

2011

ICCO World Report:  
A Return to Growth

International Communications  
Consultancy Organisation

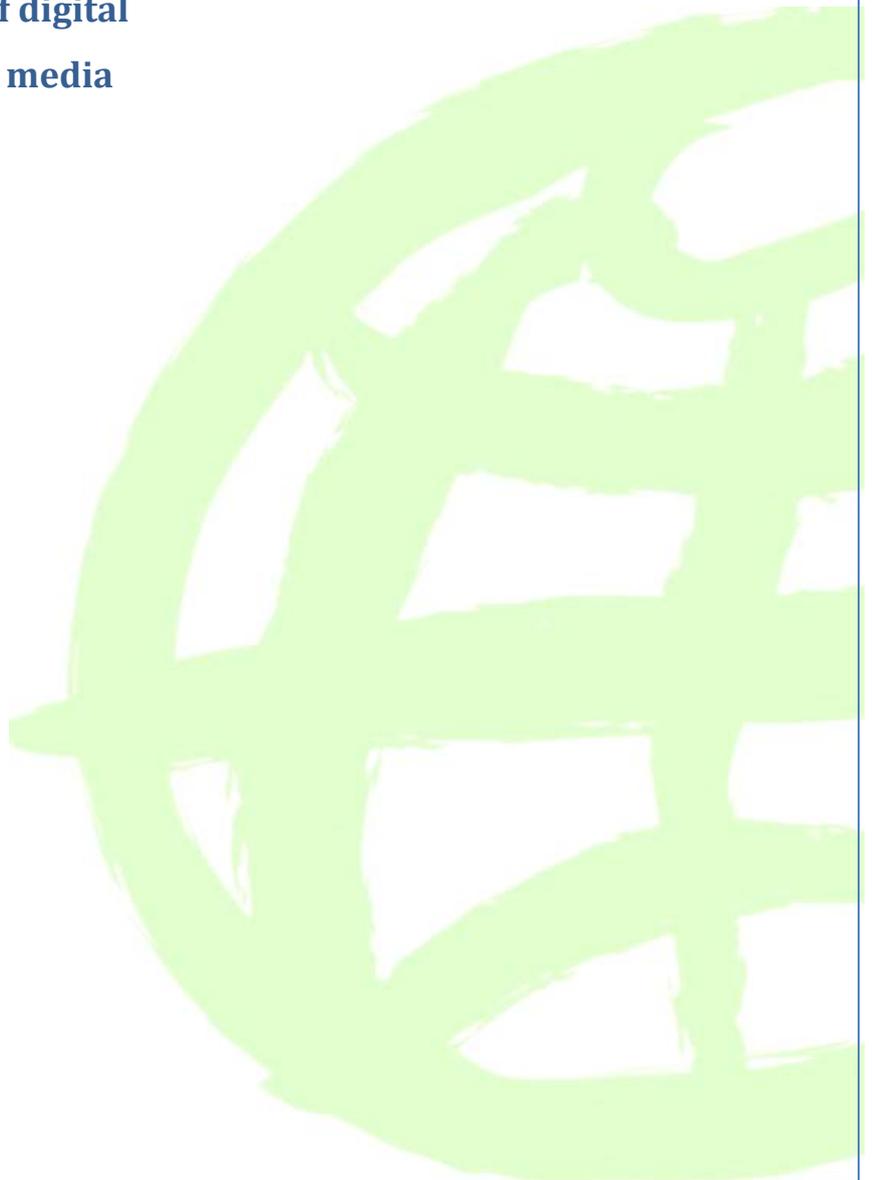
May 2011

# A Return to Growth

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## ICCO World Report 2011

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# A Return to Growth

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*2010 marked the beginning of a recovery for the global economy, and public relations consultancy fared even better. After “weathering the storm” in 2009, PR pushed ahead to moderate or double-digit growth in most countries, gaining share of marketing spend against other disciplines along the way. With very few exceptions, this year’s World Report shows that 2010 was a year of mounting confidence – both for public relations consultants and their clients.*

