

resultsINTERNATIONAL

BULLETIN

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



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Cautious Exuberance

Consolidation is an underlying characteristic of the marcoms industry. This is stimulated by the inherently fragmented nature of this essentially craft-skilled industry.

Whilst ownership of the majority of businesses has progressively moved into fewer super groups – at best 6 currently on a worldwide basis – there is an entrepreneurial slant to its evolution, fuelled by the relative ease of entry.

The market is therefore in a constant ferment of acquisition and merger, breakaways and start-ups. The dynamic tends towards more of the latter when the industry is in recession and towards the former when there is a rising market – and this is undoubtedly where we are now.

In the first half of 2006 the value of investment in marcoms M&A transactions in the UK, according to our estimates, was £137m. This was up 65% on the same period in 2005, itself the first substantial return to M&A activity in the UK since 2001. Looking at our own current level of deal-making, the pipeline of deals and the wide range of buyers with insatiable appetites, this situation is set to continue at a high level for some time. This assumes the current Middle East conflicts can somehow avoid the undoubted risk of a major regional conflagration, with the serious knock on effect on oil prices, inflation, interest rates and investment.

There is no doubt this high level of buyer demand is now pretty much global, with even the countries of Western Europe finally joining in the merriment, and this is inevitably affecting valuations. The continuing relatively low cost of money and strong overall liquidity in the markets fuels the demand side of course – and long may it last!

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OUR NEW CORPORATE IDENTITY

As you can see we have made substantial changes to our corporate image since our last edition.

This is only our second change in the 15 years since the business was founded. The change of name in the UK to Results International reflects the alignment of our business here with the growth and influence of the global Results International brand.

The refreshed image is also a statement of the changing face of the business as a consequence of the new partners we have recently welcomed to the firm, and the widening and deepening portfolio of services we now provide.

Geographical and industry boundaries are blurring, as are those between traditional and emerging media communications and the skill sets that support the industry.

In response to this evolution, our new partnership aims to advise the wider media industry, of which the marcoms industry must recognise it is a part.

Results now embraces a wider corporate finance role and is involved in funding options beyond simply trade sales. In particular we have further strengthened our expertise in private equity, VC and debt funding, and IPO listings. These are becoming increasingly interesting alternatives to the traditional trade sale for some people.

We are also continuing to deepen and broaden our consulting offer which is focussed on enhancing value ahead of a sale or funding arrangement.

C A U T I O U S EXUBERANCE

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However, it is very important to note that there is, in general, little sign of the "irrational exuberance" that Alan Greenspan so prophetically spoke of in 1997. There is exuberance, or at least ambition, enthusiasm and maybe a dose or two of testosterone in some quarters (mainly amongst the owners of digital plays), but there is a strong vein of caution within the approach taken by most buyers. Whilst this is not preventing some very full valuations being seen these are, by and large, only for prized assets, which have the desired mix of low risk and convincing growth stories. This is not to say that other sound businesses are being valued on a lowly basis – all valuations of soundly based businesses have risen on the tide.

That said the market for weak businesses is itself weak. There is at present a strong flow of good quality businesses on to the market. There is no doubt that agency clients are gravitating to agencies with strong service and creative offering, who can be relied upon to deliver. With many of the network businesses continuing to under-perform to client demands the best independent agencies are continuing to strengthen, with the more mediocre, less well focused and resourced businesses, often struggling. Whilst there will always be "bottom-feeder" buyers, valuations are inevitably poor for these "distress" purchases – certainly in terms of up-front payments.

Aside from these situations why the caution? It is a mix of issues.

If buyers or investors (there is now very strong interest amongst certain private equity players) are to compete by offering full value deals, particularly in terms of closing payments, their potential risks are plainly higher. Much has been learned over the years, particularly in the last recession, about the nightmare of failed earn-outs. These have been caused by inadequate due diligence, economic downturn, loss of a dominant client,

poorly constructed deals that have failed to properly incentivise the right people, and weak strategies for integration and leverage of the acquired asset. The good, the bad and the ugly have stumbled and fallen in recent years as a result of these errors, including well known companies such as Cordiant, Havas, Incepta and of course, Interpublic.

Present day buyers are generally much smarter about the risks and the strategic upside. That should be good news for prospective sellers who have built a genuinely well-managed, long term sustainable business.

Agencies and consultancies who have invested in stand-out skills, who understand about margins and pricing power, the need for a good spread of clients (especially those where marketing spend is an absolute imperative), and training and motivating succession management, are now in a strong negotiating position.

