

# resultsINTERNATIONAL

# BULLETIN

BUSINESS ISSUES FOR THE GLOBAL MARKETING COMMUNICATIONS AND NEW MEDIA INDUSTRY



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## A glass half empty or half full?

The one consistent message over recent weeks from many of our conversations is whether the strong market for M&A activity is due to turn soon, particularly given the full valuations being afforded to digital properties. The only honest answer is that no one really knows and we are no different in this regard. Memories of the dot com crash are still relatively fresh in most people's minds. Most sectors of the industry were affected by this between '01 to '04 when trading

was tough for many agencies and M&A activity was comparatively weak.

Whether we like it or not this is largely a cyclical industry reflecting the economies we operate in, and of course this is increasingly a global economy. Domestic economies can buck the trends for a time but the expression "no man is an island" has never been truer. The bulk of acquisition activity has traditionally been made by publicly traded companies. When their shares go south and interest rates rise, as generally happens in tandem with economic downturns, investment takes a low priority relative to battening down the hatches of the existing business.

On the face of it there may be some material differences between this economic cycle and the last and previous cycles, which might allow the

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## A GLASS HALF EMPTY OR HALF FULL?

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optimist to see a half full glass when it comes to calling the timing and depth of the next downturn.

The dot com bubble was of course driven by investors allowing the internet rhetoric to get ahead of reality, with expectations of huge growth rates and convergence between technology, telecoms (remember Vodafone and Mannesmann), media and advertising (remember AOL and Time Warner) delivering spectacular shareholder returns. As the recent announcements by Google (DoubleClick) for \$3.1bn, Microsoft (Acquaintive) for £6bn, WPP (24/7 Real Media) for \$700m and others have shown, the digital delivery technologies have finally reached a tipping point where these earlier expectations are becoming a reality. It probably won't be long before the mobile phone companies realise they are actually an advertising medium and we could see equally dramatic mergers with media and advertising companies.

Although the deals are coming in thick and fast, and some are at inflated valuations, the fundamentals behind the strategies of the deal making, and therefore most valuations, appear to be far more robust than in the dot-com era. Digital, particularly internet, communications, are clearly disruptive technologies that are finally forcing owners of traditional media, advertising and telecoms businesses to stop thinking about the consequences and to start acting to retain competitive advantage.

Inevitably some of this will be ill-advised, but a great deal has been learned in the last 10 years about what consumers are willing to pay for on-line and interactive services, and what in practice can be effectively delivered to them. Good news spreads faster than ever and adoption rates of good workable solutions can be very high. The dreams of boffins and entrepreneurs are increasingly being monetised.

Acquisition of an asset that can fast forward a traditional company's ability to

maintain or increase its market share can be well worth the hefty perceived premium relative to the consequences of not making the move. And high growth rates can rapidly convert high initial multiples into quite pedestrian valuations. Microsoft plainly made some of these calculations in making their largest transaction to date in offering Acquaintive shareholders an 85% premium to the stock price on the day of their offer. For them it was a strategic imperative; this is evident in many of the deals we are seeing.

News International's purchase of social networking site, Myspace for \$580m was widely seen as a return to the bubble days of 2000 but has since proven to have been a shrewd strategic move. No doubt the putative deal to acquire Dow Jones for \$5bn will also be seen in time to have been equally smart.

Another difference from the dot com bust period is that much of the stock market, and for that matter, other asset overheating, was caused by Retail Investors, (i.e. non institutional private investors) caught up in the infectiousness of the bull market. By definition amateur investors always arrive late to the party. Apart from China which is very much an isolated stock market, there has been comparatively limited sign of that happening at present, so the absence of this "frothiness" is a sign of relative stability, for the moment at least.

This is further supported by the high level of cash rather than over priced shares now generally being used for M&A transactions, as compared to the late 90's.

Equity markets are now really being held back by the effect of strong global market conditions because this gives rise to potential inflation, the first ugly signs of which have certainly appeared in the UK and US markets. In these circumstances interest rates rise (albeit from historically very low levels). This leads to investors finding that there are less risky means of securing their long term returns than stock markets.

A sustained period of rising interest rates and declining equity prices would undoubtedly slow down M&A activity. However, the sheer scale of liquidity build up in the markets is likely to drive investment, particularly M&A, for some while after any serious downturn in financial markets, such that barring major disasters our view is that we will remain in a relatively benign period of M&A activity for at least a couple more years.

In common with many other industries we have seen an unrelenting demand for investments in the Marcoms sector from private equity investors in the last couple of years, unlike anything we have ever seen. Interestingly their model allows them to be counter cyclical investors as well as competitors to trade buyers during the rising economy. This makes them a welcome addition to the options available to owners of larger businesses in particular.

