

# resultsINTERNATIONAL

# BULLETIN

BUSINESS ISSUES FOR THE GLOBAL ADVERTISING, PR, DIGITAL AND MARKETING SERVICES INDUSTRY



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## The end of the world as we knew it

The early 2001 dotcom bubble burst a lot of people's illusions, and lulled many of us into thinking that this internet craze was unlikely to change our world as dramatically as the pundits had threatened. The ensuing sighs of relief lulled us into a false sense of security that is now being swept from under our feet, exposing a whole new paradigm that most of us are struggling with as familiar business models and job roles are turned on their heads. The impact of

huge increases in the penetration of Broadband and eight times the computer power we enjoyed in 2000 for the same buck means that the Marcoms industry will never be quite the same again.

Whilst it would be wrong to assume the day of mass marketing communications, epitomised by the ubiquitous network TV commercial, is drawing to a close, it is certainly well past its High Noon. The miracle of digital technologies and the internet have combined to dramatically widen the available means by which consumers can absorb a greater array of information and entertainment, and indeed can increasingly create their own.

Issue 44  
1st Quarter 2007

## A FOND FAREWELL TO JIM SURGUY



After eleven years, Jim Surguy is retiring from the Results International Group.

Jim is going out at the top, having played a key part in the management team which built Results from the three-man team it was when he joined, to the now dominant corporate finance and consulting company in the marketing communications industry.

Jim has been a public face of Results for many years, both as a writer and conference speaker. But as he said: "we have recruited a top class team led by Keith Hunt and Andy Collins who joined a year ago to work alongside founder and CEO, Graham Beckett and now Results is stronger than it has ever been."

Commenting on the legacy that Jim leaves behind him, Graham Beckett says: "Jim has made a terrific contribution to bringing our business to the position it now holds as the pre-eminent corporate finance firm operating in the marcoms space. Jim will be sorely missed by everyone here at Results, both as a totally supportive colleague and as a friend."

"We wish him the best in his much-deserved retirement."

## THE END OF THE WORLD AS WE KNEW IT

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This phenomenon has two specific and dramatic impacts on traditional press and TV media. Firstly the age of one-to-one personalised (permission-based) marketing communications, based on consumers' specific interests has finally become an economic alternative to mass marketing. Technology has enabled these media to fragment into hundreds of niche channels and publications, offering levels of choice beyond imagination even ten years ago. At the same time, however, the dramatic growth in the use of on-line communications is quickly overwhelming consumers' interest and available time for off-line media consumption.

The primary media owners have scrambled to acquire these on-line media, spending billions of dollars in the last couple of years on a variety of highly leveragable websites, whilst their off-line legacy assets have largely moved into crisis management or are being sold off at knock-down prices. This includes the great and the good as even ITV is discovering in the UK.

What are the consequences for conventional advertising (brand building awareness and image) and promotion (sales stimulation), above and below the line, as it has historically been known? Brand building and sales promotion remain the principle components of marketing but neither can ever again remain reliant on a handful of time honoured techniques.

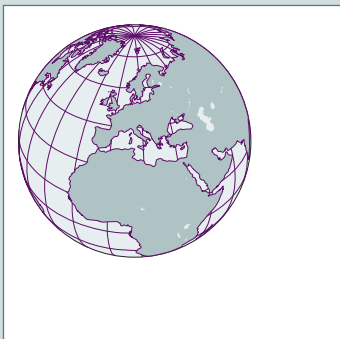
The marketing landscape has changed irretrievably. All marketing programmes will now require a sophisticated mix of both on- and off-line integrated communications to build brand image, awareness and sales amongst ever more tightly targeted audiences who have effectively given their permission to receive and interact with knowledge about matters of actual interest to them. The age of the passive consumer slavishly responding to the relatively limited choice offered by mass producers has gone, even in many emerging markets.

This is clearly having profound impact on a remarkably traditional marketing communications industry. The on-line digital world now being rapidly adopted by consumers across the world demands massive adaptation of traditional agency resources to absorb alien technologies, working practices, and levels of accountability. In an industry historically reliant on creative inspiration and tried-and-tested media formulas, these issues present unfamiliar challenges to an industry unused to transparency. "Half of my advertising is wasted but I don't know which half", a statement variously attributed to Sam Wanamaker and Lord Leverhulme, is no longer a necessary or acceptable concept.

The threat to the media and marketing communications industries of these disruptive forces is recognised by the stock market investors in the publicly quoted businesses that dominate the markets. Valuations have been held back over the current economic cycle. Investors take a measure of the risk of disruption caused by the on-line phenomenon. They are remarkably adroit at understanding that the nature of the industry is that it will find the adaptation required very difficult and will see expensive acquisitions in the digital space as necessary and will then probably struggle to integrate them.

