

2007: The Best Year Ever for Public Relations



The past year showed record growth in the business of public relations consultancy in nearly all countries surveyed. With a troubled global economy and a climate of uncertainty ahead for the remainder of 2008, can this spectacular trend continue?

Initial data from the two leading (and by far largest) markets, the United States and the United Kingdom, indicate a resounding “yes”. More than 80% of surveyed firms in both countries expect a strong business year with client budgets remaining intact. By all accounts, the rise of public relations is set to continue....

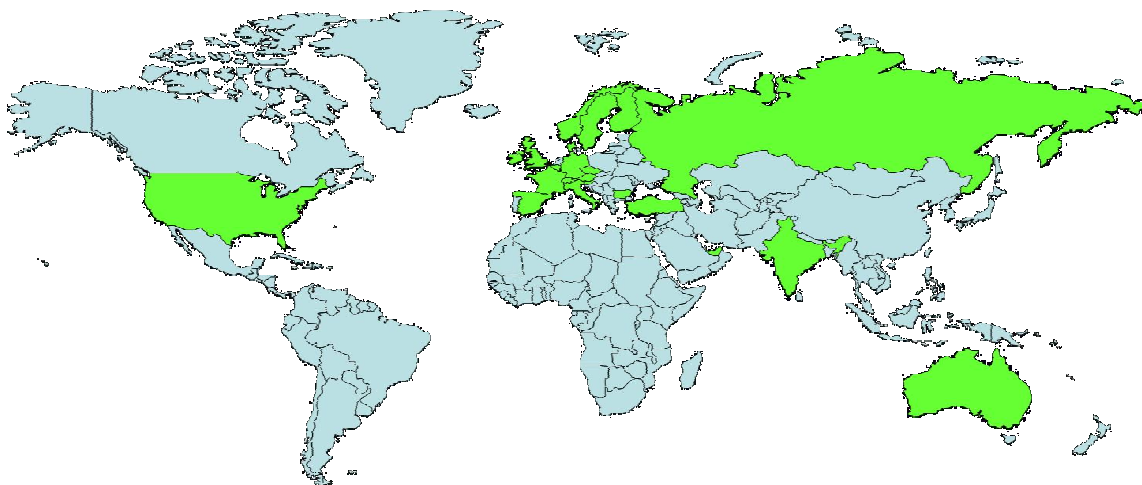
Public relations is on the rise. 2007 proved to be the best year yet for consultancies, and business continues to thrive despite a slowing global economy. How can this be? There are several factors at work that we now suspect to be universally true:

1. “Communications” is growing in strategic importance for all types of organisations.
2. Messaging about an organisation can no longer be controlled exclusively from within.
3. Public relations is proving an effective tool and therefore taking share away from other marketing and communications disciplines.

Communications as a discipline is indeed gaining in importance and now holds a direct stake in the strategic planning of the most successful companies. In large part this has come about thanks to a changing social environment in which new (digital) media has empowered individuals to voice their opinions – in real-time, to a global audience. Management no longer has exclusive control over the messaging that affects an organisation’s reputation and the perception of its activities. Coupled with increasing demand (and corresponding regulation) for transparency, organisations – be they listed companies, governments, private entities, not-for-profit associations or otherwise – have found themselves faced with a communications environment that is more and more complex. The data contained in this report shows that, increasingly, they are turning to public relations consultancies for help.

Participating countries

For the purposes of this report, ICCO collected data from the national trade associations in 22 of 28 member countries, across a variety of geographies and including the major markets (shown here in green):



Fee income and profitability

All of the countries surveyed showed positive revenue growth (measured in terms of fee income) in 2007. Not surprisingly, fast-paced emerging economies like India, Russia, Turkey and the United Arab Emirates reported the highest gains – in excess of 20%. Nordic and Eastern European countries also did well, with an average increase of 16% over the previous year for both regions. The UK, nominally the second-largest market for public relations and gaining stature as an international hub, logged a 17% increase in the size of its consultancy business. Even the US, with a market already worth some \$4 billion, grew by an impressive 12%.

Western European countries generally showed more modest gains – with the exception of Spain at 15% – but gains nonetheless. Speculation as to why some countries in the region lagged behind lies not only with comparatively slower economic growth in the Euro-zone but also with structural rigidities that account for higher professional service costs and a lower rate of new investments.

The profit picture in Europe was more impressive, with reports from several countries that increases in average profit margins outpaced growth in revenues. This suggests that European firms have been largely successful at improving efficiency and streamlining operational costs.