In summary, it will always depend on personal levels of optimism and pessimism, but right now we think this analysis suggests that the glass is at least half full for those preparing a seriously good quality business for a sale. It is important to accept, however, that an earn-out will generally be required to enable full value to be secured, and it has to be best to be going through this when your clients are likely to be spending strongly. Obviously an economic downturn tends to depress this prospect. As is so often the case, timing is everything.

If you want to discuss your view of how full the glass is, please indicate on page 11.

## 30 SECONDS WITH SENIOR PARTNER ANDY COLLINS



*The Orion face, Ben Nevis*

- Q: What made you move into the marcoms industry?
- A: *The People, the Personalities and the Posb Teas!*
- Q: What do you think are the greatest challenges facing businesses?
- A: *Keeping pace with the changing technology, creating new communication channels to consumers. Innovate or die!*
- Q: In your opinion, what are the hot sectors to watch?
- A: *Mobile and Gaming. Look East.*
- Q: How do you view the industry in 10 years time?
- A: *Decline of the big ad networks and domination of the digital super group – Google and Microsoft becoming media owners?*
- Q: What do you do for fun when you're not at work?
- A: *I am an adrenaline junky, so rock and ice climbing, extreme mountain biking followed by a nice cup of tea!*
- Q: How would you describe life at Results International?
- A: *We are in a privileged position, able to work and help so many companies in the sector. It's fast, fun and furious!*

### INDUSTRY VIEW

# THE FUTURE OF INTEGRATED MARKETING

#### TONY YATES, CEO, SOLARIS HEALTH

"Two new models are emerging. One takes separate agencies with a range of different core skills then integrates them, literally, under one roof. The other builds multi-disciplinary teams from the ground up, creating a purpose-designed Integrated Communications agency. These new models are proving successful in delivering the promise of co-ordinated communication of key messages through different channels to different audiences. There is no incentive to promote one communication channel over another so the optimal mix is the natural choice and, with an agency that is inherently co-ordinated, marketeers can concentrate on overall strategy. It is noticeable that the clients who are using these new agencies are predominantly global or pan-European marketeers: domestic clients still prefer to use three or four different agencies. No doubt, as the success of this new model becomes more widely known it will be adopted by an increasing number of clients. This will be the wake up call for traditional agencies who will realise that they will need to reinvent themselves before they can offer true integrated communications."

#### MARC NOHR, MANAGING PARTNER, KITCATT NOHR ALEXANDER SHAW

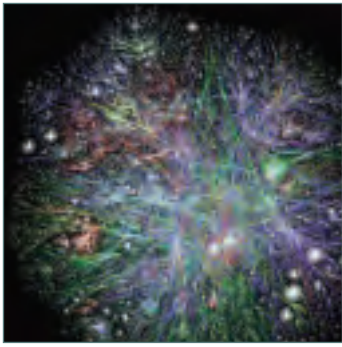
"Integration starts with the client not the agency. An integrated mindset and integrated ways of working within client organisations undoubtedly make the process of integration easier. Agencies meanwhile need to be clear as to what it is they are integrating. Media and creative? Big ideas across different marketing media? Those agencies that can offer best in breed talent, and can integrate their processes sufficiently to deliver joined up thinking, will be rewarded with integrated business. Those agencies that can't are better sticking to what they do best."

#### HUGH BISHOP, CHAIRMAN, METEORITE MARKETING

"Clients need cohesive communication programmes that deliver results. Agencies that understand 'new' Direct are well placed to deliver against this because they integrate the key disciplines around gaining a response. Proliferation of media, touch-points, segments, decision maker, product and services has led to the changing and more complex customer decision making journeys. New Direct agencies have the power to identify and find the high potential customers through their data divisions at the same time as recognising what message should be made where and when to take the target down the correct path to deliver an effective response. After all, direct is about measurable response. Often these journeys combine on and offline media as rarely do customers respond effectively to one and only one touch-point. Integration is not about adding more – a cake doesn't taste better by throwing in more ingredients, but by choosing and blending the right ones. New Direct is very well placed to step up to the mark and do this."

#### GARY BRINE, CEO, GYRO INTERNATIONAL

"Ask yourself a question – when was the last time you restricted yourself to looking at one piece of media in a day? Then why would you hire an agency that specialises in one media direction? An integrated agency creates a big idea/offer and deploys it across a mix of media, languages and verticals for maximum brand effect. The integrated approach assures brand consistency and cultural fit throughout the campaign life cycle and reduces the need to manage a multi-vendor environment. More importantly an integrated campaign adapts to the customer journey we all take when evaluating and purchasing a product or service. Advertising – I'm mad for it, but please concede that ads don't sell products any more than a stand alone website would – so why create them in isolation or as a specialisation?"



