. Together with Trustbridge Partners, the Bertelsmann fund provided Chen and his team, which quickly grew to 20 employees, with one million dollars of “angel” financing in February 2011. Given a rapidly growing e-commerce market in China, this investment formed the basis for a fantastic engagement. Two further rounds of funding followed, with BAI once again participating in both of them, thereby securing a significant shareholding in the company.

“In January 2016 we merged with our competitor Meilishuo, another leading fashion and shopping platform in China, to form Meili Inc. Some 2,000 employees work for our Mogu Street, Meilishuo, T-World and Mogu & Uni brands at the Hangzhou and Beijing sites now,” says Dandan Chen. “Meili is now China’s largest online shopping community in the area of women’s fashion,” she says proudly. Mogu Street alone, which is targeted at young women between the ages of 18 and 23, has around 130 million registered users, of whom ten million use the network each day. Meilishuo has more than 100 million registered users and about five million daily active users. They use the platforms to go shopping and to interact extensively, exchanging information about their favorite subject, fashion, through photos, videos, and even live broadcasts. “Meili Inc. is not only China’s overall market leader in online fashion shopping, but also the country’s fourth-largest e-commerce marketplace and fourth-largest social community,” says the Meili manager.

The goal of listing Meili

“Bertelsmann placed a lot of trust in us right from the beginning,” she says, and recalls that she knew of Bertelsmann even as a child: “I was a member of its Chinese book club, with its great selection of exciting books and diverse services. I got an unforgettable first impression of the company at the time,” recalls Chen. This positive impression has been amplified by the business partnership: “The last few years have been wonderful. We have repeatedly met with Bertelsmann CEO Thomas Rabe, maintain regular contact with Annabelle Long, participate in Bertelsmann meetings here in China and benefit immensely from the Group’s extensive internal and external business network.” She says that nothing stands in the way of a further deepening of the partnership with Bertelsmann – quite the opposite. “Bertelsmann has now become a friend and a mentor for us,” Chen assures us. “I am sure that together we will keep moving closer to our goal of listing Meili on the stock exchange. For us nothing could have been better in 2011 than to receive a visit from Bertelsmann. I can only recommend this kind of cooperation to other startups.” ■

→ **Meili Inc.** Headquarters: Hangzhou (China) – Merger in 2016 of Mogu Street (founded 2011 as Mogujie) and Meilishuo – Bertelsmann partner since 2011 – Approx. 2,000 employees – Locations in Hangzhou and Beijing – Brands: Mogu Street, Meilishuo, T-World, and Mogu & Uni – China’s fourth-largest e-commerce marketplace (combined) and fourth-largest social community → www.mogujie.com



Creative work:

This photo was taken during the early weeks of Mogujie



Ambareesh Murty
 Founder and CEO of Pepperfry

A Digital Marketplace for Furniture, and More

Partners @ Bertelsmann → Pepperfry (India)

— **ALL KINDS OF FURNITURE**, decor, lamps and lighting, furnishings, kitchen, housekeeping, garden products, and much, much more can be purchased through Pepperfry.com. The online portal was founded in Mumbai, India in early 2012, and Bertelsmann India Investments (BII) has owned a stake since 2014. In September 2016, the fund invested in the company again, this time an eight-digit-dollar amount. The investment in Pepperfry has long since proven to be a good decision, as the bricks-and-mortar market in India for such products is still badly underdeveloped all the while there is a growing demand for furniture for people's homes. Thanks to its experienced team, Pepperfry manages to supply the right products to satisfy customers' needs. Ambareesh Murty, founder and CEO of Pepperfry, is pleased with Bertelsmann's financial and professional support: "We met with the BII team under Pankaj Makkar in February 2014 – and the chemistry was right from the very beginning," he says. After several rounds of presentations and the due diligence, Bertelsmann's representatives finally decided to invest. "We are delighted to have such great partners on board," says Murty.

More than three million customers have made purchases through the digital marketplace in the past five years. Approximately every 25 seconds, an order is placed, and the average order value is \$275. Its core clientele includes higher-income households in major cities with a population of more than one million. The items are supplied by about 10,000 SMEs from all around the country. "All the leading brands sell their goods on Pepperfry," says Murty proudly. The startup is also involved in the delivery of most orders. "We have India's largest B2C logistics network for large goods," explains the CEO. "Our fleet of more than 400 vehicles operates from 17 locations and delivers to customers' doorsteps in more than 500 cities." On request, the ordered products can even be assembled or installed. Last year, Pepperfry also opened several pop-up studios where customers can discover the Pepperfry worlds of interior decoration.