In the past buyers often didn't understand these dynamics themselves. As a result they often under-valued prize assets and over-valued flawed assets. That scenario has largely gone.

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NO MORE INFORMATION OVERLOAD O N L I N E

Marketing professionals of every shade need to plan on both a personal and organisational level for managing large volumes of information. Too often the personal is not prioritised at the expense of effectiveness and job satisfaction. Easier said than done, but Arjo Ghosh lays out some helpful suggestions.

Some people talk about getting information online as “trying to drink from the information fire-hose” and it’s not a bad metaphor for the almost terrifying amount of information that is just a click or two away from us on any given subject via a search engine. Others, especially in corporate communications, have talked about “the explosion of complexity” in the media and indeed every facet of our lives.

Whatever analogy you are more comfortable with it seems that everywhere you look these days there is evidence of the problems that a surfeit of information can bring. You see it in the stressed out BlackBerry addicts being scolded by their partners for checking email on family holidays. You hear about it when you talk to anxious directors of corporate communications wondering how their teams will cope with the change from monitoring a world where a few thousand media outlets globally might mention them to one in which tens of millions of blogs and message boards could break a story about them at any time.

The number of sources of information that we can choose to keep abreast of are seemingly limitless. Email alone delivers literally hundreds of demands for attention for our screen. It’s not untypical for someone in a service business to receive 400 or so emails a day. Spending just a minute with each one would take six hours

– it’s not that we can’t cope with increased information, it’s more that we are making unreasonable demands on ourselves.

In order to be effective on a personal level, we need to be ruthless and determined about taking control of the situation.

Having a personal information management strategy

We can’t hope to consistently and effectively manage complexity and ever growing information without being clear with ourselves how we are going to tackle the issue. Often executives drown in information because they feel that just because the tools to access and analyse information are there for them to use. Be clear about your objectives and challenge yourself regularly: could I delegate this? What do I really need to know in order to be effective.

Make your email work for you – not the other way round

Email can sometimes be your enemy and your biggest distraction. In my view the problem is that we were given this tool ten years ago without any rules or guidelines on what worked and didn’t and so we just fell into patterns of behaviour that were often unproductive.

I recommend using the filters and organising tools in your email programme so that you can see emails that really require attention at a glance (i.e. ones directly to you rather than cc-ing you). Deal with the rest at one or two defined points in the day. Get rid of any subscriptions to newsletters or circulars or filter these into separate folders. Above all, keep your inbox as clear as possible at all times. If you are treating it like a to do list then stop it and start a proper to-do list system (see the notes at the end of this article).

Use a news reader

A newsreader like Bloglines.com can cut down on the number of websites you visit for news and information and do away with the need for email newsletters and

alerts that can clog up your email inbox. News websites and even blogs that you subscribe to will send you content as it is published which can be neatly categorised into folders ordered by priority and theme (e.g. “Breaking stories”, “Competitor press releases”, “Industry news” and “Thinking fodder”).

Delegate responsibility for information to owners in your team

The fact that so much information is available to individuals via the internet means that teams can sometimes have disjointed approaches to dealing with information. A team effort can mean that you multiply the benefit of each person’s capacity to filter and edit information.

Defer distractions

One of the big dangers of having so much information available is that there is simply so many interesting things that crop up while on the web or reading email that can distract. You feel that you simply have to save the article or website or send it on to someone who you know would be interested. Using an online bookmarking service like del.icio.us is a very fast and efficient way to save interesting pages for later. Another great way to save information quickly is to use a notes programme like Evernote (which is free).

Experiment with using blogs and wikis for team communications and sharing information

Blogs and wikis (websites which potentially anyone can add to or edit) aren’t just having a big impact on the media and the way people are using the public internet. Increasingly organisations are looking to private blogs and wikis as providing efficient ways of teams working together and sharing information. And the great news is that these technologies are very cheap indeed. For a few hundred pounds you can have state of the art social computing tools for your team.

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INFORMATION OR INSIGHT

Despite enjoying 5-6% annual growth there are many challenges facing the £1.3bn UK market research sector, as agencies wrestle with growing demand from clients for less information and more intelligence.

Whilst insight is a somewhat over-used word, the need for behavioural understanding rather than straightforward information has become critical to major business decisions. Consumers face increasing media channel and content choices (including producing their own), and advertisers struggle to find means to capture their fickle hearts and minds.