**JACQUES VAN NIEKERK** IS THE CEO OF ONLINE MARKETING TECHNOLOGY SERVICES PROVIDER ACCELERATION. [WWW.ACCELERATION.BIZ](http://WWW.ACCELERATION.BIZ)

Land-grab, seismic change, tipping point, blurring of the lines – these are some of the phrases and headline grabbing statements that have followed the recent surge of billion dollar mergers and acquisitions in the marketing and technology arena.

Today, Microsoft and Google own the two largest ad serving technology platforms in the market, along with some interesting marketing communications assets as a result of recent acquisitions. WPP in turn, now owns an interesting ad technology platform, as well as its own existing and very substantial assets.

The scale at which the world's largest technology companies are investing into the marketing communications industry means there is no longer a stone for the 'technophobic marketer' to hide under. Microsoft and Google have historically used a huge amount of speed and strategic intent to roll out core products and services. This implies that the marketing industry will not remain static, or in any way 'traditional'. In this instance, the word traditional is used purposefully. After all, how often is it forecast by traditional marketing services companies that the digital agencies will inevitably disappear?

## ONLINE MARKETING TECHNOLOGY

# TECHNOLOGY RULES MARKETING

While I completely support the notion that the practice and discipline of marketing communications will always stay the same, I seriously doubt that the value chain which supports and services the industry will remain traditional.

Microsoft has made productivity tools – such as word processing, email and spreadsheets – accessible to almost everyone, while Google is dead set to order the world's data, and already puts information within the grasp of so many via its search engine. These are the actions which prove that marketing will be made more democratic through the use of technology platforms.

Google has already made it easier for millions of micro and small to medium sized enterprises to advertise through its self-service Ad Words program. In addition to this, free Site Analytics tools providing deeper tracking and measurement have been made available. There is already an army of entrepreneurs – armed with credit cards – who see no need for an agency to run their paid search programs because these tools are so readily available.

The increased flow of search revenue has created a new breed of internet publishers and small start-ups that make a living from Ad Words. Most traditional publishers are also rushing to create online publications due to a continued shift in advertising revenue from their current mediums onto digital platforms.

Microsoft's track record speaks for itself, but its reach from personal, all the way up to enterprise level entities, gives them leverage to roll-out new services in a way that few other companies can match. I would not want to hazard a guess on which powerhouse has most to gain from its recent acquisitions, but all seem to have had Ad Exchanges in mind. Interestingly enough, in this area, Yahoo seems to have taken a slight lead by acquiring Right Media. Whilst eBay has quietly entered the

fray with their own auction based advertising marketplace, for cable television and radio the race is clearly on to discover who can build the largest electronic marketplace for the advertising industry.

The marketplace will most likely incorporate any media inventory that allows for the electronic or digital exchange of data. This will not be constrained simply to web-based advertising, but most certainly encompass TV and Radio as well (as is already the case with Google and eBay's endeavours). Imagine an exchange where automated systems assist in connecting buyers and sellers of unsold ad space, and maybe even prime space.

The question is: will Ad Land embrace such marketplaces and provide them with the required amount of critical mass? If the liquidity in online advertising is already sufficient to justify the existence of an automated marketplace, then surely the scale of traditional advertising channels justify it even more? Digital technology has already been made a commodity, as both media content, cost of production, and access is dropping. Technology has made it easier for media buyers to access sellers – not just through ad networks, but also Ad Word and Contextual type programs. It has made it more straight forward for both the marketer and agency to conduct and run digital marketing programs.

What impact will we see from an advertising marketplace that is similar to the spot market for commodities, or stock markets on equities? Such an environment will result in new business models being adopted, and these will be anything but traditional. It will present the smart agency groups and astute marketers with a window of opportunity to embrace technology platforms, driving efficiency and returns onto a scale not yet seen in the marketing industry.

If you would like to learn more about online marketing technology, please indicate on page 11.



**RICHARD WARREN**, PARTNER, TO STRATEGIC MARKETING AND RESEARCH AGENCY FIRSTPARTNER, FOCUSING ON TELECOMMUNICATIONS, TECHNOLOGY AND MEDIA SECTORS. [WWW.FIRSTPARTNER.NET](http://WWW.FIRSTPARTNER.NET)

Ever since the emergence of SMS as a mass consumer phenomenon around 7 or 8 years ago, a small number of visionary agencies and technology companies have been working to develop mobile into a viable and effective marketing channel. The sheer ubiquity and increasing versatility of the mobile handset gives mobile the unique potential to play a pivotal role in the marketing mix, engaging consumers in ways that go well beyond just being a "fourth screen".

