

# Advertising



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## Standard & Poor's



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## Ailing economy takes toll on advertising

The uniqueness of the current advertising environment makes it difficult to forecast the future. Even before the shocking events of September 11, the economy was stumbling, with unemployment at its highest level in four years and consumer confidence dropping amid worries about job security. In response to pressure on revenues and profits, corporations were slashing budgets. Spending on advertising had been cut across many sectors, including technology, financial, telecommunications, retail, and automotive. Some pockets of strength remained, particularly where marketers were targeting a specific segment of the consumer's pocketbook, such as drugs, healthcare, or leisure products. But overall, economic growth was receding in the spring and summer of 2001, sapping advertising dollars as it went.

That was before the terrorist attacks of September 11. Since then, it has become clear that the U.S. economy is in a recession. Consumer spending for nonessentials virtually halted in

the aftermath of the attacks. While some of that spending is now coming back, markets remain tentative. Some major categories, such as travel and leisure (including airlines, cruise business, vacation packages, hotels, resorts, restaurants, etc.), are still extremely weak, and the impact is spreading to other segments of the economy. Looking forward, the fortunes of the advertising business will depend on the timing and magnitude of the recession — and the recovery.

According to the latest estimates from Standard & Poor's economics department, the U.S. could see a relatively mild recession, with real GDP declining 0.5% in the third quarter of 2001 and dropping 1.8% in the fourth quarter. Therefore, we expect total domestic dollars spent on advertising to decline by about 4% in 2001. Along with the negative effects of the economic downturn and the terrorist attacks, comparisons with 2000 are difficult because the industry had the benefits of Olympics-related advertising, political campaigns, and

### RELATIONSHIP BETWEEN ECONOMIC FACTORS AND ADVERTISING EXPENDITURES

YEAR	GROSS DOMESTIC PRODUCT		PERSONAL CONSUMPTION EXPENDITURES		CORPORATE PRETAX PROFITS		ADVERTISING EXPENDITURES	
	BIL. \$	INDEX*	MIL. \$	INDEX*	MIL. \$	INDEX*	MIL. \$	INDEX*
E2001	10,279.2	367.7	6,936.4	393.5	718.8	285.9	234.0	436.9
2000	9,872.9	353.2	6,728.4	381.7	845.4	336.3	243.7	455.1
1999	9,268.6	331.5	6,250.2	354.5	776.3	308.8	222.3	415.1
1998	8,781.5	314.1	5,856.0	332.2	721.1	286.8	201.6	376.5
1997	8,318.4	297.6	5,529.3	313.6	792.4	315.2	187.5	350.2
1996	7,813.2	279.5	5,237.5	297.1	726.3	288.9	175.2	327.2
1995	7,400.5	264.7	4,969.0	281.9	668.5	265.9	160.9	300.5
1994	7,054.3	252.3	4,716.4	267.5	573.4	228.1	150.0	280.2
1993	6,642.3	237.6	4,454.7	252.7	510.4	203.0	138.1	257.9
1992	6,318.9	226.0	4,209.7	238.8	451.6	179.6	131.3	245.2
1991	5,986.2	214.1	3,971.2	225.3	416.1	165.5	126.6	236.4
1990	5,803.2	207.6	3,831.5	217.3	401.5	159.7	128.6	240.2
1985	4,213.0	150.7	2,712.6	153.9	255.2	101.5	94.8	176.9
1980	2,795.6	100.0	1,762.9	100.0	251.4	100.0	53.6	100.0

\*1980=100. E-Estimated by Standard & Poor's.  
Source: Department of Commerce; McCann-Erickson.

## TOP 10 COMPANIES BY AD SPENDING — 2000

(In millions of dollars)

	TOTAL AD SPENDING			NUMBER OF BRANDS
	1999	2000	% CHG.	
1. General Motors Corp.	2,940.4	2,844.1	(3.3)	9
2. Philip Morris Cos.	1,558.5	1,761.9	13.1	6
3. DaimlerChrysler	1,510.7	1,667.0	10.3	4
4. Procter & Gamble Co.	1,749.6	1,530.2	(12.5)	2
5. AOL Time Warner	1,151.9	1,442.1	25.2	2
6. Ford Motor Co.	1,230.3	1,156.5	(6.0)	4
7. Walt Disney Co.	910.5	1,054.5	15.8	1
8. AT&T Corp.	828.7	820.3	(1.0)	1
9. Johnson & Johnson	854.7	817.8	(4.3)	2
10. Pfizer	737.8	796.7	8.0	1

Source: *Ad Age*.

strong dot.com advertising demand prior to the crash of that sector. U.S. advertising spending in 2000 was boosted by roughly \$2.4 billion (or about 1%) by the Summer Olympics and national elections.

We currently expect the U.S. economy to resume its upward climb in early 2002. Thus, by the fall of 2002 we could see a broad-based economic recovery, albeit a sluggish one, and with it, an upswing in advertising. At the high end of the range, we project advertising spending in the U.S. could rise by 4% in 2002. If the economic recovery is hindered or delayed, however, full-year advertising revenues could be down by as much as 3% for 2002.

International advertising revenue is expected to be flat in 2001, following a gain of roughly 3% in 2000. The global market has lagged that of the United States, but as the effects of the U.S. recession spread to the rest of the world, global spending on advertising could decline by 5% or more in 2002.

### Some hard-hit areas bounce back

The already weak advertising agency business was hit hard in the immediate aftermath of the September 11 attacks, as many companies pulled advertisements. In addition to cancellations of print ads, television advertising virtually stopped for a week as the major networks went to an all-news format. All told, several billion dollars in ad spending was lost or postponed.

In particular, most companies in the travel and leisure businesses pulled their ads and stayed on the sidelines in the weeks immediately after the attacks. As travel and leisure

spending collapsed, many of these companies faced a cash flow crisis. In addition, marketing efforts seemed futile. Why advertise vacation cruises to Crete when no amount of advertising was likely to get people to travel? Initially at least, that was the prevailing attitude.

As November approached, however, some of those advertisers lurched to life, realizing that they had to try to do something to revive their moribund business. The Walt Disney Co., for example, after seeing attendance plunge at the Walt Disney World resort in Florida and at Disneyland in California, announced in late October that it was launching a “full-throttle” marketing campaign, including tens of millions of dollars to be spent on television advertising. The National Restaurant Association also announced at the end of October that it was launching a multimillion-dollar advertising campaign — its first. The aim is to lure diners back into restaurants, particularly fine-dining establishments, which have suffered from the drop-off in tourism and the nation’s new “stay-at-home” mentality. In addition, companies in the beleaguered airline industry began a big advertising push, with budgets supported by passage of a federal aid package.

Among the fortunate minority in the leisure industry, some second-tier markets, such as Reno, Nevada, and Saratoga Springs, New York, saw business pick up dramatically after the terrorist events, as Americans chose destinations that are less expensive and closer to home. Marketers in these hot spots are increasing their advertising and promotional budgets in order to build their customer bases and ingrain themselves in the minds of travelers. We believe that over time, other major tourist attractions, such as Las Vegas and Hawaii, and the hotel and travel industry in general, may come back with aggressive advertising campaigns.

### Outlook varies by media channel

At times like these, advertising and marketing are more crucial than ever. As a result, major segments of the economy may turn to advertising in an attempt to rouse buyers out of their slump. For some companies, it may be their ultimate downfall if they don’t spend the money now to lure customers back. We expect national adver-

## AD SPENDING BREAKDOWN, BY MEDIUM

(In millions of dollars)

	ADVERTISING EXPENDITURES (MIL.S)					PERCENT OF TOTAL				
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000
Newspapers, total	38,402	41,670	44,292	46,648	49,050	21.9	22.2	22.0	21.0	20.1
National	4,400	5,016	5,402	6,358	7,229	2.5	2.7	2.7	2.9	3.0
Local	34,002	36,654	38,890	40,290	41,821	19.4	19.5	19.3	18.1	17.2
Magazines	9,010	9,821	10,518	11,433	12,370	5.1	5.2	5.2	5.1	5.1
Broadcast TV, total	36,046	36,893	39,173	40,011	44,802	20.6	19.7	19.4	18.0	18.4
Four TV networks <sup>1</sup>	13,081	13,020	13,736	13,961	15,888	7.5	6.9	6.8	6.3	6.5
Three TV networks <sup>2</sup>	11,423	11,324	12,105	12,195	14,256	6.5	6.0	6.0	5.5	5.9
Syndication <sup>3</sup>	2,218	2,438	2,609	2,870	3,108	1.3	1.3	1.3	1.3	1.3
Spot (national)	9,803	9,999	10,659	10,500	12,264	5.6	5.3	5.3	4.7	5.0
Spot (local)	10,944	11,436	12,169	12,680	13,542	6.2	6.1	6.0	5.7	5.6
Cable TV, total	6,438	7,237	8,301	12,570	14,429	3.7	3.9	4.1	5.7	5.9
Cable networks	4,472	5,067	5,827	9,405	10,947	2.6	2.7	2.9	4.2	4.5
Spot (local)	1,966	2,170	2,474	3,165	3,482	1.1	1.2	1.2	1.4	1.4
Radio, total	12,269	13,491	15,073	17,215	19,295	7.0	7.2	7.5	7.7	7.9
Network	523	560	622	684	780	0.3	0.3	0.3	0.3	0.3
Spot (national)	2,135	2,455	2,823	3,275	3,668	1.2	1.3	1.4	1.5	1.5
Spot (local)	9,611	10,476	11,628	13,256	14,847	5.5	5.6	5.8	6.0	6.1
Yellow pages, total	10,845	11,470	11,990	12,652	13,228	6.2	6.1	5.9	5.7	5.4
National	1,535	1,685	1,850	1,986	2,093	0.9	0.9	0.9	0.9	0.9
Local	9,310	9,785	10,140	10,666	11,135	5.3	5.2	5.0	4.8	4.6
Direct mail	34,509	36,890	39,620	41,403	44,591	19.7	19.7	19.7	18.6	18.3
Business papers	3,808	4,109	4,232	4,274	4,915	2.2	2.2	2.1	1.9	2.0
Internet	NA	600	1,050	2,832	4,333	NA	0.3	0.5	1.3	1.8
Out-of-home, total <sup>4</sup>	1,339	1,455	1,576	4,780	5,176	0.8	0.8	0.8	2.2	2.1
National	743	795	845	1,910	2,068	0.4	0.4	0.4	0.9	0.8
Local	596	660	731	2,870	3,108	0.3	0.4	0.4	1.3	1.3
Miscellaneous, total	22,560	23,940	25,769	28,490	31,491	12.9	12.8	12.8	12.8	12.9
National	16,783	17,751	19,153	21,279	23,844	9.6	9.5	9.5	9.6	9.8
Local	5,777	6,189	6,616	7,211	7,647	3.3	3.3	3.3	3.2	3.1
TOTAL NATIONAL	103,040	110,232	118,966	132,170	148,098	58.8	58.8	59.0	59.5	60.8
TOTAL LOCAL	72,190	77,297	82,628	90,138	95,582	41.2	41.2	41.0	40.5	39.2
GRAND TOTAL	175,230	187,529	201,594	222,308	243,680	100.0	100.0	100.0	100.0	100.0

<sup>1</sup>ABC, CBS, Fox, NBC. <sup>2</sup>ABC, CBS, NBC. <sup>3</sup>Includes UPN, WB and Pax. <sup>4</sup>Billboards, bus and subway displays, etc. Prior to 1999, this data is for billboards only. Source: McCann-Erickson.

tising, in particular, to return to health sooner rather than later.

Below we take a look at trends and projected advertising spending for each of the major media sectors.

### Newspaper advertising likely to recover in 2002

Newspaper advertising represents roughly 21% of total advertising spending in the United States. In 2000, advertising spending in newspapers rose 5.1% to \$48.67 billion. The pace of newspaper advertising growth has been uneven, but has generally been slowing for national advertising and classifieds since early in the fourth quarter of 2000. Local retail spending, the third category

of newspaper advertising, began to slow even earlier, reflecting a pullback by large department stores in the summer of 2000. But relative to national spending, local spending has held up fairly well.

We are projecting a 3% to 5% decline in total ad lineage in 2001, following an estimated rise of 1% in 2000. Although published advertising rate increases for 2001 have generally ranged from 5% to 7%, discounting — which isn't normally seen in this business — has become common. Thus, total newspaper advertising spending in 2001 could be down 5% to 8%.

Newspapers are expected to do relatively well in 2002, as the economy recovers. We tentatively project a 3% to 5% gain in

## OVERALL U.S. DIRECT MARKETING EXPENDITURES

(In billions of dollars)

	DIRECT MARKETING ADVERTISING						TOTAL ADVERTISING		DIRECT MARKETING	
	EXPENDITURES (BIL. \$)			MARKETING SHARE (%)			EXPENDITURES (BIL. \$)		AS % OF TOTAL	
	1995	2000	E2005	1995	2000	E2005	1995	2000	1995	2000
Telephone marketing	50.2	73.2	100.6	38.1	38.2	37.3	80.9	121.3	62.1	60.3
Direct mail (including catalogs)	32.9	44.6	60.7	25.0	23.3	22.5	32.9	44.6	100.0	100.0
Television	14.0	21.9	30.6	10.6	11.4	11.3	37.8	55.3	37.0	39.6
Newspaper	13.1	18.4	25.0	9.9	9.6	9.3	36.3	49.4	36.1	37.2
Magazine	6.7	9.8	13.3	5.1	5.1	4.9	12.4	17.3	54.0	56.6
Radio	4.4	7.7	11.6	3.3	4.0	4.3	11.3	19.4	38.9	39.7
Interactive media	*	2.8	13.8	...	1.5	5.1	*	*	...	...
Other	10.5	13.2	13.9	8.0	6.9	5.2	21.9	32.0	47.9	41.3
<b>TOTAL DIRECT MARKETING</b>	<b>131.8</b>	<b>191.6</b>	<b>269.7</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>233.5</b>	<b>339.3</b>	<b>56.4</b>	<b>56.5</b>
B-to-B direct	65.6	98.6	145.9	49.8	51.5	54.1	...	...	...	...
Consumer direct	66.3	93.0	123.6	50.3	48.5	45.8	...	...	...	...

NOTE: Totals may not add due to rounding. \*Included in "Other." E-Estimated.  
Source: The Direct Marketing Association.

newspaper advertising spending for 2002. It is one of the most effective mediums used to convey market information to consumers, and local retailers, restaurants, and car dealers are likely to continue to buy newspaper ad space. In addition, national auto makers, airlines, travel purveyors, and consumer goods companies are likely to include newspapers among their media choices when they decide to increase their marketing budgets. Newspapers are an attractive advertising medium because of their daily frequency, reach, ability to target, and their suitability for marketers seeking to inform prospective customers.

### Television advertising hit hard

Broadcast television advertising represents roughly 21% of total U.S. advertising spending. TV advertising was one of the first areas to soften with the slowing economy, as national advertisers, worried about the future and seeking to conserve dollars, pulled back or postponed significant amounts of advertising. With a buyers' market prevailing in the medium, pricing weakened and discounting became common. Many advertisers found it cheaper to buy at the last minute, turning to spot purchases of ad time.

As mentioned above, television comparisons for 2001 were already difficult because of the heavy spending in 2000 for political elections and the Olympics, as well as a buoyant market for dot.com advertising. Following the September 11 terrorist attacks,

television advertising was halted for several days. Since then, broadcasters have aired fewer paid commercials, inserting promotions and news updates in many of those unsold time slots.

We expect TV advertising revenues to decline by about 12% in 2001, following a 13.6% gain in 2000. In 2002, we believe television advertising could go either way, showing a gain of up to several percentage points or a decline of the same magnitude or more. A big factor in these potentially wide swings will be pricing. Broadcast television advertising is likely to come back later than newspaper advertising, simply because demand for brand advertising and national advertising is likely to lag local and retail advertising in the months ahead. In addition, budget-conscious advertisers will be keeping an eye on every dollar spent.

### Cable continues to outpace networks

We are beginning to see a moderation in the growth of advertising dollars spent on cable television, which now represents 6% of the U.S. advertising market. Nonetheless, because it is much more affordable, cable advertising will probably continue to outpace the growth of broadcast television advertising. After climbing 25% in 1999, the pace of cable television advertising slowed to a 10% advance in 2000. We expect it to rise 5% in 2001, bucking the downtrend in most media spending. We expect cable to hold up relatively well in

2002; we tentatively project a gain of 7% or better for 2002.

### Magazine growth trend disrupted

After several strong years, dollars spent on magazine advertising climbed another 12.8% and 14.0% in 1999 and 2000, respectively. Now, however, magazines are seeing tough times. The dot.com fallout and the slowdown in national advertising demand began to take a toll in the fourth quarter of 2000. Since then, the softness has widened to include most marketing segments. We expect to see magazine advertising drop by at least 8.5% in 2001.

Magazines will probably lag newspapers by two to six months when advertising demand begins to recover. Thus, we expect magazine advertising to slump another 2% to 5% in 2002.

### Radio comeback expected

For radio advertising revenues, we expect a decline of 9% in 2001, following a

12% gain in 2000. Local advertising demand has held up fairly well; the main problem has been in the national spot market. Radio, which accounts for roughly 7% of total U.S. advertising spending, should revive faster than television. But radio pricing has really hit the skids, so total dollar figures may be slower in coming back than the demand would indicate.

We currently project a rise of 3% to 4% in radio advertising in 2002. Radio, like newspapers, benefits from the immediacy of its ad message. It appeals to advertisers who want consumers to hear the message often, be informed by it, and act. Despite rapid price increases over the past five years, radio remains cheaper than newspaper or broadcast television advertising, based on cost-per-thousand measures. Thus, its relative cost advantage will heighten its appeal.

### Anthrax scare hurts direct mail

The anthrax attacks conducted through the nation's mail system have caused the Direct Marketing Association (DMA), a New York-based trade group, to rush out new guidelines for the direct mail segment of direct marketing. Direct mail is an important sector of advertising; according to the DMA, in 2000, it amounted to \$44.6 billion of the \$191.6 billion in total direct marketing advertising expenditures in the United States. (Note: The DMA estimates total advertising expenditures in the United States at roughly \$339 billion in 2000. This total differs considerably from that of *Bob Coen's Insiders Report*, a widely quoted and used source for advertising statistics, which puts total U.S. advertising at roughly \$243.7 billion in 2000.)

The DMA is urging its 5,000 members, which include direct-marketing firms and giant consumer companies such as The Procter & Gamble Co., General Motors Corp., and General Mills Inc., to ensure that their mailers are plainly identifiable, carry corporate logos, and feature return addresses. Bob Wientzen, the group's chief executive, is also urging members to put their phone numbers and Web addresses on outer envelopes. "A plain envelope with no return address is silly at this point," he says.