No longer is there any relevance in lumping large swathes of people together into convenient stereotypes and demographics. Now the focus is on narrowcast messages at the right time and in the right place and form that consumers are prepared to listen to or watch. This is an enormous challenge that demands much more than mere information gathering. It now requires inspired interpretation and well, yes, insight.

This demand suggests the need for a changing range of skills and even research methodologies. There is, for example, a real debate to be had about the value of focus groups involving a relative handful of people when real-time opinions of thousands of people can be monitored in the increasingly powerful and almost cost-free blogosphere. A desperate prospect for the professional purist researcher, but new ventures are springing up (in the US in particular) to bring some sophistication and rigour to the monitoring of corporate and brand blogs and finding a ready market.

Equally on-line questionnaires now account for some 35% of US research data collection as clients become more interested in what they are prepared to pay for knowledge and ideas, and much less about the cost of the

information itself. These developments are potentially disruptive influences on the traditional research company business model. Of course you can't provide insight into a client's business and brands without having a close relationship with the client and their industry. This requires a level of intelligent application, knowledge and relationship management skills that hasn't always typified an industry used to gathering and disseminating information and data, often with limited added value in terms of interpretation and application to the client's business.

Now clients are under ever greater pressure to perform. They have down-sized their marketing departments despite mostly operating in over-supplied markets. At the same time consumers have learned to become more discerning, assisted by swathes of comparative information from the media, and particularly the internet. Costs have also been taken out of production leaving far too many products and services with little differentiation. Consequently the need for smarter marketing has probably never been more acute. Hence the growing demand for deeper understanding of consumer needs in a rapidly changing world of fashion hype and celebrity. Stand-out product innovation and attention grabbing marketing messages are critical to business success. Accordingly, the need for better informed judgements about such initiatives creates a market for insight and intelligent thinking that researchers are particularly well placed to satisfy.

Whilst this scenario presents a great opportunity for the far-sighted within the research industry, meaningful understanding and ideas requires strategic and creative skills not traditionally found in depth across the research industry. There is much competition for these abilities of course from other parts of the marcoms industry and beyond. The industry will need to think much more deeply about its attractiveness as a career destiny for such people. This will require investment in a much longer term

perspective for agencies. They will need to be very clear about the developing needs of their customers, what their agency's added value competitive proposition should be by way of response and the nature and motivation of the talent they need to attract to deliver this. Without this clarity of thinking, it will be difficult for agencies to merchandise these increased resources and costs at the higher pricing levels that will be required to secure a viable business model.

So whilst there is clearly potential for the stature of the research industry to rise to its proper position in marketing's eco-system, the big question is whether there is sufficient capability and sophistication amongst the owners and managers across this fragmented industry to rise to the occasion. So who might be the winners and losers? As in so many industries it is not always the largest companies that are the most responsive to change. Indeed there is very often too much vested interest and investment that fuels resistance to change.

The research industry is quite heavily concentrated at the top end, with a big gap below the top 10, usually multi-national groups, and the rest of the industry. Recently we have seen Taylor Nelson Sofres' troubles with its North American business, due to lack of responsiveness to the on-line threat, resulting in a substantial reduction in its market value.

Much of the industry is still in the age of the jobbing artisan, used to a relatively short-term, project-driven perspective on the business, and may well be left behind as these trends gather pace. Meanwhile a handful of the mid-size agencies in the UK are showing what a progressive approach to these market driven forces can do for their financial performance. No doubt we shall see some of the slower moving larger businesses swallow some of these businesses in the next few years as they seek quick solutions to their own sluggishness. Interesting times can be assured.

WHAT LIES AHEAD FOR CUSTOMER UNDERSTANDING

There is little doubt that understanding customer needs and behaviours better and faster than the competition is more essential than ever.

From data-rich online retailers to traditional product manufacturers who struggle with a more oblique view of their end-users, the shared challenge is to unlock greater insights that can help to fuel profitable growth.

In many ways the position of customer understanding perfectly reflects where business is at today – a mish-mash of sophisticated, data-enhanced snapshots surrounded by more historical, aggregated trend data that tries to establish a context for customer decision-making. Conditions have steadied following the rapid rise of marketing analysis software tools, making it a good time to look forward to consider what lies ahead for customer understanding.

I. Creating a joined-up picture

Many organisations hold a fragmented picture of their customers' sales data in one department; a marketing interaction database elsewhere; market trends within strategic planning and deeper insights within research & marketing teams.

Future winners will be able to build up a clearer picture that captures a snapshot of customer behaviour today, where this is trending and – critically – an understanding of why we are seeing changes take place.