Based on developments to date, it is likely that 2007 will be seen as the year in which mobile marketing reached adolescence – if not full maturity.

Everyone is probably familiar with the well established "Txt to Win" promotional campaigns, the earliest and most basic, but still effective incarnation of the medium. Short code text response also provides a simple and cost efficient response channel almost any other media. With campaigns from Cars to Contraceptive Pills using the mechanism to elicit responses, capture contact details and provide simple information to consumers. The mechanism is now being extended to lead consumers to brand or campaign specific WAP sites with some surprising levels of success. This all works because consumers are comfortable with text response – widely used for TV participation and the phone is always to hand. Indeed there is a strong interaction between mobile marketing and entertainment. This summer's music festival season will see an unprecedented level of mobile promotional, community and revenue generating activity.

The key area of opportunity is around the mobile web. The principles are similar to

## MOBILE MARKETING

# MOBILE MARKETING ON THE PATH TO MATURITY

the Internet with bets being placed on banner advertising and search. There is increasing commitment from the major Internet players, including Yahoo and Google and network operators, notably Vodafone, are starting to realise their role as media owners. Mobile inventory is now being sold by Sky and Yahoo along with specialist networks such as AdMob. But its not just traditional media players getting in on the game. Nokia offers a mobile advertising proposition and just announced the launch of a location sensitive ad service to overlay the GPS mapping application preloaded on the N95 and other devices. This is where mobile marketing starts to really take advantage of the medium.

Content and entertainment represent another emerging marketing channel. Mobile devices are increasingly tailored to supporting mobile entertainment from music through to 3D games and even broadcast TV. However, experience to date is that consumers are reticent to spend and advertising and sponsorship are widely seen as a way of subsidising the cost and delivering revenues to the operator and content provider.

Longer term, eyes are on mobile TV as the opportunity that will bring together highly targeted advertising and sponsorship with a direct response capability and the content subsidisation that is probably needed to make the business model work. This of course assumes a healthy level of consumer demand for mobile TV something that is yet to be conclusively proven.

Mobile has a number of key benefits that allow it to play a unique role in the marketing mix. Firstly it is ubiquitous and goes almost everywhere with the consumer. Secondly it is highly flexible supporting everything from text direct response through banner and TV advertising to location aware search. Mobile naturally supports user profiling and targeted campaigns and has the ability to seamlessly combine marketing with entertainment, community and service.

All of this should ensure that mobile marketing carves out its own place and is

increasingly adopted as the lead channel for campaigns. So why has it not yet reached maturity?

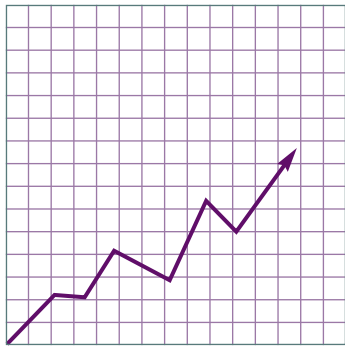
Some of the opportunities we have described, notably mobile TV depend upon top end handsets or 3G. Widespread roll out of broadcast will also require spectrum allocation. Mobile Internet is also at an early stage of adoption with a recent report from Comscore indicating that the number of UK mobile Web users is around a fifth of the number using a PC internet. This will undoubtedly grow but will require further development of mobile web browsing and search technologies and probably the widespread adoption of flat rate data pricing by Mobile Operators – essentially putting the mobile Internet on the same footing as broadband.

Mobile specialists such as Flytxt, Enpocket, WIN and Sponge have developed a strong range of tools and capabilities and, with one or two exceptions, have delivered strong revenue growth over the last year. Mobile Interactive Group a relative newcomer has grown spectacularly on the back of major agreements with ITV and O2 and has launched a sister agency 4th Screen Advertising to focus on the mobile Internet.

2007 has also seen moves by some much larger players, not always from a traditional agency background. The most notable was the recent acquisition of French mobile advertising network ScreenTonic by Microsoft, to add to its growing Digital Advertising Solutions proposition. There are also signs of impending consolidation demonstrated recently by the acquisition of the agency business of Flytxt by Italian mobile media and marketing player Bioungiorno.

The opportunities are there for digital, full service agencies and media companies seeking to build an increasingly critical capability, and for those pioneers to capitalise on their early vision.

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



## AIM MARKET

# AIM LISTING MAY ADD VALUE BUT AT WHAT COST?

There are now over 30 marketing services companies listed on AIM with more rumoured to be joining in the near future. On the face of it, this might seem an attractive option for companies and their shareholders seeking to capitalise on interest in the marketing services sector.