“As a book lover, I had heard of Bertelsmann before my first meeting with Pankaj Makkar,” says Murty. “I knew that the publishers of many of the books I read are owned by Bertelsmann, and that Bertelsmann is a major international media company.” But he says he only realized after the first face-to-face meeting and an intensive exchange of ideas that Bertelsmann and Pepperfry have shared values concerning entrepreneurship, honesty and social commitment. “It’s always great when you’re building something big, to win a partner whose views match your own,” says Murty, “So we joined forces.” And it was well worth it: Thanks to the investments it has made in marketing and services, the company now commands a leading marketplace position, he says, and Pepperfry itself has become a famous and popular brand in India. There was a good reason why the Group invested in Pepperfry again. The capital from the recent financing round, in which other partners were involved, is to be used to expand the presence of Pepperfry studios in midsize Indian cities, to promote supply-chain automation, and to further expand the logistics network.

Playing badminton after business meetings

“The volume of our business has increased tenfold since the partnership with Bertelsmann,” says the manager. “We now employ 600 people. None of this would have been possible without Bertelsmann.” Besides the common values and the good rapport that they quickly found with each other – including playing badminton after the business meetings – Murty cites the great professionalism and experience of the team led by Pankaj Makkar. “Our relationship is characterized by mutual respect, and we’ve become friends as well,” says Murty. He’d like to see this continue for a long time: “Our vision is to have helped some 20 million households by 2020 to create a beautiful home. I would be very happy if we continued on this path with Bertelsmann at our side.” ■

→ **Pepperfry.** Headquarters: Mumbai (India) – Founded in 2012 – Bertelsmann partner since 2014 – 600 employees – Over 10,000 items – More than 3 million customers to date – Approx. 10,000 suppliers – 400 delivery vehicles at 17 locations – Average order value: \$275 → www.pepperfry.com



Ambareesh Murty
when Pepperfry was founded



Alexandre Santille
 Founder and CEO of Affero Lab

The Emerging Field of Education

Partners @ Bertelsmann → Affero Lab (Brazil)

—**THE BRAZILIAN COMPANY** Affero Lab is very attractive from Bertelsmann's perspective in many ways, and there was good reason for the Group to buy a stake of more than 40 percent via its Bertelsmann Brazil Investments (BBI) fund, becoming its largest shareholder: Affero Lab's area of business is the rapidly emerging field of education. The company operates in the promising Brazilian market, where it is the market leader for corporate and digital training. And Affero Lab CEO Alexandre Santille believes its future prospects are excellent – especially with a strong, globally connected partner like Bertelsmann at its side.

“After a few difficult years, the Brazilian economy will show a positive development again in 2017 and 2018, which will give us the opportunity to expand our business, and make acquisitions, too,” he says. Affero Lab is not alone in the market, but its history stretching back to 1992, when Alexandre Santille co-founded the company as Lab SSJ with Conrado Schlochauer, gives it an enormous edge thanks to the accumulation of knowledge and experience. At the time, it mainly gave students practical knowledge about business that the academically-oriented universities largely ignored. After several expansions, in 2002 Lab SSJ took the step of becoming a B2B as well as B2C business, and started providing corporate customers with in-house vocational training courses. They were designed both for young professionals and for long-time employees, with content tailored to the respective group's actual needs. This line of business also did well; Lab SSJ's client list soon came to include some of the country's biggest companies.

As digitization progressed, questions such as how it could meet the growing demand for online courses became increasingly pressing for Lab SSJ. Heavy investment in technological expertise would have been necessary – expertise possessed by Affero, the company founded by Fábio Barcellos, which at the time was already one of Brazil's biggest specialists in the use of technology in education. “The two companies were a good fit and had similar ideas about the future of education,” recalls Santille. So it came as no surprise when in late 2013, Lab SSJ and Affero merged to become Affero Lab. The merger gave the new joint venture, now with 400 employees in three locations, a financial and technological boost – even if the desired transition from classroom courses to online courses initially went more slowly than hoped. Alexandre Santille says one reason for this was the lack of digital maturity in Brazil, that prevents more companies from adopting online solutions. Affero Lab therefore focused on “blended learning” – with the option of offering digital courses where the demand and technical requirements are available. Each year, more than one million people use Affero Lab’s services, with around 40 percent of its offers also delivered in digital format. The Affero Lab CEO is optimistic about both formats, as the overall Brazilian corporate education market is worth close to three billion euros a year, and is growing rapidly.