The main challenge in creating this picture is that it requires a re-think of how organisations capture their insights, by moving away from unconnected silos of understanding to a new approach that links sales data, customer segmentation & profiling and potentially bespoke research amongst specific behavioural groups.

II. The need for actionable insight

There is a growing pressure for more actionable insight. Many businesses accumulate understanding that sits in the "interesting but not actionable" box. At the same time, they rely on a rear-view mirror picture of overall market size and shares to support business decision-making. As well as driving thinking based around hindsight not foresight, these panel sources can often eat up 5% or more of the overall marketing budget.

Looking forward, winning organisations will build up more actionable insights by recognising:

- Real-time learning – establishing vehicles to understanding more granular trends.
- Power of intermediaries – recognising that sales, distribution or marcoms channels often 'own' the detailed information around customer spending.
- Digital insights – harnessing the speed and relative low-cost of digital data capture, including more informal category insights such as blogs and message boards.

III. Understanding what you don't see

The complexity of understanding purchase and usage is magnified by the 'multi-channel' world we are living in. Previously, competing businesses tended to operate with the same broad level of understanding about a single sales channel. Today we need to make sense of a multitude of channels - some for information-gathering (i.e. web), some for comparison (friends and opinion-formers), some for interaction (call centres), others for purchases (shops). Business leaders need to be increasingly careful that their decision-making is not dependent on what they can see or measure, but does not necessarily reflect the majority drivers of category behaviour.

IV. Context is king – understanding users as shoppers

Once again, most insight work tends to consider markets as a series of unconnected category consumption occasions. In categories where the role – and brand – of the intermediary is often as important as the end-manufacturer, we must add the context around the purchase decision as much as usage.

'Consumer as shopper' is a critical battleground today. As well as the logistical challenges this presents – such as understanding decision-making at point of purchase – organisations must also overcome the fact that 'shopper behaviour' often falls into the remit of the sales department whereas product or service consumption is seen as the role of marketing.

V. Using insight frameworks to focus investment

A fundamental implication of the complexity we operate within is that businesses cannot sustain the level of investment and resources to support all customers, all channels, all products or services at an equal level.

Segmentation will no longer be seen as another way of understanding how markets behave (or more accurately, how they behaved in previous months or years). Increasingly it will be used as a company-wide framework for deciding where investments should be prioritised, based either on the value of customers today, their future potential value or even their likelihood of defecting if spend is reduced against them.

Clearly the fundamental importance of using customer understanding to help build sustainable, motivating offers for customers has not diminished. However the abilities of businesses to define a framework for actioning this and also spot emerging competitive threats on the horizon are emerging as the 'insight battleground' of the future.

M&A TALES ON A SUMMER EVENING

Buyers and sellers are currently showing high levels of enthusiasm for M&A activity – the marketplace is busier than at any time since the late 1990s. Moreover the rapid entrance of Private Equity (PE) money in the UK marcoms sector – over £230 million in the last eighteen months – is seen as beneficial.

While the trade media reports, often hysterically, on multiples and the speculated fortunes that are likely to be made, there is very little discussion of the long, hard road that many agency heads have trodden on their way to closing a deal. Emotionally, mentally and physically, it can be a gruelling experience.

Ask any agency head who has been through the M&A mill and most will tell you that the process was much, much tougher than they could ever have foreseen – “nothing could have prepared us for how hard it would be” is a familiar refrain. Remember too that most agency principals who sell have few people, beyond their immediate agency colleagues, with whom they can share their experience.

For this reason, one evening earlier this summer, Results International brought together five leading figures from across the marketing communications spectrum to reflect on the M&A process. The one thing they all had in common was that they had at some point in the last decade sold an agency. All were post earn-out. Several now hold positions within the group they were acquired by. All were reassured to find that they were not alone in the difficulties they had surmounted and the infinite reserves of energy and patience they had had to draw upon. All found the exchange an extremely cathartic one.

For anyone about to embark upon an agency sale the issues raised during Results

M&A evening debate will make for valuable reading. Acquirers too will find useful reflections on how vendors believe they can improve their handling of the post acquisition process.

The legals – could they be any worse?

While one should not allow oneself to be intimidated by the legal process there was a universal feeling that it was easy to feel “out of one’s depth”. A shared piece of advice was to aim to reach a “heads of agreement” stage before involving lawyers and in a format that the latter could not “tinker” with excessively as this document can play a key role in directing the deal process.