*2011 is proving even more robust for PR, with strong first-quarter results across geographies and plenty of optimism for the rest of the year.*

## I. Growing stronger

Following some painful market contractions and subdued results in 2008 and 2009, public relations consultants were able to focus on growing their businesses again in 2010. As client budgets stabilised, PR found itself better positioned to compete. Consultancies in tough economies had been forced to adopt painful measures (cutting staff and tight fiscal management) so that those that survived emerged more efficient and, in many cases, more profitable.

### A. The US and UK

The two largest markets for public relations – the US and the UK – both rebounded from a five percent decline in 2009 to record a double-digit recovery in 2010. US consultancies posted an average 11% increase in overall fee revenue, while the UK saw a 13% increase.

For UK firms, this was underlined by a remarkable 30% estimated increase in profitability during 2010. The improvement can be attributed mainly to lower staff costs (following the previous year’s redundancies, plus higher staff utilisation levels), reduced supplier costs and fewer exceptional costs for the many consultancies that made redundancy payments in 2009.

Public sector work in the UK dramatically decreased in 2010 on the back of deep government spending cuts, but the private sector, having already curtailed spending in the previous year, began to invest again and generate new revenues for consultancies. Consumer marketing communications proved especially attractive, accounting for approximately one third of PR consultancy fees.

Consumer communications also helped grow the consultancy industry in the US, aided by increasing attention to social media and some regulatory changes from Washington – for example, the revised guidelines on online endorsements and testimonials, financial regulatory reform and new food and drug labelling directives<sup>1</sup>. Healthcare, corporate and crisis communications further contributed to the growth of the business, while overall profitability of US consultancies improved.

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<sup>1</sup> From the US Federal Trade Commission, Securities Exchange Commission and Food & Drug Administration respectively; clients – particularly from heavily regulated industries – often seek the help of PR professionals in dealing with federal agencies and implementing regulatory reform

## B. Europe

Across Europe, the picture was similarly encouraging. Although Western European countries generally saw more modest growth or merely stable conditions (from -1% to +3.5%), the Nordics and Central and Eastern European countries fared better, with growth ranging from 5 to 12% for the year.

Exceptions to this were:

- **Belgium**, which outperformed its neighbours with 10% growth, driven by EU activity around public affairs and crisis and issues management in particular;
- **Ireland**, which suffered an additional 15% decrease over the previous year's contraction as a direct result of its still constricted economy<sup>4</sup>;
- **Croatia**, where public and private spending cuts and price dumping from low-end competitors caused a 14% decrease in fee revenue for consultancies.

## C. The BRIC's

The BRIC countries (less China, which falls outside the scope of this report) once again saw fast-paced expansion, both in terms of PR services offered and marketing spend from clients.

In **Brazil**, the consultancy business grew by 23%, fuelled by rising demand for social media services, internal communications and crisis management programmes and assisted by further globalisation of the Brazilian economy.

In **Russia**, fee revenues grew by 17%. Work in government relations and public affairs, corporate and crisis communications and reputation management all expanded.

In **India**, the highly-fragmented PR consultancy market is more difficult to measure but widely suspected to have performed well in 2010 against the backdrop of a growing economy with strong domestic demand, heavy government spending and high levels of foreign direct investment. Recent