An obvious manifestation of this is the \$1.3bn Publicis acquisition of Digitas, previously the largest independent digital agency (albeit with a heritage in the DM industry). On one hand this is a timely "coming of age" for the digital industry. On the other hand the jury will remain out for some time as to whether Publicis will be able to leverage this expensive new asset in a fully integrated way that no other large group has yet been able to do.

*A high level cast of speakers from around the world addressed the Results International Global conference "Digital Disruption" held in Paris last September and substantively examined many of these issues. See our website for more information.*



MARKETING COMMUNICATIONS

## A VIEW FOR 2007 FROM AROUND THE GLOBE

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### **MIKE COOPER, CEO ASIA-PACIFIC, OMNICOM MEDIA GROUP**

"Firstly, the run up to China's coming-out party, the 2008 Olympics will see enormous confidence and investment resulting in growth. Secondly, reports suggest that demand for consumer goods across Asia but in China and India particularly has been underestimated, hence both inward investment and growth for multi-national FMCG companies should beat expectations. Other markets to watch closely are Vietnam, a market maturing at an astonishing rate, and Thailand. It's remarkable how little impact the recent military coup had on the economy and that has to indicate sound fundamentals."

### **DON ELGIE, CEO, CRESTON PLC**

"UK marcoms growth is estimated to be around 4%, with digital and online research showing growth considerably in excess of this. The AIM sector of marketing services is due for consolidation as the plethora of AIM companies is beginning to cause institutional investor fatigue."

### **JOHN FARRELL, PRESIDENT & CEO PUBLICIS GROUPE, SAMS WORLDWIDE**

"Agency groups will need to be more flexible in how they think about their go-to-market business models to deliver added value to clients. The emergence of digital expertise will need to be incorporated smartly into core businesses in order to maintain and develop product and cost advantage. Globally, there is real energy in the new 'CRIME' markets. China, Russia, India and the Middle East are no longer emerging, but rather are hot beds for exciting product development stimulus. The winning agency groups in 2007 will be those that move fastest and most proactively in the on-going re-invention of their offers."

### **STEVE GATFIELD, CEO, LOWE WORLDWIDE**

"The US economy, its impact on trade flows and the exchange rate environment is likely to have the biggest macro-economic impact on GDP growth. Increased political pressure for the Asian currencies to appreciate versus the dollar to offset appreciation in sterling and the euro will occur. If the currency imbalances are not well managed a risk of abrupt deceleration in the global outlook for growth with those economies exposed to the US are at greatest risk. Global political risk is greater than at any time in the past decade with the unexpected turbulence that can derail expectations. 2007 will see further erosion of traditional media models and the acceleration of cross platform development in the large media groups who will invest in more forms of content development. The agency challenge will be to participate in this space both as brand communication architects and as drivers of new forms of content. Brands will be

co-authored and the best will build a consistent engaging narrative. We expect that centres of excellence in new competencies will be widely spread around the world to reflect the sophistication and stage of development of the market allied with the comparative cost of the capability. Emphasis on strategic partners and alliances of interest will be as important as the outright acquisition of new capabilities."

### **IAN MILLNER, CEO, IRIS WORLDWIDE**

"We enter another year where, once again, the outlook for the global marketing communications industry is confusing for the large, traditional networks. The confusion is becoming increasingly acute because of two things: speed (technology makes things happen faster and developing markets are growing more quickly than network marketers can cope with) and control (the consumer increasingly owns, drives and manages their commercial relationships). There will be a divergence in marketing services companies. Most will try to resist and slow the pace of this change because of their reliance on legacy systems, ageing and tired talent, and most importantly because of how these businesses make money. The other type of business will be characterised by its clear focus on finding and motivating the best talent in the world to build and manage the best clients in the world. They will do this using new co-operative style business models that look to share value internally (and externally with clients) and, as importantly, a simultaneous use of a broader range of marketing skills and disciplines."

### **KEVIN STEEDS, CEO, CELLO GROUP PLC**

"Clients will continue to demand better value for money & accountability for total marketing budgets, leading to an increasing trend towards polarisation of industry suppliers. Increasingly, senior clients will be prepared to pay for genuine high level advice. The landscape for UK privately owned agencies looking to sell will include fewer selected quality buyers with prices beginning a downward trend unless bidding is for a 'prize asset'."

### **ALAN VANDERMOLLEN, REGIONAL PRESIDENT, EDELMAN ASIA-PACIFIC**

"Growth is expected in China, India and Southeast Asia and further consolidation from the holding companies buying up assets across all markets in the region. We expect to see a lot of advertising spend diverted into public relations to address social media. In Mainland China, Korea, Japan, Taiwan, Indonesia and India, social media is becoming entrenched as a major influence on corporate reputation and on product word-of-mouth. We think public relations firms will flourish with this trend."

