

MARCOMS AGENCIES LEAGUE TABLE

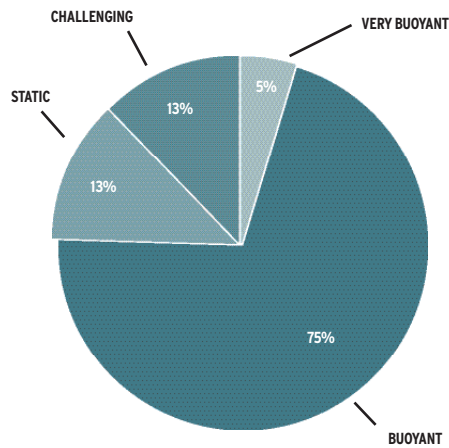
AGENCY NAME	MOST RECENT GROSS INCOME FIGURES (£M)	PREVIOUS GROSS INCOME FIGURES	PER CENT CHANGE	PER CENT INCOME FROM B2B CLIENTS	B2B INCOME (£M)	RANKING BASED ON B2B INCOME	STAFF 05	STAFF 06	OVERALL RANK LAST YEAR	YEAR-ON-YEAR INCREASE
1 Gyro International	22.3	15.5	44	90	20.7	1	130	200	1	6.8
2 Geoff Howe	11.37	10.8	5	55	6.25	3	130	140	2	0.57
3 IAS Smarts	10.2	3.1	229	60	6.12	4	62	220	16	7.1
4 Radley Yelder	7.45	6.75	10	90	6.75	2	75	85	N/a	0.7
5 Aga Group	5.9	5.7	3.5	60	3.54	8	30	32	7	0.2
6 Rufus Leonard	5.26	4.66	13	60	3.16	10	60	60	N/a	0.6
7 Loewy	5.2	3.3	58	52	2.74	12	N/a	N/a	26	1.9
8 Tidal Wave	4.59	3.99	15	100	4.59	5	51	65	5	0.6
9 Planet	4.2	3	40	100	4.2	6	20	22	10	1.2
10 The JJ Group	3.9	3.7	5	50	1.95	20	81	83	N/a	0.2
11 Wyatt International	3.73	3.45	8	97	3.6	7	32	33	8	0.28
12 Cicero	3.35	2.99	12	96	3.2	9	38	42	N/a	0.36
13 Uffindell West	3.01	2.64	14	90	2.7	13	24	30	N/a	0.37
14 Volume	2.82	2.47	14	100	2.82	11	28	38	N/a	0.35
15 Mason Zimpler	2.6	2.2	18	100	2.6	14	35	45	17	0.4
16 The Think Tank	2.6	2.65	minus 18	100	2.6	14	19	19	12	-0.05
17 The Crocodile	2.45	1.7	44	68	1.6	23	28	28	21	0.75
18 Connection2	2.35	1.8	31	100	2.35	16	32	45	N/a	0.55
19 The Marketing Practice	2.1	1.2	81	100	2.1	17	18	31	N/a	0.9
20 Barrett Dixon Bell	2	2	0	100	2	18	18	18	N/a	0
21 Birddog	2	2	0	100	2	18	10	10	18	0
22 Barrett Howe	1.98	1.25	58	75.6	1.5	24	20	16	N/a	0.73
23 Base One	1.9	1.7	12	95	1.8	22	30	40	20	0.2
24 Technical Associates	1.9	1.4	36	100	1.9	21	15	15	N/a	0.5
25 CMAS	1.4	1.7	minus 17	80	1.12	27	12	11	N/a	-0.3
26 Moonfish	1.4	1.36	3	70	0.98	31	24	21	19	0.04
27 Mabox	1.36	1.3	4	65	0.88	32	12	12	23	0.06
28 MGA	1.27	1.29	2	95	1.2	25	20	18	3	-0.02
29 Cognito Integ Mrktng	1.25	0.46	171	65	0.8	33	6	9	N/a	0.79
30 CIB	1.21	1.17	3	98	1.19	26	19	20	15	0.04
31 Native	1.2	N/a	N/a	90	1.08	28	18	20	N/a	N/a
32 JellyBean Creative	1.2	1.1	9	90	1.08	28	10	12	22	0.1
33 Three's Company	1.2	1.3	minus 8	90	1.08	28	11	12	N/a	-0.1
34 DNX	1.1	1.1	0	55	0.6	35	16	25	24	0
35 Richardson Carpenter	0.73	0.68	7	100	0.73	34	10	10	N/a	0.05
36 Michael Rigby Assoc.	0.7	0.6	16	75	0.52	37	19	23	N/a	0.1
37 Clear Comms	0.58	0.28	107	100	0.58	36	10	8	30	0.3
38 Flamethrower	0.5	n/a	N/a	50	0.25	40	5	11	N/a	N/a
39 Aardvark Media	0.45	0.35	29	80	0.36	38	6	10	N/a	0.1
40 Clockwork IMC	0.3	N/a	N/a	100	0.3	39	4	4	29	N/a

