

# resultsINTERNATIONAL BULLETIN

BUSINESS ISSUES FOR THE GLOBAL MARKETING COMMUNICATIONS AND NEW MEDIA INDUSTRY



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## Life Beyond the Peak

Following two record years for M&A transactions in the marcoms industry we can probably see the cyclical peak but can't be quite sure on which side we are. More particularly we find the visibility from here pretty misty, but not presently threatened by heavy weather.

As the Chief Economist at HSBC, Dennis Turner, said at a recent Willott Kingston Smith seminar, any economist who says they can see much beyond a year is heading for a fall, which somewhat renews one's faith in this particular breed. Given the variety of threats to the global economy at present, it is pretty hard to see much beyond a few weeks arguably.

That said, at the macro economic level we would be prepared to back Dennis's 70:30 chance that the UK will just about manage another relatively benign year ahead in which central banks manage to keep the scourge of inflation at bay through monetary policy (interest rates). He argues that the main current driver of the inflation risk, energy prices, will subside as some of the political and speculative factors that have artificially inflated oil prices unwind over the next few months.

Whether we would get the same odds on the US economy is unlikely. Huge reliance rests on the Federal Bank to deploy further interest rate cuts to fend off the effects of the housing market collapse and consequent loss of the American consumers' passion for retail therapy. In Europe, inflation is keeping interest rates and the exchange rate higher, with consequent pain

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## LIFE BEYOND THE PEAK

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to European exporters and slower economic growth prospects.

That only leaves China now with a big enough share of worldwide GDP to influence global growth, and at 11% growth in 2007 it is certainly doing its best to keep the economic wheels spinning. However, as the US and European markets for Chinese goods slow down, China too will feel some relative pain. Although, its powerful savings culture is serving growing enthusiasm for equities, and increasingly overseas equities. Combined with the back-flow of mountains of petrol dollars in the Middle East into US and European equities there could well be some softening of the risk for recession and a resultant return of confidence – which is what drives markets, and M&A.

...Clearly the credit bubble generated by low interest rates, like all bubbles, has now burst and created a nasty mess across the banking industry. It will take many months for confidence to return to debt markets.

Drilling down to marcoms, the industry is not presently overly leveraged but the credit crunch has inevitably meant a re-pricing of risk and some tempering of valuations, apart from trophy assets. Ironically, the evaporation of cheap borrowing could see some return to equity (public and private) as a means of funding investments, including acquisitions.

However, the area of the market in which we see some cooling of deal flow is amongst the UK AIM listed companies, where there is total indigestion as far as the investor community is concerned. Too many marcoms businesses have floated for fund managers to follow effectively. Appetite for AIM market fund raising is therefore minimal at present and there is strong encouragement for consolidation amongst investors. Apart from this situation, we see little reduction in acquisition appetite from the major serial buyers, private equity houses, PE backed ventures and overseas buyers.

In the latter category we are seeing interest from previously unknown buyers from the East starting to provide competition to the normally dominant position of the North American buyers. We have seen interest from well funded entrepreneurial Chinese, Indian, Russian, Malaysian and Australian buyers over recent weeks. As the US and Western Europe show signs of slowing down, extensive growth is taking place in Asia, the Middle East, and Central and Eastern Europe.

The provenance of these buyers and the rising tide of PE interest in the industry, combined with the pervasive and disruptive influence of digital technologies, presents a reasonable case for there to continue to be good drivers of transaction activity across the next downturn. Indeed, it is our experience that well run scaleable businesses with above average margins will find a ready market more or less at any time and will command full valuations.

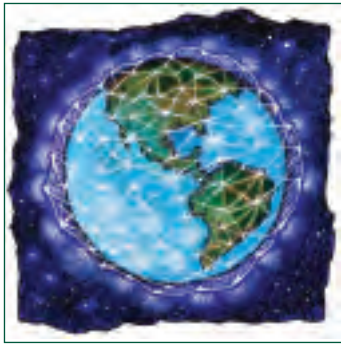
That just leaves the question of what such a business needs to look like, which feels like another article.

To further discuss the current market conditions, please indicate on page 11.

