It’s gratifying being told by someone that they not only read our Bulletins, but they actually keep many years’ of them for future reference. Those readers with issues 51-53 still fresh in their minds will no doubt be hoping to see a continuation of last year’s headline themes; global macroeconomic trends edging into more benign territory, hard evidence of improving fortunes of marcoms businesses across the globe, heightened levels of strategic M&A activity and forecasts of better still to come.

So will 2011 truly be a new dawn? Perhaps. The kind of dawn that greets a wide-eyed traveller to Peru on their first morning in Lima. The sun has unquestionably risen but to foreign eyes it’s not the familiar dawn to which they’re accustomed as the garúa laying over the city obscures distant objects and even makes closer ones hard to discern.

Within this Issue 54 you’ll read the predictions of some notable commentators, but before looking too far forward it is worth pausing to briefly reflect on the year that was. There were some painful corporate failures last year in the marcoms industry, but they weren’t as numerous as might have been predicted in the circumstances. Asked on 1 January 2010 if they would have settled for the year they finally ended up experiencing, it would probably be
fair to bet that the majority of agency CEOs asked would have accepted it.

Ever increasing client demands (at lower remuneration levels and via ever more rigorous procurement apparatus), the acceleration of technological changes affecting both media consumption habits and delivery mechanisms, and, frankly, some pretty exhausted and downbeat teams have certainly been big challenges for agency leaders. However, their relative success in navigating these very choppy waters bears testament not only to the famous creativity of the industry but also the absolute professionalism with which the best businesses are undoubtedly now run.

What does 2011 have in store for us? Reading the runes is still a very imprecise art. The Q4 earnings announcements from the quoted marcoms groups and digital media businesses will make for very interesting reading. By Q3 the signs were looking very encouraging and analysts were expecting this positive trend to continue, in the same way that the consensus between the economists and forecasters is for growth in the industry as a whole.

However, at the macroeconomic level, the markets are volatile and 2010 ushered in an era where entire national economies have come under rapid and sustained attack. Governments have taken differing stances on bringing their countries back to sustainable growth, with the UK and US currently adopting very different strategies. Where austerity budgets were introduced, such as the UK, the effects will start to show in the first half of this year as cuts bite. There is no doubt that the digital society will continue to present the greatest threats and opportunities for brands and therefore for our industry. As we all might have imagined, last year (again) turned out not to be the year that mobile finally stood up and delivered. There has to be a decent chance however, that 2011 will see its time finally come. Not through some romantic hope or based on the law of averages, but because of the numerous technological, commercial and behavioural indicators that confirm momentum is building and creating a platform for growth.

You only have to look at the app market in 2010 and how this is continuing to drive smartphone and tablet device uptake; mobile web and the expected growth in m-commerce and mobile search, as well as the growth in location services, with Foursquare leading the way and Facebook, Twitter and Google hot on their heels. The drive for greater customer engagement and higher levels of traffic, fuelled by social media, will see more agencies develop or partner to create original content.

Having come through more than two years of its own austerity, living cautiously and conservatively, perhaps the dawn of 2011 will herald the biggest challenge yet to the marketing services industry. It is, of course, a cliché that more businesses go bankrupt coming out of recession than in the grip of it.

Coming out of recession we cannot content ourselves with cost control, but will have no choice but to tackle the bigger opportunities presented by the digital world.

If you would like to discuss any of the issues above, please contact Jim Houghton at jhoughton@resultsig.com
Someone once described a great marriage as not when the 'perfect couple' comes together, but instead when an imperfect couple learns to enjoy their differences.

Data and creative are this imperfect couple and for many years the attempts at making them good bedfellows has been the key challenge in creating the new agency model. Unfortunately, in many of these attempts the issue has not been about how to fuse these disciplines together. It’s been about bigger issues such as culture, leadership, roles and responsibilities.

There is however a new solution, which is being proven out on a massive scale by the new powerhouse digital media owners such as Google and Facebook. It’s the techniques and technologies in these businesses, which will provide the answer for agencies wanting to generate better insight, give clearer client direction and establish more certainty around their creative solutions.

At the heart of these new media owner businesses is what the technology community refers to as ‘big data’. Basically this is the new way in which clusters of databases can calculate in almost real time the answers to previously impenetrable questions.

It’s what calculates the inter-relationships between Facebook’s 500 million users when you download a page and it’s what gives them the ability to mine their multi-petabyte database in minutes, not hours. It’s also the reason why Google, with their understanding of search behaviour, could provide faster and greater detail about the outbreaks of Swine Flu in the US than the Centre for Disease Control.

For agencies, this points to a new level of innovation and certainty. For instance, it’s possible to mine all of Twitter for a full data picture of what people are saying, it’s viable to interrogate Facebook ‘Likes’ for people’s preferences and it’s possible to view a wide array of digital behaviours from ad serving, website and media exchange data.

These incredibly rich and available sources suggest a future in which large pools of data will be central to the planning function in creative agencies. In this new big data world the planning role becomes more about the techniques of the statistical prediction and behavioural economics. However, in achieving this vision there are a couple of practical steps, which are easier to write about than do.