Country	2010 Revenue Growth vs 2009	2011 Revenue Prediction
Australia	+10% <sup>2</sup>	Up
Austria	+3.5%	Up 3-4%
Belgium	+10%	Up 10%
Brazil	+23%	Up 20%
Croatia	-14%	Up 10%
Czech Republic	+10%	Up 5-10%
Denmark	+5%	Up 10-15%
Finland	+2%	Up 8%
France	+3%	Up
Germany	+1%	Up
India	(N/A)	Up 20%
Ireland	-15%	Up 5%
Italy	+3%	+2%
Norway	+10%	Up 10%
Poland	Stable	Up 10%
Portugal	0.4%	Stable
Russia	+17%	Up 20%
Slovakia	+9%	Stable / Up
Slovenia	+12%	Stable
Sweden	+7%	Up 5-10%
Switzerland	-1%	Up
Turkey	+7%	Up 8-10%
UK	+13% <sup>3</sup>	Up 10%
US	+11%	Stable / Up

<sup>2</sup> Derived from 2010 versus 2008 total revenue estimates, showing +23% growth over the two years

<sup>3</sup> PRCA members averaged 13% growth; [PRWeek's "Top 150"](#) calculation puts average revenue growth at 10%+

<sup>4</sup> Ireland economic indicators for 2010: -1% GDP growth, -1.5% inflation, 13.6% unemployment, government gross debt at 96% of GDP (source: [EconomyWatch.com](#))

privatisation and liberalisation policies have helped to improve the overall business environment, benefitting PR consultancies mainly in the areas of financial communications, consumer marketing and technology.

#### D. Australia

Among ICCO-member countries<sup>5</sup>, Australia is the fourth-largest market for public relations consultancy, behind the US, UK and Brazil. Results from the national trade association's annual benchmarking study show a significant increase in total consultancy fee revenue over the past two years. Unfortunately 2009 and 2010 results do not allow for like-to-like analysis, but a 2008 to 2010 comparison suggests that growth could have been as much as 10% per year.

Much of the work in 2010 came from five specific industries – health and wellness, food and beverage, IT, professional services and financial services – and was supported by a trend of increasing internationalisation of public relations activities.

## II. The media environment

As digital communications become more and more integrated into the lives of consumers around the globe, the media landscape continues to shift from print to online. Business models are changing rapidly, and many media companies have struggled to adapt, creating an environment of uncertainty.

Cutbacks from traditional media firms in recent years mean there are now fewer professional journalists. Uncertainty has also created higher fluctuation in staff. Both of these trends mean that PR consultants have the opportunity to play a larger role in the creation of content both on- and offline. But with the ongoing rise of bloggers, internet providers and not-for-profit organisations like [Wikileaks](#), the battle for content will continue to intensify.

There has also been widespread consolidation among the media in many countries, though markets like the UK continue to be highly fragmented.

This is not to say that traditional print and broadcast media are obsolete. They continue to play an important role and to be highly valued by clients. Indeed they are still a mainstay of public relations activity in major markets like the US – only that this activity is now supplemented with digital and social communications programmes.

## III: The (continued) rise of digital...

Of the countries contributing to the World Report, thirteen<sup>6</sup> estimate that between 80% and 100% of local PR consultancies provide digital communication services to clients. A further six countries<sup>7</sup> estimate the number to be 50-70%, while only two (Czech Republic and Denmark) place the number from 30-40%. The remaining three countries are unable to provide an estimate.

Compared with last year's survey results, it is clear that consultancies in places like Brazil, Slovakia, Slovenia and Turkey have quickly stepped up their digital offering in order to meet demand.

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<sup>5</sup> Complete listing of ICCO member countries, currently 28 in total, available on [www.iccopr.com](http://www.iccopr.com); 24 countries contributed to the 2011 World Report

<sup>6</sup> Belgium, Brazil, Finland, Italy, Norway, Poland, Russia, Sweden, Switzerland, Turkey, UK and US

<sup>7</sup> Croatia, France, Germany, Ireland, Portugal and Slovakia

As a percentage of overall fee income for PR consultancies, digital services remain relatively small – roughly speaking, anywhere from 5-20%, depending on the country. These estimates do indicate an increase over 2009, however, and surveyed countries overwhelmingly expect demand for digital services to increase again over the course of 2011.