### 60 SECONDS WITH MANAGING PARTNER OF RESULTS INTERNATIONAL, KEITH HUNT



- Q: What attracted you to the marcoms sector?
- A: *It's exciting, constantly changing and full of interesting people.*
- Q: What makes an agency stand out from the rest?
- A: *Having top quality people who have a clear focus on how to differentiate their agency and their work from the rest.*
- Q: How do you think the marcoms industry will evolve in 5 years time?
- A: *Evolving technologies will have an enormous impact and radically change the way campaigns are run. The winners will be those that are most successful in embracing the new opportunities.*
- Q: How would you describe the team at Results International?
- A: *Smart, quirky, independent, friendly and fun.*
- Q: What's your favourite brand and why?
- A: *Guinness, they consistently produce genuinely original, interesting and amusing ads and I like the product!*
- Q: What has been your biggest challenge?
- A: *Managing the huge range of opportunities that we have at Results.*
- Q: How do you spend a typical weekend?
- A: *Watching my son play rugby and anything active and/or exciting – last weekend I went surfing and horse riding in Cornwall.*
- Q: And your final word...
- A: *Never make a decision on an empty stomach.*



## INDUSTRY VIEW

# THE EVOLUTION OF PR WITHIN THE DIGITAL WORLD

### CHRIS LOVELL, GROUP CEO, COLLEY SLATER

"As of March this year there were over a billion people worldwide connected to the internet – and therefore potentially – to each other, and to every CEO, brand manager and journalist on the planet. So how will this fact affect the way that the entire communication industry operates and what organisation is the window onto this? *The Washington Post*, *The New York Times*, the BBC, the FT or CNN? No – it's Google. So, the challenge for our industry is to stop thinking about Google as a 'search engine' and start thinking in terms of a 'reputation and relationship management engine'. How would this new thinking materialise? Encouraging and embracing innovation and creativity; not just in terms of the collateral we produce on behalf of our clients, but in the communications management processes; we'll need to re-invent and re-imagine to deliver that collateral. For 50 years creativity has been at the level of the message – to thrive in this new world, we're going to move up a level. Be creative in re-thinking strategy, in re-imagining the communications management processes that deliver on those strategies, and in redesigning our organisations so that they're robust and resilient enough to cope with this jump to light speed."

### STEVE ELLIS, CEO, METIA

"Apart from fundamentally changing the channels of communication, the dynamics between participants, the concept of influencers, the characteristics of target audiences, the methods of measurement, and the techniques of communication practice – well apart from that, not much has changed. I'm not sure there will be such a thing as a traditional PR agency any more. Our PR business is already inextricably linked with our interactive and marketing businesses. Frankly, it's getting more and more difficult to see where the join is. Increasingly, clients request integrated solutions – they are as interested in our ability to build and deploy gadgets, as to draft press releases."

### ANDRES WITTERMANN, SENIOR VICE PRESIDENT EMEA, LEWIS PR

"The end of PR as we have known it for many years has come. In the past 15 years we learned to use the basic online tools like the internet, email and instant messaging to leverage our PR. We also learned that in the age of global web-based communication all PR becomes more and more global by nature as everyone can read English content once you place it on the web. What we currently see is how the new Social Web (2.0 as some call it) starts to evolve to full power. As David Meerman Scott writes in his latest book (*The New Rules of Marketing & PR*): 'The internet has made public relations public again, after years of almost exclusive focus on the media.' Today everyone is a content creator and content provider, from corporate communications departments down to the consumer. The new web connects us all in unprecedented ways. Blogs, podcasts, vodcasts (or vlogs), social networks, new emerging communities, viral marketing (and viral PR), professional word of mouth marketing, search engine optimisation (and SEO'd press releases) and last but not least the power of RSS (really simple syndication) are all elements of a PR currently emerging. PR will be more powerful than ever before, replacing some traditional elements of the marketing mix."

### CRISPIN MANNERS, DIRECTOR, SERVICE INNOVATION, KAIZO

"The *Time Magazine* review of the year in December 2006 was entitled 'And the person of the year is you'. It dedicated almost the whole issue to the Web 2.0 revolution and the way it is changing the behaviour of individuals, organisations and brands. This watershed feature by a traditional media provider highlighted that it is time to rethink how we all communicate. The pervasive access to the internet has finally liberated people to consume information from sources they trust and to become trusted providers of information in

their own right. This means that the trust problems flagged by many research studies have finally come home to roost. People simply don't trust marketers much. And it gets worse with age – by the time people reach 40, studies show they pretty much discount all marketing. But the technology that is connecting people on a scale and at a speed never seen before provides opportunities to brands who are prepared to rethink their behaviour. It's time to stop marketing at people and start marketing with them. Direct engagement and involvement with your key audiences will produce more sustainable organisations that can boast high advocacy and recommendation rates. This is a seismic shift and the first to embrace the change will benefit the most."

### FRASER HARDIE, SENIOR PARTNER, BLUE RUBICON

"There is no doubt that media fragmentation, convergence technologies and the emergence of digital communication changes the game for all agencies. The real value creators in the new world will be those who understand how to campaign, engage and become relevant to niche groups and networks on the agendas that matter to them. I'm not talking about small groups either. More the principle of building a multitude of networks populated with emotionally engaged supporters which aggregate into a body of support for a brand, business or institution. In my view, more learning will come from political campaigning and intelligent PR than from ad agencies and the current crop of digital shops. Strong support and good reputations are built on powerful narrative brought to life through compelling storytelling. The best PR agencies will combine forensic clarity, creative storytelling and intelligent campaigning. The few that do will have far more power and influence."