Given worries over anthrax poisoning through the mail system, direct mail marketers would do well to do whatever feasible to assuage fears. A lot of direct mail (which

## DIRECT MARKETING ADVERTISING EXPENDITURES

(In billions of dollars)

	1995	1999	2000	E2001	E2005
Direct mail	32.9	41.4	44.6	47.4	60.7
Consumer	20.8	25.6	27.4	28.9	35.7
Business-to-business	12.1	15.8	17.1	18.5	25
Telephone marketing	50.2	67.5	73.2	78	100.6
Consumer	19	24.7	26.4	27.6	33.8
Business-to-business	31.2	42.8	46.9	50.4	66.8
Newspaper	13.1	17.3	18.4	19.6	25
Consumer	8.1	10.5	11.1	11.7	14.3
Business-to-business	5	6.8	7.3	7.9	10.7
Magazine	6.7	9	9.8	10.5	13.3
Consumer	3.2	4.2	4.5	4.8	5.8
Business-to-business	3.6	4.8	5.3	5.7	7.5
Television	14	20	21.9	23.5	30.6
Consumer	7.3	10.4	11.3	12	15
Business-to-business	6.7	9.6	10.6	11.5	15.6
Radio	4.4	6.9	7.7	8.5	11.6
Consumer	2.1	3.3	3.6	3.9	5.2
Business-to-business	2.3	3.6	4.1	4.5	6.4
Other	10.5	14.5	16	17.8	27.7
Consumer	5.9	8	8.7	9.5	14
Business-to-business	4.6	6.5	7.3	8.3	13.8
<b>Total</b>	<b>131.8</b>	<b>176.6</b>	<b>191.6</b>	<b>205.2</b>	<b>269.7</b>
<b>Consumer</b>	<b>66.3</b>	<b>86.8</b>	<b>93</b>	<b>98.3</b>	<b>123.9</b>
<b>Business-to-business</b>	<b>65.6</b>	<b>89.9</b>	<b>98.6</b>	<b>106.9</b>	<b>145.9</b>

E-Estimated.  
Source: The Direct Marketing Association.

many call “junk mail”) already is chucked by uninterested consumers; the anthrax threat adds another obstacle to getting consumers to open direct mail solicitations. As a result, in mid-October 2001, the DMA revised downward its earlier forecast. Direct marketing ad spending may grow at an annual rate of 3.5% in 2001, the group said, rather than the 3.8% predicted earlier.

Direct mail has long been a profitable and stable province of the big advertising holding companies. Results are easy to measure, making it popular with marketers. By comparison, it's more difficult to determine the effectiveness of TV or radio campaigns. In 2000, according to the DMA, direct mail marketing generated \$529 billion in product and service sales, while all forms of direct marketing generated sales of \$1.731 trillion.

In the midst of the current anthrax scare, some marketers may be leery of launching new mailings, because anxious consumers are less likely to open unsolicited mail. However, much of direct mail activity, particularly catalogs and coupon packs that consumers are already accustomed to receiving on a regular basis, might not be affected. The weekly packages of circulars from local supermarkets and national, regional, and local retailers (such as Sears Roebuck & Co., The Home Depot Inc., Seaman Furniture Co. Inc.) that come bundled with the *Penny Savers* and are delivered to the driveways, porches, and lawns of homes across America will still be of interest to many recipients. The more recognizable the direct mail is, the more likely that it will be opened.

#### **Internet advertising takes sharp turn**

The Internet Advertising Bureau (IAB) reported in October 2001 that advertising dollars spent on the Internet medium totaled \$3.76 billion in the first half of 2001, down 7.8% from the comparable year-earlier period. (Internet advertising basically consists of the amounts spent for online banner ads.) That's a far different story from full-year 2000, when Internet advertising climbed 78% to \$8.225 billion. Even in the fourth quarter of 2000, Internet advertising jumped 22%, year to year. The falloff began in the first quarter of 2001 and is continuing.

The Internet is a relatively new medium, and estimates vary as to its size. In early September 2001, CMRI, the Internet unit of ad research firm Competitive Media Reporting,

reported that online ad spending fell 10%, year to year, in the first half of 2001, to \$1.5 billion. CMRI also said that it did not expect Internet ad spending to increase by the first quarter of 2002. CMRI's online advertising estimates have typically been dramatically lower than those put forward by some other industry watchers, including the IAB.

#### **Agencies feel the effects**

Gross income of the ad agency groups is expected to be relatively flat in 2001, after estimated gains of 15% in both 1999 and 2000. New business has slowed considerably, and current customers have cut back on marketing budgets. Nonetheless, several of the biggest agency groups are gaining market share, both here and abroad.

New York-based Omnicom Group is one of the standouts. Omnicom, parent of BBDO Worldwide and DDB Worldwide, reported an 8% year-to-year rise in revenues for the 2001 third quarter and a 7.8% rise in profits. The downturn in the advertising sector had other large companies, such as Cordiant Communications Group, warning of lower revenues and profits, but net new business wins helped Omnicom to buck the trend. In addition, Omnicom is benefiting from its heavy emphasis on marketing services, an area that has held up better than traditional broadcasting media advertising (over-the-air television, radio, and cable television) and print media (newspaper and magazines) advertising. While the larger agency groups derive 40% to 50% of their total revenues from marketing services, Omnicom derives nearly 60%.

The publicly held agency groups have long been active acquirers of other advertising firms, which provides a major source of growth and improved profitability. Favorable margin trends stem from work-force reductions, improved productivity, and other cost-saving measures.

#### **Privacy debate continues**

On March 13, 2001, the Federal Trade Commission (FTC), the regulatory agency with the most direct oversight of advertising, hosted a public workshop in Washington, D.C., that explored how businesses share detailed consumer information and how such information

is used commercially. The workshop, entitled "The Information Marketplace: Merging and Exchanging Consumer Data," presented the views of direct marketers, retailers, privacy advocates, and academic experts on the business practice of compiling and merging data to create consumer profiles. Advertisers use consumer profiles (compilations of identifying information, preference information, purchasing habits, and other information related to a particular consumer) to target their markets more effectively.

Panels examined a number of major issues, including what kind of information comprises a consumer profile, how profiles are used by businesses, and how profiles affect consumers and businesses. In particular, the FTC considered whether and how consumer profiles are created through the merger and exchange of data between companies, regardless of whether the data is collected or used online or offline, and how such profiles are used commercially.

The workshop highlighted a variety of responses to the practices of consumer profiling, ranging from calls for legislative actions and new regulations to protect consumer privacy, to recommendations that government adopt a hands-off policy until more is known about the potential benefits and harm of consumer profiling. For more information on the workshop, go to: <http://www.ftc.gov/bcp/workshops/infomktplace>.

### **Restrictions overturned on outdoor tobacco advertising**

In other regulatory news, the advertising industry counted it as a victory when the U.S. Supreme Court voted in June 2001 to overturn a Massachusetts law restricting outdoor tobacco advertising. The law in question banned billboards advertising tobacco products within 1,000 feet of schools, parks, and playgrounds. Because of urban density, the law effectively banned all outdoor tobacco advertising in all cities in that state. The Court majority argued that a 1969 federal law that preempted states from restricting tobacco advertising invalidated the Massachusetts law.

The Court also noted that tobacco and other "vices" deserve the full protection of the Constitution and that tobacco cannot be treated differently from any other legal product. Thus, the decision could have significant implications for methods of advertising products other than tobacco. ■

## The spoils are concentrated at the top

Advertising is a huge business. According to figures compiled by McCann-Erickson, global spending on advertising in measured media totaled \$463.9 billion in 2000. The United States is home to the largest advertising market and the largest advertising industry in the world. The U.S. industry is responsible for an estimated 53% of advertising expenditures worldwide.

Most of the world's advertising agencies are owned by holding companies. These multinational agency networks controlled 75% of the world's ad agency returns in 2000, according to Ad Age Global, the international Web site of *Ad Age* magazine. The accompanying table lists the industry's top 10 advertising companies, ranked by commissions and fees.

The advertising industry works with advertisers (the agencies' clients) and the media (their suppliers) to design and implement marketing campaigns. The advertisers are usually sellers of goods or services, although they may be government organizations or public service advertisers. Media services include broadcast television, cable television, magazines, newspapers, direct mail, radio, Yellow Pages (or directories), the Internet,

outdoor displays (billboards, public transportation, bus shelters, etc.), and more.

Although the advertising industry is dominated by the large global general advertising agencies that provide a full range of services to their clients, there are also many specialty boutiques. Such agencies specialize in any of a wide range of areas, including consulting, media planning and buying, direct marketing, customer relationship management programs, e-commerce, public relations, healthcare communications, recruitment advertising, financial communications, sports, entertainment marketing, field marketing, event marketing, brand identity, custom publishing, research, lecture (managing/procuring distinguished speakers for corporate and organizational appearances), promotions, human resources communications, digital and interactive marketing services, database management, directory and business-to-business advertising, and many other specialties. Competition is fierce, and clients can change agencies with relative ease. Over the past 20 years, many specialty agencies have extended their market reach, attracting major accounts from their global competitors.

### TOP WORLD AD ORGANIZATIONS — 2000

(Ranked by billings, in billions of dollars)

COMPANY	HEADQUARTERS	WORLDWIDE BILLINGS (BIL. \$)	WORLDWIDE GROSS REVENUES (BIL. \$)
1. WPP Group	London	7,971.0	67,225.0
2. Omnicom Group	New York	6,986.2	55,651.6
3. Interpublic Group of Cos.	New York	6,595.9	54,828.2
4. Dentsu	Tokyo	3,089.0	21,689.1
5. Havas Advertising	France	2,757.3	26,345.5
6. Publicis Groupe	Paris	2,479.1	29,302.7
7. Bcom3 Group	Chicago	2,215.9	17,932.6
8. Grey Global Group	New York	1,863.2	11,406.3
9. True North Communications	Chicago	1,539.1	13,171.7
10. Cordiant Communications Group	London	1,254.8	11,256.0

Source: *Ad Age*.

### INDUSTRY TRENDS

Several key trends are affecting the business of advertising and marketing, not only on a day-to-day basis, but also in ways that are far-reaching and long lasting. Some trends, such as long-term advertising growth, are fairly predictable. Others are not so predictable, such as the long-range growth prospects of certain global markets in the face of political unrest, economic upheavals, and other forces. Other important industry trends include ongoing consolidation fueled by the creation of large agency groups operating under holding company structures, and a long-term shift in com-

pensation arrangements away from the standard fixed-rate commission based on media billings.

The difficult current environment notwithstanding, the long-term outlook for advertising in the United States and worldwide is positive not only because economies will continue to expand as a matter of course, but also because of new markets, new advertisers, and new product introductions. Marketers are always seeking new ways to reach consumers. Growth in the number of media outlets and increasing marketing segmentation have also been phenomenal over the past several decades. These and other factors continue to boost opportunities and create myriad challenges for marketers and the advertising industry.

### Media choices proliferate

*“Marketing has reached a new level of complexity and sophistication. The ways to reach audiences have multiplied and multiplied again. Each communicates with an audience in a different way. All are important.”*

— John Dooner, Chairman & CEO,  
The Interpublic Group of Companies, Inc.

The advertising industry grew and flourished through much of the last century by selling mass-produced goods to a mass audience through mass media. But the nation’s consumer market has changed. Marketers and their agencies are being forced to adapt rapidly to a splintering of the mass market into hundreds — no, thousands — of mini-markets, or target groups. To be successful, the industry must develop new ways of reaching and communicating with these highly targeted consumer segments. The technology boom has been helping them to do so by offering an expanded array of media channels for advertising, including the Internet, cable television, and more.

### Cable TV becomes advertising gold mine

Cable television provides an example of a medium’s expansion into an advertising and marketing paradise. Cable TV was developed in the late 1940s to serve small communities unable to receive conventional TV signals because of difficult terrain or physical distance from TV stations, and to improve TV stations’ reception in remote areas. By 1950,

### TOP 20 GLOBAL ADVERTISING MARKETS — 2000

(Ranked by billings, in billions of dollars)

COUNTRY	BILLINGS (BIL. \$)	GROSS INCOME (BIL. \$)
1. United States	259,280.0	32,570.0
2. Japan	39,686.3	5,300.7
3. United Kingdom	24,871.8	2,873.6
4. France	12,452.9	1,735.4
5. Germany	12,273.5	1,571.3
6. Italy	6,450.5	612.4
7. Brazil	5,480.1	929.4
8. Spain	5,242.3	638.1
9. Canada	5,226.2	680.8
10. Australia	4,922.4	641.9
11. Netherlands	4,128.1	533.6
12. South Korea	3,354.1	465.8
13. China	3,332.3	510.0
14. Turkey	1,964.6	196.0
15. Belgium	1,956.8	258.0
16. Mexico	1,943.7	260.3
17. Switzerland	1,763.8	217.2
18. Argentina	1,670.2	239.8
19. Austria	1,425.9	182.0
20. Greece	1,412.1	184.8

Source: Ad Age.

there were only 14,000 cable subscribers throughout the United States. Cable didn’t enter the scene in a big way until the mid-1970s, when the medium was boosted by the popularity of Home Box Office and superstations such as WGN out of Chicago and TBS from Atlanta. By 1985, there were 33 million cable subscribers; today, cable has more than 70 million subscribers.

In the 15-year period through 2000, spending on cable advertising grew at a compound average rate of 22% per year. More than \$14 billion in advertising dollars were placed in cable television in 2000, up dramatically from about \$736 million in 1985.

In recent years, the growth in special interest cable TV networks and the increasing number of news and information channels has given viewers and marketers many more choices. In addition, the older cable TV networks gained more advertising dollars as broadcast TV prices rose beyond the reach of many marketers. Both the established and newer cable TV networks have also attracted advertisers because of their growing viewership and their attractive niche audience characteristics. With higher revenues, both from subscribers and advertisers, many cable net-

works have been able to upgrade programming and therefore gain more viewers, often from the broadcast networks. This trend has further increased cable's attractiveness to advertisers, and spending on cable advertising is expected to continue to grow.

### **Jury still out on digital television**

Interactive TV (digital television delivered by satellite or by cable) is a case where the jury is still out on whether an emerging medium will work for or against advertising. Digital television allows consumers to time-shift programming, to pick and choose among programs, and to pause or skip what's offered. Because interactive TV gives the consumer hands-on control of much of what appears on the screen, it poses a particular challenge to advertising companies. Agencies must come up with highly targeted advertising that is enticing enough to keep the viewer tuned in — and involved enough to eventually make a purchase. Digital TV and digital programming are still in their multi-year roll-out phase. Time will tell whether this medium will help or hurt marketers.

### **Internet advertising is a recent phenomenon**

According to the Interactive Advertising Bureau (IAB), Internet advertising in the United States totaled \$8.2 billion in 2000. As recently as 1996, the year the IAB began keeping tabs, dollars spent on Internet advertising amounted to \$267.0 million. In 1997, the amount jumped to \$906.7 million; in 1998, it reached \$1.92 billion, and in 1999, it more than doubled again, to \$4.62 billion.

The growth has been impressive, partly because the Internet is still in its infancy as an advertising medium. Even so, given the current soft advertising environment and the Internet advertising's growing base, gains are likely to be slower going forward. In fact, the medium may see as much as a 5% decline in advertising in 2001 because of the cyclical slump. We expect growth to resume in 2002, but at a pace tempered by the times. Still, the advertising market is intent on reaching the worldwide Internet audience of more than 140 million, and the medium will continue to grow in importance as a way to reach the consuming public.

We have touched on only a few of the newer marketing opportunities. Consider the following list: interactive home shopping,

home shopping networks, scrolling or split-screen television, direct television (satellite delivered) infomercials, 800-numbers, 900-numbers, CD-ROM, online services, fax on demand, audiotext services, television on demand (or digital television), video game advertising, videocassette and DVD (digital videodisc) advertising, kiosks, and more. Very few of these existed as recently as 1970. What percentage of the list was commonly in use as a marketing medium in 1980? In 1990? Even as recently as 2000, digital television (as discussed above) was missing from the list. Thus, we can see that the future for advertising is widening in terms of ways to reach consumers.

### **Compensation: the fixed fee is dying**

The traditional structure of agency compensation — a commission based on 15% of the client's total marketing budget, or billings — is going the way of the dinosaur. In fact, all billings-based compensation, no matter what the commission rate, is dying out. As recently as 1982, billings-based fixed-commission rate business constituted 71% of industry payment arrangements. In 1991, that figure had declined to 62%. By 2000, such payment arrangements represented only 21% of agency compensation. These findings and others mentioned below are based on research by the Association of National Advertisers (ANA), published in the spring 2001 issue of their triennial survey, *Trends In Agency Compensation*.

The old 15% rate, once the standard, began to break down decades ago. By 1985, only 43% of fixed-rate compensation was at the 15% rate. That proportion fell to 35% in 1988, 29% in 1991, 13% in 1994, and to 9% in 1997. By 2000, fixed-fee advertisers were just as likely to pay rates of less than 10% of billings as they were to pay rates ranging from 10% to 20%.

### **Labor-based compensation now the norm**

If the fixed fee is going, what is replacing it? America's advertisers, particularly the largest ones, have moved rapidly to labor-based compensation arrangements. Labor-based compensation, as the name implies, establishes an agency's actual direct labor costs for servicing the business, and then

provides compensation (usually expressed as a “fee”) that covers those direct costs, plus indirect costs and an agency profit. The agency’s compensation may take one of several forms: a fixed, variable, “cost plus,” or project fee. Whatever the name, all of these arrangements reflect the agency’s labor costs or tie in to the product that results from that labor. Labor-based compensation constituted 8% of agency compensation in 1982, then moved up to 32% by 1991, 53% by 1997, and 68% by 2000.

A major weakness of billings-based systems is their potential to create an inequitable level of compensation — for either the advertiser or the agency. However, much of the impetus for labor-based compensation came from marketers’ desire for greater cost accountability. Advertisers initially began the push toward labor-based fees when they noticed that agencies could reap huge profit windfalls when client spending increased — whether or not the agency actually contributed any significant new initiatives or creativity. With billings-based compensation, agencies benefit from rising media prices and rising media budgets, because the level of agency fees depends on the level of total spending on advertising. Although most agencies initially resisted labor-based fees, many ultimately became advocates as they realized that the billings-based advantage could cut the other way: significant cutbacks in client spending could greatly reduce agency income. This would certainly be the case in current times, with advertising demand and media pricing in a soft-economy slump.

Another impetus for labor-based compensation was the significant increase in the deployment of nontraditional media — everything from promotions and event marketing to the recent onslaught of interactive and other new media tools. These kinds of marketing programs have a greater labor content (and costs) and do not lend themselves as easily to billings-based commissions as does traditional media advertising.

