

Global agencies & marketing services review



Merrill Lynch's Global Advertising & Marketing Services Industry Overview Report
October 19, 2006
(Excerpt, page 13)

Marketing trends update

Marketing services includes activities such as interactive, sales promotion, public relations, market research, recruitment advertising, telemarketing, healthcare, sports marketing, ethnic marketing, viral marketing and direct marketing. These are among the activities that are characterized as "below the line" businesses for the ad agencies. These businesses usually do not require the purchase of media time or space and are typically part of the marketing budget not the ad budget. Ultimately, marketers like these services as the returns tend to be more measurable. We believe the focus on return on investment & measurability, and cost effectiveness has led to an acceleration in marketing services activities.

Marketing growth outpacing advertising growth. A recent study by **Winterberry Group** found that, since 2003, above-the-line spending (traditional advertising) has grown by an average 5.5%, while below-the-line (marketing services, including direct and interactive), led by e-mail and online, grew by 7.8% and forecast this growth to continue until 2007. Group M expects marketing services (PR, market research, direct and specialist and sponsorship) to grow by 8.3% and 8.2% for 2006E and 2007E, respectively. This acceleration has, to a large extent, been driven by the proliferation and changes in communications technology and the increasing demands for agencies to improve and measure ROI for marketing expenditure.