The first is that most of the digital data you need, particularly web, media and mobile data is all over the place, in agencies, in media owners, in formats defined by the measurement tools that are being used. The other challenge is that the data is massive and our minds aren’t quite ready for that massiveness. We still struggle to find the start point to the answers we’re trying to solve when we see the whole of a market. Every behaviour, everywhere is a lovely dream but it’s difficult to comprehend sometimes what to do with it.

As such we believe there are two solutions. Firstly, on behalf of clients there’s an opportunity to invent, on an industrial scale, tools that provide better predictions from the available data.

This is eminently possible and relatively straightforward with the right mindset. For instance, two researchers at HP Labs, Sitaram Asur and Bernardo Huberman, have developed a method using Twitter data to predict how well a movie will do in the first couple of weekends after release. This method is proven to be 97.3% accurate, significantly more accurate than the industry standard Hollywood Stock Exchange. For agencies it means they’re able to reclaim the valued relationship between their work and the outcomes for clients in sectors such as financial services, retail and FMCG, which are beginning to look at this opportunity against specific industry challenges.

Secondly, there’s more of a process-based answer. Not trying to invent new things but simply developing a forensic approach to this type of data and this depth of information. This requires a fusion of many of the traditional planning tools such as qualitative research, market analysis, as well as sophisticated quantitative analysis to address the more voluminous digital data sets. Within this realm, finding disparities and proving things that are not immediately intuitive is the goal that has been written about on many occasions by authors such as Steven Levitt in Freakonomics and Ian Ayers in Super Crunchers.

What’s really interesting here though is that by combining the insights from traditional planning and then exploring the real behaviours and expressed opinions around these insights, statistical and provable certainty is developed. It is this certainty that is the gift that big data gives to the creative department. Data used in this way, on a massive and immediate scale is incredibly powerful sustenance for the flickering flame of creativity. Certainty is the prenuptial agreement that sustains the marriage of data and creativity.

If you would like to discuss any of the issues above, please contact Andy Collins at acollins@resultsig.com
2011

PREDICTIONS

Our industry rests uneasily under the shadow of a meteor of change, as whole swathes run the risk of extinction. The survivors will be smarter, more evolved and exciting.

1) Unstructured data grows in import: 85% of what’s out there is invisible to 95% of insight teams. Getting a handle on this is crucial: this means far more than ‘social media analytics’.

2) Researchers will become knowledge activators, not information providers, with new duties in knowledge management and consultation, not simply the creation of projects.

3) Emotional understanding becomes key. The global financial crisis redefined consumer psychography in ways we’re only just beginning to comprehend - old paradigms of brand and measurement grounded in 1950s thinking don’t stand a chance.

Clare Bruce, CEO, Nunwood

Every industry conference or debate I’ve been to over the last year always ends up with interests focused on social media. Social is a like a magnet, it’s what people want to understand, preach or sweep away. Social seems to polarize people into believing it’s the biggest thing since radio, or it’s purely something that kids do, but will grow out of. I naturally edge towards the first, but I don’t believe it’s at the expense of all other media and I certainly don’t see people growing out of it.

I simply believe that Social Media will have an impact, to a greater or lesser degree, on everything that happens in marcoms - it’s progressively an essential cog in the machine. Like it or not, agencies need to get sharpened up to this new reality. It’s not going anywhere, and it will morph and adapt as users require it to.

I predict that Social Media will be the biggest explosion in 2011 - we’re at the tip of the iceberg. If your competitors understand and grow with it, and the marketing directors understand and grow with it, but you don’t, guess who’s going to win new business.

Hal Stokes, Founding Partner, Punktillo

Budget and ROI
There will certainly be budget constraints, due to the economic climate, which will impact brand marketing in a number of ways. Measurement and analysis of results will become ever more important to justify spend. In an ideal world a universally agreed tool for brand performance, which stretches across sectors and agencies, would take a greater role in working with clients to put measurement at the heart of what they do.

Also Agencies need to accept that clients are working with tighter budgets - this should challenge them creatively and also make sure that the right commercial controls in managing clients’ money are in place. They have to be accountable and be responsible.

Rapid Innovation
As rapid platform innovation in the digital space enables new opportunities for engaging with audiences, Agencies will be expected to produce ‘big ideas’ which can be leveraged across all platforms; old, new and emerging. Ultimately, true integration will be critical going forward. We see many agencies viewing integration as buying up a digital agency - true integration often starts at the concept stage and advertising agencies especially dramatically need to rethink their positioning.

Power and Personalisation
As the shift in power moves from brand to consumer, brand reputation management and brand control becomes more important. Also there is a consumer expectation to be served personalised brand messages with value adds. Creative ideas have to work on multiple platforms and be adaptable and flexible in not just their thinking but also in their implementation.

Tina Fegent, Director, Tina Fegent Ltd

Online will come of age as a medium for brand building not just direct response. There are a number of reasons to believe this is already happening:

1) The convergence of technology. There are already a plethora of products that suggest the lines between traditional TV and the internet are blurring: Virgin TV, Apple TV and plenty of other wireless technologies have got the ball rolling and the emergence of internet enabled TVs, particularly Google TV, will render TV vs Internet a meaningless distinction.