If you'd like to discuss any of the issues raised above, please indicate on page 11.



**CHARLES VALLANCE**

IS FOUNDING PARTNER OF  
VALLANCE CARRUTHERS COLEMAN PRIEST  
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They say you always notice the quiet ones; but not if our obsession with share of voice (SOV) is anything to go by. For I am sure it has not gone unnoticed that over the last few years the screens have become increasingly silent. Yet, brands still want their fair share of the action; if a brand has 10% share of the market that means 8% SOV just isn't good enough. But is the maths really this simple when it comes to share of voice or is it time for a radical rethink of the way effectiveness and market penetration is measured?

Everyone knows that the goalposts have changed; however, the means of measurement are still the same. The way we access and digest information has altered completely over the last twenty years; therefore is it time to readdress this method of effectiveness? I believe so.

The problem is that words have become too futile in a world where people 'switch off'. In the olden days you only had one screen in your life. For a few hours a day you had your TV. Now, I'd wager that the average number of screens per reader of this article is four (on top of the TV, take your pick from laptop, pc, pda, mobile, Blackberry). And they're all on mute most of the time. Add to this wall of silence the way that pvr's now let us silently fast forward through the ad break and my earlier question should perhaps read "share of what voice?"

Yet where there is silence images still flicker. So the time may have come for us to consider re-wording the question in a way that reflects a new media order. One that has been transformed from the days when

BRAND MANAGEMENT

## SHARE OF WHAT?

we first started using those three little SOV letters. It is therefore imperative, I believe, that brands concentrate on share of word and share of sight.

Share of words is the dialogue used on TV to sell brands to which we once listened to, moreover eagerly digested. However, these words are now normally written and read as opposed to spoken and heard. In effect, words have become a silent narrative.

... The largest share of words are now on the internet. The three main search engines (Google, Yahoo and MSN) offer a reach of over 90% into the UK's 30 million strong online audience. Compare this to the fragmentation of audiences in other channels such as TV and national press.

So what does the 21st Century renaissance of the written word entail? It means that good brand management these days requires state of the art monitoring of all the words and conversations that are collecting around our brands, on blogs, on infomediaries, on search engines, via aggregators, in chat rooms, in reportage, through all the silent, incessant and prolific babble of cyberspace. I'd argue that a well designed, numerically robust webmap is a more valuable measure (and determinant) of success than any of the blunt share of voice measures we were brought up on.

Once we have grasped this new 'SOW' acronym, we can then move on to the second of the new measures, namely share of sight (SOS). I'm dealing with it secondly partly because it's rather more difficult to measure and partly because successful visual integration depends just as much on narrative as anything that's gone before. Only this time round the narrative is captured increasingly in the visual expression of a brand. Visual narrative, therefore, is about far more than consistent

visual housekeeping, it is about a brand's ability to capture its meaning and its message in its use of imagery, identity and symbolism (as opposed to slapping on a lick of marketing paint).

It's the strong use of iconic imagery and semiotics that has been at the forefront of some recent, moreover, extremely successful ad campaigns. In the world of advertising the old adage that "a picture is worth a thousand words" has never been truer. For the use of imagery in advertising is now more important than ever in conveying messages about brand or product identity and in turn capturing share of sight.

Thus the fluid, dynamic world of O2 works not simply because it is distinctive and iconic, but because it symbolises the brand's positioning of personal liberation and enablement. Similarly, the industrial greys, yellows and blacks of Dyson would be mere styling if they didn't encase the most inventive, problem solving machines in their market. Sony Bravia's bouncing balls and exploding paints would be visual gimmickry if they didn't so accurately capture the intensity of the colour experience. Google's visual minimalism might look stand-offish, if it didn't so precisely echo the way it searches the internet down to size.

What these four brand leaders have in common is something more than visual integration. They have achieved a level of integrity, of togetherness, that radiates through everything they do whether it's their message, their product, their identity, their point of sale, their website or their CRM. As each one of these brand impressions reinforces the other, their share of sight is driven higher. And when you look back at their activity you will see a visual wall of communication standing above the trails of visual rubble left behind by their competitors. Between the air war of visual narrative and the ground war of Word 2.0 it seems that old fashioned measures of share of voice (and the techniques that go with them) will increasingly be the casualty.



## PRIVATE EQUITY

# I N D E F E N C E O F PRIVATE EQUITY

We are fortunate in the UK to have one of the most thriving and successful private equity and venture capital industries outside the US, aided by a relatively supportive tax regime, which serves to aid our economy and global competitiveness.