Labor-based compensation appeals to all kinds and sizes of advertisers. Also, labor-based arrangements are attractive universally, no matter what the nature of the agency task. Thus, we expect to see labor-based packages continue to grow as part of the entire fee structure in the years ahead.

### **Performance incentives also growing**

The ANA survey found increased use of incentive compensation, with 35% of respondents in 2000 utilizing some form of performance incentive, up from 17% in 1988. The ANA noted that although incentives are usually associated with labor-based compensation programs, they are also part of some billings-based programs.

The ANA also found that performance incentive plans are usually multi-faceted, involving measures of both agency and company performance. Such plans usually involve both company sales and agency performance reviews, but can also rely on a variety of other measures, including market share or profit goals, brand or ad awareness and perceptions, media planning, and other criteria.

### **Consolidation boosts M&A activity**

The advertising industry has long been highly acquisitive. Agencies regularly look for other agencies to acquire as a means to expand into new service lines, meet a client service demand in a new market (or existing market where an office is not located), or attract a new client or a new product of an existing client. The pace of agency consolidation and the size of deals have increased dramatically since the mid-1980s, driven by the formation of large multinational groups of agencies. Merger and acquisition (M&A) activity is a trend that is expected to continue.

Among advertising clients, where mega-mergers have helped to create billion-dollar-plus advertising budgets, many believe that it takes a big agency to handle a big advertising budget. In addition, as larger advertisers become increasingly global in scope, they require their advertising agencies to provide multinational service. Other perceived advantages to sheer size in the advertising world include media buying clout, a broader creative pool, managerial depth, and financial stability.

Size is not the only benefit of merging, however, and mergers and acquisitions are not limited to the purchase of agencies. Merger activity also reflects the desire to offer a full range of services to clients. Recently, several of the biggest agency groups have purchased media buying firms (to maximize client service and minimize costs), direct marketing firms (to reach

consumers in the nontraditional ways), and interactive agencies (to develop clients' Web sites).

As mid-sized agencies are being acquired by the large multinational agency holding companies, M&A is changing the size of agencies in the advertising industry. This trend should continue, because the best way for the agency groups to grow is to acquire other agencies. Not only does the size of the agency group increase, but the group also acquires new clients, and often new expertise, by buying the mid-sized shop. In addition, some mid-sized agencies are acquired because the multinational agency holding company wants to develop a presence or serve a client in a geographic area where it currently does not operate.

For mid-sized agencies, acquisition by a large multinational agency holding company can be desirable for a number of reasons. Alliances with bigger agency groups can help mid-sized agencies keep major clients that want to expand into international markets; the mid-sized agency alone may not have the resources and/or expertise to serve that client in these new markets. By joining with a large agency group, those resources become readily available. In addition, many mid-sized agencies are losing business from blue-chip clients that wish to consolidate their agency roster. Clients that used to spread their advertising budgets among a number of agencies of all sizes have recently been cutting back the number of agencies they use to service their accounts. In some cases, the whole advertising budget is given to one large multinational agency group.

### **Some advertisers go it alone**

Although statistics are not available, a small but growing number of advertisers have set up their own in-house advertising and marketing departments, thus taking away a portion of business from advertising agencies. Although we know of no one company that creates and executes all of its marketing in-house, it is not uncommon for a large company to have its own media buying operation, for example. By doing it themselves, such companies seek to have greater control over the quality, strategy, placement, and cost of their advertising and marketing.

In truth, a number of these in-house shops also close down each year, as many prove to

be cost-inefficient and/or unable to come up with consistently successful advertising and marketing programs.

## **HOW THE INDUSTRY OPERATES**

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The principal functions of an advertising agency are to plan and create advertising programs for its clients and to place advertising in various media such as television, radio, magazines, newspapers, direct mail, outdoor displays, and interactive electronic media. Planning advertising programs involves analyzing the market for the particular product or service, creating the appropriate advertising campaign to convey the agreed-upon message, and choosing the appropriate media to reach the desired market most effectively.

The advertising agency develops a communication strategy and then creates an advertising program, within the limits imposed by the client's advertising budget, and places orders for space or time with the media that have been selected.

### **Types of agencies**

The principal types of agencies in this industry are general advertising and the so-called boutique shops, which concentrate their services in one particular area. In the latter group are sales promotion, direct marketing/direct response, public relations, branding/logos/identity consultants, field marketing, interactive, and specialty firms. Often these individual agencies and boutiques operate under the umbrella of a larger holding company, forming a full-service agency group.

#### **Full-service agency groups**

Under a holding company structure, leading multinational agency groups orchestrate the operations of a full range of advertising services. The advantages of size and breadth of product offering mean that these kinds of companies have come to dominate the industry. A full-service agency group will undertake the whole advertising process, from the creative work, production work, and account handling, to media planning and buying and post-buy analysis. The most common division of these various activities is for certain agencies in the

group to concentrate solely on media planning and buying (media independents), while other agencies perform the account handling, creative work, and production.

At the larger holding companies, the parent company provides strategic direction as well as centralized functional services, such as finance and acquisitions support, real estate expertise, legal counsel, and investor relations. This allows the separate agencies and operating companies to focus all of their talents and resources on their clients' marketing and advertising challenges. The parent company usually does not get involved with advertising campaigns or other client marketing programs, which are planned, developed, and executed independently and confidentially within each agency.

### **General advertising agencies**

Whether they are independent or part of an agency group, traditional general advertising agencies plan and create marketing campaigns and place advertisements among various types of media for their clients. Planning involves identifying and analyzing the market for a particular product or service, evaluating alternative methods of reaching the target market, and choosing those media or types of promotional efforts that will most effectively reach that particular market. The types of media include TV (network, spot, and cable), print (both local and national newspapers and magazines), radio (network and spot), outdoor posters and billboards, and the Internet. After the campaign is created, the agency then places orders for time or space with the selected media.

The functions of a traditional general advertising agency include interfacing with clients (what the industry calls account service), designing advertising campaigns (creative), making the actual advertisements (production), advising where the advertisements should be placed (media planning), and actually booking and coordinating the appearance of the advertisement (media buying).

### **Boutiques**

A full marketing program involves not only traditional advertising, but other efforts to boost product awareness and, ultimately, sales. As described below, there are a number of different kinds of boutiques that specialize in certain marketing services. Although most

operate independently, many boutiques are owned by the large holding companies, and their activities are often coordinated with the services of affiliated advertising agencies.

◆ **Sales promotion.** The kinds of services offered by sales promotion companies include promotional marketing, premium design and production, and marketing communications. Sales promotion companies usually concentrate on developing ideas for product promotion other than through media advertising or direct marketing. Examples include cents-off coupons and/or rebates, and production of premiums with company logos (*e.g.*, toys, shirts, hats, golf balls, or pens). Sales promotion companies also provide a range of services, from the development of the promotional idea to coordination of the actual promotion (for example, processing the coupons sent in by customers).

Sales promotion companies are generally paid on a project-by-project or a retainer basis (*i.e.*, a monthly fee). If companies are paid a retainer, they are expected to provide all of the sales promotion support required by the client in return for the monthly fee.

◆ **Direct marketing/direct response.** Direct marketing is advertising aimed directly at individuals or a particular category of people. While general advertising can be tailored to reach people with certain characteristics, it is not as precise as direct marketing.

The various types of services offered by direct marketing and direct response agencies include strategic planning, creative services, database design and management, media buying, fulfillment services, laser printing, and list buying/management. Direct response advertising requires that the consumer respond to the agency. Examples of direct response include direct mail (so-called "junk" mail), direct response TV, and telemarketing.

Like sales promotion companies, direct marketing companies are generally paid on a project-by-project or a retainer basis.

◆ **Public relations.** Services offered by public relations (PR) companies include media relations, marketing support, corporate communications, crisis management, advertising and marketing communications, internal communications, and the like. The idea is to build a favorable image of a cor-

poration, its brands, and its products. The importance of good PR has been apparent recently in light of several well-publicized consumer product recalls (Firestone tires), product liability cases (R.J. Reynolds), and fears/rumors of contaminated products (Perrier water and Gerber baby food). When the reputation of a company's major brand is threatened, public relations can provide crucial damage control.

Public relations work is generally priced as a function of manpower hours committed, multiplied by a markup percentage to cover overhead and agency profit.

◆ **Branding/logo/identity consultants.**

These agencies provide the following services to their clients: brand strategies, name development, corporate identity, package design, retail design, and brand valuation, among others. Clients are billed under varying compensation arrangements, including manpower plus markups, and project fees.

◆ **Field marketing.** These agencies provide many services, from the manufacturing of the product to its delivery. What distinguishes these firms is that they are directly involved in getting the product into the consumer's hands. This can include any of the following services: merchandising, point-of-sale product demonstration and coupon distribution, telemarketing, and warehouse distribution, among others.

◆ **Interactive.** These agencies, the newest in the advertising industry, have emerged as a result of the growing popularity of personal computers and online interaction through the Internet. In spite of the well-publicized fallout in the overwrought dot.com marketplace, advertisers and marketers have recognized that the online environment represents a vast and underutilized channel for selling products and services.

Interactive agencies can design and monitor Web sites for their clients, as well as produce a multitude of marketing-related services for use on the Internet. Interactive agencies also produce freestanding kiosks (commonly seen in the cosmetics and automotive industries) where consumers can design their own product online or find out general and specific information about a particular product.

◆ **Specialty.** These boutique agencies specialize in one area (financial, health, or medical) and provide numerous services to their clients. These include financial services advertising, financial notices ("tombstone") placement, financial printing, medical/pharmaceutical advertising, pharmaceutical print items and/or videos, placement of recruitment advertisements in various media, and the like.

◆ **Sports marketing.** Sports marketing units provide sponsorship and sports marketing consultancy; event management and ownership; athlete representation ownership; sports television programming; the production, sale, and distribution of sports television rights globally; and the management of global sports circuits and events.

## Growth drivers

Large multinational advertising groups have identified several strategies to increase growth. The international arena is still perceived as the best opportunity for growth over the long term. As more clients expand sales and operations into overseas markets, agencies are following. International expansion can be accomplished by strengthening weak subsidiaries in high-growth markets or by acquiring strong agencies that are already established in the desired region.

Growth strategies also include entering or expanding specialty advertising and marketing services. Again, this can be accomplished either through acquisition (which is most common) or by allocating adequate resources and attracting key personnel with the specialty knowledge and contacts to develop a specialty shop under the holding company umbrella.

## Perceived value

The value that clients perceive they're getting from an agency is a key factor in the level of spending they'll commit. The agency must ensure that the client appreciates the value of the advertising or marketing-related services being provided. If a client believes that its sales are growing, or at least being sustained during an economic downturn or shift in market demand, then spending on the ad program will likely continue at existing levels or increase.

Agencies, through the proliferation of sophisticated data gathering techniques, have access to extensive detailed information regarding spending patterns, consumer expectations of products, and demographics. This is particularly useful in determining the mix of advertising and marketing tools to be used in a particular campaign or target market and the manner in which to market a product. The use of market data to monitor results of campaigns (*e.g.*, the effectiveness of the campaign in reaching the target market) can also be an important tool in determining the value of a particular campaign.

### **New products boost agency business**

New products, including new twists on old products, are the lifeblood of the advertising industry. It goes without saying that few, if any, new products could be successfully introduced without some sort of marketing or promotional fanfare on behalf of that product. Thus, the heady pace of new product introductions that has been sustained since the 1980s has been a boon to advertising agencies and other marketing services providers.

Entirely new products typically require heavier promotional budgets than do established brand-name products or new product extensions of existing brands. In many instances, new products differ little from existing products, making it even more important to promote them heavily. Typically, it takes a minimum of three years before a successful new product pays back its original investment. Most products don't make it that far: the failure rate on new product launches is 80% to 90%, and the losses from such a failure can amount to millions of dollars.

No matter what fate a particular new product meets, however, new product introductions are good news for the ad agencies and advertising media. It is not that important to the agency business whether new products are growing at a 4% rate or a 14% rate because the absolute number — over seventeen thousand new introductions (including brand extensions) — is such a favorable business factor in itself. With a 10% to 20% success rate on new product introductions, the universe of established products vying for consumer attention continues to grow, despite the demise of many once-familiar products each year.

## **Political and regulatory environment**

Changes in regulations and actions by governmental regulators can result in increased competitive pressures, which can significantly affect a firm's ability to conduct business efficiently and effectively. Government regulations impact advertising agencies in several ways.

◆ **Restrictions on advertising.** Governments have the ability to pass regulations limiting — or eliminating — certain types of advertising. This can hamper an agency's ability to service its clients effectively. For example, in the U.S., tobacco advertising on television is illegal. Tobacco and liquor advertising content is restricted in various ways, and the two product areas will likely face added restrictions down the road.

◆ **Governmental regulatory agencies.** Certain countries have government agencies that have some regulatory jurisdiction over the advertising industry. For example, in the United States, the Federal Trade Commission (FTC), in addition to regulating unfair or anticompetitive business activities, also regulates consumer activities through the enforcement of false labeling and "truth in advertising" laws. Other U.S. governmental agencies that have input with the advertising industry are the Food and Drug Administration (FDA), the U.S. Postal Service, and the Federal Communications Commission (FCC).

◆ **Nonregulatory agencies.** The advertising industry itself has emphasized self-regulation in an effort to minimize the involvement of governmental bodies. For example, in the United States, the American Association of Advertising Agencies (AAAA), a prominent trade association, has developed a uniform code of conduct for the industry.

The AAAA reported in April 2001 that the Federal Trade Commission has taken another look at marketing of violent entertainment to children and reports that the motion picture and electronic game industries have made progress in regulating their marketing activities. The FTC report contends that the recording industry has not responded to requests for change outlined in the original FTC report issued in September 2000.

**TOP 10 CATEGORIES BY AD SPENDING — 2000***(In millions of dollars)*

	TOTAL AD SPENDING			2000 SPENDING BY MEDIA			NUMBER OF BRANDS
	1999	2000	% CHG.	PRINT	BROADCAST	OUTDOOR	
1. Automotive	7,962.1	8,416.6	5.7	2,186.3	6,149.6	80.6	30
2. Retail	4,605.8	4,965.7	7.8	2,527.6	2,419.5	18.6	24
3. Telecom	2,851.1	3,630.8	27.3	1,326.1	2,231.8	72.9	16
4. Financial	2,413.8	3,062.4	26.9	823.9	2,215.1	23.4	20
5. Restaurant	2,350.6	2,486.4	5.8	34.6	2,400.5	51.8	13
6. Computer	1,644.4	2,098.0	27.6	841.3	1,236.1	20.6	11
7. Food	1,644.0	1,690.7	2.8	310.1	1,369.7	10.8	12
8. Drugs	849.2	1,167.8	37.5	343.2	823.3	1.3	12
9. Personal care	1,109.2	1,047.0	(5.6)	308.3	738.0	0.7	10
10. Entertainment & media	563.1	723.0	28.4	327.8	375.7	19.4	7

Source: *Ad Age*.

Both the motion picture association and the electronic game industries have instituted well-publicized rating codes and have made other changes that have decreased children's exposure to their most violent products. In spite of, or in addition to, these self-regulating efforts, the advertising and marketing interests, particularly as relates to the music industry, will remain under pressure to expand their rating codes and cease placing ads for "violent" products in media that appeal to children.

◆ **Tax laws.** Changes in a country's tax treatment of advertising expenditures could have a positive or negative impact on the agencies operating there. For example, a change in the deductibility of advertising expenditures could greatly reduce advertisers' spending. In the United States, tax treatment of advertising expenditures is continually being tested by the federal government and different states.

The AAAA's Washington office provides the latest information on government activities affecting advertising at the local, state, and federal levels. Experienced executives represent the advertising industry's concerns by meeting repeatedly with key senators, representatives, and their staff, as well as the regulatory agencies and other departments of the government. They also appear on numerous panels and programs annually. The staff responds to hundreds of requests for information from the media and public each year. One of their chief concerns is preserving the full deductibility of advertising as an ordinary and necessary business expense.

## Client relationships

The clients of an advertising agency include any entity that has something to sell or a message to deliver. These are the direct clients of the agency — as opposed to the consuming public, which is the indirect customer. The ultimate success or failure of an agency depends on its ability to reach the desired target market and effectively communicate the pitch so that consumers buy more products. Not only does the agency have to sell its services to the direct client, but it also has to sell the consumer on the client's product or cause.

Large consumer product companies generally have the largest advertising budgets. Examples of such companies include airlines, automobile manufacturers, banks and other financial institutions, manufacturers of consumer goods (*e.g.*, gasoline, food, apparel, cosmetics, and pharmaceuticals), department and specialty stores, entertainment providers, and travel services. These companies have large target markets that are spread out geographically and therefore dictate usage of national and multinational media coverage. Clients with regional, national, and multinational reach seek out larger agencies that are able to provide services and facilities for these markets.

Developing and maintaining client relationships plays a vital role in the advertising industry. Some agencies exist solely as a result of one or two big accounts. Maintaining good client relationships is vital to the continued operations of these agencies. The loss of a single account for a larger agency will

not have as devastating an impact on the agency's operations, as these agencies do not rely heavily on income from a single source.

Obtaining and retaining client accounts is critical to success in advertising. Contracts between agencies and their clients customarily provide for termination by either party on relatively short notice, typically 90 days. Advertisers are thus able to move from one agency to another with relative ease. This arrangement places unyielding pressure on the agency to find and keep the best creative talent. Agencies interested in winning new accounts often invest millions of dollars in a major effort to prepare jingles, full-blown print advertising programs, and/or costly television commercials. To win even a relatively small account, an agency must first invest dollars and talent. Advertisers periodically put their account up for review if they are not satisfied with their existing agency. An agency that is invited to pitch an account that is up for review may incur extensive

costs, which will ultimately be unbillable if the account is not won.

Clients prefer not to be represented by an agency that handles competing products or services for other advertisers. Consequently, an agency must be careful not to enter into a new client agreement that conflicts with any of its existing clients. For example, an agency that provides advertising services for a large automobile manufacturer may not be able to service one of that company's competitors. However, some client overlap will occur in specialty agencies that focus on advertising for a specific industry (e.g., financial or medical recruitment agencies). These agencies hone their industry experience, and their clients capitalize on the agency's knowledge of the industry.