Country	2007: Revenue Growth vs. Prior Year	Average for Grouping	2008 Revenue Prediction	
US	12%	---	up	
UK	17%	---	up 8%	
Denmark	15%	Nordics: 16%	up 10%	
Finland	19%		up 7%	
Norway	10%		up 10%	
Sweden	14%		up 10-15%	
Austria	8%		Western Europe: 7%	stable / up
Belgium	10%	(unsure)		
France	2%	stable		
Germany	(N/A)	stable / up		
Ireland	4%	stable		
Italy	5%	up 5%		
Spain	15%	up 8%		
Switzerland	8%	up 5-10%		
Bulgaria	15%	Eastern Europe: 16%		(unsure)
Czech Republic	22%			up 12%
Slovenia	10%		stable	
Russia	20%	Emerging Markets: 23%	up 20%	
Turkey	27%		up	
United Arab Emirates	20%		up 20%	
India	25%		up 25-30%	
Australia	17%		---	up

Looking ahead to the remainder of 2008, not one participating country foresees a decrease in revenues for public relations consultancy. On the contrary, the vast majority predict additional income growth this year (see chart), although at more conservative levels than those achieved in 2007.

The business environment

Across the board, respondents cite the current economic crisis in the US and subsequent downturn in the global economy as the overriding macro issue with the potential to hamper acceleration in the public relations consultancy business. Eastern European and emerging countries also mention corruption and business-unfriendly legislation (especially with regards to tax and labour) as major concerns for growth.

On the flip side, factors cited as encouraging growth include:

- the importance of reputation management in an increasingly globalised world (Belgium, Denmark);
- favourable tax reforms (Czech Republic);
- political stability (Germany);
- rising levels of foreign direct investment (Bulgaria, India, Turkey);
- strong economic and cultural ties with growing regions (Spain to Latin America); and
- a strong economy at home (Austria, Finland, Norway, Russia, Slovenia, UAE).

Country	Industry Sectors with Best Growth Prospects	Industry Sectors with Least Growth Prospects
Australia	Financial Services / Banking, Healthcare, ICT	(N/A)
Austria	Healthcare / Pharmaceuticals, Public Sector / Government, ICT	Technology, Heavy Industry
Belgium	Not-for-Profit, Public Sector / Government, Travel / Tourism	Automotive
Bulgaria	Financial Services / Banking, ICT, Real Estate	Fast Food
Czech Republic	Automotive, Consulting, Financial Services / Banking, Healthcare, ICT	(N/A)
Denmark	Consumer Products & Services, Energy, ICT, Travel / Tourism,	Financial Services / Banking, Real Estate / Construction
Finland	(N/A)	(N/A)
France	Financial Services / Banking	(N/A)
Germany	B2B, Consumer Products & Services, Engineering, Healthcare, ICT / Technology	Pharmaceuticals, Financial Services / Banking
India	Healthcare / Pharmaceuticals, Financial Services / Banking, ICT, Infrastructure, Real Estate / Construction	(N/A)
Ireland	Public Sector / Government	Consumer Products & Services, Technology
Italy	Healthcare / Pharmaceuticals, Financial Services / Banking, Travel / Tourism	Consumer Products & Services, ICT / Technology
Norway	Consumer Products & Services, Energy, Engineering, Financial Services / Banking, Public Sector, Real Estate, Shipping	Agriculture, Fishing
Russia	Consumer Products & Services, Energy, Financial Services / Banking, Heavy Industry, Pharmaceuticals, ICT / Technology	Public Sector
Slovenia	Energy, Financial Services / Banking, Insurance, Telecommunications	Automotive, Construction, Food & Beverage
Spain	Energy, Infrastructure, Telecommunications	Food & Beverage, Real Estate
Sweden	(N/A)	(N/A)
Switzerland	Energy, Financial Services / Banking, Healthcare / Pharmaceuticals, Real Estate	ICT
Turkey	Consumer Products & Services, Energy, Entertainment, Financial Services / Banking, Health & Nutrition, Telecommunications	Education, Real Estate / Construction, Textile, Tobacco
UAE	Construction, Energy, Financial Services / Banking, Infrastructure, Travel / Tourism,	(N/A)
UK	Consumer Products & Services	Healthcare
US	Consumer Products & Services, Healthcare, Technology	(N/A)

This survey also asked respondents to identify specific industry sectors with the best and worst growth prospects for 2008 in terms of investment in public relations. Answers varied substantially from country to country (see chart), but globally Healthcare / Pharmaceuticals, Financial Services / Banking, Energy, and ICT / Technology show the most promise. The Consumer Products & Services sector is also increasingly turning to public relations as an effective marketing tool, especially in geographic areas where public relations consultancy has reached a certain level of maturity. In emerging markets, Real Estate / Construction and Travel / Tourism are expanding quickly.