Note: the unedited versions of the above can be viewed at:  
[www.resultsinternationalgroup.com](http://www.resultsinternationalgroup.com)



## OPERATIONAL MANAGEMENT

# R E C I P E F O R A FORTUNE COOKIE

### *Ingredients for a fortune cookie:*

- Clear and focussed offer
- Great strategy
- Blue chip clients
- Talented staff
- Strong new business team

### *Desired Outcome:*

To create some just desserts reflecting the amount of time, effort and expertise laid out.

### *Methodology:*

We have all come across businesses that have the above ingredients but fail to satisfy their owners' appetite for profitability.

Much of this is down to the way the businesses are managed operationally, particularly during and following periods of rapid growth.

As a business' revenue stream grows, so does its need for good financial management. During the early growth phase, it is often the case that we push hard for new business, taking every suitable revenue opportunity that presents itself. We then add staff as we go by recruiting carefully, behind the revenue curve. We do this to get to a point where the business reaches critical mass – that point where we have enough clients and new business to be able to reward the staff, reinvest for further growth and generate a profit.

Clearly, one aim of the owners has to be to realise the value inherent within the business at some point. This is generally achieved via a sale of some kind – such as to a trade buyer, an MBO, or a stock market listing (IPO).

The ultimate value of the business will be dependent on its performance history and future promise. This is nearly always driven by profitability, as the first consideration.

In order for a business to be able to sustain profitable growth and operate at peak efficiency, there are various aspects that need to be folded into the mix. These include accurate pricing, project management, cost control and developing and monitoring key performance indicators (KPIs).

A strong business will have financial systems in place that track project profitability from the point at which a brief is taken, right through to client sign off.

These systems will take into account factors such as actual time spent versus budget and cost variances with regard to 'bought-ins'.

KPIs showing the 'bigger picture' should also be implemented, such as efficiency and operating ratios. These look at the company as a whole and can include ratios which measure direct staff costs as a percentage of revenue, with similar ratios for operating profit and the costs associated with getting to that profit. Other KPIs to look at are gross and operating profit per head, profitability by project, by client and, in some cases, profitability by individual.

Broader systems will look at staff utilisation and workloads, ensuring that as one project comes to a close, there are resources for another in the pipeline. It is always wise to look at forward workload. Secured revenue can be measured by the number of weeks' work it represents.

This gives early indication of the need to up-scale the new business drive and initiate other actions to avoid potentially troubled waters ahead.

The client base invites investigation and application of some basic principles linked to the old 80/20 rule. By concentrating on client profitability, it is possible to establish which clients will be next year's 'solid earners', which will be 'stars' and which to consider 'easing out'. Whilst this may sound harsh, it is not good commercial sense to keep ploughing time into clients that generate little return unless other factors have a bearing on a decision to do this.

Putting in place operational measures is not the sole preserve of growing profitability – it simply makes sound business sense. Additionally, indicators do not have to be purely financial. A 'balanced scorecard' should also provide predictive indicators, client satisfaction and staff morale – both areas that are equally as important in terms of the ongoing health of the company.

One critical area that must never be overlooked is cashflow. Whilst being able to show consistent profitability growth is extremely important, converting it into cash is imperative! The old adage 'cash is king' should never be forgotten and good cashflow management is essential to ensuring business stability.

There are various 'rules of thumb' indicators that can be applied to every business and through these the business can be managed more effectively and profitably. As always, the proof of the pudding is in the eating. Whilst having all the right ingredients is one thing, how you measure and mix them together is what counts. Cooking the books, however, doesn't feature.

*If you would like to learn more about operational management, please indicate on page 11.*



**NUGGETS FROM THE MONTHLY RESULTS  
INTERNATIONAL ROUND TABLE DEBATES**

### *A UK Perspective:*

Business is in the midst of a digital revolution; a “revolution that is far more significant than the invention of writing or even printing” according to scientist and progenitor of the PC, Douglas Engelbart.<sup>†</sup>

The Internet has completely changed the way we work, play and communicate and continues to do so. Every week new cultural or technological phenomena – blogs, social networks, viral, search technology – excite the nation, creating yet another commercial channel.

### *But how are agencies and their clients responding to the new and exciting digital vista?*

So far the answer is an integrated solution; some are putting digital at their heart, some wearing it on their sleeve and others ignoring it all together. But the fusing of the old and new – digital and traditional media – is presenting agencies and clients with a number of issues, ironically one of them is communication.

How will integration unfold?

What new industry skills are needed to exploit online opportunities?

What are the biggest drawbacks to development and who will add the ‘noughts’ to their ROIs in this brave new binary world?