Let's just reflect on the route to AIM and the wisdom of joining the market. There are serious doubts as to whether an AIM listing is the best way for a smaller company to realise its value. Such agencies who are tempted by the idea of AIM need to be aware of what it entails and the potential pitfalls.

Firstly, there's the cost. Funding a small army of financiers to broker the deal is an expensive business; stockbrokers, nominated advisors, an accountant and a very minimum of two sets of lawyers all have to be paid for.

Once you're on board there's the running costs; again these can be high with the need for non-executive directors and retainer fees to brokers and advisors.

Add to that the management time that must be invested in preparing a business for market as well as the distraction of then publishing half-yearly results and you can see the time and money AIM can gobble up.

Compliance with AIM's rules and regulations is another factor. Though less regulated than the LSE, there are still many hoops to jump through and processes to adhere to. Accounts are much more exacting for example and you will need investor relations assistance from specialist agencies.

Compliance with AIMs' stock transfer windows may impact on trading, creating an inability to realise shares. There are tight restrictions on when and how much shareholding directors can sell regardless of whether it's best for the business or not. The AIM market can be pretty prescriptive and work against business interests.

And there are even bigger issues at stake: low market capitalisation for one. Share valuations remain theoretical until someone actually buys your stock at the issue price. The magic valuation figure is around the £100m mark, anything less and you can find yourself in no-man's land, with little real liquidity in the shares.

There are serious doubts as to whether an AIM listing is the best way for a smaller company to realise its value. Agencies who are tempted by the idea of AIM need to be aware of what it entails and potential pitfalls.

And even if the initial value is good, the thin AIM market is volatile – values can rise and fall sharply. And once they begin to fall it can be hard to stop the downward spiral. When a company's market capitalisation falls below around £10 million or if there's little analyst interest, shares become less and less liquid as stock market alarm bells start to ring. It's a bit like landing in a golf course sand bed; the more you try to dig yourself out, the lower you go and it can be very demoralising for your executive shareholders.

The public nature of a market quotation is another bugbear – it creates huge and

constant demands on a business and a culture of 'short-termism'. The focus of the business inevitably switches to short term profit in order to appease shareholders and excite investors, but to the detriment of long term investment. It's a serious issue even for larger quoted companies.

For agencies looking to raise funds it's not all bad news though. The private equity route is a good alternative and tends to take a longer term outlook. Private equity is by nature more risk friendly and is well suited to a smaller company wanting to innovate and grow, away from the constant public scrutiny of AIM. Gyro International has successfully followed the private equity route with funding rounds in February 2005 and November 2006 which have enabled the group to expand both geographically and by acquisition.

Where value realisation rather than raising funds is the goal, AIM is of little use. The Market was established for the purposes of funding growth, not to provide entrepreneurs with an exit.

The other option for companies seeking to fund or capital release is to go for a trade sale. Prices paid are often higher than on AIM and there are synergistic values for both parties. Perhaps not surprisingly, this continues to be the favoured route for most companies.

There are of course AIM successes for serious long term 'Buy and Build models' – Cello has clearly established a quality position. The Digital Marketing Group has so far performed well. The Mission Marketing Group has made good progress particularly following its recent acquisition of April Six. For agencies still wanting to make a play for AIM, the advice is "buyer beware".

If you would like to have a discussion on the pros and cons of becoming AIM listed, please indicate on page 11.

‘The seminar offered intelligent discussion allowing an informed view of the digital arena.’

Neil Loveday,  
Financial Director, Soup

## NEW MEDIA

# DIGITAL INTEGRATION SEMINAR

The Soho Hotel was the venue for Results International's seminar on the 6th June 2007 which covered developments in the digital industry.

The packed auditorium listened intently to the speakers from some of the most active and successful digital businesses, including: Google, Profero, iCrossing and i-level.

### *Turning visitors into customers*

Philip Miles, agency group leader for Google UK shared his vision that the growth of digital advertising will transform from four per cent of today's global advertising spend to a future where it is quite possible that advertising worldwide will become almost one hundred per cent digital.

He described the main reasons for the expected dramatic increase: rapid changes in technology, the reducing cost of hardware and the rise in high speed internet access. The evolution in consumer behaviour, which has shifted the balance of power from brand owners to brand users, has driven unprecedented change highlighting the power that the Internet has to give all content sources equal opportunity to gain contact with an audience. For example, a video clip on YouTube of someone getting hit in the head by a football cost nothing to produce, yet attracted seven million viewers – the same number as a BBC online news clip.