Data shown relates to the 2005 financial year, ending Dec 05 or Mar 06. To qualify for this league table, marcoms agencies had to generate at least 50 per cent of income from B2B clients. The following agencies completed the survey, but were not included because the percentage of B2B income was below this threshold. TDA, SAS, Red C, Presky Maves and Intelligent Marketing. Masius also completed the form, but was unable to provide financial information due to restrictions imposed by the Sarbanes Oxley legislation in the US, regarding the subsidiaries of US-owned parent companies. McCann Erickson Business Comms and Banner Corp are also impeded by this ruling.

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B2B agencies continued to flourish in buoyant marketing conditions in the 2005 financial year, according to the latest *B2B Marketing* agency survey

FIG 1: HOW WOULD YOU DESCRIBE THE STATE OF THE MARKET AT PRESENT?



MAKE HAY WHILE THE SUN SHINES

It's been another good year for specialist business marketing agencies, with all but a small minority reporting significant increases in their gross income figures. Impressive growth was reported by agencies of all sizes, specialisms and locations, reflecting a generally buoyant market with positive clients resulting in opportunities for all. The league table itself has also expanded this year, to provide a better representation of the agency community; yet it is still not exhaustive, with some consultancies declining to provide data.

29.9% THE AVERAGE INCREASE IN GROSS INCOME OF B2B AGENCIES IN THE LAST FINANCIAL YEAR

year, a dramatic increase on last year's figure of 12 per cent. However, this figure is arguably unduly influenced by the performance of the top three fastest growing agencies (see Figure 7), all of whom have experienced extraordinary growth. As previously mentioned, in the case of IAS Smarts, this was primarily the consequence of acquisition by Media Square, rather than organic growth based on improved performance. This is not, however, to denigrate or undermine its achievement.

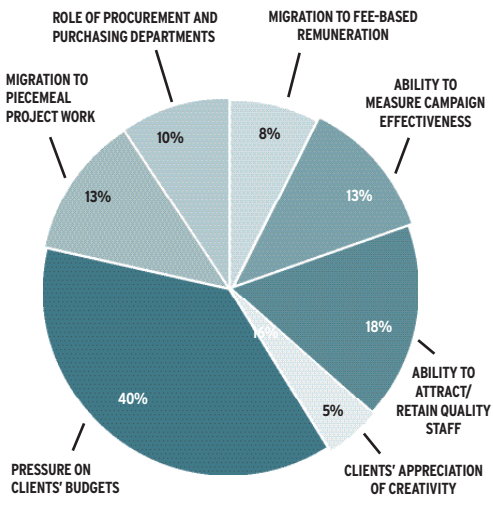
For the second year running, Gyro International has been recognised as the biggest B2B agency in the UK, with a sizeable gap over second-placed Geoff Howe, although its dominance is bigger if only the B2B income figures are considered.

The recent trend for industry consolidation is reflected in IAS Smarts' and Loewy's improved positions from last year, with the former benefiting from an enormous leap due to the merging of various smaller creative businesses to the core of what was IAS. Meanwhile, Loewy continues the gradual process of expansion through acquisition.