2) Video online. One of the biggest growth areas of the last year has been video online: video blogging, YouTube’s unstoppable growth, TV services like iPlayer and Seesaw are just the tip of the iceberg. For brands, the increasing number of video player units on websites, that allow streaming HD video, changes the game for display advertising.

3) The inexorable rise of social media. Disney have over 100 million likers on Facebook, Oreo biscuits have 15 million. The numbers are growing to such a level that social media is starting to deliver the marketing holy grail; huge numbers of brand advocates that can be reached at very low cost. This means brands can communicate regularly and relevantly with their core customers and either reinforce or shift brand perceptions.

These three things will change the way consumers use media and the way brands communicate with them. Traditional media is not going to die but the game has changed forever. Clients and agencies are going to have to change their models, their ways of working and their channel focus if they are going to capitalise on the amazing opportunities that this will create.

John Wood, Managing Director, Libertine London Ltd

2011 is going to be tough on several fronts. Job losses in the public sector and reduced expenditure by the ‘squeezed middle’ will combine to make things very difficult for retailers and manufacturers alike.

In the marketing communications world the squeezed middle will be us, the agencies: squeezed between requirements from brand managers to maintain share in this competitive environment, and a demand
from Finance to achieve these results with smaller or static budgets. Which makes it highly likely that 2011 is the year that we finally see more major brands really thinking (and acting) beyond traditional paid-for media, if only in an attempt to make budgets go further.

**Peter Dann, Director, The Nursery**

I believe that the Government’s austerity measures will have further impact on the economy in 2011, making it another challenging year for the marcoms industry as a whole. Marketers will continue to strive to maximise budgets and search for truly effective campaigns that provide the best possible ROI and will be under pressure to deliver. That said, we are currently experiencing renewed confidence across many sectors and expect that to continue with caution on both agency and client side. The dust has generally settled on the rationalisation process across many businesses and I would describe the current market prediction for 2011 as ‘cautiously optimistic’.

**Julian West, Managing Director, J2**

2011 will be characterised by the increasing importance of Asia for both UK based agencies and the wider marcoms industry in terms of overall spend.

Agencies that can work with global clients and work everywhere will profit. Those that have relied on just UK and also the huge government marcoms spend will struggle. Technology-led plays and finance (including mobile) will drive the market spend as these devices become as much a part of daily life as toothpaste.

**Adam Hall, Finance Director, Fig Tree Network**

If 2010 could be summed up as the year where social media grew up into a bona fide advertising medium, 2011 could be remembered as the year when mobile follows suit. Smartphone usage is set to increase with 50%+ consumers in the UK predicted to own one by the end of the year. Such uptake will see the lines between mobile and online become increasingly blurred. It will be interesting to see how the main players capitalise on the trend. At present Facebook doesn’t have any ads on mobile. So you can bet that they – and their competitors – will launch new mobile ad formats in 2011.

Social media will continue to mature, with monetization being the key area of innovation. In addition to the increasing prevalence of incorporating PayPal functionality and social media currency explosions like Facebook credits, additional revenue streams will come from integrating purchases into friends’ alerts. As mobile cuts through and social media continues growing from strength to strength, we’re looking forward to seeing how the main players react; no doubt with dazzling innovations. The safe money says Google and Facebook will lead the way. In such a dynamic and ever-changing field as ours, it’s comforting to know that some things remain the same.

**Matt Isaacs, Founding Partner, Essence**

In 2011, digital marketing will be prominent as consumer behaviour shifts unabated to social networks, mobile devices and e-commerce. I expect to see increasing competition and choices for marketing spend between browser and application-based strategies and channels. Whilst more local targeting, regional sales and promotions tactics will develop exponentially, consider the potential influence that companies like Groupon, Facebook, LinkedIn and Twitter can have in this regard.

**Jacques van Niekerk, Chief Executive Officer, Acceleration**

Our view for 2011 is one of optimism for our industry. Clients recognise the continued need to invest in and build their brands and an overall growth in confidence will translate into stronger investment in consumer engagement programmes. The exponential growth of social media has transformed the opportunities for brands to engage with their consumers and the landscape is going to continue to shift with the wider use of mobile devices. The agency challenge will be to finely tune its media and market intelligence to achieve cut through across all the different channels and deliver maximum value to its clients.

**Caroline Kinsey, Founder/CEO, CirKle PR**

If you would like to discuss any of the issues above, please contact Angela Lurssen at alurssen@resultsig.com
What makes a successful agency? In today’s cash-strapped world, it’s a question being asked by big and small businesses alike. So how do you get it right and what are the challenges of the future likely to be?

These were some of the questions on the agenda at a recent roundtable event hosted by Results International. The attendees were some of the movers and shakers from this year’s ‘Private Plums’ survey - an independent assessment of the financial credentials of the 71 largest privately-owned companies in the marketing services sector. The survey was carried out by the Fintellect consultancy and edited by Bob Willott.