Yet private equity continues to suffer a chequered reputation, not helped by the sensationalist stance of much of the general media. At Results International, we take a rather different view of private equity. Far from deriding the incursions into the marcoms industry that private equity houses have made, we should be welcoming them.

They have brought much-needed liquidity into the sector, providing an additional route to growth and value realisation than has previously been available to our still relatively immature industry. They are helping fuel the expansion plans of entrepreneurs and so creating serious competition to the big holding companies, and providing real choices for talent and clients. It is enabling the UK to become a serious alternative as a source of finance for the global marcoms industry.

...Admittedly, private equity funding is not right for everyone's goals, but set in a more balanced context it is a much more agreeable resource than the picture many other commentators have been painting. Under certain circumstances this can be an attractive alternative to a trade sale or to an AIM listing.

Let's address some specific misconceptions in turn:

### *Ownership and control*

All in all, there is a lot less giving up of control via private equity than with a trade sale. Private equity firms are backing the people who run an agency, people whom they trust. They are buying into the business, not trying to run it and this is an attractive proposition for most agencies looking to grow. The challenge for agencies is to find the professional managers within their business who can convince the private equity team that they are the right people for the job.

### *Short termism*

In our view, private equity does not take a short-term perspective – on the contrary, it takes a much longer-term view than the AIM market for example, where there exists the constant pressure of six-monthly reporting. Also of note is that private equity funds rarely put in place mechanics that force agency founders/owners to exit the business, and if they do, these only generally click in after five to seven years. Also, in a trade sale there will normally be a three-year earn-out to be maximised, and of course, a very disciplined monthly reporting system.

### *Realism balanced by creativity*

Despite the alarmist headlines, private equity houses are realistic about the rates of return they can secure from a business, and more often than not are happy to set their sights on a lower rate of return when it comes to investing in more mature companies. They recognise that there is currently a great deal of competition among private equity firms and other players to invest in quality businesses. For this reason, they are prepared to bid quite aggressively to secure the prize.

Equally, private equity investors can be very creative and often more flexible than most trade buyers when it comes to structuring the right deal for the right company in an effort to accommodate the needs of the business and its shareholders, allowing ownership to pass to the next tier of management, for example. Whilst trade buyers do not normally provide replacement capital for departing/retiring shareholders, or growth capital for ambitious owners seeking support for investment strategies involving, for example, acquisitions, certainly MBOs and MBIs are very much the domain of private equity.

...Concluding on a topical note, there is currently a great deal of debate about the wisdom of traditional, highly leveraged private equity deals in the light of ongoing and public pressures on the banking sector. This is undoubtedly having an adverse impact on PE transactions, as the banks are taking a more conservative view when funding deals. It is now just as important to establish a relationship with the 'senior debt' provider as with the PE house to secure a deal.

At Results International we are also dealing with a number of overseas PE houses, notably from the US who are willing to invest in pure play equity transactions without recourse to bank debt. These deals are particularly attractive in the current climate. All in all, the private equity route has much to recommend it and it is time it got the press it merits rather than being the victim of largely misconceived criticism.

If you would like to discuss private equity and the issues surrounding it, please indicate on page 11.



## CREATING VALUE

# GETTING YOUR DUCKS IN A ROW

Managing the growth of an independent marketing services business can be difficult to control, especially when management time is more often than not externally focused on client relationships, rather than internal issues. Maintaining growth through different stages of a business' lifecycle requires planned organisation and a nurturing hand to achieve the ultimate goal or end-game.

The Consulting division at Results International concentrates on building long-term value for the businesses that it partners with. Typically, these will be owner-managed companies that have developed a profitable, creative business, but are challenged on how to achieve scalability and deliver exit opportunities for shareholders further down the road.

Results International offers Consulting services – initially in the form of a Value Improvement Audit (VIA) – to build a plan with management over a 3 year horizon. This approach concentrates on identifying issues and opportunities for the business to address and enable it to achieve its growth targets. Results' experience derives from its core heritage as an M&A advisor to owner-managed businesses in the marcoms sector. It understands the qualities that buyers look for when placing a premium on businesses in this space. Consequently it is able to leverage this experience to help its consulting clients and put in place the steps needed to refine the business model, thereby giving shareholders maximum flexibility and opportunities to release value. Moreover, the industry experience of the Results consulting team means that it is best placed to actually implement recommendations to create value.

Five areas are regularly highlighted for action:

- Competitor positioning
- Management and resource capabilities/structure
- Client relationships
- Marketing and new business approach
- Financial information and internal controls

### *Competitor positioning*

Few agencies clearly articulate a unique differentiated proposition. How often do you encounter web-sites or marketing materials that claim that an agency "offers an integrated approach across a media-neutral platform to meet our clients marketing communications needs"? To enable it to really stand out, a successful agency needs to explain its offering clearly and how it differentiates itself from its competitors. What methodology, proprietary tools and lock-in products give it the edge in pitch situations and the ability to exert a degree of premium pricing? By getting under the skin of the business, Results International can help distinguish an agency's offering and how it stands against other industry players.