These were some of the issues thrown up at the recent round table debate attended by the heads of some of the industry’s leading independent digital agencies and hosted by Results International.

DIGITAL ROUND TABLE DEBATE

## DIGITAL TALES ON AN AUTUMN EVENING

### *How integrated is integrated?*

Nobody disputes that every company and every brand has to create a digital offer but the approach is varied and so is the response: “Some clients have warmed to the integrated offering, others haven’t. Some sectors by their very nature – financial services and travel for example, are ahead of the game compared to others.”

In response, many traditional marcoms agencies are focusing on a digitally-led operation, but others are going for a ‘bolt on’ solution – a digital arm – and both seem to be acceptable to clients.

There was a feeling among the pure play digital agencies taking part in this debate that some proponents within traditional agencies and client-side, are simply paying digital ‘lip service’. These are the ones “who just flutter around the digital issue” without really investing in it ideologically or financially. “When the board fails to truly buy into the digital concept, it becomes impossible to deliver against digital briefs.”

### *Where does digital sit in the structure of an integrated agency?*

There appears to be a jockeying for position on this issue. Digital is important, but should it be at the forefront of marketing or just part of the mix? There is agreement that digital must support other channels but there is also a strong feeling it should take the lead.

The general view is that many client marketers see digital as an online direct marketing medium in its narrowest sense, a view which undermines the full potential of what it can deliver. That said, many digital agencies see DM practitioners as their true competitors within the traditional agency world. A professed expertise in CRM and ability to have one to one conversations with highly targeted

niche audiences is the Holy Grail of marketing that digital agencies see themselves as best equipped to take on.

### *Will digital ever take the lead role?*

A few clients have ‘bitten the bullet’ and have been ‘brave enough’ to assign digital agencies the lead role supported by other off line agencies.

But the general view is that digital is still the poor cousin of marcoms with the budget allocation to prove it. “Digital agencies go round the back door,” say the Panel.

However there is a confidence in the digital future; the feeling is that ultimately digital will subsume traditional media: “We believe that the digital agency as we know it today will not exist in three years’ time. There will either be digital production companies or communication agencies. We believe that digital will be at the heart of everything that consumers do and it’s something we need to take control of.”

One of the reasons digital is now enjoying a growing position at the heart of communications messages is because brands need to have a much longer term relationship with the consumer and “what used to be direct marketing is now digital,” to echo a previous sentiment.

### *What are the challenges ahead?*

Procurement is a ‘big’ issue. It puts smaller agencies at a disadvantage. “Procurement does not look at innovative value but at what can be secured most cheaply. Brands that understand what digital can do and deliver take a different approach because they see the value. “As soon as procurement is involved it narrows the choice of agency down to the big boys,” was the view of the Panel.

<sup>†</sup> Dr. Douglas C. Engelbart (born 30.01.25 in Oregon) is best known for inventing the computer mouse (in a joint effort with Bill English), and as a pioneer of human-computer interaction whose team developed hypertext and networked computers.

## DIGITAL TALES ON AN AUTUMN EVENING

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Another major challenge is the relationship management of offline and online teams. Integration brings with it culture clashes. It seems advertising agency staff and digital media people are as different as 'chalk and cheese' with digital folk talking disparagingly about traditional agency people 'not getting it'.

But like old age pensioners, fumbling with the first decimal coins back in 1972, it seems some CEOs are flummoxed by the value of digital marketing and how you count it. They can see what works and are keen to replicate the success of social networks and viral activity in a commercial setting, but few have the patience to really understand the subject.

Digital experts argue, for example, that muscling in on social networks, often badly, can do more harm than good, and secondly, viral campaigns can't be created – they just happen.

Agencies say companies are run by managers who do not fully understand digital and have to be sold the benefits, if indeed they are willing to listen. Educating the client is proving an ongoing problem: "One of our biggest issues we face is that as our clients are promoted, we have to re-educate their replacements all over again, and so it goes on."

#### *Is marcoms planning the answer?*

Clearly digital is an important part of the media mix and no doubt its status will change. The answer in managing that change and the process of integration could lie with marcoms planning: "It is incredibly new but clients need it. It's how you present your strategy to your client in terms of which channel, which mix of media, which consumer influences you are stringing together and why – it's like your workings in the margin, what's the strategy of that campaign, what's the insight, what's 'the thinking'."

#### *An Asia-Pacific perspective:*

In November '06, Results International also hosted a series of round table debates in Beijing and Hong Kong bringing together the heads of leading marketing communications agencies in the region.

The general consensus from these debates was in line with our UK panel although a number of issues were only relevant to the fast growing digital market in Asia, with particular emphasis on China.