#### IV: ...and the role of social media

Of the available social communications platforms, [Facebook](#) dominates with consumers. In 2010, the number of Facebook subscribers ballooned<sup>8</sup>, dwarfing similar social networks like [Orkut](#) (still popular in India and Brazil), [Qzone](#) (China), [Odnoklassniki](#) (Russia) and [MySpace](#).

Marketers have noticed. [Socialbakers](#), a website devoted solely to Facebook statistics, tracks some 160 thousand pages representing companies, organisations or institutions plus thousands more dedicated to specific brands and products. Moreover, a recent survey of small business owners across the US<sup>9</sup> shows that more than 70% currently use Facebook as a marketing tool, and another 9% plan to in the near future. Add to this the need to be active on [Twitter](#), exploit [LinkedIn](#) and run blogger relations programmes, and the task of social marketing looms large. Increasingly, marketers are looking for help.

Seen from a public relations perspective, the power of social media has captured the attention of clients, and the ability to service this need presents an important opportunity for future growth.

The latest [ICCO Trends Barometer](#) survey, from May 2011, suggests that PR consultancy heads are taking this seriously. 94% of respondents claim to offer social media services: as an integrated capability across practice areas (49%), via a dedicated social media team within the consultancy (31%), relying upon external partners (11%) or using some combination of the previous models (9%).

Their clients, however, may not be as sure of the link between public relations and social media. In the same Trends Barometer survey, only one quarter of respondents said that clients view social media services inherently as part of PR activity, and nearly a fifth said that a majority of clients do not see these services as belonging to public relations at all.

Clearly, then, some dissonance exists between the offering and capabilities of PR consultancies and the views of the organisations they hope to serve. As demand for digital communications, and social media expertise in particular, continue to grow, it will be crucial for PR consultants to establish credibility in this area versus other marketing disciplines and specialists.

#### V. PR vs. the rest

The good news is that total marketing spend on public relations versus other disciplines is reported to have increased or remained stable for 2010 in all surveyed countries. Predictions for 2011 offer a similarly rosy picture, with a majority of countries expecting to capture a larger share of the marketing pie this year. Most notably, this is the case in both the US and UK, two markets with highly

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<sup>8</sup> According to [Online Marketing Trends](#), using Google Trends for Websites data from the end of February 2011, Facebook had 310 million daily unique visitors compared to closest rival Orkut's 51 million.

<sup>9</sup> [MerchantCircle's Merchant Confidence Index Survey](#), March 2011

	Locations with Best Growth Prospects	Locations with Least Growth Prospects
Analysis & Research	Brazil, Denmark, Finland	---
Consumer / Brand Marketing	Norway, Switzerland, UK, US	Russia, Slovakia, Slovenia
Corporate	Czech Republic, Norway, Poland, Slovakia, Slovenia, Sweden, Switzerland, UK, US	---
Crisis & Issues Management	Austria, Brazil, Croatia, Czech Republic, Ireland, Norway, Poland, Portugal, Turkey, US	Russia
CSR	Russia, Slovenia, Turkey	Belgium, Ireland, Poland
Digital / Social Media	Austria, Brazil, Czech Republic, Finland, France, Ireland, Italy, Poland, Portugal, Russia, Slovenia, Switzerland, Turkey	---
Event Management	---	Brazil, Croatia, Czech Republic, Poland, Portugal, Switzerland
Financial / Investor Relations	Norway, Poland, Russia, UK	Denmark, Italy, Switzerland
Healthcare	Czech Republic, India, Poland, Russia, US	---
Internal Communications	Brazil, Denmark	Russia, Sweden, Switzerland, Turkey
Litigation Comms	Belgium	---
Lobbying	Sweden	Austria
Media Relations	Croatia, Denmark, Finland, Poland, Sweden	Brazil, Germany, Russia
Media & Spokesperson Training	Brazil	
Political Consulting	Croatia, Russia	-----
Public Affairs	Brazil, Croatia, Czech Republic, India, Ireland, Norway, Poland, Russia, Switzerland	Austria, UK
Publishing / Production	Finland	Czech Republic, Denmark
Reputation Management	Germany, Poland, Turkey	
Strategic Consulting	Croatia, Denmark, Finland, Switzerland	
Technology	---	-----

complex marketing environments where client behaviour can set the precedent for other geographies to follow.