### *Management and resource structure*

Depth of resource is the critical quality to focus on when assessing the quality of a management team and organisation's structure. A business must have the confidence to succeed once its original founders pass the baton. Irrespective of the fact that this receives serious scrutiny in any sale process, it is vital to ensure that a progressive career development policy permeates the business. Staff members need to understand that they will be challenged to improve themselves and that this is monitored with a well developed human resources policy. This should clearly demonstrate career progression paths, supported by clear, measurable objectives that are aligned to remuneration and incentive targets. In addition, a formal, tax-efficient ownership scheme can cement buy-in from key staff and demonstrate a commitment to sharing the growth of the agency.

### *Client relationships*

What drives the tenure and financial platform of the agency's relationships with its key clients? Most agencies struggle to identify precisely what net margin they make from each client. A developed management information system supported by robust timesheets is ideal, but there are other ways for management to identify under-performing client relationships. Results International conducts in-depth audits to establish the qualitative value that clients place upon their agency partners.

### *Marketing and new business approach*

An effective new business process needs to start with a clear understanding of the agency's positioning. Research can identify the most receptive audience to the agency's offering so that the necessary tactics are developed to reach them effectively.

In identifying worthy opportunities, a clear financial review should be taken of the cost of resources needed to ensure a successful outcome. Best in class agencies have a conversion rate in excess of 70% at competitive pitch, primarily because they will only pursue those opportunities that they have fully researched, ensuring the credibility of the prospect and being satisfied that their skill set will be well aligned to that client's marketing communications needs.

### *Financial information and internal controls*

A quality business will be up to date with all statutory requirements, be it audit, tax or legal and be able to clearly explain its financial position to an external audience. To demonstrate an understanding of the financial metrics and KPIs that underpin the business performance is a great validation of the quality of a management team. The development and documentation of key control mechanisms will further attest to the maturity of the management team, and streamline operational procedures.

If you would like to learn more about creating value, please indicate on page 11.



## SEMINAR

# GROWING YOUR BUSINESS INTERNATIONALLY

The Soho Hotel was the venue for Results International's seminar, *Growing your Business Internationally*, which took place on the 2nd October 2007 and covered routes to international expansion in the US, Europe, South Africa and Asia-Pacific.

The packed auditorium listened intently to the presentations that highlighted the challenges experienced by those who have taken the plunge into markets outside the UK.

### *Leveraging technologies internationally*

Jacques van Niekerk is CEO of Acceleration eMarketing, an online marketing technology services provider. The essence of Jacques' presentation drew on the notion that technology allows growth on a scale that in previous years hasn't been possible; the idea that the world is flat because technology makes everything faster and more convenient. However, Jacques took this idea a step further by adding that it is not equal – when technology fails it can be disastrous.

Jacques described the conception of Acceleration eMarketing as a 'fools rush in' scenario. It started with a Cape Town hub, as well as concurrently opening in the US and the UK. This international growth spurt meant that the founders could draw on different and complementary elements of the markets and unlock value that wouldn't be available in one single market. Jacques outlined the complications that ensued from this strategy, with key learnings being:

- Utilise channel partners – and 'swim in their wake'.
- Keep it simple – don't try and complicate financials etc., just deal with the basics.

- Use expats because they know the business and can relate to clients.
- Size doesn't always match scale.
- Be aware of cultural nuances – people can have negative perceptions of countries such as South Africa.

In summary, Jacques used an interesting analogy. He said he always knew he'd be a little fish in a big pond, but spreading across markets you can create lots of little fish which together have a chance to take on the bigger species!

### *Integrating marketing services globally*

Ian Millner, co-founder of iris Worldwide, described how iris started out as a group of friends who 'fancied their chances' and grew to be the agency it is today. Ian was able to offer the audience his perspective of the mistakes that were made with the value of hindsight.

For Ian, a key factor of international growth is it should be client-led – always try and predict what your clients want you to be. This should also be considered when looking at growth strategy. When an iris office opens in a new market, clients expect it to be equally as strong as iris London so the ability to get established quickly is essential to become a global network.

Ian also pointed out that any company will experience accelerated growth at the outset but there always comes a time when growth plateaus. At this stage it is important to re-evaluate growth strategies and make key changes accordingly and allow the business to move forward. It's about understanding how and when to change.