The value M&A advisers bring for vendors and acquirers

Several participants reported that they had initially been cynical about the value of expert advisers. However actual deal experience quickly did away with such sentiments. Moreover because vendors are unlikely to have the same level of expertise in M&A as the buyers they face, expert support becomes even more critical.

Both vendors and acquirers agreed that advisers provide context and can help set realistic value expectations. Input from advisers also means that negotiations can begin within commonsense parameters. Acquirers agreed that adviser involvement was a useful way of securing a sensible first conversation and reducing time wasted on fruitless meetings.

M&A negotiations can be tough and bloody – the presence of respected advisers provides a useful distance and buffer – especially important given that after the deal is concluded both sides share a future and will need to work together.

Crucially too, advisers create a competitive bidding environment which needs experienced and careful

management to secure the best all-round deal available in the market at that time.

Why agencies sell

This was one area where a sharp difference of opinion was to be found and which essentially depended on where in the economic cycle participants had sold their businesses. When selling at the top of the market, getting “top dollar” up-front was seen as likely to be a priority, because of limited earn-out potential as the market goes into recession.

On the contrary, when selling at the bottom of the market there is a more limited range of values on offer and other factors such as the culture and style of the acquiring company and their plans for the future of their acquisition assume greater importance, in order to maximise the earn-out.

Yet a cynical note was also sounded: “Ultimately it’s all about the money.” Those who talked about a “need to extend into overseas markets” or “develop new skill sets” were seen as simply paying lip service. That’s one for readers to come to their own conclusion on!

Who should agencies sell to?

Independent agency heads are by definition entrepreneurially minded. The rise of entrepreneurially driven mid-cap groups such as Creston, Media Square and Cello provides a welcome new alternative to selling to the leading networks. Participants commented that the corporate managers who lead the acquisition process in the latter organisations have in the main never owned or founded a company. Consequently there exists an instant disconnect between them and the entrepreneurs whose businesses they are buying.

The immediate post-acquisition period

There was general consensus that acquiring companies often “neglect” a newly purchased agency. As well an obvious

DEAL WATCH

The second half of 2005 saw a real quickening of pace in M&A activity resulting in a busy December which saw deals completed by Cello, PR companies being acquired by Next 15 and Freshwater and Avenue A | Razorfish taking a large share stake in a digital agency DNA.

The first half of 2006 saw the momentum continuing with 27 deals completed in the sector. These deals were accounted for by 20 separate and distinct buyers. In the main, buyers were the smaller listed companies, with Creston making two sizable acquisitions, Cello also making two and the more recently quoted Adventis concluding 3 deals. There was also a small number of private company deals which were published (not all are).

In addition the PE house ISIS, interestingly invested in Green Issues Communications to help speed the growth of the company in return for a minority stake. In a rising market we may anticipate more private equity investment in quality companies as the year unfolds. Whilst the number of active buyers is significant they all have their own agenda and priorities as they seek to differentiate themselves and pursue their own individual strategies. This should not be lost sight of by those thinking of selling.

M&A TALES ON A SUMMER EVENING

interest in the financials, e.g. by attending board meetings, it is equally important for senior figures within the acquiring company to demonstrate a "people" interest and to have "real conversations" with heads of businesses they have bought.

Preserving value in the post earn-out period

Participants agreed that large networks are generally poor at preserving the value of businesses they acquire – they described this as akin to leaving a newly purchased car out in the rain to rust.

They also commented that some networks appear to have limited mechanisms in place to preserve the value of an acquired agency or to plan for its future, once the earn-out period is up. In contrast the culture of the entrepreneurial small cap acquirers was described as vendor driven,

meaning that the above issues were considered of significance and were more carefully thought through and planned for.

The year following the close of the earn-out was seen as crucial. Acquirers need to think harder about how to personally motivate and drive the senior managers who remain at the head of the business once the original vendors have "cashed in" or departed.

As the evening came to a close, conversation – quite naturally for a people industry – turned to dealing with people. From among the shared M&A wisdom one key insight shone through – and that was: "if you focus on people you'll make money." Not one word of dissent was to be heard.

For further information please indicate on page 11.

NEW MEDIA

NO MORE INFORMATION OVERLOAD ONLINE

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Recommended reading:

The bible of modern time management is *Getting Things Done*, by David Allen. Many people I know say that a day reading this and a weekend implementing the system has been the best investment of time they have ever made.