They began with an agreement that a key element of success is authenticity and ‘keeping it real’, but that this type of culture is difficult to keep going as the agency grows: especially once past the 65-70 person level. Expansion can dilute service quality, particularly with clients demanding that everything is always right first time.

In fact, one attendee spoke of a client who once requested only an 80-90% quality job due to budgetary constraints, rather than the 150% he normally gets. He paid accordingly, but on delivery reverted to demanding the uber quality he had become used to at the knock-down price.

This also means managing the quality of clients. The more disorganised they are internally, the more overservicing they will probably require from their agency. With client retention so important, it’s vital to manage profitability on long-term partners. Attendees commented that added-value services such as research can be a way forward for proving an agency’s worth. Where such services are something that the client cannot provide themselves and provide a competitive advantage, agencies can become indispensable.

Of course, that then leads to formerly specialist agencies offering more integrated services. Some clients want everything from one agency while others look for the best in each discipline and will manage integration themselves. The former is more common among so-called smaller ‘tier two’ clients and the latter among the big ‘tier one’ multinationals.

It was generally agreed that a big problem with integrated agencies is the future, because they’re harder to sell as “people tend to buy in silos”.

So when it comes to mergers and acquisitions, specialists definitely sell over full service models. Not only do specialists generally command a better price than those agencies with a generalist, undifferentiated offer but the latter are increasingly unlikely to find M&A partners at all in mature markets.

This presents an increasingly pressing need for existing businesses built around a full service model to contemplate how they can re-engineer themselves, despite the enormity of the task.

Another issue highlighted with integration is the role of digital and the feeling that “if you don’t do digital, you don’t do anything”. The traditional polarisation of digital and non-digital seems to be fading, although one attendee noted that senior management who don’t ‘get’ digital can be resistant to taking it on board.

When asked about the situation in five years’ time, they discussed how digital natives will be coming into senior management positions at client organisations, which will possibly decrease their reliance on digital agencies but mean they might lack skills in and knowledge of the more ‘traditional’ marketing disciplines. An interesting turn-around on today’s scenario.

One attendee worried that the increasing role of procurement departments would lessen the chance of independent agencies being able to work with ‘tier one’ clients, but there continues to be debate over this point. Another commented that start-ups need ‘tier one’ clients to succeed – and there are plenty of newish start-ups with such clients, such as Adam & Eve and 18 Feet and Rising. A third pointed out that not all agency heads are looking to sell out and are happy working in their niche. This may then lead to polarisation between the big, scale-based players and small niche boutiques.

The drivers of agency success are obviously manifold, but it was agreed by all present that they depend on agency founders playing to their strengths and complementing them where needed to facilitate growth, usually by bringing in experts in areas where the founders are weak. There was broad consensus that trying to be a jack of all trades rarely works out.

Similarly, several attendees noted how the ‘big characters’ that defined the industry in years gone by have faded away, replaced by rather less flamboyant people who often possess business rather than creative backgrounds. One commented how “clients drive this as there are so many things they tell you that you can’t do” and that cultures generally have become more corporatised.

Nonetheless, there is a role for the “big, inspirational leader” in that their profile/fame can create and add value for clients and for the agency as a whole. Even though the cult of personality is disappearing (as noted by the decreasing number of agencies named after their founders) there is a lot to be said for building a corporate profile. As one attendee said, “the day after we win an award the phone rings off the hook with interest from potential new clients”.

If you would like to discuss the above topic, please contact Keith Hunt at keithhunt@resultsig.com or Andy Collins at acollins@resultsig.com
RESULTS INTERNATIONAL - GROWING YOUR VALUE

HOW HIGH PERFORMING TEAMS CAN PRODUCE BETTER RESULTS IN YOUR BUSINESS

My induction into ‘High Performance Teams’ was a chilly experience, literally rather than metaphorically that is. Having been into long distance running for several years, a few in desert environments, a friend of mine, Martin Palethorpe, had called me one warm August evening, ‘How do you fancy doing something cold for a change, a race to the North Pole?’ ‘Sounds amazing’ I said, ‘but I can’t ski!’

The enthusiasm in his voice was infectious and 9 months later I found myself playing back the same conversation to him and my other team mate Stuart, this time on the start line of the Polar Challenge, a 650km unsupported race to the North Pole. We felt ready for what lay ahead, we performed and acted like a team and we knew what we needed to do to win.

Moving back in time 9 months, we met for the first time to discuss the race. What food would we need? What training plan should we follow? Oh and how do we raise £45k sponsorship for the race? What would we follow? Oh and how do we raise £45k sponsorship for the race? What would we do? How would we think and react under extreme physical and mental pressure?

Shooting forward 9 months again, I stood on the start line feeling enormously prepared, surely no one had trained as hard as us or prepared as well? This was backed up by observing the behaviours of the teams on the 5 day trek to the start line. It was clear that some teams were dysfunctional, others arguing under the stressful conditions, others unclear how to work together effectively. Our only competition came from a team led by a military officer.