“Bertelsmann has a long-term interest”

Alexandre Santille

“To compete internationally, Brazilian companies urgently need qualified staff with management skills like leadership and project management,” says Santille, which means courses to train workers are accordingly in high demand. Vocational training has advantages for both sides: “Employees do their jobs more efficiently, and at the same time improve their skills and therefore their job prospects,” says the CEO. The goal is, ultimately, that there is an increase in prosperity across society.

“The fact that Bertelsmann fits so well with us has to do with precisely such values,” explains the CEO. “We weren’t just looking for a financial investor. That would have been easy to come by. We were looking for a partner who shares the same values as we do and has the same ideas about the future of education.” The two corporate cultures are a good match, but above all, neither of the two sides takes a short-term view. “When Bertelsmann invested in June 2015, we quickly realized that it was a strategic partner with a long-term interest in making Affero Lab even stronger and more innovative,” says Santille, who is also impressed with Bertelsmann’s keen understanding of the



Progress: Affero Lab’s business began in this institution – Fundação Getúlio Vargas in São Paulo. In 2014 the company organized a conference on the “Future of Education,” with Alexandre Santille as a featured speaker.

digital business, from which his company greatly benefits, and with the transparent processes on Bertelsmann's side that he has gotten to know and to appreciate. "We have a clear, open exchange of information and work together perfectly with this approach," explains Santille, who also welcomes having quick and direct access to Bertelsmann CEO Thomas Rabe and Marc Puškarić, Head of the Bertelsmann Corporate Center in São Paulo.

Bertelsmann gives competitive advantage

Santille says, all necessary coordination aside, Bertelsmann grants him the greatest possible entrepreneurial freedom, and also makes its extensive international network available in various sectors. "Without this support, we would have had a very tough time getting to know as many interesting companies as we have seen at regular meetings with Bertelsmann managers here in Brazil and on Bertelsmann Education Day in New York last year. That is where we were able to establish initial contact with Relias in the U.S., which soon might result in some interesting joint projects."

The company has big plans for continuing Affero Lab's success story: The vocational training opportunities for both corporate clients and end consumers are to be expanded in certain attractive verticals, which currently include the fields of health and finance. And of course one focus for these verticals, and for the existing offerings, is to expand the digital components. "Bertelsmann's support gives us a great competitive advantage in putting our plans into action," says Alexandre Santille. ■

→ **Affero Lab.** Headquarters: São Paulo (Brazil) – Merger in 2013 of Lab SSJ and Affero (founded in 1992) – Bertelsmann partner since 2015 – 400 employees – Locations in Rio de Janeiro, São Paulo, and Juiz de Fora – Three million users each year – Share of online courses: 40 percent → www.afferolab.com.br



Reggie Renner

Founder and CEO of Zergnet

Recommendations for Interested Readers

Partners @ Bertelsmann → Zergnet (USA)

—**THE IMMEASURABLE VASTNESS OF THE INTERNET** sometimes also has its drawbacks: For example, if you are looking for specific content, you can spend a lot of time trying to find the right websites. Help is provided by “content recommendation” providers. They show users articles they might be interested in, on many different websites, based among other things on their online browsing behavior. Experts in this complex technology are based in the U.S., albeit not in Silicon Valley, but in Indianapolis, the capital of the state of Indiana. Zergnet is the name of the startup, which was founded in 2012, and in which Bertelsmann has held a stake since 2014 via its BDMI investment fund.

“We help media companies, in particular, to drum up attention and traffic for their websites – which in turn generates more advertising revenue and thus profit for them,” explains Reggie Renner, Zergnet’s CEO, who co-founded the company with Mike Langin. Zergnet’s client roster comprises about a thousand companies, including many well-known content providers such as AOL, NBC, Time, Viacom and Ziff Davis. They form a partner network whose sites are interlinked. So, a user reading a report about climate change on the NBC site is shown links right there to other articles on the subject – which then lead to the sites of other Zergnet partners. Remarkably, Zergnet rejects more than 90 percent of the sites that request to be included in its partner network. “We work hard to ensure quality content that is also of great interest to users,” explains Renner. “So, we cannot and do not want to accept a lot of websites. We also link mainly to detailed texts that people like and which they are likely to actually read.” Zergnet does not provide any content of its own.