## VI. The outlook for services

The question then emerges as to which public relations services will contribute to this success. The accompanying table offers a detailed look at the prospects for the most common PR practice areas in various locations.

First and foremost come **digital and social media** services, cited by thirteen countries as having strong growth prospects locally over the course of 2011. **Crisis and issues management** are identified by ten countries, followed by **corporate communications** and **public affairs**, with nine mentions each.

On the opposite end of the spectrum, demand for **event management** services is expected to dwindle in a number of countries and to grow in none. These predictions are entirely consistent with those of World Reports from the previous two years, suggesting that event management is a practice area in long-term decline for public relations consultancies. Many of these responsibilities have either been absorbed in-house by client teams or are now contracted to specialist event management firms.

	Industries with Best Growth Prospects	Industries with Least Growth Prospects
Australia	(N/A)	(N/A)
Austria	Clean Technology, Healthcare	Automotive, Public Sector
Belgium	Energy, Finance, Healthcare, Public Sector	IT, Retail, Tourism
Brazil	Export Industry, Finance, Healthcare, Public Sector	Retail
Croatia	Energy, Entertainment, Finance, Pharmaceuticals, Public Sector, Retail	IT, Telecoms
Czech Republic	Healthcare, Heavy Industry, Wellness	Construction, Real Estate
Denmark	Clean Technology, Energy, IT, Professional Services	Construction, Luxury Goods, Real Estate
Finland	B2B, Energy, IT, Professional Services, Public Sector	---
France	Energy, Healthcare, Industry, IT	Transport & Logistics, Travel
Germany	Consumer Goods, Energy & Environment, Healthcare, Public Sector, Technology	---
India	Agriculture, Energy, Infrastructure, Manufacturing, Mining, Retail	Textiles
Ireland	Energy, Finance, Food, IT, Professional Services, Telecoms	Public Sector, Real Estate, Retail
Italy	Energy, Healthcare, Utilities	Finance, Public Sector
Norway	Consumer Goods, Energy, Finance, Public Sector, Transportation	Industry
Poland	B2B, Energy, Finance, Healthcare, Infrastructure, IT, Technology	Entertainment, Consumer Goods, Retail
Portugal	Energy, Healthcare	Consumer Goods, Finance
Russia	Consumer Goods, Energy, Finance, Healthcare, IT, Public Sector, Telecoms	Automotive, Real Estate, Transportation, Travel
Slovakia	IT, Manufacturing	Consumer Goods, Retail
Slovenia	Energy, Finance, Pharmaceuticals, Telecoms	Automotive, Food & Drink, Textiles
Sweden	Energy, Food, Infrastructure, Pharmaceuticals	Automotive, Retail

## VII. The outlook for industries

No public relations forecast would be complete without an analysis of the specific industries from which future business will come.

The table here offers a breakdown of industries with the best and least growth prospects for 2011, by country.

It shows that the **energy** industry represents an important source of growth for PR consultancy internationally, with seventeen surveyed countries labelling it as high growth potential.

**Healthcare** is another important growth industry. It is mentioned by eleven countries, accompanied by one mention of wellness and four of the pharmaceutical industry, both related to healthcare.

**The financial industry** (banking included) is listed as a growing source of business in nine countries, including the US and UK. Italy, Portugal and Turkey, however, view this as one of the industries with the worst prospects for the year.

**The public sector** looks particularly promising in eight countries but has low potential in another four, namely where recent spending cuts are still taking effect (Austria, Ireland, Italy and the UK).