Ralph’s programme had prepared us well and we all felt confident and, as the gun went off to signal the start of the race, we shot off into the lead. But 4 days in, disaster struck. Martin had been nursing a blister which had appeared a couple of days into the race. As it was only a blister, it had been strapped up and ignored but had got infected. By the time we reached checkpoint 1 Martin had developed septicaemia and was pulled out of the race by the medical staff. We would need to continue as a 2-man team, sharing the additional load of his 10 stone sledge between us.

After 14 days of racing we crossed the finish line in 1st place, 23 hours ahead of the next team.

Not only did we have a clear plan but we were also seeing signs of team developing – accountability to ‘self’ and the team, focus on the goal, positivity, responsibility to task, all the things we lacked at the early stages.

The programme also helped us identify our weaknesses as well as our strengths. We still needed help with things like diet, training and psychology so we brought in top nutritionists, coaches and psychologists to help. How would we think and react under extreme physical and mental pressure?

Lessons learned from the Arctic in developing successful teams:

1. Teams aren’t formed overnight, it takes time. Ongoing training, not a one-shot deal.
2. Develop a clear set of objectives, spelled out unambiguously by Management.
4. Develop metrics allowing the team to access their performance, show connection between the team’s work and key business indicators.
5. Open culture, but assign key roles and leaders.
6. It’s all in the detail; nothing should be overlooked in your planning, the smallest thing can trip you up however unimportant something feels make sure it’s covered off.
7. Get expert help, you have busy jobs and a business to run.

If you’d like to know more about how to develop High Performing Teams within your business please contact mwelch@resultsig.com

www.resultsig.com
UK: Miles Welch
With the government’s budget cuts, the uncertain financial outlook and the pressure on marketing budgets, agencies will need to be in a constant state of change to stay operationally and commercially on top of their game.

Businesses that embrace change, and are equipped to manage a state of ‘constant’ change, will have a better chance of success in 2011.

Facebook will sort out their privacy issues, then create some more.

Western Europe: Jim Bell
After years of anticipation, the mobile Web is finally maturing. By 2013, the US mobile Internet audience is expected to reach 134.3 million users. In the US, one network alone, AT&T, has seen its mobile data traffic increase by fifty times in just the last three years. Perhaps the biggest name in mobile consumer products, Apple’s iPhone, has stimulated 3 billion mobile application downloads since the opening of the App Store less than two years ago.

In Europe, UK, Scandinavia and France are the leaders in Smartphone usage and many of the major multinational marketing communications groups such as Publicis and WPP are making significant investments in acquiring mobile marketing capabilities.

With recent advances in mobile commerce, advertising cannot be far behind. In fact, the industry anticipates a $1.56 billion mobile advertising market by 2013. Google and Apple have both made high-profile mobile ad network acquisitions that are helping to fuel expectations.

Behind the scenes, accelerating smartphone sales are further driving this boom. Morgan Stanley predicts smartphones will outShip the global PC market (that’s desktops, laptops and netbooks combined) by 2012. Smartphones already beat basic feature phones by a factor of five times in complex services usage, such as email and Web browsing.

If search is the dominant function on the Web, it’s even bigger in mobile. Given the smaller screen size, hand-held devices encourage searching over browsing. More significantly, the “anytime, anywhere” appeal of smartphones stimulate impromptu searching when shopping, travelling or pursuing leisure activities.

The most recent search upgrades are designed to make mobile search even faster. Google is leading a trend that would allow searches by location (leveraging GPS technology), by pictures (using built-in phone cameras) and even by voice input. The combination of more sophisticated devices, more powerful browsers and superior connectivity — today’s WiFi and 3G network speeds can be as much as six times faster than their 2G and 2.5G predecessors — have elevated end-user expectations. Speed of response, user interface and reliability have become the benchmarks for expectations. Speed of response, user interface and reliability have become the benchmarks for expectations. Speed of response, user interface and reliability have become the benchmarks for expectations. Speed of response, user interface and reliability have become the benchmarks for expectations.

The proliferation of communication channels, especially in digital, has dramatically changed the market, and today the consumer calls the shots. This trend is irreversible and will even accelerate in this part of the world as internet connectivity and access grows throughout Latin America. As never before, the consumer will be able to build or kill a brand, as well as create and consume his/her own content.

In view of this, beyond a shadow of a doubt, the challenge for agencies in 2011 will be to ensure they comprehend this new and ever changing environment, focused on targeted content and ‘conversations’ with the consumer. Thus, the existence of highly professionalised research and data analysis departments to follow consumer behaviour, attitudes and preferences is of the utmost importance.

Brazil/Latin America: Eduardo Steiner
Digital technologies have produced significant changes in the advertising world. Until recently, agencies focused on the creative angle as the starting point for their actions, but now, they are forced to break the paradigm and include technology and content as essential parts of the process.

The proliferation of communication channels, especially in digital, has dramatically changed the market, and today the consumer calls the shots. This trend is irreversible and will even accelerate in this part of the world as internet connectivity and access grows throughout Latin America. As never before, the consumer will be able to build or kill a brand, as well as create and consume his/her own content.