The company reports that its Zergnet partner network issues more than one billion article recommendations for further reading per day. And each

month, this results in more than 100 million visits to the websites of the cooperating media companies. The www.zergnet.com site, on which the network's most popular content can be found, now attracts over 30 million users a month. In addition, Zergnet offers content producers valuable tools for better analyzing and serving content. They examine, for instance, how picture size, placement or different headlines affect reading behavior.

Of course, the Zergnet team has developed especially sophisticated algorithms to provide readers with recommendations that match their interests as closely as possible. "We have access to enormous amounts of data, and use it to learn what content especially appeals to users – and why," explains Renner. But unlike Google and Co., the startup goes one step further: Its recommendation technology connects IT knowledge with human experience. "Data processing is the basis of our company, but more than half of our 40 full-time employees and more than 50 freelancers are editors who manually gather and classify content," says Renner. He believes that the human side of content recommendation is very important. "Editors working side-by-side with machines have a multiplying effect on online traffic," he stresses.

Urs Cete at BDMI came across Zergnet rather by chance. A mutual friend introduced Cete and Renner when Zergnet was looking to raise money from investors. "We talked at great length about the further course of our company and about a possible investment in it by BDMI," recalls the Zergnet co-founder. "In the end, Bertelsmann became one of the lead investors in our first major funding round in 2014. And Urs Cete became a member of the Zergnet Supervisory Board." A year later this was followed by a second round of financing in which Bertelsmann again participated via BDMI.

The enthusiasm about the joint project was mutual: "We were only too happy to welcome Bertelsmann as an investor, mainly because we wanted to work with the BDMI team," says Renner, adding that they found out early on that their colleagues at Bertelsmann not only worked hard and had great experience, but also had excellent contacts in the media world, whose companies are among Zergnet's main customers. "Our main goal in 2014 was to meet with media companies and discuss our technology," says Renner. "When we met the BDMI team, we knew that it could give us the contacts we wanted, and help us expand our business from Day One." He says he will never

**"More than half
of our employees
are editors"**

Reggie Renner



The founders in casual mode:

The Zergnet team in 2012

**"Bertelsmann
greatly exceeded
my expectations"**

Reggie Renner

forget how accommodating the BDMI team was to him as a novice in the area of fundraising. The fact that as an international media company Bertelsmann could also give Zergnet excellent support in its global expansion was a further advantage, he says.

“So far, we have had only the best experiences with Bertelsmann,” continues Renner. “They’ve greatly exceeded my expectations. I had hoped to maybe be invited to a few meetings – but we’ve gotten so much more: BDMI has a team that is dedicated specifically to us and does all it can to help us. Our partners are always thinking about how we can further develop the business – this is something that I’ve rarely experienced with any another investor. With Bertelsmann we don’t just have another investor at our side, but also a company that helps us in good times and bad.”

And so Reggie Renner looks forward to new projects as well, some of which are already being implemented, while others are still at the planning stage. “We’re in the process of expanding our video studio to strengthen us in the area of video, and will soon launch new sites,” he announces. Another big project is an online platform that will provide content creators with the various Zergnet tools. The internationalization of the business is also planned. More rounds of financing to raise additional funds to further expand the business are also planned – and Bertelsmann would once again be a welcome partner. ■

→ **Zergnet**. Headquarters: Indianapolis (Indiana, USA) – Founded in 2012 – Bertelsmann partner since 2014 – 40 employees – 1 billion article recommendations each day – 100 million visits to partner sites initiated → www.zergnet.com

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Stories from Eight Divisions

What's Your Story?
Volume 4

Publisher

Bertelsmann SE & Co. KGaA
Gütersloh

Responsible

Karin Schlautmann

Editorial

Markus Harbaum,
Markus Laß, Jan Witt,
Hendrik Baumann, Sophie Kammerer

Design

Dirk Bartos/BartosKersten Printmediendesign

Realization and production

Territory CTR GmbH
Gütersloh

Photo credits

8ball Music, Affero Lab, Paul Brissman, Companhia das Letras, Intervalor,
Meili Inc., Kai Uwe Oesterhelweg, Pepperfry, Relias Learning, SpotX, Stora Enso,
Trnd, Arne Weychardt, Zergnet

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November 2016