#### *China will be the leading digital market, especially in mobile telephony*

Many young people in China have never known anything other than a digital world. This is very true within the mobile phone market which is leapfrogging personal computers as the access of choice to the internet. There are 400 million mobile phones in China which can be effectively the centre of life for very many people.

In the first series of the equivalent of *American Idol*, the winner received almost 300 million SMS votes, a clear indicator for the potential of mobile phone campaigns in a country in which voting is a relatively new experience.

#### *Broadband*

Korea remains the most connected country in Asia with 80% broadband penetration in homes and offices (population of 46 million). This is the result of a Government directive in the mid-nineties for high speed broadband connections at under US\$20 per home.

#### *The digital option is gaining traction*

Although still only accounting for a low single digit percentage of advertising

spends in China, digital advertising is growing fast for similar reasons to other markets, i.e. the measurement and accountability of the medium and the increasing cost of traditional media, which is especially true for television advertising where costs have increased dramatically over the past five years. However, with the dominance of CCTV and the huge rural areas which make up most of China, television advertising will remain the most effective and dominant media for the foreseeable future.

#### *Hong Kong remains a traditional market*

Unlike the rest of Greater China, Hong Kong remains a very traditional market for both marketers and agencies. This is despite quite high broadband penetration and very high mobile phone ownership (98%). This is probably due to a certain amount of hollowing out of the local marketing and advertising industry with an increasing amount of talent, from both clients and agencies moving to China.

#### *Traditional vs. specialised agencies*

There was general agreement among our panelists that the talent and stronger planning and creative work currently resides in the digital specialists agencies although just as the traditional agencies adapted to the new era of television advertising 40 years ago, there is some confidence that they will eventually adapt to the digital environment. The marketing communication groups should not be underestimated in this area as they are populated by some very able people who are figuring the whole digital enigma out.

In conclusion, our sessions proved that digital is now moving to a central position among all our Panelists' businesses no matter what sector they are operating in.

*If you would like to attend a future Round Table debate, please indicate on page 11.*



GUEST ARTICLE

# CHINA: THE MARKET AT THE CENTRE OF THE WORLD

Everyone is focusing on China in the build-up to the 2008 Beijing Olympics, but is the world's largest nation economically mature enough for a buoyant marketing industry?

**Neil Runcieman, CEO of China's largest and longest-standing interactive agency, Communication Central Group, reviews the current trends.**

These are indeed interesting times in China. If there are still days when we might wish for the sake of our nervous systems that they were rather less interesting, for once the adjective does not signify a curse. The Middle Kingdom is again the centre of the world and it's feeling pretty good about itself.

For those of us who have been plugging away in distant Cathay for what seems like an eternity, waiting for those twin gods of business, Luck and Timing, to align in our firmament, it comes as something of a surprise to be the world's official Flavour of the Century. We've seen several huge waves of frantic foreign investment and excitement in the past decade or so, all of them accompanied by equally fierce riptides of retreat and disillusion. Why should we think that this time is going to be any different?

Let's start by looking at the most basic principle of a balanced market economy. Henry Ford (for once) got it right on the money: 'Anyone who works in a Ford Motor Factory should be able to earn enough to buy a Ford Motor Car'. Now, it is abundantly clear that the vast majority of people working in Chinese factories cannot afford to buy the products they manufacture. That's why China is the world's favourite production outsource. That's why China's only real brand is still 'Made in China' on

the bottom of all those boxes in Wal-Mart. And that's why China is not a genuine mass consumer market. Not yet. Only a few percent of Chinese families earn more than US\$15,000 per year. Only 25% or less earn \$3,000. Hardly the stuff that Wall Street typically leaps upon.

Why then are companies like mine currently looking at an unprecedented and still rapidly growing level of marketing spend from an increasing number of multinationals – all aiming to grab a hold on the elusive Chinese consumer? Simple: because they are betting on history repeating itself. It happened in the West. It happened in Japan. It happened in Korea. How can it fail to happen in China. One day soon they'll all be buying the products from the factories they work in. On a scale no one has ever seen before.

The evidence is already there, and this is what makes the situation today feel so different from the previous, stillborn attempts to fire the furnace of consumer spending. Then there simply wasn't enough fuel. Today it's stoking up fast.

A couple of indicators from personal experience to support that statement: firstly, salaries are increasing much faster than prices. This might not be particularly pleasant for me as a business manager, but it's the reason my business is growing, and at the moment the increase in my business, as more companies are looking to market actively to my staff's increasing spending power, helps compensate for the imbalance.

Secondly (and forgive me for the lack of statistical support here – you'll just have to take my word for it), the Chinese are hugely aspirational and acquisitive consumers. They want the latest in

technology, the biggest, the brightest and the best. And they are happy after all these years to leave the pleasure of bicycling for fitness to the West. They all want cars.