In view of this, beyond a shadow of a doubt, the challenge for agencies in 2011 will be to ensure they comprehend this new and ever changing environment, focused on targeted content and ‘conversations’ with the consumer. Thus, the existence of highly professionalised research and data analysis departments to follow consumer behaviour, attitudes and preferences is of the utmost importance.

Spain: Pedro Calderón
In our geography, we believe the market is going to be more fragmented (as a consequence of many new start ups) and evolve in three different kinds of cluster players that will interact with communications in three ways:

1) Big agencies (mostly international) will still play the integration and specialisation game, using both poles to leverage capabilities, size and opportunities.

2) Mid size agencies (mostly national) will have integration at the core of their growth strategies.

3) Small agencies will claim specialisation and collaboration with other specialists to leverage their own capabilities and clients service demands.

In terms of M&A we predict growth in activity in digital (after two years of strong growth and cost rationalisation), PR, healthcare and agencies consolidating their businesses to offset margin erosion and increase service capabilities.
Germany: Arne Tödt
Overall sentiment of the German marcoms industry will remain positive in 2011 and is expected to grow by 3%. The strong recovery of the German economy and increasing spending in online advertising are key drivers for growth. This is spurred by the breakthrough of video ads in social media now becoming a relevant category in the marketing mix of advertisers. While M&A activity in 2010 has lagged behind other key markets, such as the US and UK during 2010 (down 35% in volume vs. 2009), M&A activity has significantly increased over the past few months so much more activity is expected in 2011. While international buyers are attracted by the strong recovery of the German economy, there is also a need to increase skills as clients demand multichannel service capabilities. Most business owners have, during the course of 2010, recovered from 2008/2009 and are keen to discuss opportunities for growth due to their stronger balance sheets and enhanced business performance.

Central & Eastern Europe: David Blois
1) Resurgence of Russia
When compared to its BRIC compatriots – Brazil, China and India – Russia is the exception. It is not currently growing at the same rate despite having vast energy and mineral wealth, pent up consumer demand and government and household finances in a sound state of health. This, I believe, is about to change as a new driver of growth is fuelled by increasing wages and lower taxes. Social reforms have created a welcome safety net, giving consumers the confidence to spend more and catch up with their Western counterparts. In this favourable environment, domestic demand for goods and services will increase significantly.

2) Strong marketing communications investment in Turkey
Turkey, the China of Europe, will continue to be one of the fastest growing advertising markets in the world. A continuing trend will be the high level of interest from serious investors in the marketing communications sector. This includes niche players as well as major holding companies who will be looking to consolidate their footprint in this geographical and strategically important market - the only European market identified by Goldman Sachs in their ‘next eleven’ fastest growing economies report.

3) A move towards integration
Trends in marketing communications invariably tend to follow the patterns of the more established markets. I believe that 2011 will see an increasing convergence of on-line and off-line marketing agencies. This will be driven by the need of digital agencies to develop and the motivation of the larger integrated agencies to more fully embrace digital at the request of their clients.

Middle East & North Africa: Imad Klabawi
Following on from two ‘quiet’ years, 2011 is expected to show increased momentum in trade activities, which will reflect positively on the marketing and communications sectors. Clients are expected to increase their marketing spend, albeit with stronger demands on measurable (and better) returns, which will give greater rise to specific sectors such as one-to-one marketing and, of course, digital.

Government spending will continue to stimulate economies, not only in the usual markets of KSA, UAE and Qatar but also in Kuwait where mega projects are expected to be given the go-ahead. KSA has approved its highest budget ever for 2011.

As a result of strong domestic markets, favourable demographics, market growth and liquidity from oil and gas revenues, M&A activity in the marcoms sector is expected to increase in 2011 but mainly for quality opportunities. Buyers, including private equity firms, have stepped up their enquiries and we should hear about acquisitions in the course of 2011.

North Asia: Chris Beaumont
North Asia may be a region of economic and social contrasts, but as we go into 2011 a unifying marcoms characteristic is the focus on innovation for brands to capture the hearts and minds of consumers in new ways. Of course technology is a key empowering ingredient which goes beyond the burgeoning number of new smart phone apps.

In Japan, the use of GPS will come of age to create a new form of mobile marketing. One such example is the use of GPS in gaming. Travel is an obvious element but we will also see social media content connections and a boom in virtual currency (pura) and augmented reality.

Korea remains the country that leads digital convergence and as such offers a ‘future’ window on new behaviours and how brands are impacted by new forms of community and monetising apps.

China will start to go west (within country) as they persist in their central strategy of “expanding domestic demand and maintaining steady and relatively fast development”.

Across the marcoms continuum, from traditional to mobile media, we are witnessing unparalleled growth; the key challenge is to integrate and be able to connect (on- and off-line) with the population in second and third tier cities in order to establish a platform for sustainable growth.