### *Venturing into Asia-Pacific*

Having spent 31 years based in Asia, Andrew Kefford, Results International's President and Regional Director for Asia-

Pacific shared his knowledge and experience of this vast region. For those interested in venturing into Asia-Pacific, he outlined the main attractions and opportunities within the region while providing guidance on how to minimise the significant risk factors. These included business customs and ethics, culture customs, languages and realising the sheer distances between markets and the consequences involved.

Each country within the region varies enormously so managing the entry strategy is of particular importance. Andrew provided practical examples on the size of investments versus the risks involved.

### *Gaining a digital advantage*

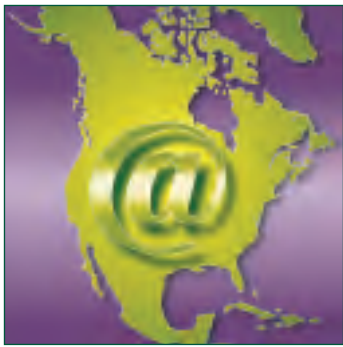
Alan Rutherford was recently appointed CEO of Digitas, part of the Publicis Group prior to addressing the seminar audience.

Alan is charged with driving the global growth opportunity of Digitas by leading the agency's expansion into major new markets around the world and leveraging the agency's expansion platform businesses.

He described Publicis' digital strategy as being three tiered; technology is used to engage clients, perform a service and optimise processes. When considering geographical expansion, Digitas first look at client focus and secondly address talent development.

Alan also touched upon the agency's acquisition strategy, stating the importance of spending time post-acquisition with the new business, to ensure that they become fully integrated with the network and embrace the group culture, rather than simply being treated as an add-on purchase.

**If you would like to view the vidcast of this seminar, or attend future events, please indicate on page 11.**



RESULTS INTERNATIONAL NORTH AMERICA

## DIGITAL FUELS US OPTIMISM

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The sub prime mortgage crisis broke in the US during the first quarter of 2007 and almost a year later many Americans believe they haven't yet heard all of the bad news; as a result the average homeowner is unhappily watching his or her net worth decline. A new and unwelcome experience after the surging valuations of the last decade. The sinking dollar has made Americans feel poor when they travel abroad, a phenomena that will not change any time soon. And as the world's largest consumer of oil-based products, let's not even talk about the price of gassing up our SUVs!

In spite of the worrying general market conditions prevailing in the United States, the marcoms industry has managed to remain moderately optimistic. The outlook for 2008 is at least synthetically cheerful due largely to a much needed refueling that the media will enjoy as a result of the recurring quadrennial coincidence of a US general election and the Olympics in the same year.

But there's more to the upbeat feeling than a positive year for media. Excitement continues to build in and about all things digital as marketers move in droves in search of online tools to reach their audiences. Social networking, video online, mobile marketing, email marketing, virtual worlds, podcasts and the biggest of them all, search marketing are now better understood by advertisers. This new level of comprehension may have helped slow the horrendously high turnover among CMOs (the average stay on the job had

been less than 2 years in recent times), as a price was paid for the painful learning curve for advertisers trying to find their way in the online world.

The conundrum is that there is more demand for online inventory than the nascent industry can make available. To compound the issue, most of the online advertising options available today utilise the same interruptive style of TV spots. Banner ads and the pre-roll videos have yet to be proven as acceptable let alone be endorsed by the newly empowered online user.

Spending for online advertising in the United States will wind up being almost 27% higher in 2007 than it was in 2006, according to new findings from marketing research firm eMarketer. That compares to a total increase in media ad spending of only 2.1%. And in 2008 online spend is expected to grow even faster.

The forecasts are part of a new study, "US Advertising Spending", which tracks the course of internet advertising and relates it to total ad spending. The report predicts that marketers will spend \$21.4 billion on internet advertising in 2007 and may spend \$27.5 billion on the Web in 2008. By 2011, eMarketer expects US online ad spending to hit \$42 billion.

Yet marketers will only direct 7.4% of their budgets to online advertising in 2007, and eMarketer foresees online advertising reaching 13% of total advertising spend by 2011. However, as the UK is experiencing, overall advertising growth is fundamentally being driven by on-line, meaning traditional broadcast and print advertising is seeing zero or negative growth.

And expect this shift to go even faster than eMarketer has predicted if the "old school" reach and frequency vehicles continue to become more expensive and less effective in a proliferating interactive society.

"A major shift away from traditional advertising to interactive ad formats will occur in the next five years", according to a report released by IBM Global Business Services. Its title is "The End of Advertising as We Know it."

It predicts that the main future growth areas will involve advertising distributed through mobile communications devices and the internet. IBM expects growth in these areas to be up to four times faster than that of traditional media used for direct marketing.