As for the least promising industries overall, **retail** tops the list. Seven countries have little faith in its prospects for this year,

Switzerland	Biotechnology, Energy, Pharmaceuticals, Public Sector	Machinery, Retail
Turkey	Consumer Goods, Energy, Telecoms, Real Estate, Retail	Finance, Textiles
UK	B2B, Consumer Goods, Finance	Public Sector
US	Consumer Goods, Finance, Healthcare, Technology	

although three markets – Croatia, India and Turkey – expect a boom.

The **automotive** and **real estate** industries also appear to hold little potential for public relations consultancy globally in 2011, with no noted prospects for growth.

## VIII. The talent pool

In terms of general employment conditions across industries, national unemployment rates are high but falling in most countries<sup>10</sup>. However the risk of rising unemployment is reported to be high in Italy, and the UK expects to see more public sector layoffs this year. Finland is facing public sector cuts in addition to streamlining from Nokia, the country's largest private employer<sup>11</sup>. By contrast, Brazil and Russia are experiencing employee-driven markets with rising wages.

There remain, however, many employment issues specific to the communications industry and public relations. For example, the US and UK report a general shortage of candidates with both digital expertise and client service experience. Switzerland suffers from a lack of highly experienced, senior talent. Brazil and India lack qualified workers for entry-level positions. In India, this is exacerbated by the fact that new candidates are drawn to advertising and existing staff leave for corporate positions since both of these offer better pay than PR consultancies.

Even so, the level of available talent has reportedly improved in Brazil, Croatia, the Czech Republic, Denmark, France, Germany, Ireland, Poland, Slovenia, Switzerland, Turkey and the UK – twelve countries in all. This can largely be attributed to a combination of two factors:

- 1) an increase in applications from a larger pool of new graduates,
- 2) the aftermath of corporate and public sector downsizing.

All remaining countries in the survey have seen little change in the number of job candidates in 2011, except for Russia, where talent is deemed to be scarcer than in previous years.

Anecdotal evidence indicates that, internationally, many more PR consultancies are hiring this year than in 2010, though a considerable number will continue to wait and see how their local economies – and resulting new business leads – develop before committing to a larger staff.

## IX. Challenges to success

The top five challenges ahead for public relations consultancies, according to surveyed countries, are:

### 1) Staffing

The issue of attracting talent (and then retaining it), proves to be of major concern to PR consultancies. Growing the business depends upon achieving the right mix of skills and experience and having the ability to form lasting relationships with clients.

<sup>10</sup> International labour comparisons from the US Department of Labor, [Bureau of Labor Statistics](#)

<sup>11</sup> LargestCompanies.com's [list of largest employers](#) in the Nordic countries

## **2) Client budgets**

Low or shrinking client budgets present another obvious challenge to the success of the business, especially when the client's expectations remain high.

## **3) Profitability**

The tendency to over-service accounts in order to please clients, the struggle to keep rising operational costs in line with fee income, the need to invest in new business pitches,... – all of these issues directly affect the consultancy's bottom line.

## **4) Pricing**

Downward price pressure attacks profit margins even further. New and low-end competitors dump their prices, or clients become more price-sensitive as their budgets are squeezed.

## **5) Competition**

Finally, competition from new consultancies (with low barriers to entry) and from other marketing disciplines, makes it increasingly difficult to differentiate the business and win new clients.

## **X. Summary**

The international public relations consultancy business grew bigger and stronger in 2010 and is poised to grow again in 2011. A few markets are still struggling to cope with difficult macro-economic conditions and lower overall investment, but the vast majority of countries have returned to growth and are gaining in confidence for the months ahead.

As consumers increasingly access content through mobile devices and shift their attention online, the media landscape is shifting along with it, creating a dynamic if unstable communications environment.