On average, specialist B2B agencies grew by 27 per cent in the last financial

If the top three agencies are removed from the reckoning, the average growth figure falls to a more reasonable, but still very respectable, 15 per cent. This is reflected in the findings in Figure 1, which demonstrates that 80 per cent regard market conditions to be either 'buoyant' or 'very buoyant'. This is an increase on last year's survey, where this combined figure was just over 70 per cent, which is a positive indicator, although the number of agencies regarding the market as 'challenging' has also increased, at the expense of those selecting 'static'. It would seem that agencies' view of the market is

FIG 6. WHAT IS THE PRIMARY CHALLENGE THAT YOU ARE FACING?



ARE WE ADDING VALUE?

Danny Turnbull, MD of Cicero, ponders the findings of the agency survey, and suggests that generating real points of difference for clients is about more than just clever creative

It's interesting, but perhaps not surprising, to see that the 'technology' sector is the one identified by the majority of agencies as the one they're most active in. And it's fairly easy to identify why this is the case.

The sector recognises that its markets are continually changing, and customers are becoming more demanding as they realise that they now have the power of choice. So for those businesses operating in the technology sector, it's vitally important that they use marketing methodologies to maximise the potential of their brand, increase

revenues and build customer loyalty.

These companies spend millions of pounds every year in an effort to understand and influence their potential customers. They recognise the need to hold on to them and encourage them to invest even more into products that are becoming increasingly commoditised. And despite all the money that's pumped into promoting loyalty amongst high value customers, it's increasingly difficult across almost every industry.

So no wonder the technology sector is turning to marketing services agencies for help. They recognise that, at its most basic, their value

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FIG 2: WHAT ARE THE THREE MOST POPULAR MARKETING DISCIPLINES THAT YOU OFFER?

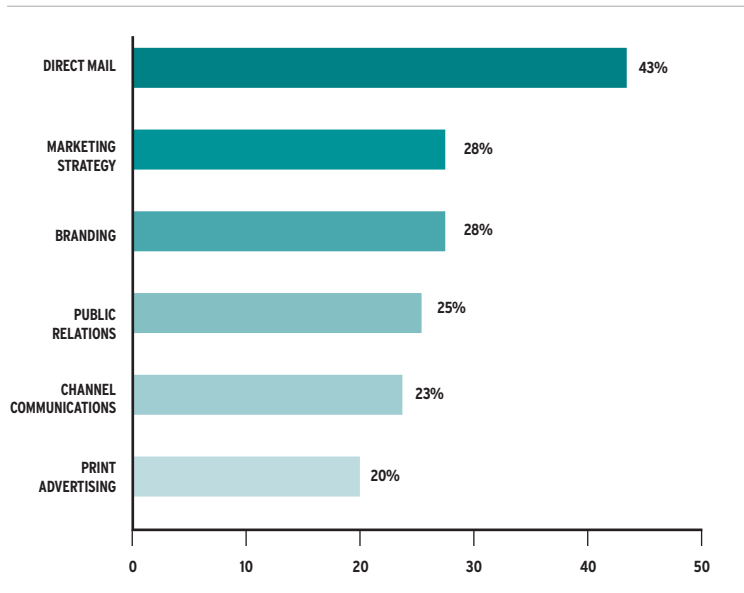
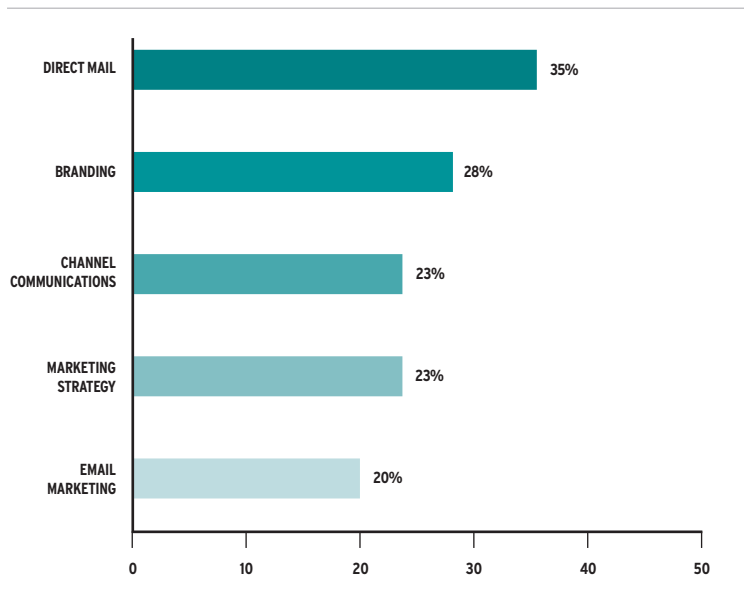