Helpful web addresses:

- **Bloglines** – a popular, free newsreader. Just click the "add" button and paste the web address you would like to subscribe to. (www.bloglines.com)
- **37signals** – an online project management service with an easy to use to-do system – great for team management or personal activity planning without email. (www.37signals.com)
- **Typepad** – a blog creation and hosting service that offers password protected blogs ideal for team working. (www.typepad.com)
- **Del.icio.us** – an online bookmarking service. (<http://del.icio.us>)
- **Evernote** – a free note-taking programme. (<http://www.evernote.com/en/>)

A 'BOX' THAT WILL TRANSFORM THE MEDIA

Pose the question: "What's on the box?" and you will get an answer about that night's television listings – schedules that were set by a handful of people whose ideas dominate our viewing. Ask the same question in five years' time and you will get a very different response.

Our homes are to be the site of a revolution as dramatic to the economics of entertainment as the arrival of the gramophone, radio, "talkies" or television itself. The Box of the second decade of the 21st century will not be colloquial UK shorthand for the television set but the description of a ubiquitous bit of kit – central to every home.

Although we will spend no time looking directly at it, the Box will be as important to our home entertainment as the television is today. Indeed, far more important. It may not alter what we watch but it will change, forever, how we watch and pay for it – and it will be a shock to the job prospects of those television schedulers and their employers.

The nature of this omnipotent Box will come as no surprise. If you have Sky+ you are experiencing a prototype. The Box will be a high-speed computer, connected to the internet via broadband with a substantial memory. Its inputs will include: cable and satellite television and radio; various frequencies of digital terrestrial broadcasting; the entire world wide web; and third generation mobile phone signals. Its outputs will feed flat screens and wireless speakers throughout your home and top-up your iPod, MP3 player and laptop personal computer. It will deliver everything we watch and listen to today plus much more. It will also, probably, connect you directly to the library of

every film studio, music company and television producer in the world.

So what, you may well ask. What will be different? The experience of watching a television programme or listening to a radio show will not change that much. More is not necessarily better.

Broadcasting companies such as ITV and GCap in the UK exist because they rent valuable broadcasting spectrum from the government. They buy programmes to fill the time and manage to sell just enough advertising to leave an, increasingly small, profit. Channel 4 exists because the government is kind enough to give it valuable spectrum and it sells enough advertising to make an, increasingly large, profit. And the BBC! Well, the BBC is given almost unimaginable amounts of free spectrum and gets billions a year of tax income to fill its airtime.

When the Box becomes the norm in every home all this will change. You and I will no longer dance to someone else's tune. We will consume television and radio the way we already consume magazines and newspapers - when, where and how we want to, at a price we are prepared to pay. We will seize back control of our living rooms and kitchens.

Does this miracle come free? Of course not. For sake of argument let us assume it costs £100 a month to subscribe to all this – and, by the way, all your internet access and phone calls come thrown into the deal. Some people will happily pay this much. But now let us assume you agree that the Box can show you one minute per hour of advertising when it deems fit. Now the charge is only £50 a month. Agree to five minutes an hour and the Box comes free.

Who will supply the Box itself? BT Group, Vodafone, Carphone Warehouse, Microsoft, Sony? There is a long list. My money is on Apple: all that

cool design and hot functionality, even a sexy name. How about iHome?

In the Box-enabled future the economic model changes. Advertisers will still want to reach audiences but they will do this through relationships with individual consumers, not with channels. They will get into our heads by getting into our Boxes.

Each Box, broadband hard-wired into our home, will have its own unique internet protocol address. Then the advertisers will be able to talk directly to us, one-to-one, without a television or radio broadcaster getting in the way. Today they are forced to talk to a relatively random group of people who happen to be attracted to a particular programme on a particular channel. In future those advertisements will be sent to your Box with you in mind.

Your Box will know you watch a lot of gardening shows and that you live in the country and that it has stopped raining in your area. When you sit down to watch the news it will show you advertising for lawn mowers. Your friend, who lives in a city, will watch the same news as you but he is getting advertising about holidays in China reflecting his recent viewing and listening habits.

So here is a technological revolution that is not just likely but certain. In the past five years, conventional broadcasting businesses have seen a huge reduction in their stock market value. Some observers put this down to poor management but, given the inevitability of the Box and what it implies for the future of broadcasting franchises, it is perhaps a wonder that they have any value at all. And, by the way, having a Box will surely not require a licence fee to be paid – so where does that leave the BBC? .

The writer is chairman of three quoted UK media companies: Johnston Press (newspapers), Future (magazines) and Mobile Streams (mobile content).