To minimize conflicts, agencies often seek clients in "open categories of business," that is, in industries where the agency does not already have a presence. When pitching to a client in an open category of business, the agency must work to develop the skills and knowledge necessary to service the client. Investing in the re-

#### TOP 25 MEGABRANDS, BY TOTAL MEASURED ADVERTISING SPENDING

(In millions of dollars)

	TV ADVERTISING			PRINTING ADVERTISING			TOTAL MEASURED AD SPENDING		
	1999	2000	% CHG.	1999	2000	% CHG.	1999	2000	% CHG.
1. Chevrolet vehicles	429.8	552.8	28.6	317.4	242.8	(23.5)	771.1	819.2	6.2
2. AT&T telephone services	423.2	454.6	7.4	256.8	270.6	5.4	721.6	787.9	9.2
3. Verizon telephone services*	84.0	284.1	238.2	180.2	343.9	90.8	324.9	709.7	118.4
4. McDonald's restaurants	584.7	610.7	4.4	8.4	16.4	95.2	625.1	663.4	6.1
5. Sprint telephone services	413.3	429.9	4.0	58.6	204.6	249.1	495.7	660.5	33.2
6. Dodge vehicles	495.1	519.4	4.9	139.3	118.9	(14.6)	652.0	660.4	1.3
7. Toyota vehicles	392.4	414.4	5.6	160.1	176.1	10.0	558.9	595.8	6.6
8. Ford vehicles	398.4	393.3	(1.3)	176.1	136.8	(22.3)	600.2	545.5	(9.1)
9. Sears department stores	279.7	258.4	(7.6)	259.4	201.3	(22.4)	554.8	491.3	(11.4)
10. Nissan vehicles	252.6	367.0	45.3	150.2	109.9	(26.8)	411.8	489.0	18.7
11. Chrysler vehicles	236.0	320.6	35.8	122.7	136.8	11.5	364.2	463.6	27.3
12. Macy's department stores	39.9	45.9	15.0	341.7	373.0	9.2	382.4	419.8	9.8
13. Honda vehicles	333.5	356.6	6.9	56.9	56.9	0.0	392.5	416.0	6.0
14. Burger King restaurants	369.2	355.7	(3.7)	1.7	1.5	(11.8)	403.1	384.7	(4.6)
15. Kmart stores	165.8	184.1	11.0	156.1	181.0	16.0	337.6	372.8	10.4
16. Microsoft software & Internet services	93.8	255.5	172.4	120.3	101.8	(15.4)	221.6	365.3	64.8
17. IBM computers	117.5	168.2	43.1	132.9	178.3	34.2	262.2	356.0	35.8
18. Circuit City stores	130.1	135.4	4.1	293.9	214.4	(27.1)	424.2	349.8	(17.5)
19. Volkswagen vehicles	226.0	288.1	27.5	50.7	48.0	(5.3)	280.8	347.6	23.8
20. Wal-Mart discount stores	264.7	291.5	10.1	30.1	37.5	24.6	295.5	335.3	13.5
21. American Express credit cards	156.5	166.2	6.2	153.6	146.2	(4.8)	327.0	331.0	1.2
22. Visa credit cards	225.1	266.0	18.2	32.6	35.9	10.1	268.0	320.2	19.5
23. Jeep vehicles	200.7	237.7	18.4	79.2	71.3	(10.0)	284.2	314.7	10.7
24. Saturn Corp.	231.2	251.7	8.9	52.4	58.7	12.0	288.9	312.5	8.2
25. Philip Morris corporate promo	113.4	245.0	116.0	7.3	56.6	675.3	120.6	309.9	157.0

\*Verizon figures include GTE and Bell Atlantic brands' spending.  
Source: *Ad Age*.

sources to gain this knowledge can be costly, so the agency must evaluate the financial impact of pitching in an open category of business prior to taking on such an endeavor.

### Compensation arrangements

Historically, the standard commission on media placed was 15% of the gross billing, and the standard mark-up on production billings was 17.65%. As the 1990s progressed, agencies moved away from the standard commission arrangement. Spurred by fiercer competition, clients have been increasingly successful in negotiating more customized arrangements with the agencies. Specialized billing terms may include reduced commission rate, flat fee, and sliding scale arrangements.

The commission or fee structure is always articulated in the contract between the agency and the client. It is important to understand the terms of all specialized billing arrangements to determine proper recognition of revenues and expenses.

◆ **Flat fee.** This type of contract is negotiated for an overall flat fee based on the annual cost of servicing the account, plus a profit mark-up on costs of materials, labor, and overhead. In other words, charges for out-of-pocket production expenses are billed at cost, plus an agreed upon mark-up percentage.

◆ **Sliding scale fee.** Contracts negotiated for a sliding scale fee are based on the volume of services provided to the client. Sliding scale arrangements generally include an initial fee, with decreasing rates for services as predetermined thresholds are met.

◆ **Fixed rate commission (based on media billings).** Average commission rates on media placements have declined from the once-standard 15% (see the "Industry Trends" section of this report), as agencies today negotiate rates on a client-by-client basis in a competitive market. In a fixed-rate arrangement, if the agreed upon rate is 10%, for example, then the agency's fee will be 10% of all monies spent.

### Seasonality affects compensation

Seasonality is a factor in the timing and level of advertising spending, and therefore agency revenues. Advertising spending tends

to be highest during the second and fourth quarters of the calendar year. Fourth-quarter spending is usually the highest due to the holiday season.

### Dealing with suppliers: media

The major suppliers for advertising agencies are media buying companies and/or media vendors. Media vendor relationships are very important, as media costs generally represent 65%–90% of an ad agency's operating costs. Large agencies have an advantage because volume discounts are available for most types of media. Media buying groups have been formed to achieve even greater purchasing leverage with sellers of advertising space.

### Production suppliers

Production of an advertisement often involves the work and coordination of many individuals and organizations. Suppliers involved in the production of an advertisement include the following:

◆ **Talent.** Actors, entertainers, sports figures, and other celebrities are often hired to promote or endorse a product or service.

◆ **Directors/producers.** Agencies often retain the services of prestigious directors and producers in order to achieve quality production. In addition, an agency may maintain an in-house production department in an attempt to minimize its production costs and/or optimize results.

◆ **Freelancers/consultants.** When creating a campaign in an industry in which the agency has insufficient knowledge, the agency will utilize freelancers and consultants on an as-needed basis to take advantage of the expertise of these individuals.

◆ **Outsourcing.** Many times agencies will make use of third parties in supplying resources. This can often be a money-saving practice for small to medium-sized agencies. A function that is often outsourced is the media buying function.

### Product sourcing

Some forms of advertising, such as direct mail and promotional merchandise, involve the

purchase or production of the necessary materials. The availability of these resources can be a critical factor in executing such forms of advertising. For example, timely delivery of promotional merchandise from a supplier is integral in delivering the final product to the client.

## Competitive environment

The advertising industry has two main types of competitive pressure: from broad-based global companies and from regional niche companies. In addition, agencies frequently compete with clients' in-house advertising and marketing departments.

Competition among large agencies for clients presents a ticklish situation because most clients prefer not to be represented by an agency that handles products or services for competing advertisers. The advertising industry has sidestepped this difficulty by forming agency groups, in which the agencies remain independent from and may compete with one another, even though they're owned by a common parent.

There are also numerous small, privately held advertising companies. Barriers to entry are low for this industry, since advertising and marketing services businesses generally don't require significant capital for start-up. The industry is labor intensive, so employee compensation and related occupancy costs are the major cost categories of an agency. Some smaller companies have become part of large agency groups. For those that are still privately

owned, the main priority is not necessarily earnings per share, but they still tend to focus on the earnings and value of the company. Capital for growth tends to be raised through debt, as private agencies do not have the same access as public agencies do to equity markets.

## Broad-based global companies

Global agencies, like McCann-Erickson Worldwide, BBDO Worldwide, and J. Walter Thompson Co., market their services as being portable into the world's major international markets. They have the staff and capital to maintain offices around the world. These firms compete largely with one another for the biggest multinational clients.

In order to compete on a global level, agencies need growth from existing blue-chip clients, expansion in emerging markets such as Latin America and Asia, and growth in specialty and marketing services. Many agencies offer a wide range of services and seek geographic diversification, which keeps revenues from being too dependent on the business cycles of any one country or line of business.

## Regional companies

These agencies often position themselves as offering lower-cost services and better customer service, and as being more closely attuned to local and regional markets. Some have adopted the integrated marketing concept, in which traditional advertising services are supplemented by sales, marketing, and promotional services not traditionally offered by ad agencies. In the

### TOP WORLD AGENCY BRANDS — 2000

(Ranked by gross revenues, in billions of dollars)

COMPANY	PARENT COMPANY	HEADQUARTERS	WORLDWIDE GROSS REVENUES (BIL. \$)	WORLDWIDE BILLINGS (BIL. \$)	NUMBER OF CLIENTS	NUMBER OF MARKETS
1. Dentsu	Dentsu	Tokyo	2,432	16,507	125	12
2. McCann-Erickson Worldwide	Interpublic Group of Cos.	New York	1,825	17,469	1,495	65
3. BBDO Worldwide	Omnicom Group	New York	1,534	13,612	624	42
4. J. Walter Thompson Co.	WPP Group	New York	1,489	10,229	669	30
5. Euro RSCG Worldwide	Havas Advertising	New York	1,430	10,646	668	43
6. Grey Worldwide	Grey Global Group	New York	1,370	9,137	693	48
7. DDB Worldwide	Omnicom Group	New York	1,177	9,781	782	41
8. Ogilvy & Mather Worldwide	WPP Group	New York	1,109	10,647	689	39
9. Publicis Worldwide	Publicis Groupe	Paris	1,041	7,905	559	29
10. Leo Burnett Worldwide	Bcom3	Chicago	1,029	7,758	332	15

Source: *Ad Age*.

past several years, these integrated regional companies have had some success in landing large accounts that formerly worked only with multinational firms.

### **In-house advertising/marketing departments**

Competition in the advertising industry occurs not only among large multinational agencies and regional niche companies, but also with in-house advertising/marketing departments. In order to satisfy their clients, advertising agencies need to deliver integrated services and have the processes in place to allocate money, strategy, and creative solutions. Otherwise, clients will use their own in-house advertising departments. Clients tend to award their business to their own advertising departments when advertising executives set overly aggressive budgets and when agencies focus on manipulating their financial targets rather than on controlling and improving their processes to fulfill customer needs.

### **Business structure**

Unlike most corporations, agencies often adapt their structures to accommodate the needs of their clients or the talents of their people. There is, however, a standard structure under which most ad agencies are organized. The two distinct arms of this structure are the front office and the back office: the first consists of the primary activities of the advertising agency, while the latter provides support.

#### **Front office**

The front office performs the primary activities of the agency and includes the account management, creative service, and media service areas.

◆ **Account management.** The role of account management is to serve as a liaison between the client and the agency. The account service function ensures that the ad agency focuses its resources on the needs and expectations of the client while developing ideas and viewpoints and presenting them to the client. Once the client and the agency establish the guidelines for the advertising campaign, the account management department becomes responsible for supervising the day-to-day creation and development of the advertisements within the specified guidelines.

Account management in a major advertising agency usually includes a management supervisor or representative, an account supervisor, an account executive, and assistant account executives.

The *management supervisor* reports to upper management of the agency. He or she provides leadership on strategic issues, looks for new business opportunities, plans for personnel development and growth within the account team, and ensures that the agency is making a profit on the account.

The *account supervisor* is usually the point person on the client's business and is the primary liaison between the client and the agency. This person writes the strategic plans, assigns priorities, reviews and approves all recommendations before they are presented to the client, and ensures agency adherence to plans and schedules.

The *account executive* is responsible for the day-to-day activities related to the client's job. Tasks include keeping the agency team on schedule, overseeing the budget, preparing status reports, supervising the production of materials, and securing legal or network approval of all advertising before production begins. The *assistant account executive* focuses on learning the business and supporting the account executive in performing his or her tasks.

◆ **Creative services.** The creative services department is ultimately responsible for the development and production of the campaign ideas. This department must be flexible in organization, but strict in quality and deadline control. The creative services department includes the creative director, the creative department manager, and the creative group.

The *creative director* is normally a senior executive who serves as the agency's creative conscience. This individual approves all ideas before they are presented outside the department.

The *creative department manager* oversees the internal management and administrative activities of the department and handles salary administration, budgeting, assignments, recruiting and hiring, and internal accounting.

The *creative group* includes writers and artists who translate ideas into print, television, and radio commercials. Included in the creative group would be the copywriter, art

director, and producer, as well as artists who specialize in doing presentations.

◆ **Media services.** The media services department performs one of the most complex functions in an advertising agency. Its job is to find the most efficient means of delivering the client's message to the target audience. This group is divided into planning and buying functions. Most media service departments also have a research division that gathers and evaluates media data.

Media planning involves determining what medium or media to use, when it will be used, how long it will be used, and at what cost. The *media planner* is involved in the overall strategy and must work jointly with creative development. The media and creative plans are prepared at the same time to ensure that the message to be conveyed and the medium will compliment each other.

The *media buyer* determines what media coverage will be available at what costs. Media buyers order media time on behalf of the client, according to the approved media plan. Once the client approves the plan, the media buyer acts quickly to place orders.

The *media research division*, which normally includes entry-level individuals, prepares forecasts of future prices, ratings of television programs, and audience composition.

### **Back office**

The back office functions as a support service for the agency and comprises the finance/accounting, human resource, and risk management departments.

◆ **Finance/accounting.** Although much of the emphasis in the advertising business is placed on the client account and creative side, an effective finance and accounting department is critical. This group's responsibilities include developing and monitoring the agency's operating budget; controlling costs; obtaining the necessary capital resources to support the agency activities; managing cash and paying invoices taxes; meeting payroll; and ensuring that expenses incurred on behalf of a client are properly billed, along with billings for other work performed.

◆ **Human resources.** The human resource function at an advertising agency is the same as that found at any corporation. This group

handles the hiring and firing of clerical, secretarial, and support staff, and also organizes and maintains the personnel files and records of the agency's employees.

◆ **Risk management.** The risk management department of an advertising agency is concerned with ensuring that the agency protects itself against generic risks, such as fire, theft of assets, or employee injury on the job, while also protecting itself against advertising-specific risks such as theft of creative ideas.

One of the most important functions of the risk management group at an agency is to review all print and broadcast productions prior to their release to the media. This function ensures that the agency does not release any advertisement that is not legitimate (false advertising) or one that offends an individual or any group of people. Any of these occurrences could subject the agency to a lawsuit. Therefore, the risk management group is critical to mitigating the agency's legal risk.

### **Focused market data**

The ultimate success or failure of an agency depends on its ability to reach the desired target market and effectively communicate the pitch such that consumers buy more products or services. Therefore, obtaining the right target market information on a timely basis is critical. With numerous technological developments in the past several years, such as the Internet and access to consumer databases, agencies are able to obtain information on very specific markets in order to focus their campaigns.

### **Consumer satisfaction**

Consumers are the people that advertisers are trying to reach with their pitch. Advertisers need to know which consumers are most likely to purchase their product or service and how successful their campaigns are with the intended target market. Thanks to numerous technological developments in the past several years — more accurate Nielsen ratings (which can now be stratified into numerous detailed categories), Web site Home Page “hit counters” (which measure the number of online users visiting a specific site), and the computerized summation of direct mail responses — agencies are able to obtain

more information regarding consumer satisfaction than ever before.

## KEY INDUSTRY RATIOS AND STATISTICS

The following information and statistics provide important insight into the current health and future outlook for the advertising industry. The information should be considered in conjunction with this survey's "How to Analyze" section, particularly the macroeconomic indicators described under "The economy." Along with sources cited here, the "Industry References" section lists publications and organizations that can provide helpful information.

Measures used in forecasting economic trends are good indicators of how advertising spending will move. Some of these measures include real gross domestic product, stock market performance, consumer spending, retail sales, employment data and economic forecasts, analyst forecasts, and consumer and business sentiment indicators.

► **Real growth in gross domestic product (real GDP).** Reported quarterly by the U.S. Department of Commerce, real GDP measures the change in the nation's output of goods and services, adjusted for inflation. It thus indicates the overall health of the country's economy. Two consecutive quarters of decline in real GDP indicate that the economy is in a recession. GDP measures are also available for other countries and are key in determining the current and potential health of any one economy. The components of GDP include the following: consumer spending, investments in equipment, nonresidential construction, residential construction, federal government spending, state government spending, exports, and imports.

The health of the overall economy affects consumer and business sentiment, which in turn affects current and planned consumption. As economic activity accelerates, businesses are usually willing to spend more on advertising and marketing. The reverse is generally true in an economic slowdown, but as discussed in detail in the "How Industry Operates" and "How To Analyze" sections of this survey, certain segments of the economy buck the trend, and certain marketers buck the trend.

In the 10 years from 1991 through early 2001, the U.S. economy enjoyed a balanced and broad-based expansion marked by rising real output, declining unemployment, and stable inflation. The economy entered a recession in mid-2001, and economic activity was further dampened by the terrorist attacks of September 11. In the second quarter of 2001, real GDP grew by only 0.3% (revised), and Standard & Poor's economists project declines in real GDP of 0.4% and 1.9% for the third and fourth quarter, respectively. This would result in full-year real GDP growth of 1.1% for 2001, following the 4.1% gain of 2000. We expect economic growth to resume in the first quarter of 2002, with real GDP projected to grow 1.0% in full-year 2002.

► **Demographic trends.** Measuring population growth and the size of various age groups is useful in forecasting increases or decreases in consumption, incomes, and spending. This is particularly helpful in getting a general idea of the long-range growth prospects for various segments of the economy and in understanding certain target markets. Knowing about the characteristics of different population segments — for example, that the leading edge of the baby boom generation is now in its fifties, and that the over-50 segment of the world's population is the fastest-growing segment — one can determine the relative strengths of growth expectations for various sectors of consumer consumption. For example, armed with the preceding knowledge, one can reasonably infer that the healthcare sector will grow at faster rates than the economy in general in the years to come.

Demographic and population data are provided by the U.S. Census Bureau (<http://www.census.gov>) and *American Demographics* magazine (<http://www.demographics.com>).

Unemployment statistics, retail sales and other measures of economic health not only play important roles in determining and forecasting economic health, but also impact consumer and business sentiment.

► **Stock market performance.** A favorable stock market tends to boost consumer and business sentiment (even though, in a quasi-symbiotic relationship, the strength and durability of a stock market rally itself depends in part on consumer and business sentiment). A

strong stock market adds to the wealth of consumers and businesses. It also makes it easier for businesses to raise capital for investment. Thus, consumer and business spending (discretionary, nondiscretionary, and investment) benefit from a strong stock market.

The S&P 500 rose 19 points in October, which represents a modest 1.8% gain. Overall, the underlying tone in the market was noticeably better than that seen over the past couple months, as a “buy-the-dip” mentality supported the market. While ongoing terrorist concerns and lingering uncertainty regarding the economy, earnings, and financial markets all weighed on bulls’ conviction throughout the month, investors continued to use sell-offs as bargain-hunting opportunities — a very constructive sign.