FIG 3: WHICH THREE DISCIPLINES DO YOU EXPECT TO BE MOST POPULAR NEXT YEAR?



polarising: as in all competitive markets, the good ones are thriving, and the weak ones struggling.

As is always the case with league tables, those agencies who have not fared well are often less prepared to submit data; therefore, the absence of Fox Parrack Singapore, Hunter Lodge Design and Mirror Image could be interpreted as obscuring some the poorer performers over the period in question, or it could simply reflect a failure to collate the required information. Unless these agencies deign to provide financial information next year, we will never know which explanation is correct.

Strategic services come first

This year's agency survey has once again highlighted the breadth of expertise required by specialist B2B agencies, with a bewildering array of skills and disciplines on offer by most, if not all, participating agencies. The most popular was branding, which was claimed to be offered by 100 per cent of agencies who responded, demonstrating that all at least aspire to have a strategic relationship with their clients.

Agencies were also asked to identify which three services/disciplines were most regularly used for clients. The results showed that direct mail remained the out-and-out leader, selected by 43 per cent of respondents amongst their top three, proving once again the power of the post in the B2B environment, despite all the inroads by new media. Marketing strategy and branding were joint second most popular, again reinforcing the strategic role that agencies are playing for their clients. PR, channel communications and print advertising came next; again, traditional marketing mediums proving their worth against the challenge and hype surrounding digital media.

Looking ahead, the trends seem broadly similar; with agencies expecting to focus on DM, branding, marketing strategy and channel communications first and foremost. However, it is predicted that email will rise dramatically in the next 12 months, which may be deemed surprising given the widespread criticism of its use and the continued haemorrhaging of response rates. Whatever the reality, there continues to be faith in the future of email.

The white heat of technology

There was little surprise that technology was once again confirmed as the most popular industry sector for B2B

CONTINUED ON P26

proposition is the performance of their products, but as competitors can often offer similar products or services, value must be added through perceived customer service support.

While many B2B agencies will try to tell you that differentiation can be achieved simply by applying creative techniques, those of us who really want to make a difference for our clients will equally claim that it can only be achieved

by understanding why customers show different degrees of loyalty, and then combining that knowledge with data on spending patterns to develop accurate customer/potential customer profiles.

Understanding our customers' customer is the trigger for creativity at Cicero. Until we have a full understanding of the total market place we can't possibly create a marketing communications campaign that will

resonate with the clients' audiences. For us - and this should be the same for all agencies - the mantra has to be: strategically-led, creatively-driven and results-oriented.

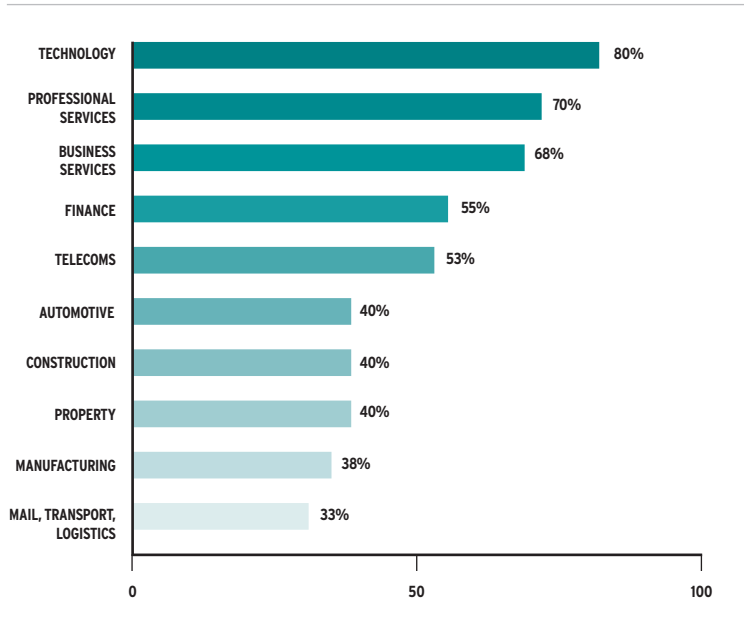
So yes, not surprising to see that technology comes out top in the survey, but I wonder how much value is really being added by those marketing agencies operating in this potentially lucrative sector?