RESULTS INTERNATIONAL SPAIN

DIGITAL DISRUPTION IN SPAIN

With the impending Results International conference in Paris at the end of September, where the industry will debate the impact of technology and digital capabilities on marketing communications, we have reviewed the interactive market in Spain in order to assess what opportunities there might be for growth in the sector. This was analysis driven by a number of enquiries from international interactive agency specialists seeking to establish a presence in Spain.

It should be stated immediately that the digital market in Spain remains, as in many European countries, in its infancy. Telefonica, the major Spanish telecommunications provider, was relatively slow to embrace broadband initially and only recently, with the advent of more competition, have we seen access to broadband grow rapidly.

As a country, Spain is 'places and spaces'... that is to say that the population is concentrated in a number of key cities and there remain large areas of the country which are entirely rural, although modern services are available everywhere.

So when we talk about an interactive market here, for the time being, we are talking about a few major urban conurbations rather than the entire country. In recent years, Spain's GDP has grown ahead of the rest of Europe resulting in a fast growing affluence and a young, dynamic urban population as sophisticated as anywhere in the world.

With regards to the use of the internet as a marketing tool, 90% of businesses claim to have a presence. However, usage varies widely, with corporate web pages taking up most (80%) of the activity. Only 14% claim to use the Net for transactional purposes.

Advertisers such as Coca-Cola and some automotive and financial services brands are at the leading edge of creating web environments and of course online banking is growing rapidly.

With regards to marketing communications, there are a number of highly creative independent specialists working in both Madrid and Barcelona, some of them producing award-winning work for their clients. Difficulties encountered include a preference by clients to do much of this work internally, a lack of understanding by clients of the full potential of the web as a medium and an aversion to what is seen as an 'experimental' and 'foreign' media by more traditional Spanish advertisers.

Digital agencies state that many Spanish advertisers still do not know how to make full use of their digital communications capabilities and digital activities still represent a relatively small proportion of the marketing mix.

On the other hand, three areas in need of improvement were highlighted by advertisers:

- The lack of orientation towards measured results by agencies.
- The absence of a standardisation of interactive methodologies for measuring success.
- That conventional advertising agencies are not the best source of interactive services.

For specialist agencies, margins remain relatively low and even those agencies with a true strategic approach often find themselves implementing and executing work rather than developing creative and strategic approaches for their clients. Implementation,

has rapidly become a commodity, with tens, if not hundreds of small, freelance web designers offering basic services at low cost. However, the usage of the internet is growing fast and it has become one of the most effective ways of reaching young, affluent urbanites who are opinion leaders. Half a dozen or so excellent interactive agencies exist and those have formed successful working partnerships with their clients and are reaping the benefits of being at the forefront of developing viable web strategies for major advertisers.

Return on investment remains a major issue for more sophisticated advertisers, who are increasingly looking for measurable results from their marketing expenditure. The trend towards 'one-to-one' communications is growing across the entire spectrum of marketing activity in Spain, as it is elsewhere. For the majority of advertisers, interactive remains a relatively small part (below 15%) of marketing budgets, so as penetration of broadband grows, the upside potential for rapid increases in expenditure become obvious. In addition many CRM and direct marketing agencies have been developing interactive capabilities, although for most, this represents a relatively small source of income for the time being.

In summary, the digital communications market in Spain remains small with accelerating growth opportunities to build viable businesses in the digital space clearly emerging.

There are a handful of extremely good independent digital agencies in the market, all of whom are well positioned to take advantage of this. Expenditure has been growing at a rate in excess of 30% per annum for the last two or three years.

Digital disruption of conventional marketing communications is here to stay.

For further information on Digital Disruption in Spain, please indicate on page 11.



RESULTS INTERNATIONAL INDIA

INDIA'S GROWTH SPICES UP

The Indian economy is on fast track to growth and today it is a market that cannot be ignored. Business is booming and it is expected that the advertising industry will grow at around 15% in the current year.

However, the structure of the industry within the region has been seriously affected by globalisation and international alignments, resulting in the emergence of very large agencies, the growth of independent major media buying houses and a burgeoning range of new creative boutique and/or strategic agencies. Even though there are approximately 750+ agencies in the country, it is estimated that the top 10 agencies account for approximately 65-70% of the market. The Indian advertising industry, which is over a hundred years old, is playing on a current high note. It has been continuously displaying its innovation in the creative arena and has been justly rewarded with 12 Cannes Lions awards in 2006. This is an all time high and the industry can be justifiably proud.