Use of social media has increased by leaps and bounds over the past year, and client organisations of all sizes are keen to be involved. More and more, marketers are demanding digital services that include social media expertise, and PR consultancies are rising to the challenge, with a large majority integrating these services into their offering.

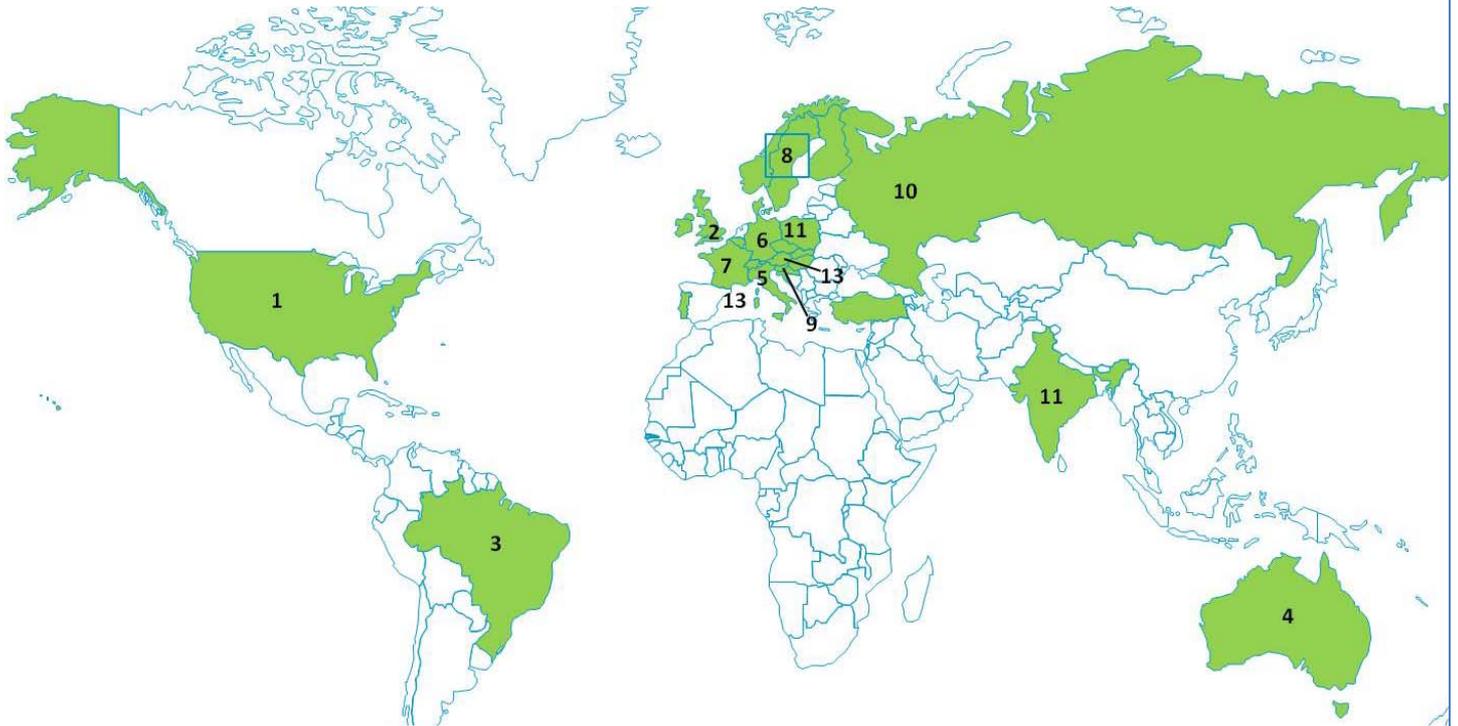
In parallel, the core practice areas of corporate communications, crisis management and public affairs are expanding. The increased demand will come from the energy and healthcare industries in particular.

As always, challenges to the success of the business remain – especially around staffing and financial management – but public relations consultants have survived the leaner years and emerged better equipped than ever to tackle these challenges.