While economic data remained weak throughout the month, a better-than-feared tone in earnings, especially in the technology sector, appeared to provide underlying support. On a sector basis, it was really a story of strength in technology (up an impressive 17%) coming at the expense of telecommunications (down 14%). The Software & Services and Technology Hardware & Equipment industry groups showed double-digit returns. Two factors contributed to this. One, many companies in these industry groups met their earnings expectations, although these expectations were already sharply lowered. Two, as the reality of a global recession has sunk in, investors are looking forward to sectors that would recover first and since these industries led the fall, they might recover earlier than the rest. All other eight sectors revealed modest changes, ranging from down 2% to up 3%.

Overall, the rally seen over the last six weeks suggests that investors believe that with the amount of fiscal and monetary stimulus that is already in the pipeline, along with that expected to come online over the next few months, the foundation could be in place for a solid recovery in 2002. As such, investors currently appear to be more worried about missing any subsequent rally rather than the risk of a new leg lower. It will be interesting, however, to see how the market acts into year-end given that earnings for the fourth quarter are expected to still be very depressed.

*Asia-Pacific:* The economic news in Asia remained grim through the third quarter of 2001, with economies hurting from slowing

exports and flagging global trade. Singapore’s economy endured another massive contraction in the third quarter. Slowing world trade has taken its toll on Hong Kong, where exports fell 11% in September, the biggest fall since the Asian crisis. Australia seems to have avoided the worst of the downturn, thanks to its natural resource-driven economy and proactive action by its central bank. In China, the government’s move to regulate markets resulted in selling pressure early in October. However, the government’s decision to suspend selling huge chunks of public sector companies to build a pension plan resulted in some relief. These are going to be continuing themes, as are concerns over China clamping down on “hot money” from the mainland invested in Hong Kong. But eventually, Chinese markets will need to have greater transparency and liquidity.

The S&P Asia-Pacific 100 Index not only went from worst to first in October, it racked up its best one-month performance of the entire year, with an 8.5% surge. While bargain hunters swooped in to take advantage of the oversold conditions around the world, they were particularly aggressive in Asia-Pacific. This is evidenced by its astonishing turnaround from September’s disastrous results, with the index posting the largest month-to-month reversal — 24.4 points, from -15.9% in September to +8.5% in October — of any S&P global index this year. While the global economic slowdown continues to hurt the region, a few encouraging signs have emerged, like stronger than expected industrial production in South Korea.

*Japan:* A string of weak earnings reported by chip makers in October added to the gloom over a record 5.3% unemployment, a record 24th month of deflation and the near-certainty that Japan is in its fourth recession in a decade. Bank shares staged a mini-rally in the middle of October, but more concerns over the systemic weakness in the financial sector dragged Financials down later in the month. In many ways, Japan is in a Catch-22 situation. It needs to get out of its deflationary rut, and raising rates might be a solution. But that is fraught with risks. According to Standard & Poor’s, any increase in rates would result in such high valuation losses for banks that they might tip over into insolvency.

S&P's TOPIX 150 Stock Index climbed 3.5% in October, even as Japan's economy continued to stumble. The Bank of Japan lowered its projection for fiscal 2001 GDP to a -0.9% to -1.2% contraction from its previous forecast of a 0.3% to 0.8% rise. However, one bright spot was that the most recent figures showed a less severe decline in exports than analysts expected. Seeing the September selloff as a buying opportunity, investors pushed Japanese equities higher. The overall gain in the TOPIX 150 was limited, however, by weakness in the banking sector.

*Europe:* The S&P Europe 350 gained 4.16% in euro terms in October, but US\$ losses were restricted to 2.97%. To the surprise of many, the euro has failed to pick up against the dollar despite a steady stream of grim news from across the Atlantic. The Eurozone's manufacturing sector sank deeper into recession in October, as output, employment, and new business orders fell after September 11. EMU inflation has drifted down to 2.5% from 3.4% in May. But the European Central Bank (ECB) remained unconvinced about the need for a rate cut, much to the disappointment of markets. The region has lagged the United States. When the U.S. economy faltered, Europe remained buoyant. But the slowdown has caught up, not only with Europe, but with the rest of the world. We expect Europe to lag the United States by six to 12 months (economic growth and advertising strength) as well when things turn around.

The S&P Europe 350 Index, like nearly all the S&P global indexes, bounced back strongly to post a 4.2% gain in October after a dismal performance in September. Some encouraging news on the economic front indicated that despite the global fall out from the tragic events of September 11, the situation in Europe was not quite as bad as previously thought. Among the positive indicators released during October were reports of stronger than expected consumer spending and rebounding foreign orders in France, along with a report of a stronger-than-anticipated Eurozone trade surplus.

*Latin America:* Argentina continues to be a major worry in October 2001: investors think it will do a sugar-coated default on its debt and devalue the peso. As tax revenues shrunk and the economy entered its third year of recession, Standard & Poor's downgraded Argentina's

debt twice to "CC," just a few notches away from default grade. In Brazil, pessimism about what is currently seen as the likely outcome of next year's presidential elections put pressure on the currency and equities. Liquidity has been steadily drying up on local exchanges. One positive note is that in the wake of the September 11 terrorist attacks, Brazilians have cut back sharply on their international travels. Instead, Brazilians are vacationing and spending within their own borders.

S&P's Latin America 40 Index gained 4.2% in October, despite the deepening financial crisis in Argentina. The country's economy remains weak, with investors fearing possible default on the government's foreign debt. However, while Brazil has historically had close economic ties with Argentina, investors now see the crisis having limited impact on Brazil. As a result, a number of Brazilian stocks posted solid gains, as did Mexican issues. Gains in U.S. equities helped buoy Mexican stocks.

*Canada:* Inflation slowed to 2.6% in September, and along with evidence that the economy is slowing faster than expected, this prompted the Bank of Canada to cut the target for its overnight interest rate from 3.5% to 2.75%. This brought the total drop in interest rates since the start of the year to three percentage points. However, Canada's leading banks, which had a good earnings season earlier, now seem to be in trouble as the slowing economy puts pressure on their profitability through heavy provisioning charges.

While the other four S&P non-US indexes moved solidly into the black in October, the TSE 60 (Toronto) posted its second straight monthly loss with a decline of 0.2%. After holding up the best during September's downturn, the TSE came in dead last in October as the only index failing to post at least a double digit improvement in its results over September. One of the big contributors to the decline was Air Canada, which fell 24.5%. The carrier continued to suffer along with other airlines in the aftermath of the September 11 terrorist attacks, as nervous travelers continued to stay home.

## HOW TO ANALYZE AN ADVERTISING COMPANY

Since advertising agencies are people businesses, analyses of costs per employee, rev-

venues per employee, and net income per employee are important in determining efficiency. These trends are also vitally important in benchmarking against peers.

Public agencies focus on the market value of their stock and, as a result, they look to maximize current earnings and return to shareholders. A stock's strong market value and the public's perception of it as a "good investment" can be key factors in management's ability to expand the agency or agency group. A record of favorable stock performance and consistent earnings growth gives a company relatively easy access to the capital needed for growth, through the issuance of additional stock or convertible debt.

Cyclical factors such as sluggish economic activity and low inflation can have a dampening effect on agency revenue growth, whereas a strong economy and a high inflation rate can have the opposite effect. Revenues are also affected by the health of individual clients, marketing decisions made by existing or prospective clients, the magnitude of new consumer product introductions, and the intensity of competition in its myriad forms. Above all else, however, the success of an ad agency ultimately rests on its ability to produce effective marketing campaigns. Thus, creativity ranks high among the criteria by which an advertising agency is judged.

### **Evaluating management**

The quality and experience of a company's management and creative teams are very important in determining long-term success. Does the firm have experienced management? What is management's track record?

Corporations are normally structured around product lines, brands, services, or other business units; advertising agencies, in contrast, are structured around client accounts. Because clients come and go and account needs change, agencies must be adaptable. So it's crucial for a firm to be led by insightful and quick-thinking individuals.

An agency's product is ideas. The agency must encourage innovative ideas and protect those ideas as they are refined. Therefore, openness and flexibility are just as important as organizational structure in most advertising agencies. Yet performance must be closely monitored and controlled on a quantitative basis to ensure financial success. (Internal

benchmarking is discussed further at the end of this section, under the heading "Key performance measures.")

### **At the heart of the agency: employee issues**

The success of an agency depends on its ability to obtain and retain client accounts. Thus, an agency must be able to produce effective advertising campaigns. This, in turn, is largely contingent on hiring and maintaining the best managers, creative talent, planners, and other support staff. Agencies must also provide topnotch service to clients. Because people and personalities play such a large part in this business, it's crucial to develop and maintain good client relationships and to maintain good working relationships among co-workers. As a result, there is fierce competition among agencies for the best and most talented employees. It's often the case that a strong relationship arises between the client and an account executive who has remained on the account for numerous years. Because of the frequent movement by account executives from agency to agency, clients also shift their accounts on a frequent basis.

### **Creativity**

Creativity is key to winning and maintaining clients. After all, no matter how well an advertising or marketing program is put together, if it does not move the consumer to act, it has failed. Along with sales trends and various other measures, one way to assess an agency's creative success is to see how it stacks up against its competitors in terms of creative awards.

Awards include the Gold Lion, Palme d'Or, and Grand Prix (Cannes); the DMA's ECHO award (direct marketing); the AAAA O'Toole award; the ADDYs, the Effies (for advertising effectiveness); and the Clios (for excellence in advertising).

### **Agencies pay up for talent**

Employees are the largest cost component at advertising agencies. In the United States, agencies that are members of the American Association of Advertising Agencies (AAAA) can receive benchmarking information for payroll costs by function. The AAAA publishes an analysis of agency costs every year. Analyses of how these costs stack up against those of peers

offer telling measures of how efficient an organization is.

### **Minority interests and managing owners can create risks**

The advertising industry is very acquisitive. As a result of previous acquisitions, “minority interests” and “former shareholders as management” may exist. Minority interests may or may not exert significant influence on an entity’s operations; however, they do represent a third party that must be considered when assessing an entity’s operations.

Indeed, former shareholders of an acquired agency that remain in management can represent a significant risk to the agency’s operations. First, they may be a party to an “earn-out” arrangement whereby a contingent purchase price is paid based upon the future performance of the acquired entity. Although such an arrangement provides an incentive to achieve the greatest possible level of revenues, it also can be an incentive to shift revenues into the earn-out period, thereby increasing the contingent purchase price. Second, if they continue to treat the agency as their own, travel and entertainment expenses and professional fees charged to the business may be excessive and could include personal items.

### **Occupancy costs add up**

After direct employee costs, occupancy is the second highest expenditure for a typical advertising agency. As a result of consolidation within the advertising industry, many agencies find themselves with excess space. They then face the daunting task of renegotiating leases to minimize occupancy costs, while maintaining optimum space allotments for employees. Some agencies have crossed over to a “virtual office” concept, whereby workspaces are shared and employees are equipped with cellular phones for mobility. Occupancy costs per employee, square footage per employee, and comparisons with historical occupancy and square footage are all key measures that should be taken into consideration and compared against those of peers when assessing operating efficiencies.

### **Revenues: the economy’s influence**

Commissions and fees, and the related profitability of advertising and marketing services companies, generally fluctuate in conjunction

with the economy. In “boom” periods, revenues tend to be at their highest, while during downturns client spending will generally diminish. Thus, measures used in forecasting economic trends are good indicators of how advertising spending will move. Some of these measures include real gross domestic product, stock market performance, consumer spending, retail sales, employment data and economic forecasts, analyst forecasts, and consumer and business sentiment indicators.

Although advertising sales tend to follow the economy, in certain instances this is not the case (one notable example being the entertainment industry). Therefore, depending upon the products being marketed and the type of campaign or media used, advertising agencies can still realize significant growth during an economic slowdown or downturn. Sustaining revenue levels during an economic downturn is one of the greatest challenges for an agency and plays a significant role in the long-term planning and forecasting process.

### **Composition of revenue sources**

Because some advertising sectors are not tied as tightly as others to movements in the general economy, it is important to look at the composition of an agency’s client list to see how that agency might fare. For example, the current economic slump is affecting most advertising segments, but the direct-to-consumer drug and remedy segment is expected to sustain relatively strong spending as agency clients hype new drugs and therapies. Therefore, an agency or group with a heavy concentration of clients in these areas will probably do better than its peers in the months ahead.

Conversely, an agency or group with heavy concentration in the auto industry, for example, might feel the pinch more than the industry as a whole, because auto is one segment that has reduced spending significantly. The agency or media placement company that derives a high percentage of its business from the placement of television advertising would also be hurt during the current economic slowdown. Why? Because demand for broadcast television advertising is soft relative to cable TV, and broadcast television ad prices are therefore weak.

### **Company-specific factors can weigh heavily**

In addition to external factors, each marketer’s circumstances impact the scope and

type of demand for advertising services. The shifting fortunes and needs of individual marketers, and of individual products and services, help to determine how much money will be allocated for marketing, and how those dollars will be allocated among various media and among various types of marketing programs (e.g., advertising versus promotions). For companies that produce more than one product or service, the marketing needs of each area can differ significantly. The timing of expenditures is also important.

Take, for example, Microsoft. The dot-com fallout and the slump in the technology sector wreaked havoc with the overall economy and with advertising across the board. But the agencies that have Microsoft as a client will likely benefit from that company's need to heavily market two major new products Microsoft launched the Windows XP operating system in late October 2001, and launched its much-awaited X-Box game platform and related software in mid November 2001. Although we do not have Microsoft's complete advertising and marketing budgets, it is generally known that the company has budgeted at least \$500 million on the X-Box alone.

The primary marketing channels for these Microsoft products are the obvious ones: Windows XP avenues would include computer publications, mass audience publications, television, and the Internet. X-Box advertising will be heavily targeted toward males in the pre-teen, teen, and young adult age groups in particular. Thus, advertising and marketing budgets will be skewed toward computer publications, game publications, sports publications, sporting events, concerts, mass audience publications, television, radio, movie trailers, and toy and game stores.

### **Compensation structures vary**

In analyzing revenues, it is also important to try to determine what percentage of a company's business is billings-based, as opposed to other fee arrangements. Under the billings-based arrangement, an agency's compensation is based on a fixed percentage of the client's total spending (or total billings for media placements and the like). Under these arrangements, agencies benefit from rising media prices and from rising media budgets. Conversely, significant cutbacks in client spending can greatly reduce agency income.

In general, pure advertising and media buying and placement are more likely to be compensated on a fixed-fee basis than are other marketing and promotional services. Thus, ongoing crosscurrents in advertising affect not only total advertising demand and specific product categories, but also the relative strength of advertising versus promotions.

### **Advertising versus promotions**

Reductions in marketing budgets go directly to the profit line on a company's income statement. Thus, if a company's earnings are being hurt by the current economic slump, it might decide to slash total spending on marketing in order to boost the bottom line. Another company, also hurt by the weak economy, might take the opposite tack and increase marketing dollars in order to boost sales of established products and to launch new ones successfully.

It is a common observation in the industry that during difficult economic times, when consumer optimism is low, marketing promotions serve the short-term purpose of getting reluctant consumers into the stores to shop. On the other hand, during good economic times, when consumers do not need incentives to go shopping, advertising ostensibly helps them to distinguish among an array of goods and services. On the whole, however, advertising is more sensitive than promotions and other marketing services are to the state of the economy. Thus, it is important to determine what proportion of an agency or group's business is derived from advertising as opposed to promotions and other services.

Consumer promotion consists of point-of-purchase material and retail displays, coupon redemptions, premiums and incentives, and spending on pamphlets and other promotional publications such as flyers. Thus, a shift toward promotions will reduce demand for traditional broadcast and print advertising in general. It is rare for a company to shift all of its marketing allocation into promotions, however, because a radio advertisement, for example, may be needed to inform the consumer of the promotion.

### **Key performance measures**

In any evaluation of an advertising agency, comparative analysis is important.

Agencies can be benchmarked against other agencies by obtaining annual reports and other company documents, or by obtaining material published by trade organizations such as the AAAA. Also, creativity awards, such as a Clio, are highly visible and may be used as benchmarks.

Similarly, internal benchmarking is a key function of agency management. In addition to monitoring the external environment (the economy, market trends, ad demand, media pricing, and the competition), management must monitor and evaluate internal areas of agency performance. Operating statistics are assessed, and responsibilities for variations from budget are assigned. Key challenges for agencies include managing staff costs, managing vendor relationships, sustaining a creative edge, and streamlining overhead costs.

If an agency's profitability falls short of what is expected, or underperforms the peer norm, the shortfall may reflect a level of service that is high in relation to the level of commission income, or it may reflect waste and low productivity. Indeed, it may reflect any number of weaknesses. Management may start by looking at each client's profitability statement to see where adjustments might be needed.

Analysts usually are not privy to this proprietary information. However, an outsider does have access to most of the following performance indicators that management can tackle to improve the business: revenue growth, cross selling, gross margin (also gross margin by client), occupancy trends and comparisons of square footage to headcount, payroll as a percentage of revenue, liquidity/cash management, pretax income growth, and effective tax rates. Other areas that may be monitored are manpower utilization (chargeable ratios are a measure of how much billable time people spend on a marketing or advertising program), employee turnover, percent of jobs with overruns, average days billings in accounts receivable, and aging of receivables. ■

## GLOSSARY

**Account executive** — The advertising agency employee who is responsible for maintaining the relationship between the agency and the client.

**Advertising** — Mass communications involving the payment from the originating organization to a mass media outlet, the goal of which is promoting the purchase of products and/or services, or some other action by the audience, such as voting in an election. (See “publicity.”)

**Advertising allowance** — Money a manufacturer gives to another member of the distribution channel (wholesaler, distributor, sales representative, affiliate, value-added reseller, retailer, etc.) for the purpose of advertising the manufacturer’s product, service, or brand.

**Advertising medium** — A vehicle for conveying an advertising message; *e.g.*, television, radio, newspapers, etc.

**Advertorial** — A print or Web advertisement designed to look like a news story. The television or radio equivalent is known as an “infomercial.”

**Art director** — The advertising agency employee responsible for creating artwork and layouts for advertisements.

**Audience** — All people, households, or organizations that read, view, or hear a particular marketing communication vehicle.

**Audience duplication** — The overlap of people, households, or organizations that might read, view, or hear an advertisement or other marketing communication more than once if it’s carried by a combination of media vehicles.

**Audit Bureau of Circulation (ABC)** — An organization that conducts audits of magazine and newspaper circulation numbers.