It is an often told joke here but it is based on truth: well-to-do Hong Kong consumers cross the border to neighbouring Shenzhen to buy cheap fakes and get their clothes made to measure; rich Mainlanders fly to Hong Kong for the weekend to buy premium brands, because the genuine Guccis, Hermes and Rolexes of this world cost less than they do at home. Oh, and they get to see Disneyland, too, of course.

As an industry and a professional discipline, marketing is far less mature than in the First World. There are no reliable established market demographics, no great sophistication yet in play. Brand consciousness and loyalty are relatively new concepts. In 2005 around US\$1.5 billion was spent on TV advertising, but around 80% of viewers admit they either switch off the set or leave the room when the adverts are on. Not exactly intelligent strategic marketing. Nonetheless progress is fast, and let's please never forget that this is the first mass consumer marketplace to be born in the digital age – a thought that comforts me to sleep at the end of some of those rather-too-interesting days!

There is a true sea change underway in China, and it is not just based on the ability to pay piece-rate low wages to factory girls from the countryside living in dormitories around the major manufacturing sites.

The real revolution is taking place in the minds of the new Chinese. Educated in business management, increasingly fluent in English, dynamic and young, they want success and wealth – and they want the outwardly visible material proof of it now. And that is something worth marketing to. The West will not move China; China is moving itself. Towards the middle of the world.

*For further information please indicate on page 11.*



RESULTS INTERNATIONAL US

## A TASTE FROM THE BIG APPLE

A dynamic industry, with ever increasing fragmentation and innovation, the North American marketing communications sector has seen healthy growth in 2006, with double digit growth in Internet advertising and other alternative "New Media".

The outlook for 2007 is moderately upbeat, with most forecasters predicting growth of 2-5% over 2006. At best, flat growth in traditional ad spending is predicted but high double-digit gains are expected in non-traditional media. Look for exciting developments in online, mobile and experiential marketing, and increasingly effective tools for quantifying the ROI of advertising and marketing activities.

Advertising spend accounts for less than half of the marcoms industry today, with direct and especially interactive marketing, PR, and research growing at the fastest rates. With the relentless challenge to capture (and hold) the attention of a target audience, everything is viewed as a potential medium. The proliferation of options requires marketers to develop multi-channel marketing strategies, blending traditional and non-traditional media while seeking consistency and optimising contacts at every touch-point, while consumer skepticism and resistance to marketing has escalated.

As spending has shifted away from traditional media and to a kaleidoscope of new media, innovative applications across all media break through – online with search marketing, gaming, social networking and blogs, mobile marketing with instant messaging, alerts, ring tones, and product placement in video games, movies and television programming. An enormously successful cultural phenomenon is the top-rated American Idol show which promotes products blatantly throughout each programme and drives user interaction to vote either by phone or text. In addition

to enormous online activity and participation in events and tours, an astonishing 580 million votes were cast in the most recent 2006 season.

Even the recent mid-term elections highlighted the impact of emerging marketing technologies, with both political parties deploying highly personalised communications based on demographic, psychographic and special interest profiles. A poll of 18 to 30-year-old voters, which looked at motivations for going to the polls, found that of those surveyed, 46% were contacted by a political campaign or organisation during the 2006 election cycle. The majority of the contacts remembered by young voters were by phone and mail. The Senate may well have turned due to the impact of user generated content – campaign blunders captured by handheld video, immediately posted online to YouTube, blogs and podcasts, were picked up by the broadcast media and proliferated online and offline for weeks. Of course, mainstream media also benefited enormously from the \$2+ billion spent throughout the campaign, supplemented by the online journals, and blogs, often linking directly to YouTube.

Marketers are increasingly focused on quantifying the impact of all marketing activities and driving ROI and engagement spending models. In fact, there is a great debate throughout the industry about "engagement," measuring the overall interaction of consumers with a brand. A joint task force from the *Association of National Advertisers*, the *Advertising Research Foundation*, and the *American Association of Advertising Agencies* offered up the following definition this year: "turning on a prospect to a brand idea enhanced by the surrounding context," and created a blog specifically to focus on quantifying consumer engagement and the evolution within the industry.

The increased capabilities and decreasing costs associated with database technology and CRM are driving the growth of DM and development of innovative customer

dialogue across channels. Despite the implementation of the federal "Do Not Call" Registry in 2003, with over 110 million households currently enrolled, telemarketing continues to achieve steady growth.

Branded entertainment, including event marketing, sponsorships and product placement are expected to continue to increase by double-digit growth. Public relations has been gaining momentum in recent years, and new media are being deployed here, as well.

Expect to see increased consolidation among the remaining independent agencies and smaller consolidators, especially new media companies and those specialising in digital interactive and mobile communications.