**Appendix 1** – Map of participating countries and ranking of PR consultancy market size

24 national trade associations contributed data for this report, representing a broad geographic spread and including the largest markets for public relations. The countries they represent are highlighted in colour on the map and listed below.

The numbers on the map correspond to a ranking of overall market size for PR consultancy among participating countries, in order from largest to smallest. Only those markets considered to be worth an excess of €100 million in annual fee revenue are ranked.



Australia (4)	France (7)	Russia (10)
Austria (13)	Germany (6)	Slovakia
Belgium	India (11)	Slovenia (9)
Brazil (3)	Ireland	Sweden (8)
Croatia	Italy (5)	Switzerland
Czech Republic	Norway	Turkey
Denmark	Poland (11)	United Kingdom (2)
Finland	Portugal	United States (1)

**Appendix 2** – Table of ICCO trade associations surveyed and local market size

Country	Trade Association	Number of member firms	2010 fee income of members <sup>12</sup>	Estimated % of total market <sup>13</sup>
Australia	Registered Consultancies Group (RCG) of the Public Relations Institute of Australia	175	€ 304 m	(N/A)
Austria	PR Quality Austria	15	€ 34.5 m	33%
Belgium	Belgian Public Relations Consultants Association (BPRCA)	25	€ 30 m	60%
Brazil	Brazilian Association of Communications Agencies (ABRACOM)	341	€ 283 m	35%
Croatia	Croatian Public Relations Agency Association (CPRAA)	15	€ 9.5 m	70%
Czech Republic	Association of Public Relations Agencies (APRA)	18	€ 27 m	65%
Denmark	Public Relations Branchen	31	€ 40 m	70%
Finland	Finnish Association of Marketing Communications Agencies (MTL)	31	€ 45 m	N/A
France	SYNTEC Conseil en Relations Publiques	38	€ 172 m	65%
Germany	Association of Public Relations Agencies (GPRA)	35	€ 180 m	50%
India	Public Relations Consultants Association of India (PRCAI)	18	€ 110 m <sup>14</sup>	80%
Ireland	Public Relations Consultants Association (PRCA Ireland)	31	€ 40 m	85%
Italy	Assorel	44	€ 136 m	30%
Norway	Norwegian Public Relations Consultants Association (NIR)	25	€ 64 m	80%
Poland	Polish Public Relations Consultancies Association (PPRCA)	33	€ 61 m	54%
Portugal	Portuguese Association of Communications and Public Relations Consultancies (APECOM)	31	€52 m	70%
Russia	Russian Public Relations Consultancies Association (AKOS)	32	€ 74.5 m	60%
Slovakia	Association of PR Agencies in the Slovak Republic (APRSR)	12	€ 5.5 m	80%
Slovenia	Chamber of Public Relations (ZOJ)	14	€ 73 m	50%
Sweden	PRECIS Association of Public Relations Consultancies in Sweden (PRECIS)	35	€ 140 m	80%
Switzerland	Association of PR Agencies in Switzerland (BPRA)	22	€ 53 m	90%
Turkey	Communications Consultancy Companies Association (IDA)	19	€ 16 m	50%
United Kingdom	Public Relations Consultants Association (PRCA)	240 +60 <sup>15</sup>	€ 872 m	50%
United States	Council of Public Relations Firms (CPRF)	98	€2,500 m <sup>16</sup>	65%

<sup>12</sup> Estimated figures at average Dec 2010-Apr 2011 exchange rates to the euro, in millions

<sup>13</sup> In terms of total revenue

<sup>14</sup> PRCAI basis industry estimate (\$155m) for entire PR consultancy industry, including freelancers

<sup>15</sup> 240 PR consultancies plus 60 in-house teams

<sup>16</sup> Entire US market estimated at \$3.4bn for 2010 in private equity firm Veronis Suhler Stevenson's *Communications Industry Forecast*