South East Asia: Andrew Kefford
It is expected that the region will continue its strong economic growth in 2011 – not the wild growth levels experienced in 2010 (Singapore over 15%) as exports picked up globally but a more sustainable level of around 5 – 6% for the four bigger markets; Singapore, Indonesia, Malaysia and Thailand. Currently, the majority of the region’s exports are to China, so this does depend, to a certain extent, on continuing export and domestic consumption in this critical market.

The marcoms sector is growing at a similar pace (faster in the largest market, Indonesia) within which there continue to be a number of very good companies looking for international partners who are not completely focussed on China and India.

To discuss global expansion, please contact
Andrew Kefford at akefford@resultsig.com

www.resultsig.com
WHAT’S HOT IN M&A

Following a poor 2009, 2010 saw a very significant increase in global M&A activity in the marcoms and related technologies sector. Per the Results International database of transactions in the sector, 226 deals were recorded in 2010, up 60% from the 142 deals recorded in 2009. The 2010 level was still 15-20% below the heady days of 2007 and 2008, but as the year started slowly, gradually picking up momentum into a very busy final quarter, we might well expect this trend to continue into 2011. Certainly our current activity levels at Results International are at an all-time high.

Several factors have been driving this increase. Inevitably the activities of the big five marcoms networks have had a significant influence.

Last year saw their return to the M&A market with over sixty completed transactions, more than double the number seen in 2009 (twenty-seven transactions).

There was a strong foray in particular by WPP who completed twenty-six transactions across thirteen countries, fourteen of which were in the digital space and eleven were in the US. Publicis and Omnicom announced their return to the M&A market after a particularly quiet 2009 completing twelve and eleven transactions respectively.

Interpublic and Havas also stepped out into the market with another 12 transactions between them as they make a play for new territories. We expect networks’ M&A appetites to remain strong throughout 2011. We also saw a growing amount of activity from the Private Equity and Venture Capital houses in 2010 with the majority of transactions tracked by Results falling into the digital and digital tech space.

More sizeable fundraisings include a $200m fundraise by US social network Twitter, €62.5m raised by UK marcoms company Engine Group, $50m by German email marketing technology platform eCircle, $550m by US ad network Glam Media, $40m by US video monetisation and advertising company Tremor Media and $33m by US social gaming developer Playdom.

Indirectly, Private Equity led to further M&A activity as PE-backed companies, such as FullSix, used their financial backing to go on the acquisition trail. In the case of FullSix, to acquire UK digital agency Grand Union.

Overall digital was the most popular sector for M&A activity, but it was by no means alone. The PR sector had a surprising amount of activity with Next Fifteen, Huntsworth, Lewis and Edelman all completing deals in the sector.

Another popular sector in 2010 was healthcare with a large amount of M&A activity across multiple disciplines covering PR, medical education, market access and digital. Most of the transactions took place in Europe and North America with over 25% coming from the UK and the US. A few transactions worth noting are Publicis Groupe’s acquisition of UK strategic healthcare communications agency Resolve Communications, Huntsworth’s acquisition of UK healthcare PR agency Scope Medical and the acquisition of UK market access company Total Healthcare Group by United Biosource Corporation.

As many acquirers were driven by the need to target fast growing companies and to service clients globally, it was inevitable that the emerging markets would see plenty of activity with Brazil, China and India being the destinations of choice.

The most active acquirer was Publicis Groupe which completed seven transactions in these countries. Four of these were in Brazil and transactions include digital agency AS2 which will lead its digital operations in the region, a majority stake in leading Brazilian digital agency Talent and Chinese advertising agency G4. WPP and Interpublic also made acquisitions in the digital space in Brazil with WPP acquiring Midia Digital and I-Cherry and Interpublic acquiring CUBOCC.

Another encouraging sign in 2010 was the emergence of buyers that might not have been associated with marcoms in the past, for example Hearst Corporation bought iCrossing and St Ives plc acquired Occam.

You may be wondering how valuations fared over the year? Multiples paid for leading businesses and technologies have remained strong with the main difference being a greater proportion of consideration being deferred in order to minimise risk for the acquirer.

What can we expect to see in 2011? Given the amount of interest Results is seeing both from potential vendors and acquirers, this year could well return to the levels seen in 2007 and 2008. The major networks will continue to acquire in the digital arena and emerging markets and we expect to see a sharp growth in transactions across the social media spectrum as companies seek to get ahead or stay ahead in this fast moving area.

We also expect to see the major digital players like Google and Facebook continue to make further acquisitions and there will be plenty of hype and speculation in the next twelve months around the potential Facebook and Twitter IPOs.

If you would like to discuss the above topic, please contact Keith Hunt at keithhunt@resultsig.com

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. If you’d like to discuss the opportunities below in more detail, please contact Angela Lurssen at alurssen@resultsig.com.

