

Insight Operating review



Keith Bates Deputy Head of Insight

Our Insight division delivered a strong performance during the financial year, maintaining like-for-like revenue levels. Headline PBIT increased by 9 per cent in a declining market.

At a time of challenge and transition for the research industry, our Insight division has outperformed its market, increasing Headline PBIT by 9 per cent and gaining market share in a changing sector.

Market overview

The past financial year has seen the research industry encountering both short-term challenges and longer-term shifts. The project-led nature of research makes it particularly vulnerable to the economic cycle and the impact of the downturn on client budgets has been predictable, with sector-wide turnover down approximately 6 per cent. Yet the immediate cutting of budgets should not mask the longer-term trends that are transforming this sector. Research is changing: from a discipline that measures and records subjects' opinions to one that analyses and predicts actual behaviour; from a reporting service to one offering strategic consultancy, and from loyalty to tried and tested techniques to a demand for innovative new approaches, led by digital media. The scope for growth is changing too: the UK research market is the world's second largest but also its most mature, and only those agencies capable of gaining market share will continue to deliver growth. The international market offers far greater scope for expansion, and with the research budgets of large multinationals controlled from a few key regional hubs, efficient micro networks are well placed to take advantage of this opportunity.

Operating review

The Insight division accounts for 20 per cent of Group revenue (2009: 20 per cent) and 30 per cent of Group Headline PBIT (2009: 24 per cent). The division has contributed revenue of £16.0 million (2009: £16.7 million) and Headline PBIT of £4.9 million (2009: £4.5 million). On a Reported basis, PBIT is £0.7 million (2009: £4.3 million). The primary reason for the difference between Headline and Reported PBIT is the closure of CML and the associated £3.8 million goodwill write-off. Revenue per head increased by 2 per cent to £112,400 (2009: £109,700), whilst Headline PBIT per head increased by 16 per cent to £34,400 (2009: £29,600). The Headline PBIT margin increased to 31 per cent (2009: 27 per cent) and remains above the industry average. The continuing companies delivered like-for-like revenue growth of 1 per cent.

The division delivered a strong performance during the financial year, maintaining like-for-like revenue levels and increasing Headline PBIT by 9 per cent in a declining market. Our outperformance of the sector and resulting increase in market share has been delivered through a combination of strong, resilient clients, continued new business success in a tough environment, our previous investments in innovation and the synergies between our two major research agencies that have been developed over the last two to three years. We have evolved rapidly to deliver the results that clients demand, whilst increasing the efficiency with which we do so.

Financial highlights

Revenue

£16.0m

(2009: £16.7m)

Headline PBIT

£4.9m

(2009: £4.5m)

Reported PBIT

£0.7m

(2009: £4.3m)

Operational highlights

- Like-for-like revenue and Headline PBIT (i.e. excluding CML and MSTs) of +1 per cent and +3 per cent respectively
- CML closed during the year as it was severely affected by the recession
- newvista research now accounts for 28 per cent of the division's revenue (2009: 26 per cent)

Operating businesses



FieldWork UK



face to face specialists



The Insight division consists of the ICM Group and Marketing Sciences. The ICM Group, which includes ICM Research, ICM Direct and FieldWork UK, has a client base largely focused on financial and technology and also runs a high-profile political polling operation; the business of Marketing Sciences is primarily consumer, retail and healthcare research. With their non-competing areas of expertise, the two agencies are able to share key resources such as data collection services and online research, increasing the efficiency with which we can develop new techniques and new services for clients. newvista research, our division-wide Centre of Excellence for online research, works across both agencies. It delivered a strong performance over the year and now accounts for 28 per cent of the division's revenue.

Where necessary, we have acted to restructure areas of the division that have been most affected by the economic downturn, retaining skills within our two major agencies whilst increasing efficiencies for the division as a whole. We took the decision to close CML, our agency specialising in qualitative research for the development of advertising campaigns, which was severely affected by the sharp reduction in new advertising activity. During the year we also completed the successful integration of our former sensory marketing agency, MSTs, into Marketing Sciences, adding new skills in early-stage product development to the Marketing Sciences agency offer. We are pleased to report that this area of the business has performed strongly over the last 12 months, delivering year-on-year growth.

The division's performance reflects the advantages of a blue chip client list, for which research has a well-established role in their business models. With minimal exposure to low-margin, cyclical sectors such as Travel, activity has held up strongly across the division's operations. We gained new business from Aviva, and are in a good position to expand our scope of work for Tesco, following a review of their research roster.

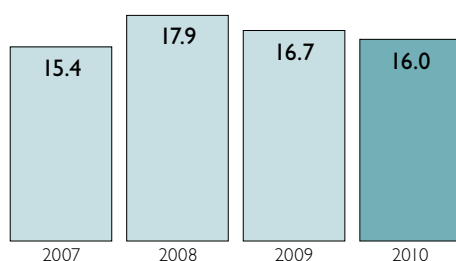
Future growth prospects

The competitive advantages enjoyed by the division within the research sector position it strongly to continue to gain market share over the coming year.

The launch of our new Centre of Excellence in qualitative research, Inspired, will significantly expand the scope of research solutions that we offer to consumer clients. The launch responds to a well-established client demand for qualitative approaches to product development and will accelerate the growth of our already established qualitative business.

International markets currently represent 8 per cent of the division's revenue following a strong contribution over the past year. With growth prospects that surpass those of the UK, these markets will continue to represent a major opportunity for the Insight division. Over the next 12–18 months, we will pursue opportunities for opening divisional operations in the key regional hubs of the US and Asia, from which research projects in growth markets are increasingly co-ordinated. This expansion will be led by demand from existing clients.

Insight revenue (£m)



Insight geographical revenue

- 1 UK 92%
- 2 Rest of Europe 6%
- 3 Rest of the World 2%