DANNY TURNBULL
MD, Cicero Marketing Communications

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FIG 4. WHICH INDUSTRY SECTORS ARE YOU ACTIVE IN?



agencies, with 80 per cent currently working in it, and 45 per cent citing it as their most profitable sector. What was more surprising, however, was that professional services was second most popular, and relatively close behind technology, providing employment for 70 per cent of agencies, and business services on 68 per cent. Financial services and automotive, often thought of as two of the mainstays of B2B, were further down the field, whilst construction, property and retail were higher.

In all, 30 different sectors were identified, representing the breadth and depth of the B2B sector and the work that its agencies conduct. The ability of these consultancies to meet the diverse needs of this varied audience is good news

for the sector, and reflects the creativity and talent within it.

The top issue

The biggest challenge is budgets. This was cited by 40 per cent of respondents, although this was down seven points from last year's survey when it was the chief concern of almost half the respondents.

This is most likely because agencies were given a new answer option for this question this year: the role of procurement departments. This was selected by 10 per cent of agencies, proving its importance to this community. The problem has not gone away, it has just changed shape, as agencies battle with the inhouse purchasing authorities to secure work at a reasonable rate.

For the second year running, attracting and retaining quality staff was the second most popular concern. This confirms the view that an agency is only as good as its staff, and suggests that the agency community could seek to work together to help increase the flow of talented personnel, both from within the marketing industry and at graduate level. All too often the best marketing candidates are lured away by the bright lights of FMCG agencies, and the industry must act collectively to stem this flow.

Appropriately, measurement remains a hot topic, and again one that is unlikely to disappear in a hurry, especially with new measurement tools arriving all the time making digital activity easier to conduct and easier to track.

Surprisingly, clients' appreciation of creativity was only identified by five per cent of agencies. Judges at the recent B2B Marketing Awards were generally critical of the standard of creativity in work presented. The assumption was that this is mostly a consequence of clients' reluctance to select a daring or innovative creative solution when offered to them. However, if agencies themselves don't regard it as an issue, perhaps the fault lies with their creative thinking. Whoever is to blame, it does the industry no credit, and is something which it should look to address.

THE QUICK AND THE QUICKER

Two trends are quickly apparent from a glance at this year's table of fastest growing agencies. Firstly, that agency consolidation is starting to influence these figures once again, as illustrated by IAS Smarts' and Loewy's position. This can be seen as a consequence of the current state of the market, and agency founders' desire to leverage their investment whilst its value is high (as identified in B2BM June 06 p14).

Secondly, as with the wider economy, it is the small companies who are largely driving its growth. Cognito and Clear Communications are the best exponents of this, demonstrating growth of over 100 per cent each, from a base of under 10 staff. However, The Marketing Practice has also performed extremely strongly, with growth of over 80 per cent in the previous financial year from a slightly less modest base. All are

performances to be applauded.

Mention should also be made of Gyro International and Planet, which have both reported growth figures of over 40 per cent for the second year running. This is a significant achievement for any business, particularly one in as competitive a market as marketing services. The scale of Gyro makes it more impressive still: maintaining expansion of this kind when you already have over 130 staff on your books is no mean feat, although its expanding global network has no doubt assisted with much of this growth. How long before one of the big agency networks makes CEO Gary Brine an offer he can't refuse, is anyone's guess.

FIG 7. FASTEST GROWING AGENCIES

AGENCY	% income increase	% staff increase
IAS Smarts	229	230
Cognito	171	50
Clear	107	25
The Marketing Practice	81	72
Loewy	58	N/a
Barrett Howe	58	25
Gyro International	44	54
The Crocodile	44	0
Planet	40	10
Technical Associates	36	0