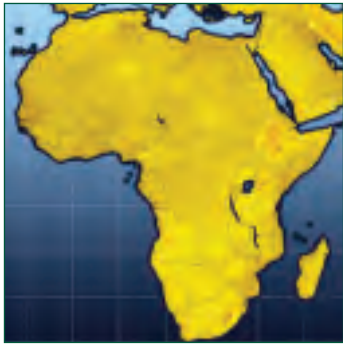
Everyday there's a new headline in the digital space; Facebook has declared that the days of waste in media targeting are over and are touting a new "pull marketing" era; while Microsoft has invested \$240 million for a 1.6 percent equity stake in Facebook... supporting the argument.

Sales of video-capable mobile phones in the US will more than double to \$125 billion in 2010. The number of mobile video subscribers in the US will also rise from just a few million in 2006 to 58.6 million in 2010, according to Infonetics.

The weakening US dollar and powerful 'rush' to quickly add digital talent and expertise may seem like strange bedfellows but both in their different ways, are fuelling innovative thinking on an international scale. US marketers are shifting focus, attention and dollars overseas, chasing not only rapid-growth markets such as China and Russia but also their stronger currencies.

For some of the same reasons, marketing communications groups in Europe and Asia are eyeing the ability to invest in the US by acquiring US agencies, especially those embracing digital technologies, at effectively bargain prices.

**Results International has recently appointed Keith McCracken as Regional Director for North America. To make contact with Keith please indicate on page 11.**



**DR. THOMAS OOSTHUIZEN**  
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Many of South Africa's largest businesses have expanded north into Africa over the last ten years. This includes retailers, telecommunications operators, banks, mining houses, information technology and media companies, to mention a few. Most of them have been highly successful.

They understand the differences between markets in Africa as against developed markets. Expanding into Africa naturally extends this competence into a large potential market.

Is the same trend likely for marketing communications companies? Given the historic competence of South African companies in these fields, it seems likely. Outside of formal offices and alliances in African countries, many companies are now executing projects in the African continent from the south.

South Africa is rated highly for its marketing communications competence. Its largest advertising agency (an independent), The Jupiter Drawing Room, is highly respected globally. It has been nominated by *Advertising Age* as global agency of the year in the past, and its founding chairman, Graham Warsop, was voted the best creative director in the world two years ago. Similarly, the local offices of international agencies including Grey, Ogilvy, FCB and TBWA are all rated in the network's top ten offices.

South Africa has some mature communications agency organisations. Advertising agencies, market research

RESULTS INTERNATIONAL SOUTH AFRICA

## SOUTH AFRICAN EXPANSION AND DEVELOPMENT

companies, design agencies, events companies, promotions and brand activation companies are growing fast and many of these companies are comparable with some of the best in the world.

One enterprising South African sales and merchandising agency, has branches throughout Africa, has a stake in a Chinese agency and is embarking on a joint-venture to roll-out in India over the next year. They have used their unique understanding of developing market circumstances to create a global competitive advantage.

Yet, in areas like animation, digital and online marketing, South Africa still seems to lag behind other markets creatively. This is reflected with weak showings by South African companies at international awards shows, such as Cannes.

South African brand and advertising colleges, like Vega and the AAA, conduct regular brand and marketing training for global brands across Africa. A school like Vega regularly manages joint developmental projects with highly innovative global art and business schools.

And as the global agencies of today have expanded by following their own clients like Unilever and Procter & Gamble into new markets, this trend is likely to increase for South African companies as clients expand into Africa and want their own agency expertise to expand with them.

South African companies are starting to recognise that they have abilities in developing markets that established global companies may not have. South Africa has a unique blend of developed and developing market consumers and competences. Thinking across the segmentation boundaries comes naturally to marketers: they have been doing it for years. The marketing communications arena in Africa has changed dramatically over the last five years.

At this point, probably only Brazil has the same marketing communications competence as South Africa in developing markets, if we were to compare global rankings.

If you consider the increased global awareness of developing markets, as is evident in books like *The Fortune At The Bottom Of The Pyramid* and *The Emerging Markets Century*, this is potentially a huge competitive advantage for South African agencies. The recent acquisition of a share in the largest bank in Africa, Standard Bank, by the Industrial and Commercial Bank of China (the largest external Chinese investment to date), also signifies more participation between the so-called BRIC (Brazil, Russia, India and China) countries and Africa, particularly South Africa. This could mean an entirely new ball game.

...Awareness is likely to become a major force for greater expansion by South African agencies into Africa, and other developing markets. With globally trained marketers in jobs in many African markets, this expansion is likely to prove very exciting. It may just change existing paradigms more than we know now!

If you would like to discuss growth opportunities in South Africa, please indicate on page 11.