Contrary to the above the premise is not that digital will take over from offline media, but that the growth of digital is dictated by the rate at which consumers change their media access channels. Advertisers must seek out consumers' acceptance of a brand within a community rather than bombard them with media interpretations of a 'big idea'. With this new model, integration is key.

### *The impact of digital integration*

Andrew Walmsley, Founder of i-level illustrated his view of digital integration, proving a view that its impact is far greater than that of any advertising medium and encompasses not just one, but all aspects of the traditional off-line marketing rules.

The implications are that digital integration is intrinsic to clients businesses. Responding to this with a value-added, accountable offering means agencies can start to have a different kind of conversation with procurement departments; one that will help stabilise contracts and strengthen the health of the business and eventually the marketing communications industry itself

### *An independent's view*

With the prospect of the digital world becoming a reality, Daniele Fiandaca, COO at Profero gave his perspective. As a successful independent, Profero has expanded out of its domestic market into Europe and Asia, on the back of its digital skills and talent.

Daniele provided his view on the agency of the future which revolves around six core values:

1. Keeping the consumer at the heart of strategic planning.
2. Sustaining core digital skills through active use of the medium by all employees.
3. Accepting ideas from anywhere and thereby encouraging creative media and technology specialists to collaborate.
4. Having a global view as a single team and sharing insight.
5. Creating an environment where entrepreneurial attitudes can thrive
6. Keeping up a constant pressure to be best and a desire to make the business better.

Daniele believes that in this context, digital agencies have a fantastic opportunity to become one of those agencies of the future.

### *A consolidator's view*

As a consolidator in the growing digital industry, Don Scales, President of iCrossing gave delegates an insight into the group's expansion strategy. iCrossing recently acquired Spannerworks in the UK and sees the deal as the first stepping stone to its entry into Europe.

Beginning with an outline of current trends in the digital market that mirrored the conviction of earlier speakers, Don added to the belief that digital agencies will eventually become the heart of the marcoms industry. Digital media choice is 'an emerging and converging space'. Television advertising is moving towards a digital offering and Google will pervade all media, enabling search companies like iCrossing to expand into all marketing delivery channels.

With this vision of consolidation, iCrossing's acquisition strategy combines five stages designed to identify companies with the best fit: Find, Connect, Listen, Evaluate and Negotiate. At the heart of the group's success is the awareness of buying people, particularly the importance of identifying a shared culture and vision. This is the catalyst that drives the desire to work together.

### *Valuing digital assets*

Andy Collins, Senior Partner at Results International, provided an insight into what a digital business could be worth in today's bullish market conditions. He started by setting out the current landscape in which these businesses are operating, pointing out that UK online advertising spend was £2bn in 2006 and that this is expected to grow steadily over the coming years. This advance is generating a favourable climate for high deal flow as companies' financial performances strengthen and they seek to create an integrated offering.

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RESULTS INTERNATIONAL CENTRAL & EASTERN EUROPE

## SMELL THE COFFEE TURKEY

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### DIGITAL INTEGRATION SEMINAR

The most common method of valuing businesses used by trade buyers is still a combination of a multiple of EBIT or revenue, along with an earnout. Earnouts are considered key to obtaining the commitment of the management that stay involved in the business and in the long term, provide a greater total consideration, compared to a deal that offers a total consideration up front.

When looking at premium factors, the importance of IP and technology over creativity is a core premium factor for companies deciding to sell and is almost a prerequisite for companies looking to obtain private equity backing. However, buyers and sellers should remain flexible.

'Expect the unexpected' was a key message, illustrating the rate of market change is increasing and in the not too distant future, even the possibility of a digital agency acquiring an off line agency is feasible.

If you would like to receive further materials covering this event or attend future events, please indicate on page 11. A podcast of the above event is available; contact Angela Lurssen at [alurssen@resultsinternationalgroup.com](mailto:alurssen@resultsinternationalgroup.com) should this be of interest to you.

Over the last three decades, Turkey enjoyed high growth although this was often coupled with economic problems and high inflation rates. Considered a peer in economic terms to countries in Western Europe, Turkey had a fledgling banking system, limited consumer credit and was hooked on state spending. The resulting constrained consumer spending and boom and bust economy consequently limited the opportunities for the marketing communications sector.

Since the new government sought external help from the International Monetary Fund and others in 1999 to improve and manage the economy, there has been a rapid turnaround for the good. A much more sustainable economic growth has been achieved, the shops and restaurants of Istanbul are full and there is an air of confidence and well being among the population. Turkey is now Europe's second biggest bank-issued credit card market after the UK and boasts one of the highest advertising growth rates in the world.

This dramatic transformation has resulted in a surge in consumer spending and increased foreign interest in Turkey. This has been evidenced by the improving performance of local companies and foreign subsidiaries alike. Many believe that growth will continue as the huge flows of inward investment demonstrate.