**Banner ad** — On the Web, a standard advertisement (either static or animated) that normally, though not necessarily, appears near the top of a Web page. The term generally indicates an ad of a particular size (the industry standard is 468 x 60 pixels).

**Bleed** — Ads, illustrations, or photographic images printed so they run to the edge of the page (after trimming, if the page is trimmed).

**Blow-in card** — A printed card “blown” into a publication and, therefore, loose rather than bound to the publication.

**Blurb** — A piece of text, usually no more than a single short paragraph, describing a company, person, product, service, or event. The blurb is used inside a larger marketing communication vehicle. For example, an event program may include company blurbs describing the sponsors of the event.

**Boilerplate** — Prewritten, standardized copy used whenever a particular marketing communication requirement arises; eliminates the need for original writing when such requirements arise frequently. It may also be written to adhere to legal or company standards.

**Boutique agency** — An ad agency that focuses on just one or a few services. It might, for example, just produce videos.

**Brand manager** — The manager responsible for the marketing and advertising of a given brand.

**Brand name** — The proprietary name given to a corporation and/or its products and services. Advertising is used to promote brand awareness, desirability, and loyalty.

**Business reply card (BRC)** — A card preprinted with the address of the advertiser (or its fulfillment house) and distributed with an advertising piece. The recipient uses the card to respond to an offer (which may simply be an offer to provide more information) made by the advertiser, who pays the return postage.

**Buying service** — A company primarily engaged in buying media space or time for advertising purposes.

**Card rate** — The list price for advertising as it appears on the media outlet’s rate card. Discounts against this rate may be available, depending on volume purchased and current supply and demand.

**Center spread** — An advertisement that appears as a single printed sheet running across both facing pages at the center of a publication. This is considered favorable placement both because it is a single, unbroken sheet flowing across two pages and because the publication tends to fall open at the center spread. (See “double truck.”)

**Click-through** — A measure of activity at a given place on the Web. A click-through is counted if a viewer clicks on a Web page ad, thereby triggering the link assigned to it.

**Click-through rate** — The number of times a Web page ad is clicked on, as a percentage of the number of times the ad is displayed.

**Contra** — A product or service (such as advertising time or space) that is exchanged for another service (such as printing, accounting, or any other service) rather than for cash.

**Controlled circulation** — Distribution of a free magazine or other publication to a list of people, households, or organizations restricted by some defining characteristic, such as occupation, industry, hobby, etc. (See “paid circulation.”)

**Co-op** — The joint funding (*e.g.*, by retailers and manufacturers) of marketing communications activity.

**Copy** — The actual text, spoken or written, in a market-communication.

**Copyright** — The legal ownership that protects literary, music, or artistic work.

**Copywriter** — Someone who writes text for marketing communications material.

**Cost per thousand (CPM)** — A measure used when quoting costs for a number of different media: thousands of banner ad impressions on the Web, viewers of a TV commercial, readers of a print ad, etc.

**Creative director** — The advertising agency employee responsible for supervising the work of all people involved in the creative aspects of producing advertising, including art directors, graphic designers, copywriters, etc.

**Creative** — Activities involved in the creation of marketing materials. Creative areas include copy writing, design, photography, illustration, music, etc.

**Cross-selling** — Encouraging existing customers to buy other products and services (through brand extensions, for example).

**Database marketing** — Using data stored in electronic databases to identify target markets and fine-tune marketing messages for specific prospects. The data can come from internal sources (such as retail checkout scanners or systems used in order entry, sales lead tracking, and accounts receivable), or outside sources (such as third-party market research databases).

**Demographics** — The size, growth, density, distribution and other characteristics of a population. Demographic data that can delineate market segments include age, gender, postal code, income level, education, nationality, and religion.

**Direct mail** — All direct response advertising sent via mail or other delivery services and addressed to specific individuals rather than being delivered to all residents in a geographic area. Direct mail includes catalogs, cards, card decks, letters, brochures, pamphlets, flyers, videotapes, audiotapes, diskettes, and promotional items.

**Direct marketing** — Any direct communication with a consumer or business recipient designed to generate a response: an order (direct order), a request for further information (lead generation), and/or a visit to a store or other place of business for purchase of specific products or services (traffic generation). Direct marketing communications contain certain key elements: enough product information to allow the recipient to make an immediate purchase decision, and a response mechanism (phone or mail order information) or information about a local store location, hours of operation, etc.

**Double truck** — Print advertising that uses any two full side-by-side pages, not necessarily the center ones, in a publication. (See “center spread.”)

**Envelope stuffer** — An advertising piece included in an envelope used primarily to deliver other business correspondence, such as an invoice or a letter.

**Fact sheet** — A single sheet containing factual information about a product, service, company, or event, without high-pressure sales talk or flowery language.

**Frequency** — The number of times that individuals or households see, hear, or read a particular marketing message within a given timeframe.

**House agency** — An advertising agency that is owned and operated by the advertiser.

**Image advertising** — Promoting an overall perception of a company, product, or service rather than touting specific attributes. Image advertising is generally used to position a product relative to the competition; for example, to create an image as a luxury product.

**Infomercial** — A television or radio commercial designed to look like a documentary or news story. The print or Web equivalent is known as an “advertorial.”

**Insertion** — A single placement of an ad in a publication.

**Integrated marketing communication** — Using a mix of all appropriate marketing communication disciplines, media, and vehicles in a well-coordinated campaign to achieve a unified objective or set of objectives.

**Island display** — A point-of-purchase display away from competitive products, typically in the middle or at the end of an aisle.

**Lettershop** — A firm that produces and mails sales letters and other marketing communications for other organizations.

**Marketing communications** — All strategies, tactics, and activities involved in getting marketing messages to intended target markets, through whatever media channels are used.

**Mass marketing** — The distribution of marketing communications through mass media. The mass market is basically the broader population, although mass media can provide access to narrower audiences that have some common characteristics, who are drawn by a shared interest in the media content.

**Mechanical** — Copy and graphics pasted onto a rigid board backing for reproduction by a printer.

**Media kit** — A package of information distributed by a media outlet to sell its advertising space. The kit typically includes information about the media vehicle, advertising rates, information about the audience it can deliver, mechanical specifications for ads, closing dates, etc.

**Media plan** — A plan providing a clear outline of the types of media to be used and media scheduling. The plan may be for a specific campaign or for all campaigns within a year; it may be for a single product or service or for a whole company or division.

**Media release** — Information written within an organization and distributed to media outlets with the hope that they will incorporate the information into their news or other services. Compared with a press release, a media release implies a wider distribution; *i.e.*, to all media outlets.

**News release (or press release)** — News or information piece written by an organization and distributed to media outlets with the hope that they will use it as the basis for a news story.

**Paid circulation** — Distribution of a magazine or other publication to people, households, or organizations that have paid a subscription fee or the single-copy newsstand price. While the content of the publication tends to attract an audience with some common characteristics, the publication does not restrict readership based on those characteristics. (See “controlled circulation.”)

**Penetration** — The percentage of a market that a medium or an individual media vehicle reaches. Alternatively, the percentage of the market that a particular marketing message reaches, regardless of the media vehicles used.

**Plug** — A free positive mention of a company, product, service, and/or event in any media vehicle.

**Positioning** — Defining a brand’s place in the market relative to competing brands or products. It is defining the brand relative to the competition that separates positioning from other marketing communications messages.

**Promotion** — Any marketing activities designed primarily to persuade members of a target audience to take a specific action.

**Psychographics** — Statistics denoting the attitudes and lifestyles of a particular segment of the market.

**Public relations (PR)** — The purpose of PR is to communicate information about the organization and/or its products and services to audiences beyond prospective customers — including other groups that the organization wishes to influence, such as investors or governments.

**Publicity** — Unlike advertising, mass communications that usually involve no direct payment from the originating organization to a mass media outlet. The purpose is to build awareness of and/or foster a desired attitude toward a particular company, product, and/or service. (See “advertising.”)

**Rate card** — A list of the standard advertising rates for a publication, radio station/network, television station/network, Web site, or other ad vehicle.

**Rating point** — One percent of all television households viewing a particular station at a particular time.

**Reach** — The number of individuals or households within a specific target audience that sees a particular marketing message. It can be stated as a percentage of the target audience.

**Response rate** — The rate of responses received from a direct marketing campaign (typically the percentage of recipients who responded to a mailing).

**Sales promotion** — All forms of paid communication that are attributed to a sponsor but are not advertising or selling. Included are, among other things, cents-off coupons, samples, point-of-purchase materials, and demonstrations.

**Spam** — The use of e-mail systems to send large volumes of unsolicited e-mail to lists of e-mail addresses compiled without the recipients’ consent. Spam is generally viewed negatively and is illegal in some jurisdictions.

## INDUSTRY REFERENCES

### PERIODICALS

#### ***Advertising Age***

Crain Communications  
711 Third Ave., New York, NY 10017  
(212) 210-0100  
Web sites: <http://www.adage.com>  
<http://www.adageglobal.com>  
Biweekly; news on advertisers, ad agencies, and marketing and advertising.

#### ***Adweek***

770 Broadway, New York, NY 10003  
(646) 654-5105  
Web site: <http://www.adweek.com>  
Daily; covers news and information about advertising, marketing, and media.

#### ***American Demographics***

Intertec Publishing  
11 River Bend Dr. S., Stamford, CT 06907  
(203) 358-9900  
Web site: <http://www.demographics.com>  
Monthly; covers consumer market news and trends.

#### ***Bob Coen's Insider's Report***

McCann-Erickson Worldwide  
750 Third Ave., New York, NY 10017  
(212) 697-6000  
Web site: <http://www.mccann.com/insight/bobcoen.html>  
Semiannual; statistics and projections on advertising expenditures.

#### ***Broadcast & Cable***

Cahners Publishing Co.  
245 W. 17th St., New York, NY 10011  
(212) 645-0067  
Web site: <http://www.broadcastingcable.com>  
Weekly; covers news in the television, radio, and cable industries.

#### ***Business Week***

The McGraw-Hill Cos. Inc.  
1221 Avenue of the Americas, New York, NY 10020  
(212) 512-2000  
Web site: <http://www.businessweek.com>  
Weekly; general business news and features.

#### ***Crain's New York Business***

Crain Communications Inc.  
711 Third Ave., New York, NY 10017  
(212) 210-0100  
Web site: <http://www.crainnewyork.com>  
Weekly; general business news and features.

#### ***The Delaney Report***

Informed Communications, Inc.  
149 Fifth Ave., New York, NY 10010  
Weekly international newsletter for marketing, advertising, and media executives.

#### ***The New York Times***

The New York Times Co.  
229 W. 43rd St., New York, NY 10036  
(212) 556-1234  
Web site: <http://www.nyt.com>  
Daily general-interest newspaper; covers advertising-related news in the "Business" section.

#### ***Variety***

Variety Inc.  
245 W. 17th St., New York, NY 10011  
(212) 645-0067  
Web site: <http://www.variety.com>  
Weekly; covers media news.

#### ***The Wall Street Journal***

Dow Jones & Co., Inc.  
200 Liberty St., New York, NY 10281  
(212) 416-2000  
Web site: <http://www.wsj.com>  
Daily business newspaper; includes advertising-related news in the "Marketing & Media" section.

### TRADE ASSOCIATIONS

#### ***The American Advertising Federation***

1101 Vermont Ave., NW, Suite 500  
Washington, DC 20005  
(202) 898-0089  
Web site: <http://www.aaf.org>  
National association; its stated purpose is to protect and promote the well being of advertising.

#### ***American Association of Advertising Agencies (AAAA)***

405 Lexington Ave., 18th Fl., New York, NY 10174  
(212) 682-2500  
Web site: <http://www.aaaa.org>  
National trade association representing U.S. agencies; offers broad range of services, information, and expertise regarding the ad agency business.

**Association of National Advertisers (ANA)**

708 Third Ave., New York, NY 10017  
(212) 697-5950

Web site: <http://www.ana.net>

Trade association dedicated to marketing and brand building. Provides marketing and advertising research, training, legislative assistance, professional development, industry-wide networking, etc. to more than 300 companies representing 8,000 brands. Publishes *Trends In Agency Compensation*, a triennial survey, and *The Advertiser*, a peer-to-peer magazine written by and for advertisers.

**Cable Television Advertising Bureau (CAB)**

830 Third Ave., New York, NY 10022  
(212) 508-1200

Web site: <http://www.cabletvadbureau.com>

National association of cable system operators and programmers that provides advertising and marketing assistance to members and advertisers. Also provides statistics and promotes cable advertising.

**The Direct Marketing Association (DMA)**

1120 Ave. of the Americas, New York, NY 10036  
(212) 768-7277

Web site: <http://www.the-dma.org>

International association for users and suppliers in the direct, database, and interactive marketing field; has over 4,700 members worldwide.

**Magazine Publishers of America (MPA)**

919 Third Ave., New York, NY 10022  
(212) 872-3700

Web site: <http://www.magazine.org>

Membership group; lobbies on behalf of members and industry, compiles statistics, and conducts research.

**Newspaper Association of America (NAA)**

1921 Gallows Rd., Suite 600, Vienna, VA 22182  
(703) 902-1600

Web site: <http://www.naa.org>

Trade association; lobbies on behalf of members and industry, sets standards, gives awards, and compiles statistics. Conducts research and public relations for the industry; publishes *Facts About Newspapers* annually.

**Radio Advertising Bureau (RAB)**

261 Madison Ave., New York, NY 10016  
(212) 775-7200

Web site: <http://www.rab.com>

National association of radio broadcasters; provides advertising and marketing statistics. Also seeks to promote favorable advertising climate and to help stations in their marketing efforts.

**Television Bureau of Advertising (TVB)**

3 East 54th St., New York, NY 10022  
(212) 486-1111

Web site: <http://www.tvb.org>

National association of television broadcasters; provides advertising statistics and seeks to promote a favorable advertising climate in the TV industry.

**RESEARCH FIRMS****Competitive Media Reporting (CMR)**

685 Third Ave., 4th Fl., New York, NY 10017  
(212) 991-6000

Web site: <http://www.cmr.com>

A unit of Taylor Nelson Sofres Co., a London-based marketing information provider; offers advertising and marketing information to advertising agencies, advertisers, broadcasters, publishers, and others.

**GOVERNMENT AGENCIES****U.S. Census Bureau**

4700 Silver Hill Rd., Suitland, MD 20746  
(301) 457-4608

Web site: <http://www.census.gov>

Collects and publishes data about the people and economy of the United States.

**U.S. Department of Commerce**

Herbert Hoover Building  
14th St. and Constitution Ave. NW, Washington, DC 20230  
(202) 482-2000

Web site: <http://www.doc.gov>

Gathers and disseminates statistical data relating to U.S. commerce.

**Federal Trade Commission (FTC)**

600 Pennsylvania Ave. NW, Washington, DC 20580  
(202) 326-2222

Web site: <http://www.ftc.gov>

The FTC enforces a variety of federal antitrust and consumer protection laws.

**WEB SITES****CBS MarketWatch**

MarketWatch.com  
825 Battery St., San Francisco, CA 94111  
(415) 733-0500

Web site: <http://www.cbs.marketwatch.com>  
Financial news and information Web site.

**Marketing Communication for Information Technology**

Klebanoff Associates Inc.  
19 Dundonald St., Toronto, Ontario Canada M4Y 1K3  
(416) 924-6510  
Web site: <http://www.marcommwise.com>  
Marketing communications information, resources, links.

## DEFINITIONS FOR COMPARATIVE COMPANY ANALYSIS TABLES

### **Operating revenues**

Net sales and other operating revenues. Excludes interest income if such income is "nonoperating." Includes franchised/leased department income for retailers and royalties for publishers and oil and mining companies. Excludes excise taxes for tobacco, liquor, and oil companies.

### **Net income**

Profits derived from all sources, after deductions of expenses, taxes, and fixed charges, but before any discontinued operations, extraordinary items, and dividend payments (preferred and common).

### **Return on revenues**

Net income divided by operating revenues.

### **Return on assets**

Net income divided by average total assets. Used in industry analysis and as a measure of asset-use efficiency.

### **Return on equity**

Net income, less preferred dividend requirements, divided by average common shareholder's equity. Generally used to measure performance and to make industry comparisons.

### **Current ratio**

Current assets divided by current liabilities. It is a measure of liquidity. Current assets are those assets expected to be realized in cash or used up in the production of revenue within one year. Current liabilities generally include all debts/obligations falling due within one year.

### **Debt/capital ratio**

Long-term debt (excluding current portion) divided by total invested capital. It indicates how highly "leveraged" a company might be. Long-term debt are those debts/obligations due after one year, including bonds, notes payable, mortgages, lease obligations, and industrial revenue bonds. Other long-term debt, when reported as a separate account, is excluded; this account generally includes pension and retirement benefits. Total invested capital is the sum of stockholders' equity, long-term debt, capital lease obligations, deferred income taxes, investment credits, and minority interest.

### **Debt as a percent of net working capital**

Long-term debt (excluding current portion) divided by the difference between current assets and current liabilities. It is an indicator of a company's liquidity.

### **Price/earnings ratio**

The ratio of market price to earnings, obtained by dividing the stock's high and low market price for the year by earnings per share (before extraordinary items). It essentially indicates the value investors place on a company's earnings.

### **Dividend payout ratio**

This is the percentage of earnings paid out in dividends. It is calculated by dividing the annual dividend by the earnings. Dividends are generally total cash payments per share over a 12-month period. Although payments are usually calculated from the ex-dividend dates, they may also be reported on a declared basis where this has been established to be a company's payout policy.

### **Dividend yield**

The total cash dividend payments divided by the year's high and low market prices for the stock.

### **Earnings per share**

The amount a company reports as having been earned for the year (based on generally accepted accounting standards), divided by the number of shares outstanding. Amounts reported in Industry Surveys exclude extraordinary items.

### **Tangible book value per share**

This measure indicates the theoretical dollar amount per common share one might expect to receive should liquidation take place. Generally, book value is determined by adding the stated (or par) value of the common stock, paid-in capital, and retained earnings, then subtracting intangible assets, preferred stock at liquidating value, and unamortized debt discount. This amount is divided by the number of outstanding shares to get book value per common share.

### **Share price**

This shows the calendar-year high and low of a stock's market price.

In addition to the footnotes that appear at the bottom of each page, you will notice some or all of the following:

NA—Not available.

NM—Not meaningful.

NR—Not reported.

AF—Annual figure. Data are presented on an annual basis.

CF—Combined figure. In this case, data are not available because one or more components are combined with other items.