Demographically, there are two trends to consider in the US market: Hispanics will comprise 20% of the US population by 2007. With double the national birth rate (3.5%) and 36% of Hispanic Americans under 18 years of age, personal income of Hispanic households is projected to be \$670 billion by 2010. Unsurprisingly, Hispanic agency revenue growth already outpaces traditional agencies (2006: 12.9% jump vs. 4.9% gain for total US market).

As "Baby Boomers" (born 1946-1964) age, 50+ is the fastest growing age segment, look for expansion in healthcare, financial services, and leisure sectors catering to this segment.

In short, expect a vibrant, innovative 2007 with ever more heated activity in the non-traditional spheres of the Marcoms industry. With customers increasingly in control of the media and content they wish to receive, brands need, more than ever, to seamlessly deliver content across integrated on and off-line channels to ensure engagement and foster long term brand loyalty.

For further information please indicate on page 11.

## 2007 Events

### DIGITAL INTEGRATION

**DRIVING RESULTS  
AND PROFITABILITY  
WITHIN NEW MEDIA**



Sponsored by



### RESULTS INTERNATIONAL NEW MEDIA SEMINAR

5.30-9.00pm 6th June 2007

This seminar aims at turning today's digital challenges into future growth opportunities.

Our speakers will present their thoughts on:

- Understanding current growth opportunities
- Making money out of on-line marketing services
- Valuing digital assets
- Learnings from the Results M&A Survey of Opinion 2007

Venue: The Soho Hotel, 4 Richmond Mews, London

Cost: £99 (excluding VAT)

### EAST MEETS WEST

**CREATING PROFITABLE  
GROWTH IN  
EMERGING ECONOMIES**

*Early Notice: we have an excellent line up of speakers selected to present at this event*

### RESULTS INTERNATIONAL 2007 REGIONAL CONFERENCE

2nd November 2007 8.30am-6.00pm

(One day Conference with an evening cocktail party)

**Istanbul, Turkey**

Leading industry experts will provide insights on:

- Managing growth in emerging markets
- Opportunities created by the digital revolution
- Current market development in Central Europe
- Maximising value from selling your agency
- Funding growth

Venue: Hyatt Regency, Istanbul

Cost: £700 (excluding VAT)

**3 easy ways to register:**

Email: [alurssen@resultsinternationalgroup.com](mailto:alurssen@resultsinternationalgroup.com)

Website: [www.resultsinternationalgroup.com](http://www.resultsinternationalgroup.com)

Call: Angela Lurssen + 44 (0)20 7629 7575

# M&A Opportunities

The following summary is a sample of the range of companies currently represented by Results International. If there are other sectors or areas of opportunity not indicated here that interest you, please advise us at the earliest opportunity.

Project name      Overview

## UNITED KINGDOM:

**APHRODITE**      London-based specialist interactive consultancy. Established in October 1997, the business has grown to become a market leader in user-centred design. At the highest level, it specialises in product strategy and innovation for over 100 private and public sector organisations within the UK and international arena. £300k PBT.

**ATHENA**      London-based communications agency, specialising in annual reports, corporate responsibility and online. The company's market positioning is as a top-end investor communications, delivering value through excellent communication strategy and design. The company is recognised as one of a handful of top players within the Investor Communications arena. EBIT c£1.2m.

**ATLAS**      This London-based healthcare brand consultancy offers high level expertise in branding, marketing strategy and communications, plus med-ed. The consultancy has a blue chip client base, is 30-strong with PBT of c£1m.

**LETO**      Set up in 2002, this West London-based branding agency is 65-strong with a PBT of c£2.8m. The agency's blue chip clients are in the FMCG, pharmaceutical, technology and financial services sectors.

**HERMES**      Leading channel marketing agency specialising in the information technology and telecommunications sectors. It delivers integrated, creative results-driven marketing programmes to the business-to-business arena, specialising in design, brand development and IT applications. EBIT c£1m.

**RHEA**      Creative digital agency with strong London base offering web design/build, usability, brand development and online advertising. Blue-chip client portfolio, 30-strong with PBT of £300k.

## INTERNATIONAL:

**OLYMPIAN**      Professionally run Moscow call centre with well balanced portfolio of local and global brands. Forecast PBT of US\$170k. An excellent opportunity for a call centre or direct marketing business to establish a strong foothold in the Russian marketplace.

**CLIO**      Well established, award winning, Dublin-based direct marketing agency, blue chip clients, PBT £200k.

**ERATO**      Buenos Aires-based marketing services agency, blue chip client. Profitable with sustained growth.

**LIFESTYLE**      Singapore-based PR firm, leader in sports marketing. 30-strong with a 20% profit margin.

**PHOENIX**      Stockholm-based, leading TTL brand communications agency. Strong healthcare, biotechnology and digital credentials with an international blue chip client base. Ambitious management team seeks European or US partner.