The significance of Turkey's very special location at the crossroads between east and west, spanning both Europe and Asia, is not to be underestimated. With proximity to the emerging markets of Eastern Europe, the Middle East and Central Asia, Turkey offers a unique

culture and unique business opportunities, which have always been of critical importance to its success.

Attracted by the inflow and growth of potential clients some of the larger marketing communications groups have rushed to acquire in the Turkish market. There have been some headline deals and it is expected that there will be further acquisitions as international marketing communication companies attempt to consolidate their position. There are, however, plenty of smaller, niche international players still to take advantage of this fast expanding market.

Currently 22% of the population have access to the internet and this is expected to grow considerably over the next few years as the country's infrastructure improves. As a result it is anticipated that this will lead to a significant increase in online advertising spend, further enhancing opportunities for the marketing communications sector.

Despite recent political friction, it is expected that Turkey will maintain its secularity. The long-term forecasts for investment, rising GDP and disposable income also look promising. Now is a good time to seriously consider the stronger prospects offered by this fascinating and diverse country positioned on the cross roads between Europe and Asia.

If you would like to learn more about our operations within the region, please indicate on page 11.

### RESULTS INTERNATIONAL TEAM EXCURSION

The Results International team spent two days in June exploring the Welsh countryside as part of their annual team building excursion. The agenda entailed trekking up Holy Mountain, quad bike racing, clay pigeon shooting, mountaing biking, competitive swimming, volleyball and rock climbing. The event was savoured by all and we look forward to more excitement next year!





RESULTS INTERNATIONAL LATIN AMERICA

## A TALENT EXPORTER LATIN AMERICA

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This week, the 54th Cannes Lions Festival, came to a close. On the front wall of the Grand Palais of Festivals du Cannes a vast white and bright blue billboard announced just one word: Argentina. The country representative (Film Suez), together with the Argentinian production firms and the Government of Argentina Office of Trade, were the sponsors of the biggest festival of advertising in the world.

Argentina won 25 lions, becoming the 5th most creative power in world advertising, also winning the Grand Prix in the Titanium Integration Category. Argentinian entries won nine awards in the Film Category alone, an equivalent tally to the UK. The power of the creative profession in Argentina is massive, yet the advertising investment in the country is just US\$3.3 billion, or just one sixth of the Spanish or one fifteenth of the British markets.

The reason for the great success of Latin American advertising is 'exports'. Yes, they are exporting their work. As London did in the 70's and the USA has always done, a selection of countries within Latin America are exporting their creative advertising work, and their production abilities to the world. Clients as important as Coca Cola and Unilever are using the star creative agencies in the region, whether multinational or independent, to create strong concepts and big ideas for the world.

In 2005 Omo/Persil/Skip brands from Unilever, launched a new campaign based on the positive effects of "getting dirty", the campaign "dirt is good", was created in

Brazil by IPG's Lowe Brazil. A year ago, the ad was viewed in Hong Kong during the World Cup; the commercial was run for Coca Cola, talking to the people of Hong Kong with a beautiful execution, made of characters in plasticine, perhaps with hindsight not so surprising except that the ad was originally made by the independent agency Santo of Buenos Aires. It was a world assignment for the global brand, as international as the briefs received by McCann or W&K.

Back at the Cannes Festival, in the interior of the Palais, a major exhibition of Argentinean directors and production houses was permanently on show during the week of the festival. This is evidence, yet again that the work of Latin American agencies is at the level of New York or London, the limitation being the fragmentation of the countries in the region (with the exception of Brazil) and their low levels of personal income.

The weaker economies of LA are not exporting bananas or raw materials any more, the opportunity to export talented work is a major opportunity for them now and the big opportunities not only arise these days from the biggest markets such as Brazil or Mexico, but from some relatively weaker ones, namely Argentina, where so many young creatives would kill for an assignment for a major global account or for winning a Lion at Cannes. Much momentum has been achieved; with major markets including Brazil, Argentina and Chile.

The five years of relatively balanced economic growth in the region have not yet fully helped to overcome the bad investments of the past. A collection of major agencies have, however, been very

successful in the region including Spanish companies Banco Santander, BBVA, Telefonica and Repsol, who have made LA their cash cow and the source of profit that is allowing them to further invest in other more developed countries, especially the UK (Abbey National, BAA, O2) and many others have Spanish investors and owners).

Leading Latin advertisers face a major dilemma as their original home countries, especially Spain, do not have headquarters of International Advertising Groups on their doorstep. Thus advertising accounts are given to multinationals with headquarters in London, Paris or New York to service their network needs or accounts are assigned country by country.