## COMPARATIVE COMPANY ANALYSIS — ADVERTISING

### Operating Revenues

Company	Yr. End	Million \$							Compound Growth Rate (%)			Index Basis (1990 = 100)				
		2000	1999	1998	1997	1996	1995	1990	10-Yr.	5-Yr.	1-Yr.	2000	1999	1998	1997	1996
<b>ADVERTISING AGENCIES</b>																
CORDIANT COMM GRP -SP ADR	DEC	767.2A	542.3A	501.0A	1,209.2A,C	1,292.6	1,182.4	1,514.0	-6.6	-8.3	41.5	51	36	33	80	85
GREY GLOBAL GROUP INC	DEC	1,247.4	1,067.2	935.2	858.8	765.5	688.2	481.3	10.0	12.6	16.9	259	222	194	178	159
* INTERPUBLIC GROUP OF COS	DEC	5,625.8A	4,427.3A	3,844.3A	2,997.2	2,430.5	2,093.8	1,329.5C	15.5	21.9	27.1	423	333	289	225	183
* OMNICOM GROUP	DEC	6,154.2	5,130.5A	4,092.0	3,124.8	2,641.7	2,257.5	1,178.2	18.0	22.2	20.0	522	435	347	265	224
* TMP WORLDWIDE INC	DEC	1,291.7A	765.8A	406.8A	237.4A	162.6	123.9A	NA	NA	59.8	68.7	**	**	**	**	NA
WPP GROUP PLC -ADR	DEC	4,519.3A	3,514.8	3,179.6	2,861.2	2,641.1	2,453.9	2,262.0A	7.2	13.0	28.6	200	155	141	126	117
<b>MARKETING SERVICES</b>																
ADAMS EXPRESS	DEC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	**	**	**	**	NA
ALTERNATE MKTG NETWORKS INC	DEC	21.8	28.6	20.1	18.4	19.9B	7.6	NA	NA	23.6	-23.6	**	**	**	**	NA
BULL RUN CORP	JUN	72.0A,C	30.9	31.5A	22.3	24.7	27.2	0.0D	NM	21.5	133.0	NM	NM	NM	NM	NM
† CATALINA MARKETING CORP	# MAR	417.9A	350.9	264.8A	217.1	172.1A	134.2	NA	NA	25.5	19.1	**	**	**	**	NA
ENVOY COMMUNICATIONS GRP INC	SEP	38.9A,F	94.1A	24.8A	NA	NA	NA	NA	NA	NA	-58.7	**	**	**	**	NA
HARRIS INTERACTIVE INC	JUN	51.3	29.0	26.3	NA	NA	NA	NA	NA	NA	77.1	**	**	**	**	NA
INNOTRAC CORP	DEC	174.1A	227.0	139.7	88.0	71.3	NA	NA	NA	NA	-23.3	**	**	**	**	NA
LAMAR ADVERTISING CO -CL A	DEC	687.3A	444.1A	288.6A	201.1A	120.6	102.4	NA	NA	46.3	54.8	**	**	**	**	NA
MARLTON TECHNOLOGIES	DEC	92.5	94.6	91.1	48.7A	38.3A	27.7	3.5A	38.7	27.3	-2.2	2,627	2,685	2,587	1,383	1,088
OBIE MEDIA CORP	NOV	46.7	36.5	22.7A	13.3	10.1	8.3	NA	NA	41.4	28.0	**	**	**	**	NA
PRINCETON VIDEO IMAGE INC	JUN	3.0	1.2	0.6	0.2	NA	NA	NA	NA	NA	149.3	**	**	**	**	NA
SIMON WORLDWIDE INC	DEC	768.5	988.8	757.9	558.6A	250.9	135.8	NA	NA	41.4	-22.3	**	**	**	**	NA
SOURCE INFORMATION MGMT CO	# JAN	91.7	82.5A	21.1A	11.8A	7.3A	8.1A	NA	NA	62.4	11.2	**	**	**	**	NA
SPAR GROUP INC	DEC	109.5	116.5A	121.8	128.2	119.9	104.8	NA	NA	0.9	-6.0	**	**	**	**	NA
VSI HOLDINGS INC	SEP	187.3	143.8	163.4D	148.3A	22.1	NAH	38.6D	17.1	NA	30.2	486	373	424	385	57
<b>DIRECT MARKETING/TELEMARKETING</b>																
§ ADVO INC	SEP	1,129.2	1,040.2	1,046.5	1,016.5	986.2	1,011.9D	655.0	5.6	2.2	8.6	172	159	160	155	151
APAC CUSTOMER SERVICES INC	DEC	464.4	427.6	425.0A,C	356.4A	276.4	101.7	NA	NA	35.5	8.6	**	**	**	**	NA
† HARTE HANKS INC	DEC	960.8A	829.8A	748.5	638.3A,C	665.9A	532.9	430.0A	8.4	12.5	15.8	223	193	174	148	155
HAVAS ADVERTISING -ADR	DEC	NA	1,027.1A	1,018.7A	NA	NA	NA	NA	NA	NA	NA	**	**	**	**	NA
KEY3MEDIA GROUP INC	DEC	286.9	251.4	269.1	NA	NA	NA	NA	NA	NA	14.1	**	**	**	**	NA
PUBLICIS SA -ADR	DEC	NA	6,920.7A	6,444.9A	NA	NA	NA	NA	NA	NA	NA	**	**	**	**	NA
SITEL CORP	DEC	764.4	737.5	586.3	491.5A	312.8A	140.3	NA	NA	40.4	3.7	**	**	**	**	NA
<b>INTERNET MARKETING SERVICES</b>																
ENGAGE INC	JUL	176.8A	16.0A	2.2A	0.0	NA	NA	NA	NA	NA	1,003.3	**	**	**	**	NA
NETCENTIVES INC	DEC	42.9A	7.8	0.6A	NA	NA	NA	NA	NA	NA	446.5	**	**	**	**	NA

Note: Data as originally reported. \* Company included in the S&P 500. † Company included in the S&P MidCap. § Company included in the S&P SmallCap. # Of the following calendar year. \*\* Not calculated; data for base year or end year not available. A - This year's data reflect an acquisition or merger. B - This year's data reflect a major merger resulting in the formation of a new company. C - This year's data reflect an accounting change. D - Data exclude discontinued operations. E - Includes excise taxes. F - Includes other (nonoperating) income. G - Includes sale of leased depts. H - Some or all data are not available, due to a fiscal year change.

## Net Income

Company	Yr. End	Million \$							Compound Growth Rate (%)			Index Basis (1990 = 100)				
		2000	1999	1998	1997	1996	1995	1990	10-Yr.	5-Yr.	1-Yr.	2000	1999	1998	1997	1996
<b>ADVERTISING AGENCIES</b>																
CORDIANT COMM GRP -SP ADR	DEC	50.2	30.0	24.9	24.8	41.4	-57.9	13.5	14.1	NM	67.3	373	223	185	184	307
GREY GLOBAL GROUP INC	DEC	19.4	6.4	25.9	30.5	28.6	23.4	14.6	2.9	-3.7	203.1	133	44	178	209	196
* INTERPUBLIC GROUP OF COS	DEC	358.7	321.9	309.9	239.1	205.2	129.8	80.1	16.2	22.5	11.4	448	402	387	299	256
* OMNICOM GROUP	DEC	498.8	362.9	285.1	222.4	176.3	140.0	52.0	25.4	28.9	37.5	959	698	548	428	339
* TMP WORLDWIDE INC	DEC	56.9	-7.4	4.3	8.1	-52.2	3.2	NA	NA	77.5	NM	**	**	**	**	NA
WPP GROUP PLC -ADR	DEC	371.1	279.6	232.6	190.0	156.2	108.4	90.4	15.2	27.9	32.7	411	309	257	210	173
<b>MARKETING SERVICES</b>																
ADAMS EXPRESS	DEC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	**	**	**	**	NA
ALTERNATE MKTG NETWORKS INC	DEC	2.3	1.0	-0.3	0.1	-0.8	-0.7	NA	NA	NM	117.7	**	**	**	**	NA
BULL RUN CORP	JUN	-5.9	1.4	2.4	-1.8	5.9	0.7	-0.2	NM	NM	NM	NM	NM	NM	NM	NM
† CATALINA MARKETING CORP	# MAR	58.1	51.3	37.6	32.9	27.2	22.0	NA	NA	21.4	13.2	**	**	**	**	NA
ENVOY COMMUNICATIONS GRP INC	SEP	1.9	2.0	1.0	NA	NA	NA	NA	NA	NA	-1.4	**	**	**	**	NA
HARRIS INTERACTIVE INC	JUN	-20.9	-8.8	-1.9	NA	NA	NA	NA	NA	NA	NM	**	**	**	**	NA
INNOTRAC CORP	DEC	-21.6	9.8	9.6	5.0	3.2	NA	NA	NA	NA	NM	**	**	**	**	NA
LAMAR ADVERTISING CO -CL A	DEC	-94.1	-43.6	-11.9	2.8	10.8	10.7	NA	NA	NM	NM	**	**	**	**	NA
MARLTON TECHNOLOGIES	DEC	-1.1	1.7	2.8	2.0	2.3	1.3	0.6	NM	NM	NM	-188	292	479	340	397
OBIE MEDIA CORP	NOV	1.6	2.0	1.5	1.0	0.6	1.0	NA	NA	10.7	-19.6	**	**	**	**	NA
PRINCETON VIDEO IMAGE INC	JUN	-12.4	-9.7	-9.1	-5.7	NA	NA	NA	NA	NA	NM	**	**	**	**	NA
SIMON WORLDWIDE INC	DEC	-69.7	11.1	-3.0	3.2	0.4	-2.3	NA	NA	NM	NM	**	**	**	**	NA
SOURCE INFORMATION MGMT CO	# JAN	5.8	10.1	3.9	1.6	-0.6	0.2	NA	NA	97.9	-42.3	**	**	**	**	NA
SPAR GROUP INC	DEC	1.3	-0.5	-4.3	-15.1	3.8	3.5	NA	NA	-17.8	NM	**	**	**	**	NA
VSI HOLDINGS INC	SEP	5.6	-0.5	9.2	9.1	-3.5	NA	-1.4	NM	NA	NM	NM	NM	NM	NM	NM
<b>DIRECT MARKETING/TELEMARKETING</b>																
§ ADVO INC	SEP	48.8	39.0	35.6	26.8	11.3	30.9	16.4	11.6	9.5	25.2	298	238	218	164	69
APAC CUSTOMER SERVICES INC	DEC	16.7	5.7	-68.3	1.0	30.5	8.2	NA	NA	15.4	195.0	**	**	**	**	NA
† HARTE HANKS INC	DEC	81.9	72.9	68.4	44.3	40.6	34.0	-9.3	NM	19.2	12.3	NM	NM	NM	NM	NM
HAVAS ADVERTISING -ADR	DEC	NA	23.0	-13.1	NA	NA	NA	NA	NA	NA	NA	**	**	**	**	NA
KEY3MEDIA GROUP INC	DEC	8.6	26.0	19.3	NA	NA	NA	NA	NA	NA	-67.1	**	**	**	**	NA
PUBLICIS SA -ADR	DEC	NA	63.9	55.7	NA	NA	NA	NA	NA	NA	NA	**	**	**	**	NA
SITEL CORP	DEC	12.7	-0.8	-0.6	2.8	10.9	9.4	NA	NA	6.3	NM	**	**	**	**	NA
<b>INTERNET MARKETING SERVICES</b>																
ENGAGE INC	JUL	-377.9	-32.0	-13.8	-10.3	NA	NA	NA	NA	NA	NM	**	**	**	**	NA
NETCENTIVES INC	DEC	-184.7	-46.8	-14.1	NA	NA	NA	NA	NA	NA	NM	**	**	**	**	NA

Note: Data as originally reported. \* Company included in the S&P 500. † Company included in the S&P MidCap. § Company included in the S&P SmallCap. # Of the following calendar year. \*\* Not calculated; data for base year or end year not available.

**Return on Revenues (%)**

**Return on Assets (%)**

**Return on Equity (%)**

Company	Yr. End	2000	1999	1998	1997	1996	2000	1999	1998	1997	1996	2000	1999	1998	1997	1996
<b>ADVERTISING AGENCIES</b>																
CORDIANT COMM GRP -SP ADR	DEC	6.5	5.5	5.0	2.1	3.2	3.3	3.8	3.9	2.3	2.7	16.2	NM	NM	NM	NM
GREY GLOBAL GROUP INC	DEC	1.6	0.6	2.8	3.5	3.7	1.0	0.4	1.9	2.6	2.7	11.3	3.7	15.1	19.0	19.8
* INTERPUBLIC GROUP OF COS	DEC	6.4	7.3	8.1	8.0	8.4	3.8	4.1	4.9	4.6	4.5	19.5	22.3	26.1	24.2	25.3
* OMNICOM GROUP	DEC	8.1	7.1	7.0	7.1	6.7	5.3	4.6	4.8	4.9	4.7	32.2	27.5	29.2	26.7	26.1
* TMP WORLDWIDE INC	DEC	4.4	NM	1.0	3.4	NM	3.9	NM	0.8	1.9	NM	8.5	NM	3.9	12.5	NM
WPP GROUP PLC -ADR	DEC	8.2	8.0	7.3	6.6	5.9	3.9	6.0	6.3	5.8	5.1	13.2	67.6	171.9	NM	NM
<b>MARKETING SERVICES</b>																
ADAMS EXPRESS	DEC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
ALTERNATE MKTG NETWORKS INC	DEC	10.4	3.7	NM	0.3	NM	26.6	14.9	NM	0.9	NM	33.9	23.5	NM	1.3	NM
BULL RUN CORP	JUN	NM	4.5	7.5	NM	23.8	NM	1.4	2.7	NM	10.5	NM	4.8	8.6	NM	22.4
† CATALINA MARKETING CORP #	MAR	13.9	14.6	14.2	15.1	15.8	16.8	19.6	19.9	21.1	20.3	33.0	39.2	35.7	35.2	32.4
ENVOY COMMUNICATIONS GRP INC	SEP	5.0	2.1	4.0	NA	NA	3.2	5.6	NA	NA	NA	5.6	10.8	NA	NA	NA
HARRIS INTERACTIVE INC	JUN	NM	NM	NM	NA	NA	NM	NM	NA	NA	NA	NM	265.5	NA	NA	NA
INNOTRAC CORP	DEC	NM	4.3	6.9	5.6	4.5	NM	11.0	18.0	12.2	NA	NM	17.3	48.9	105.9	NA
LAMAR ADVERTISING CO -CL A	DEC	NM	NM	NM	1.4	9.0	NM	NM	NM	0.6	6.8	NM	NM	NM	6.2	NM
MARLTON TECHNOLOGIES	DEC	NM	1.8	3.1	4.1	6.1	NM	2.8	4.9	5.3	12.1	NM	6.0	10.9	10.7	19.6
OBIE MEDIA CORP	NOV	3.5	5.5	6.6	7.5	6.3	4.4	6.7	7.2	7.5	5.5	8.8	17.6	32.1	30.4	968.2
PRINCETON VIDEO IMAGE INC	JUN	NM	NM	NM	NM	NA	NM	NM	NM	NA	NA	NM	NM	NM	NA	NA
SIMON WORLDWIDE INC	DEC	NM	1.1	NM	0.6	0.2	NM	3.1	NM	1.3	0.3	NM	6.0	NM	2.3	0.4
SOURCE INFORMATION MGMT CO #	JAN	6.4	12.3	18.3	13.5	NM	3.7	9.0	8.3	7.5	NM	5.3	12.7	11.9	18.9	NM
SPAR GROUP INC	DEC	1.2	NM	NM	NM	3.1	2.2	NM	NM	NM	11.8	11.4	NM	NM	NM	17.6
VSI HOLDINGS INC	SEP	3.0	NM	5.6	6.2	NM	5.2	NM	11.1	22.0	NM	22.3	NM	57.9	154.1	NM
<b>DIRECT MARKETING/TELEMARKETING</b>																
§ ADVO INC	SEP	4.3	3.7	3.4	2.6	1.1	18.5	17.1	16.7	13.6	5.4	NM	NM	NM	NM	50.0
APAC CUSTOMER SERVICES INC	DEC	3.6	1.3	NM	0.3	11.1	7.1	2.2	NM	0.6	28.3	27.2	12.5	NM	0.9	43.4
† HARTE HANKS INC	DEC	8.5	8.8	9.1	6.9	6.1	10.4	9.8	8.2	5.7	7.6	14.5	12.6	12.0	10.8	19.4
HAVAS ADVERTISING -ADR	DEC	NA	2.2	NM	NA	NA	NA	1.1	NA	NA	NA	NA	4.6	NA	NA	NA
KEY3MEDIA GROUP INC	DEC	3.0	10.3	7.2	NA	NA	0.8	2.6	NA	NA	NA	2.1	6.1	NA	NA	NA
PUBLICIS SA -ADR	DEC	NA	0.9	0.9	NA	NA	NA	3.2	NA	NA	NA	NA	17.8	NA	NA	NA
SITEL CORP	DEC	1.7	NM	NM	0.6	3.5	3.1	NM	NM	0.9	6.6	7.7	NM	NM	2.0	9.4
<b>INTERNET MARKETING SERVICES</b>																
ENGAGE INC	JUL	NM	NM	NM	NM	NA	NM	NM	NM	NA	NA	NM	NM	NM	NA	NA
NETCENTIVES INC	DEC	NM	NM	NM	NA	NA	NM	NM	NA	NA	NA	NM	NM	NA	NA	NA

Note: Data as originally reported. \* Company included in the S&P 500. † Company included in the S&P MidCap. § Company included in the S&P SmallCap. # Of the following calendar year.