The one area where the industry needs to garner greater expertise is in its below-the-line capabilities. True, there are a number of companies in the PR, direct marketing, on-line communications, event management and database management. A large number of these will boast double digit growth and a host of very satisfied clients. However, do these agencies see themselves as one-eyed kings in the land of the blind?

A situation such as this augurs well for international agencies on the look out for mergers and acquisitions. Medium and small sized agencies will need to align themselves to international groups if they wish to succeed in the long term. The below-the-line arena is by and large an

unorganised sector and here again, the players would eventually need to organise and align themselves if they wish to demonstrate true state-of-the-art capabilities and ensure themselves continued success.

The state-of-the-art technology utilisation, comprehensive, customised planning systems and relevant creative executions rooted in the social ethos of India are now integral to the industry.

This has resulted in agencies continuously striving for that individual or unique perspective or process, to offer a strategic point of difference.

On a more sober note there are many challenges facing an industry that need to be addressed fairly rapidly. At the forefront is the attraction and more importantly the retention of talent.

In a booming industry, opportunities for personal growth (monetarily or in status) are abundant. Agencies need to truly "look after" and nurture the talent available to them – not just in belief or philosophy but in practice as well.

The erosion of margins, very often due to poor negotiations or indulging in the current practice of "getting the business at any cost" is another major point of concern within the industry.

The industry therefore needs to develop a cohesive position on these matters.

The principle of selectively choosing clients who understand and believe in the contributions an agency can make should be the norm. Clients also should recognise that agencies need to make a fair profit at the end of the day! After all, an agency which is not constantly faced with the daunting task of meeting its internal profitability norms will be able to devote more quality time towards the success of a client's brand.

Agencies need to gain a deep understanding of the clients' and their competitors' business and have an insightful knowledge of the customers, to enable them to develop innovative strategies – both thematic and schematic – that guarantee success. The agencies also need to move into providing communications solutions rather than very often restricting themselves to merely advertising solutions.

In conclusion, India and the Indian marcoms industry is on a roll and there is a confidence that agencies will rise to the challenges facing them today. As the nation progresses and prospers, newer challenges will arise and agencies must demonstrate 'nimbleness' in rising to the occasion and surpassing themselves. It is heartening to note that advertising professionals from India are also making their mark in international markets as well.

Today it is India – tomorrow the world?

For further information on India, please indicate on page 11.

Companies for sale

Sector	Overview	Ref
UK:		
Branding	West of England brand communications consultancy, national clients, £1.4m GP.	43/9241
Market Research	London-based market research viewing studio, blue chip clients, seeks buyer or MBI.	43/9244
Design	Highly awarded, multi-discipline branding consultancy, retail orientation, £860k PBT.	43/9249
Healthcare	Strategic marketing consultancy, specialising in the therapeutic sector, circa £700k PBT.	43/9250
Data Analytics	London-based CRM, database and analytical solutions agency, circa £827k OP.	43/9251
Direct Marketing	Specialist charity industry direct marketing agency, London-based.	43/9263
Channel Marketing	B2B channel marketing & design consultancy, specialising in IT & telecoms.	43/9272
Integrated	Integrated agency, London-based, strong client list in FMCG and beverages.	43/9274
Design	Corporate communications consultancy, circa £1.2m PBT, major blue chip UK clients.	43/9278
Healthcare	Medical education consultancy with strong client base. Excellent growth opportunity.	43/9281
Digital	Research-focused, interactive technology design consultancy.	43/9282
Integrated	Leading North of England integrated agency, national and international client base.	43/9288
International:		
Media	Leading independent media specialist in Taiwan.	43/9259
Public Relations	Highly successful Singapore-based public relations firm specialising in travel and hospitality.	43/9283
Market Research	Leading Asian regional market research company with major long-term clients.	43/9284
Direct Marketing	Irish-based direct mail and fulfillment house. Well established, profitable with excellent blue chip client list.	43/9285
Public Relations	Irish-based, award winning, specialist healthcare PR firm.	43/9286
Branding	Brand activation company, blue chip clients, Buenos Aires, Argentina.	43/9287

Conditions:

- 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.
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| Digital Conference – Paris | <input type="checkbox"/> | | |

Companies for Sale: references

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Results International provides in-depth business and corporate advice to the owner-managers of marketing communication companies on the creation, building and realisation of 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. The goal being 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 its regional presidents for Europe, North and Latin America, and Asia-Pacific.

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