The current time presents a key opportunity to launch a major marketing communications network, culturally and geographically based in the Latin market. Many voices have been heard on this issue recently: Fischer was a pioneer, now Tapsa and other groups such as Ruiz Nicoli Lineas or Grupo Eñe are looking at this cultural rather than geographic regional definition. Currently, none can yet provide the necessary global service with efficiency, however, this offer will be available from one of the above groups in the not too distant future.

As we move into an era of one-to-one communication – conversations with people rather than information for consumers – cultural understanding will increasingly become important. Not only that, we are seeing the emergence of multinational businesses from centres other than USA, UK, Japan and other Asian markets. Spanish business has expanded rapidly, notably into Spanish speaking markets and cultures. Servicing these 'new' multinationals will require a different approach from existing geography based 'foreign' multinational agency networks.

# 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:

**BLACK**      Acknowledged leader in growing field of community relations PR; northern based with national blue chip client base.

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**BORA BORA**      Greater London based marketing services agency specialising in sales promotion and experiential marketing. Blue chip client base with an emphasis on the FMCG sector.

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**MEXICO**      Ambitious healthcare PR agency, established in 1998, provides medical communications, consumer healthcare PR campaigns and secretariat services for symposia and operates in UK, European and Irish markets.

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**NILE**      Founded in 1991, this London based agency specialises in strategic online communication focusing on the design, build and hosting of corporate web sites, news and careers portals, campaign and marketing sites and online annual reports.

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**NORWAY**      Marketing services company based on M25 perimeter providing integrated, real-time consumer communications across multi-media platforms.

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**SILVER**      Award winning London and regional digital/direct marketing agency.

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**THAILAND**      Strategic media planning and buying agency providing online and offline solutions.

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## INTERNATIONAL:

**BAHASA**      The largest independent communication group in Indonesia consisting of a full service advertising agency and a channel marketing division which delivers sales activation across 18 key cities throughout this vast archipelago.

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**CAYMAN**      Southern Hemisphere based strategic online media planning and buying agency. Established in 1999, the business has grown to become a market leader within the region. Growth has been achieved from a blue chip client list and a strong technology focus.

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

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**LIFESTYLE**      Singapore-based PR firm, leader in sports marketing.

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

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## Conditions:

1. 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. 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 [alursen@resultsinternationalgroup.com](mailto:alursen@resultsinternationalgroup.com) for further information on the above opportunities.

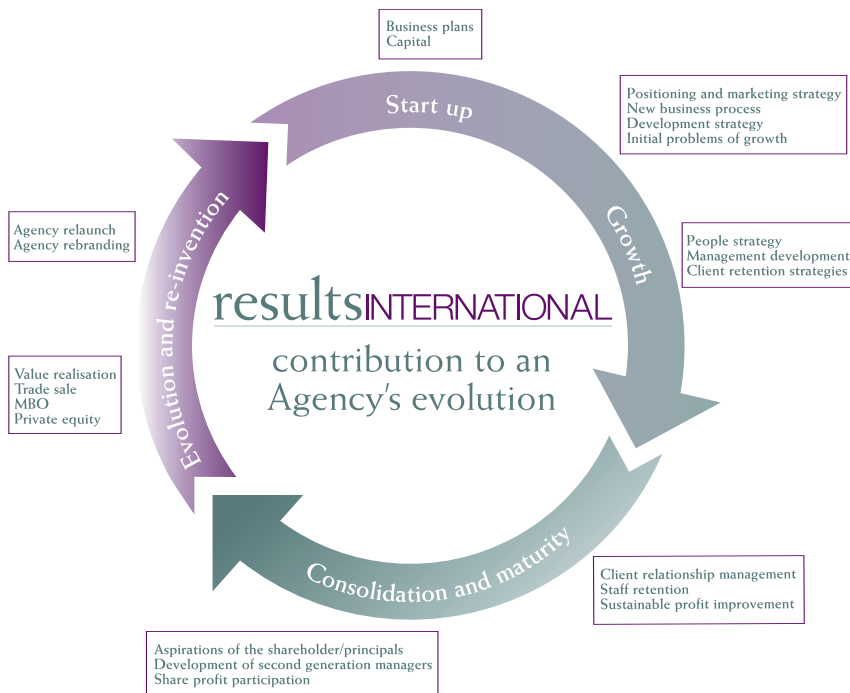
# ABOUT RESULTS INTERNATIONAL GROUP

Results International provides in-depth business and corporate advice to the owner-managers of marcoms and e-marketing companies on creating, building and realising value.

This enables owners to control the operation 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 Western Europe, Central 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.



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Companies for Sale: Project Names

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