Employment figures across industries look strong in nearly all the countries surveyed, despite economic uncertainty in the world's leading economies. The Nordic countries report particularly high rates of employment, even reaching unprecedented levels in Norway. However, there is a general shortage of skilled labour, which becomes even more evident in young and dynamic markets like Bulgaria, India, Russia and Turkey. In the UAE, this has led to a unique situation in which the economy depends to a large degree on an expatriate workforce. At the same time, high inflation in the Middle East is making employment conditions for foreigners less attractive, so the region risks losing skilled labour to countries like India in the short to medium term.

The climate for consultancies

Responding countries universally report a shortage of talent, although in some regions the difficulty lies in finding senior people, while others suffer from a lack of middle managers or junior staff. Recruitment and retention are therefore pressing issues everywhere, especially as consultancy businesses continue to grow. Public relations firms are still hiring, though possibly not at the levels seen last year.

In many countries, and predictably in less mature markets, a lack of specialised educational offerings or communications training contributes to low availability of talent. Several of the

national trade associations and some multinational network agencies are attempting to fill the training gap by providing courses of their own or forming partnerships with established schools from other regions, especially from the US and UK. Industry efforts are also underway to tackle the shortfall in talent.

Another factor helping to define public relations consultancy is the local media environment. Too many countries (including Austria, Belgium, Bulgaria and the Czech Republic) are disappointed by a low level of professionalism in the media and their limited comprehension of public relations. A lack of objectivity can also present problems in countries where the media does not have sufficient independence from political and special interests (e.g. in Turkey or Slovenia). Other countries, however, praise local journalists for their openness, inquisitiveness and readiness to collaborate with public relations professionals (Denmark, Spain and the UK).

Almost universally, though, respondents to this survey note the fast pace at which the media landscape is changing and becoming ever more fragmented. While traditional print media struggle to revise their business models in light of dwindling circulation, new competition keeps springing up in the form of free or niche publications and, most of all, digital media. Online magazines and news portals, blogs, digital television services and the like are allowing consumers more diversity, convenience, interaction and choice – all of which creates a window of opportunity for public relations as the communications discipline best-suited to manoeuvre in such a complex environment.

Couple that fact with a heightened perception of the value of public relations (especially in countries with a more mature industry), and it becomes clear why consultancies in countries like the US, the UK, Ireland, Switzerland and Italy are experiencing a clear demand for higher-level services as well as witnessing a shift away from advertising spend by clients. In fact, nearly all countries participating in this survey reported that the share of spending on public relations rose in 2007 as compared to other marketing disciplines – and the trend is expected to continue. Only in Belgium, the Czech Republic, Ireland and Spain did the comparative public relations spend remain stable over the past year.

As for the specific practice areas within public relations which captured that spending, Financial Communications was mentioned most often across surveyed countries as having generated the biggest fee income in 2007. Consumer Marketing / Product Publicity was the next most sited revenue-generating category, followed by Healthcare, Crisis & Issues Management and Corporate Communications.

Answers varied significantly by geography when respondents were asked to name the practice areas with the best and worst prospects for 2008 (see table), though nearly everyone named at least three categories with an upward trend.

This information suggests that globally there are any number of promising areas in which public relations may continue to grow but that the specific direction of that growth will vary by geography, in step with local market dynamics.

Growth in international business

Another area of consultancy which promises to expand – given the global reach of new media and irreversible trend towards globalisation – relates to the international side of the business. This can take the form of a firm conducting multi-

Practice Area	Locations with Best Growth Prospects	Locations with Least Growth Prospects
Consumer Marketing / Product Publicity	Austria, Norway, Russia, UK, US	Finland
Corporate Communications / Strategy	Denmark, Finland, Ireland, Switzerland, Turkey	Austria
Crisis & Issues Management	Austria, Bulgaria, Czech Republic, Denmark, Russia, Spain, Turkey	---
CSR*	Czech Republic, Germany, Italy, Russia, Turkey	Belgium, Spain
Event Management	Bulgaria, Italy	---
Financial Communications	Australia, Czech Republic, Italy, Russia, Slovenia, Turkey, UAE	Belgium
Healthcare	Australia, Austria, India, Russia, US	Germany, Slovenia, Turkey, UK
Internal Communications	Czech Republic, Germany	Spain
New Media	Czech Republic, Germany, Norway, US	---
Public Affairs	Austria, Denmark, France, India	Italy, Norway, Russia, UAE
Reputation Management	Norway	---
Sponsorship	---	Ireland, Turkey
Technology	US	---
Tourism	Slovenia	---
Media Relations	Turkey	Italy, Switzerland