Company	Yr. End	Current Ratio					Debt / Capital Ratio (%)					Debt as a % of Net Working Capital				
		2000	1999	1998	1997	1996	2000	1999	1998	1997	1996	2000	1999	1998	1997	1996
<b>ADVERTISING AGENCIES</b>																
CORDIANT COMM GRP -SP ADR	DEC	0.8	1.0	1.0	1.0	0.9	13.5	205.4	-121.6	-56.3	-76.2	NM	546.8	310.2	NM	NM
GREY GLOBAL GROUP INC	DEC	1.0	1.0	1.0	1.1	1.0	38.7	27.9	28.3	29.5	16.4	NM	NM	NM	154.4	859.4
* INTERPUBLIC GROUP OF COS	DEC	1.0	1.0	1.0	1.1	1.0	41.4	33.2	27.7	28.4	27.9	NM	662.5	427.2	165.2	224.7
* OMNICOM GROUP	DEC	0.8	0.8	0.8	0.8	0.8	41.9	26.3	37.8	26.9	19.2	NM	NM	NM	NM	NM
* TMP WORLDWIDE INC	DEC	1.5	1.0	1.0	1.0	0.9	2.6	20.2	48.9	54.5	66.1	7.1	NM	NM	NM	NM
WPP GROUP PLC -ADR	DEC	0.9	0.9	0.8	0.8	0.9	18.8	52.5	48.7	112.8	82.0	NM	NM	NM	NM	NM
<b>MARKETING SERVICES</b>																
ADAMS EXPRESS	DEC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
ALTERNATE MKTG NETWORKS INC	DEC	4.9	2.9	1.7	3.0	2.3	0.0	0.0	0.0	0.1	8.0	0.0	0.0	0.0	0.1	12.9
BULL RUN CORP	JUN	1.5	0.1	1.4	1.4	2.1	62.5	0.0	59.6	59.4	48.9	638.9	NM	NM	NM	786.1
† CATALINA MARKETING CORP #	MAR	0.9	0.8	1.0	1.0	1.2	14.9	6.7	0.5	0.5	0.9	NM	NM	35.6	21.0	10.5
ENVOY COMMUNICATIONS GRP INC	SEP	1.4	1.3	1.3	NA	NA	11.3	5.0	1.6	NA	NA	69.8	18.6	5.7	NA	NA
HARRIS INTERACTIVE INC	JUN	8.8	1.1	0.7	NA	NA	0.0	0.0	29.7	NA	NA	0.0	0.0	NM	NA	NA
INNOTRAC CORP	DEC	2.2	3.8	1.7	1.1	1.0	0.0	0.0	0.0	40.3	45.0	0.0	0.0	0.0	256.6	NM
LAMAR ADVERTISING CO -CL A	DEC	1.5	1.5	2.1	1.6	1.1	47.7	51.7	62.7	86.5	87.1	NM	NM	878.2	NM	NM
MARLTON TECHNOLOGIES	DEC	1.8	1.6	1.5	1.7	1.7	36.3	25.9	28.3	33.8	3.3	104.5	86.6	99.1	101.9	7.9
OBIE MEDIA CORP	NOV	2.6	1.3	1.1	1.2	1.1	39.9	21.1	67.7	56.1	70.0	129.9	166.3	NM	880.2	NM
PRINCETON VIDEO IMAGE INC	JUN	2.5	3.0	14.1	0.5	NA	0.0	0.0	0.0	0.0	NA	NM	0.0	0.0	NM	NA
SIMON WORLDWIDE INC	DEC	1.6	1.7	1.6	1.4	2.6	0.0	0.5	0.8	0.0	0.0	NM	1.0	1.7	0.0	0.0
SOURCE INFORMATION MGMT CO #	JAN	5.6	4.7	2.7	7.5	1.2	22.1	23.0	6.2	40.6	0.5	51.0	52.4	15.6	50.6	1.0
SPAR GROUP INC	DEC	0.9	1.0	2.5	1.9	4.1	45.6	59.5	12.0	0.0	0.0	NM	NM	14.4	0.0	0.0
VSI HOLDINGS INC	SEP	1.1	1.2	1.2	1.0	0.8	41.4	46.4	44.2	31.2	87.6	189.9	212.7	191.9	NM	NM
<b>DIRECT MARKETING/TELEMARKETING</b>																
§ ADVO INC	SEP	1.1	1.0	1.0	1.0	1.0	123.9	154.2	159.9	155.7	195.2	NM	NM	NM	NM	NM
APAC CUSTOMER SERVICES INC	DEC	1.7	1.8	1.2	1.4	1.3	53.4	69.4	75.3	1.4	1.4	165.5	223.2	746.2	9.1	9.9
† HARTE HANKS INC	DEC	1.6	1.4	2.8	1.7	1.6	10.2	0.8	0.0	0.0	45.3	76.1	7.6	0.0	0.0	393.4
HAVAS ADVERTISING -ADR	DEC	NA	0.9	0.9	NA	NA	NA	33.5	14.2	NA	NA	NA	NM	NM	NA	NA
KEY3MEDIA GROUP INC	DEC	1.2	0.7	0.7	NA	NA	41.5	45.5	43.3	NA	NA	NM	NM	NM	NA	NA
PUBLICIS SA -ADR	DEC	NA	1.0	1.1	NA	NA	NA	0.0	0.0	NA	NA	NA	0.0	0.0	NA	NA
SITEL CORP	DEC	2.0	1.7	1.4	1.4	1.6	38.1	47.4	40.3	42.0	3.7	115.8	169.7	279.0	292.0	13.2
<b>INTERNET MARKETING SERVICES</b>																
ENGAGE INC	JUL	2.2	7.6	0.2	0.0	NA	0.5	0.3	0.0	0.0	NA	4.0	0.4	NM	NM	NA
NETCENTIVES INC	DEC	1.0	4.7	2.6	NA	NA	1.3	1.4	7.9	NA	NA	NM	1.7	12.4	NA	NA

Note: Data as originally reported. \* Company included in the S&P 500. † Company included in the S&P MidCap. § Company included in the S&P SmallCap. # Of the following calendar year.

**Price / Earnings Ratio (High-Low)**

**Dividend Payout Ratio (%)**

**Dividend Yield (High-Low, %)**

Company	Yr. End	2000	1999	1998	1997	1996	2000	1999	1998	1997	1996	2000	1999	1998	1997	1996
<b>ADVERTISING AGENCIES</b>																
CORDIANT COMM GRP -SP ADR	DEC	38-20	37-14	22-12	34-17	23-14	18	19	18	22	0	0.9-0.5	1.3-0.5	1.4-0.8	1.3-0.7	0.0-0.0
GREY GLOBAL GROUP INC	DEC	41-24	80-55	23-13	15-10	12-9	25	78	19	16	18	1.1-0.6	1.4-1.0	1.5-0.8	1.6-1.1	2.0-1.5
* INTERPUBLIC GROUP OF COS	DEC	49-28	51-30	35-20	27-16	20-15	31	29	25	25	26	1.1-0.6	1.0-0.6	1.3-0.7	1.6-0.9	1.7-1.3
* OMNICOM GROUP	DEC	35-24	52-27	34-22	30-16	23-16	25	30	31	32	33	1.0-0.7	1.1-0.6	1.4-0.9	2.0-1.1	2.1-1.4
* TMP WORLDWIDE INC	DEC	NM-80	NM-NM	NM-NM	87-39	NM-NM	0	NM	0	0	NM	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
WPP GROUP PLC -ADR	DEC	48-22	45-16	24-11	19-15	20-11	12	13	13	14	13	0.5-0.3	0.8-0.3	1.2-0.5	0.9-0.7	1.2-0.6
<b>MARKETING SERVICES</b>																
ADAMS EXPRESS	DEC	NA-NA	NA-NA	NA-NA	NA-NA	NA-NA	NA	NA	NA	NA	NA	1.1-0.8	1.5-1.1	2.1-1.6	2.3-1.7	2.9-2.5
ALTERNATE MKTG NETWORKS INC	DEC	7-1	11-3	NM-NM	NM-NM	NM-NM	0	0	NM	0	NM	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
BULL RUN CORP	JUN	NM-NM	NM-46	47-26	NM-NM	14-8	NM	0	0	NM	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
† CATALINA MARKETING CORP	# MAR	43-25	44-22	35-19	34-14	42-22	0	0	0	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
ENVOY COMMUNICATIONS GRP INC	SEP	NM-19	NA-NA	NA-NA	NA-NA	NA-NA	0	NA	NA	NA	NA	0.0-0.0	NA-NA	NA-NA	NA-NA	NA-NA
HARRIS INTERACTIVE INC	JUN	NM-NM	NM-NM	NA-NA	NA-NA	NA-NA	NA	NA	NA	NA	NA	NA-NA	NA-NA	NA-NA	NA-NA	NA-NA
INNOTRAC CORP	DEC	NM-NM	27-10	21-5	NA-NA	NA-NA	NM	0	0	NA	NA	0.0-0.0	0.0-0.0	0.0-0.0	NA-NA	NA-NA
LAMAR ADVERTISING CO -CL A	DEC	NM-NM	NM-NM	NM-NM	NM-NM	NM-49	NM	NM	NM	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
MARLTON TECHNOLOGIES	DEC	NM-NM	22-6	19-7	18-8	12-3	NM	0	0	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
OBIE MEDIA CORP	NOV	44-19	44-21	56-26	43-21	32-27	0	0	0	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
PRINCETON VIDEO IMAGE INC	JUN	NM-NM	NM-NM	NM-NM	NM-NM	NA-NA	NM	NM	NM	NM	NA	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	NA-NA
SIMON WORLDWIDE INC	DEC	NM-NM	18-7	NM-NM	51-37	NM-NM	NM	0	NM	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
SOURCE INFORMATION MGMT CO	# JAN	73-9	29-14	30-11	24-5	NM-NM	0	0	0	0	NM	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
SPAR GROUP INC	DEC	79-3	NM-NM	NM-NM	NM-NM	45-13	0	NM	NM	NM	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
VSI HOLDINGS INC	SEP	26-11	NM-NM	29-11	25-3	NM-NM	0	NM	0	0	NM	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
<b>DIRECT MARKETING/TELEMARKETING</b>																
§ ADVO INC	SEP	20-9	15-8	21-12	22-10	56-19	0	0	0	0	NM	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	109.9-38.4
APAC CUSTOMER SERVICES INC	DEC	47-8	NM-18	NM-NM	NM-NM	92-21	0	0	NM	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
† HARTE HANKS INC	DEC	24-16	28-18	30-18	32-21	27-19	8	8	6	7	7	0.5-0.4	0.4-0.3	0.3-0.2	0.3-0.2	0.4-0.2
HAVAS ADVERTISING -ADR	DEC	NA-NA	NA-NA	NA-NA	NA-NA	NA-NA	NA	NA	NA	NA	NA	0.0-0.0	NA-NA	NA-NA	NA-NA	NA-NA
KEY3MEDIA GROUP INC	DEC	85-36	NA-NA	NA-NA	NA-NA	NA-NA	0	NA	NA	NA	NA	0.0-0.0	NA-NA	NA-NA	NA-NA	NA-NA
PUBLICIS SA -ADR	DEC	NA-NA	NA-NA	NA-NA	NA-NA	NA-NA	NA	NA	NA	NA	NA	0.0-0.0	NA-NA	NA-NA	NA-NA	NA-NA
SITEL CORP	DEC	54-12	NM-NM	NM-NM	NM-NM	NM-40	0	NM	NM	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
<b>INTERNET MARKETING SERVICES</b>																
ENGAGE INC	JUL	NM-NM	NM-NM	NA-NA	NA-NA	NA-NA	NM	NM	NA	NA	NA	0.0-0.0	0.0-0.0	NA-NA	NA-NA	NA-NA
NETCENTIVES INC	DEC	NM-NM	NM-NM	NA-NA	NA-NA	NA-NA	NM	NM	NA	NA	NA	0.0-0.0	0.0-0.0	NA-NA	NA-NA	NA-NA

Note: Data as originally reported. \* Company included in the S&P 500. † Company included in the S&P MidCap. § Company included in the S&P SmallCap. # Of the following calendar year.

Company	Yr. End	Earnings per Share (\$)					Tangible Book Value per Share (\$)					Share Price (High-Low, \$)				
		2000	1999	1998	1997	1996	2000	1999	1998	1997	1996	2000	1999	1998	1997	1996
<b>ADVERTISING AGENCIES</b>																
CORDIANT COMM GRP -SP ADR	DEC	0.85	0.66	0.56	0.28	0.28	-5.10	-4.41	-3.23	-3.17J	-2.49J	32.25-16.88	24.50-9.25	12.25-7.00	9.50-4.63	6.38-4.00
GREY GLOBAL GROUP INC	DEC	15.70	5.13	20.81	25.03	21.03	-16.10	11.45	45.95	86.61	86.16	650.00-370.00	408.00-284.00	480.00-263.00	367.00-247.00	258.00-191.00
* INTERPUBLIC GROUP OF COS	DEC	1.18	1.15	1.14	0.99	0.85	-2.07	-0.10	-0.06	0.32	0.50	57.69-32.69	58.38-34.41	40.31-22.56	26.50-15.67	16.75-13.21
* OMNICOM GROUP	DEC	2.85	2.07	1.72	1.40	1.14	-7.61	-4.93	-5.60	-2.27	-1.24	100.94-68.13	107.50-55.94	58.50-37.00	42.38-22.25	26.06-17.75
* TMP WORLDWIDE INC	DEC	0.56	-0.09	0.07	0.17	-1.33	5.16	0.16	-1.19	-1.20	-0.91	94.69-45.00	80.50-18.50	21.31-7.75	14.38-6.44	7.13-6.25
WPP GROUP PLC -ADR	DEC	2.22	1.85	1.59	1.28	1.07	-6.97	-4.62	-4.46	-4.19	-3.78	105.88-49.88	83.13-29.00	38.63-17.38	24.94-19.56	21.69-11.94
<b>MARKETING SERVICES</b>																
ADAMS EXPRESS	DEC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	27.04-20.25	22.63-17.17	18.83-14.54	17.00-12.92	14.08-11.83
ALTERNATE MKTG NETWORKS INC	DEC	0.49	0.25	-0.06	0.01	-0.20	1.26	0.99	0.58	0.63	0.59	3.50-0.25	2.67-0.71	1.36-0.34	3.41-0.91	5.45-2.27
BULL RUN CORP	JUN	-0.20	0.07	0.11	-0.08	0.25	-0.54	0.92	1.00	1.01	1.12	6.00-1.25	7.88-3.25	5.13-2.88	3.84-2.00	3.44-2.06
† CATALINA MARKETING CORP	# MAR	1.04	0.92	0.68	0.59	0.44	1.37	1.29	1.55	1.29	1.33	44.63-26.50	40.83-20.19	23.50-13.13	20.00-8.38	18.50-9.73
ENVOY COMMUNICATIONS GRP INC	SEP	0.10	0.14	0.10	NA	NA	0.51	0.71	0.42	NA	NA	10.50-1.88	NA-NA	NA-NA	NA-NA	NA-NA
HARRIS INTERACTIVE INC	JUN	-0.93	-1.01	-0.16	NA	NA	2.73	-0.89	-0.03	NA	NA	21.00-2.50	24.00-13.00	NA-NA	NA-NA	NA-NA
INNOTRAC CORP	DEC	-1.92	0.99	1.18	0.76	NA	4.87	7.06	3.81	NA	NA	14.00-2.38	26.75-10.00	24.38-5.75	NA-NA	NA-NA
LAMAR ADVERTISING CO -CL A	DEC	-1.04	-0.64	-0.24	0.05	0.25	17.40J	15.81J	-3.65	-4.22	0.03	70.25-35.25	64.50-27.75	41.50-19.25	27.17-10.67	28.33-12.33
MARLTON TECHNOLOGIES	DEC	-0.15	0.24	0.40	0.42	0.45	1.14	1.35	0.98	0.61	3.00J	3.50-0.50	5.25-1.50	7.63-2.75	7.75-3.25	5.25-1.25
OBIE MEDIA CORP	NOV	0.27	0.40	0.32	0.21	0.19	2.17	1.74	-0.45	0.81	0.60	11.94-5.25	17.73-8.52	17.95-8.26	9.30-4.41	6.01-4.98
PRINCETON VIDEO IMAGE INC	JUN	-1.33	-1.18	-1.55	-2.43	NA	0.88	1.41	2.64	-0.53	NA	14.50-1.25	9.00-3.06	9.50-1.94	9.50-7.00	NA-NA
SIMON WORLDWIDE INC	DEC	-4.43	0.70	-0.20	0.26	0.04	4.24	7.41	6.14	6.03	11.52	13.63-1.81	12.38-4.63	20.38-6.50	13.38-9.50	18.13-9.50
SOURCE INFORMATION MGMT CO	# JAN	0.33	0.66	0.42	0.23	-0.11	3.25	3.09	1.93	1.16	0.37	24.00-3.13	18.88-9.13	12.56-4.50	5.50-1.21	7.87-2.72
SPAR GROUP INC	DEC	0.07	-0.03	-0.78	-2.72	0.63	-0.51	-0.71	2.69	3.46	6.23	5.50-0.22	5.81-1.88	8.16-2.00	11.25-4.88	28.38-8.50
VSI HOLDINGS INC	SEP	0.17	-0.02	0.28	0.28	-0.80	0.79	0.63	0.48	0.36	0.05	4.44-1.88	7.25-3.00	8.13-3.19	7.13-0.81	1.63-0.31
<b>DIRECT MARKETING/TELEMARKETING</b>																
§ ADVO INC	SEP	2.40	1.81	1.59	1.09	0.47	-2.64	-3.79	-3.96	-2.76	-3.89	47.19-21.63	27.50-14.94	33.63-19.00	23.63-11.38	26.13-9.13
APAC CUSTOMER SERVICES INC	DEC	0.35	0.12	-1.40	0.02	0.64	0.54	-0.08	-0.49	2.30	1.90	16.50-2.75	14.06-2.19	16.25-2.75	40.50-8.75	59.00-13.31
† HARTE HANKS INC	DEC	1.21	1.04	0.94	0.60	0.52	1.73	2.46	4.02	4.32	-0.91	28.44-19.63	29.25-19.06	28.50-17.34	19.34-12.69	14.25-9.81
HAVAS ADVERTISING -ADR	DEC	NA	0.16	-0.11	NA	NA	NA	-1.45	-0.65	NA	NA	17.31-12.38	NA-NA	NA-NA	NA-NA	NA-NA
KEY3MEDIA GROUP INC	DEC	0.15	NA	NA	NA	NA	-6.34	NA	NA	NA	NA	12.81-5.38	NA-NA	NA-NA	NA-NA	NA-NA
PUBLICIS SA -ADR	DEC	NA	7.13	6.24	NA	NA	NA	38.61J	41.58J	NA	NA	37.44-25.75	NA-NA	NA-NA	NA-NA	NA-NA
SITEL CORP	DEC	0.18	-0.01	-0.01	0.05	0.16	1.26	1.11	1.06	1.01	1.47	9.75-2.13	7.69-2.00	13.56-1.75	21.38-7.38	25.38-6.44
<b>INTERNET MARKETING SERVICES</b>																
ENGAGE INC	JUL	-2.61	-0.44	-0.41	NA	NA	0.81	1.08	-20.62	-0.39	NA	94.50-0.63	36.97-11.56	NA-NA	NA-NA	NA-NA
NETCENTIVES INC	DEC	-4.69	-4.99	-8.58	NA	NA	1.08	2.55	2.19	NA	NA	76.00-3.06	96.00-10.25	NA-NA	NA-NA	NA-NA

Note: Data as originally reported. \* Company included in the S&P 500. † Company included in the S&P MidCap. § Company included in the S&P SmallCap. # Of the following calendar year. J-This amount includes intangibles that cannot be identified.

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