**RESULTS INTERNATIONAL SEMINAR:**

**ACHIEVING HIGH GROWTH**

19th February 2008  
Soho Hotel, W1

For more details see:  
[www.resultsinternationalgroup.com/events](http://www.resultsinternationalgroup.com/events)

# 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.

## UNITED KINGDOM:

<b>BLACK</b>	Acknowledged leader in growing field of community relations PR; northern based with national blue chip client base.
<b>BORA BORA</b>	Award winning, Greater London based marketing services agency specialising in sales promotion and experiential marketing. Blue chip client base.
<b>CEDAR</b>	Leading London based creative, integrated marketing agency delivering strategic brand activation for a portfolio of blue chip clients.
<b>JAGUAR</b>	London based leading qualitative and quantitative research business, highly specialised. Broad blue chip client base.
<b>MAGENTA</b>	London based specialist precision marketing agency. 35-strong.
<b>MAROON</b>	This agency is a leading player within the mobile marketing arena. Blue chip clients include the UK's largest consumer brands and Fortune 500 companies.
<b>MORRIS</b>	Integrated, full service agency with great strategic and creative standards.
<b>SILVER</b>	Award winning London based digital/direct marketing agency, 100+ strong.
<b>SYCAMORE</b>	Online and mobile marketing business, North England and Southern Hemisphere. EBIT £700k.
<b>VIOLET</b>	Creative design and digital agency. EBIT c£1.2m.

## INTERNATIONAL:

<b>AUSTIN</b>	Leading PR consultancy, Istanbul. Blue chip clients.
<b>BAHASA</b>	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.
<b>ERATO</b>	Buenos Aires-based marketing services agency, blue chip client. Profitable with sustained growth.
<b>FORD</b>	Ukraine based, through-the-line agency with strong International brands, creative reputation, professional management team.
<b>LINKAGE</b>	Leading Asia based B2B Public Relations firm with well established in-house knowledge management platform.
<b>PEUGEOT</b>	A US based international loyalty marketing agency.
<b>WOLSELEY</b>	Moscow based, high quality through-the-line creative agency with digital heritage. Experienced Western management.

### 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.

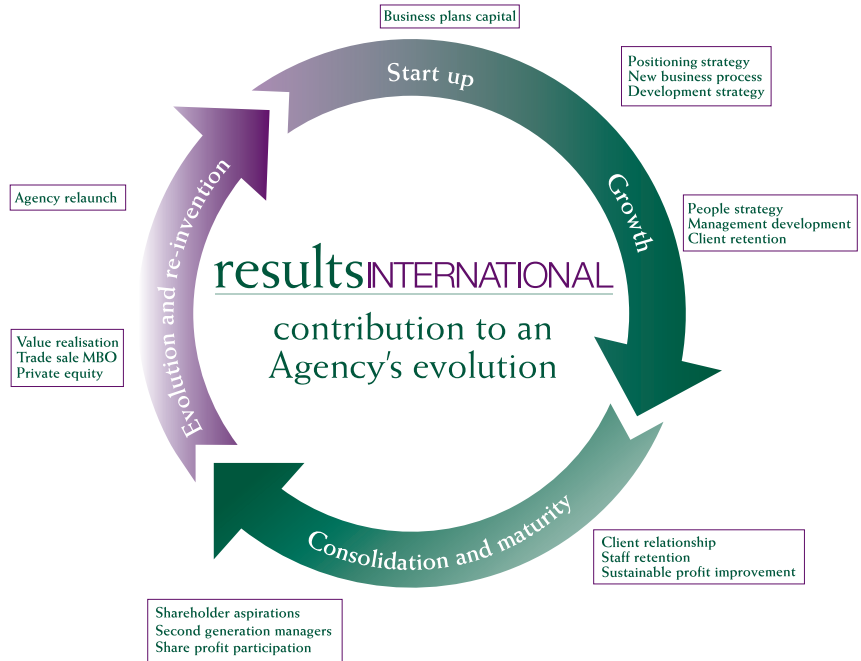
Results International provides in-depth business and corporate advice to the owner-managers of marcoms and new media companies on creating, building and realising value. This enables owners to control the operational and strategic development of their businesses with maximum impact throughout all stages 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 and Eastern Europe, North and Latin America and Asia-Pacific. The firm operates through regional directors in each of these regions. Coverage for the Middle East and South Africa is planned for quarter one of 2008.

RESULTS INTERNATIONAL

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Companies for Sale: Project Names

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Managing Partner



**Andy Collins:**  
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**Chris Jones:**  
Non-Executive  
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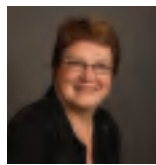
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**Caroline Johnson:**  
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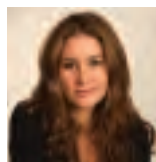
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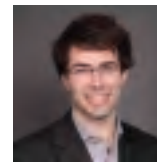
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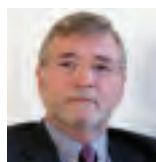
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