*Corporate Social Responsibility

market campaigns from a single hub or across its own network of offices, a local firm coordinating international work with partner firms in other countries, or a local firm receiving business from a client located abroad. Unfortunately, the extent to which consultancies are currently providing international services proves hard to gauge. Most of the major networks, arguably the best equipped to handle multi-market communications, face restrictions on reporting the total and nature of their annual fee income – a side-effect of the Sarbanes-Oxley legislation in the US.

However, the results from this survey do provide some useful indications. For example, in the United Arab Emirates, international business is estimated to account for a staggering 40% percent of total fee income for public relations consultancies. The figure is closer to 25% for Belgium, the Czech Republic, Italy and Switzerland. Most other countries estimate international revenues at 15% or less, although it should be noted that neither the largest markets (the US and the UK) nor the markets with the most foreign direct investment (India and Russia) were able to respond to this question. Nonetheless, the majority of countries surveyed do expect a gradual rise in demand for international services during 2008.

Conclusion

2007 was clearly a year of impressive growth for public relations. All indications are that the consultancy business grew globally at double-digit rates and that the factors underlying this positive trend have some permanence.

Thanks to the onslaught of the digital era, the need for organisations to seek help in managing an 'uncontrolled' communications environment will not change, but the total amount of money available for investment might. Thus the continued growth in demand for public relations services depends upon both the business gaining further share from other marketing disciplines and client organisations responding to economic uncertainty by strengthening their communications with stakeholders.

However, even if both of these conditions hold true, additional stumbling blocks remain. According to surveyed countries, the greatest challenges to public relations consultancy (in order of frequency of mention) are:

1. staffing – from recruitment to retention to finding the right staff mix;
2. limited or unrealistic client expectations (improving, but still below service potential);
3. increased competition – also from convergence of marketing and communications disciplines – leading to downward price pressure;
4. adapting to / taking full advantage of opportunities afforded by digital technology;
5. corruption and ethical issues; and
6. measuring return on investment for public relations activities.

Overcoming the staffing challenge will be the key to future success. Public relations firms will need to become better and better not only at attracting a sufficient number of talented and qualified individuals but also at retaining them long enough to indoctrinate their skills and ensure good morale.

Appendix: ICCO national trade association members participating in this survey

Country	Trade association	Number of member firms	2007 total fee income of members (millions)
Australia*	Public Relations Institute of Australia, Registered Consultancies Group (PRIA / RCG)	150	€ 480 m
Austria	PR Quality Austria	12	€ 26 m
Belgium	Belgian Public Relations Consultants Association (BPRCA)	27	(N/A)
Bulgaria	Bulgarian Association of Public Relations Agencies (BAPRA)	7	< € 5 m
Czech Republic	Association of Public Relations Agencies (APRA)	22	€ 30 m
Denmark	Danish Association of Public Relations Agencies (BPRV)	31	€ 37 m
Finland	MTL Finnish Association of Marketing Communication Agencies (MTL)	107	€ 208 m
France	Syntec Council of Public Relations	39	€ 97 m
Germany	Association of Public Relations Agencies (GPRA)	33	€ 170 m
India	Public Relations Consultants Association of India (PRCAI)	20	€ 10 m
Ireland	Public Relations Consultants Association (PRCA Ireland)	35	€ 41 m
Italy	Assorel	52	€ 118 m
Norway	Norwegian Public Relations Consultants Association (NIR)	25	€ 75 m
Russia	Russian Public Relations Consultancies Association (AKOS)	20	€ 60 - 80 m
Slovenia	Slovenian PR Agencies Association (ZOJS)	10	€ 17 m
Spain	Association of Public Relations and Communications Consultancies (ADECEC)	32	€ 67 m
Sweden	PRECIS Association of Public Relations Consultancies in Sweden (PRECIS)	42	€ 105 m
Switzerland	Association of PR Agencies in Switzerland (BPRA)	17	€ 39 m
Turkey	IDA Communications Consultancy Companies Association (IDA)	15	€ 12 m
UAE	Middle East Public Relations Association (MEPRA)	29	€ 8 m
UK	Public Relations Consultants Association (PRCA)	132	€ 490 m
US	Council of Public Relations Firms (CPRF)	105	€ 3500 m

*Observer member