**THALIA**      Multi-disciplinary brand and design consultancy with London, regional and Asia-Pacific offices. GP c£4.5m.

## Conditions:

1. All clients whose details are provided in this Bulletin, and respondents, are deemed to accept the need for absolute confidentiality on all information provided by clients and will be expected to sign a confidentiality letter before any information will be provided.
2. Important note: the information contained in this document does not constitute an offer or invitation to subscribe for shares. Every reasonable effort has been made to ensure the reliability of the information contained herein, but no warranty is given as to its accuracy or completeness.

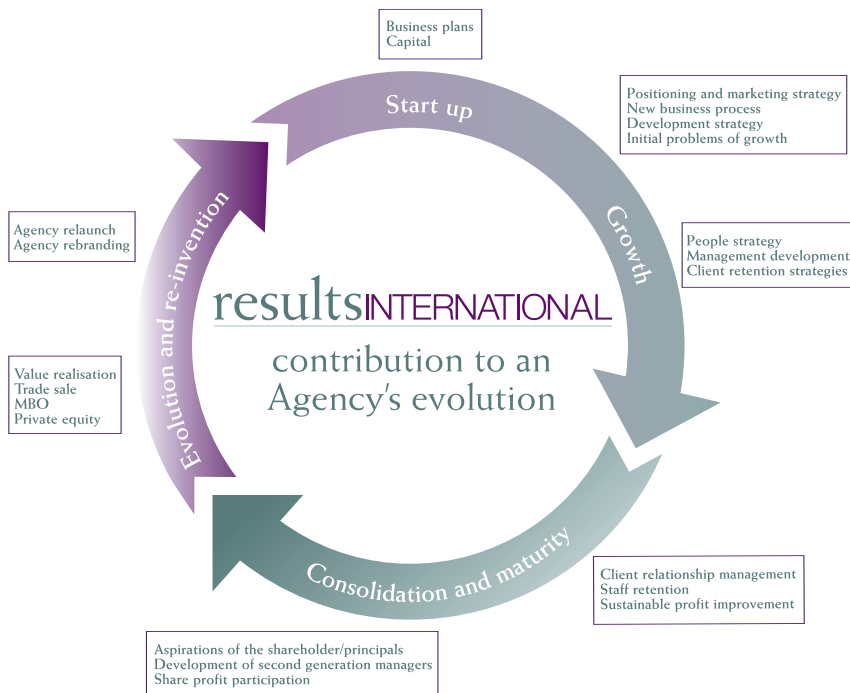
Please email [alurssen@resultsinternationalgroup.com](mailto:alurssen@resultsinternationalgroup.com) for further information on the above opportunities.

# ABOUT RESULTS INTERNATIONAL GROUP

Results International provides in-depth business and corporate advice to the owner-managers of marketing communication companies on creation, building and realisation value. This enables owners to control the operations and strategic development of their businesses with maximum impact throughout all stages of the agency life cycle.

Results' input is directed towards enhancing performance, reducing risk and increasing sustainable profit growth. Our goal is to ensure that maximum value is added to the business, which can be fully realised when the time is right. The firm's partners and consultants bring a depth of experience across all aspects of business growth and corporate finance.

Results International corporate finance and business consulting practices cover Europe, North and Latin America and Asia-Pacific. The head office is in London, with co-ordination being achieved through regional directors for Europe, North and Latin America, and Asia-Pacific.



## Information Request Fax to +44 (0)20 7629 2233

Please send me further information on the following:

- |                        |                          |                     |                          |
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| Operational Consulting | <input type="checkbox"/> | Digital Seminar     | <input type="checkbox"/> |
| Round Table Debates    | <input type="checkbox"/> | China               | <input type="checkbox"/> |
| United States          | <input type="checkbox"/> | Istanbul Conference | <input type="checkbox"/> |

Companies for Sale: Project Names

Sector interest: .....

I am a buyer / seller (please circle as appropriate)

For inquiries, please feel free to call:

- |                                   |                     |
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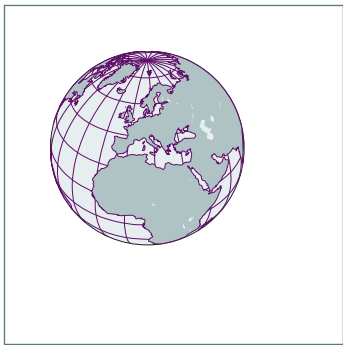
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RESULTS INTERNATIONAL

# ABOUT RESULTS INTERNATIONAL G R O U P

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**Graham Beckett:**  
CEO



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Managing Partner



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**Caroline Johnson:**  
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