UNITED KINGDOM:

<table>
<thead>
<tr>
<th>ATLANTIC</th>
<th>A well known B2B lead generation business specialising in the technology and communications sector.</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLUE OCEAN</td>
<td>Fast growing, London-based, specialist social media agency with EBIT of £400k and a blue chip client base.</td>
</tr>
<tr>
<td>BLUE SEA</td>
<td>London-based number one iPhone/iPad application developer with EBIT of £550k.</td>
</tr>
<tr>
<td>EVEREST</td>
<td>UK market leading customer experience evaluation agency in mystery shopping and customer satisfaction research. Blue chip clients in the retail, leisure, hospitality and gaming sectors. Over £1m EBITDA.</td>
</tr>
<tr>
<td>JUPITER</td>
<td>Highly creative, integrated agency located within the M25 with a blue chip client base and a strong digital capability looking to join forces via an acquisition with a London-based digital agency.</td>
</tr>
<tr>
<td>MORZINE</td>
<td>Award winning full service PR agency with key strengths in consumer and B2B with a strong digital capability.</td>
</tr>
<tr>
<td>VAIL</td>
<td>Leading full service PR consultancy, outstanding client list and EBIT significantly in excess of £1m.</td>
</tr>
</tbody>
</table>

www.resultsig.com
**WESTERN EUROPE:**

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVIEMORE</td>
<td>Scandinavian marketing PR network with EBIT of €550k, headquartered in Stockholm.</td>
</tr>
<tr>
<td>BLUEBOX</td>
<td>New online sports gaming startup seeking a €5m investment.</td>
</tr>
<tr>
<td>BOND STREET</td>
<td>Madrid-based leading Internet and advertainment agency, seeking investment or acquisition by an international group.</td>
</tr>
<tr>
<td>GREEN PARK</td>
<td>Barcelona based Outdoor Media Specialist Agency seeking investment or acquisition. EBIT 2009, €143k.</td>
</tr>
<tr>
<td>SPRINGBOK</td>
<td>Highly successful Paris-based advertising agency. Long term, high margin business, with strong growth.</td>
</tr>
</tbody>
</table>

**EASTERN & CENTRAL EUROPE:**

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOBLE</td>
<td>Leading Istanbul integrated agency, highly profitable with EBIT level of €1.2m seeks trade buyer.</td>
</tr>
<tr>
<td>TESLA</td>
<td>Leading Istanbul PR consultancy with top international brands and €6.5m fee income seeks trade buyer.</td>
</tr>
<tr>
<td>XENON</td>
<td>Istanbul based media sales agency with revenue €2.5m, EBIT €0.8m seeks trade buyer.</td>
</tr>
</tbody>
</table>

**ASIA-PACIFIC:**

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAHAMAS</td>
<td>A well established, Indian and Mumbai based TV and feature film production company seeks a strategic partner or funding of US $10m.</td>
</tr>
<tr>
<td>CAMERON</td>
<td>Singapore-based 28-strong leading independent interactive agency with two additional offices in the region seeks trade buyer.</td>
</tr>
<tr>
<td>CASCADE</td>
<td>Integrated marketing firm headquartered in HK, but operating across Asia that has consistently out-performed the market. After almost 3 decades the firm has established a preeminent position based on technological leadership and executional excellence, with an estimated EBITDA of US $953k seeks trade buyer.</td>
</tr>
<tr>
<td>MERLION</td>
<td>The leading design company in Southeast Asia with blue chip client base seeks trade buyer.</td>
</tr>
<tr>
<td>ST JOHNS</td>
<td>India based integrated communications agency seeks trade buyer.</td>
</tr>
<tr>
<td>ST KITTS</td>
<td>Leading Indian-based, well established integrated software solutions provider specialising in web design, CRM, online advertising and email marketing with blue-chip client base seeks trade buyer.</td>
</tr>
<tr>
<td>ST LUCIA</td>
<td>Indian-based pioneering and highly awarded independent full-service digital interactive/digital communications agency seeks trade buyer.</td>
</tr>
</tbody>
</table>

**MENA:**

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AQUA</td>
<td>Dubai based experiential marketing agency with young and creative management team. PBT over $1m seeks trade buyer.</td>
</tr>
<tr>
<td>ATLANTIS</td>
<td>Dubai based award winning advertising agency with a talented and ambitious management team and diversified income seeks trade buyer.</td>
</tr>
<tr>
<td>CORAL</td>
<td>Market leading digital agency with people, processes and technology of world-class standard and headquarters in Dubai. Revenue $8m seeks trade buyer.</td>
</tr>
</tbody>
</table>

**LATIN AMERICA:**

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOLERO</td>
<td>High profile Sao Paulo-based interactive agency, the 10th largest in Brazil. Internationally experienced management team with strong social media expertise seeks strategic partner.</td>
</tr>
</tbody>
</table>

**Conditions:**

1. All clients whose details are provided in this bulletin, and respondents, are deemed to accept the need for absolute confidentiality on all information provided by clients and will be expected to sign a confidentiality letter before any information will be provided.

2. Important note: the information contained in this document does not constitute an offer or invitation to subscribe for shares. Every reasonable effort has been made to ensure the reliability of the information contained herein, but no warranty is given as to its accuracy or completeness.

Authorised and approved by the Financial Services Authority (FSA).
If you would like to discuss any of the articles in this bulletin please contact Angela Lurssen at alurssen@resultsig.com

www.resultsig.com