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About JEGI

The Jordan, Edmiston Group, Inc. (JEGI) of New York, NY is the leading independent investment bank for the media, information, marketing services and technology sectors. Since 1987, JEGI has completed more than 500 high-profile M&A transactions for global corporations, middle-market and emerging companies, entrepreneurial owners, and private equity and venture capital firms. Recent transactions include:

- *The sale of Travidia, which provides online shopping solutions for local media, to a consortium of eight leading media companies;*
- *The sale of The Retail Equation, a SaaS platform for retail transaction optimization solutions, to Norwest Venture Partners;*
- *The sale of Hearst Corporation's Cycle World, the No. 1 media brand in the motorcycle industry, to Bonnier Corporation;*
- *The sale of EmPower Research, a social media research, monitoring and measurement company, to Genpact;*
- *The sale of Daily Mail and General Trust's George Little Management, US tradeshow division, to Providence Equity Partners for \$180 million;*
- *The sale of Focus Research, a provider of high-quality leads for IT vendors, to Ziff Davis, Inc.;*
- *The sale of AdJug, an online ad exchange, to IgnitionOne, a division of Dentsu;*
- *The sale of Kidspot, the leading Australia-based online community for parents, to News Corporation;*
- *The sale of Big Fuel, a New York-based social media agency, to Publicis Groupe; among many others.*

For more information, please visit www.jegi.com or contact Adam Gross, JEGI's Chief Marketing Officer, at 212-754-0710 or adamg@jegi.com.

About Econsultancy

Econsultancy is a [digital publishing and training group](#) that is used by more than 400,000 internet professionals every month.

The company publishes [practical and time-saving research](#) to help marketers make better decisions about the digital environment, build business cases, find the best suppliers, look smart in meetings and accelerate their careers.

Econsultancy has offices in New York and London, and hosts more than [100 events](#) every year in the US and UK. Many of the world's most famous brands use Econsultancy to [educate and train](#) their staff.

Some of Econsultancy's members include: Google, Yahoo, Dell, BBC, BT, Shell, Vodafone, Virgin Atlantic, Barclays, Deloitte, T-Mobile and Estée Lauder.

[Join Econsultancy](#) today to learn what's happening in digital marketing – and what works.

Call us to find out more on +44 (0)20 7269 1450 (London) or +1 212 699 3626 (New York). You can also [contact us online](#).



Foreword from JEGI

The Jordan, Edmiston Group, Inc. and Econsultancy are pleased to share with you the results of the 2nd annual Media Growth Survey, which was designed to capture senior media, information, marketing services and technology executives' outlook on growth opportunities and key challenges.

Coinciding with Jordan, Edmiston's 25th anniversary of serving these fast-changing and dynamic markets, this year's survey saw more than 300 c-level executives globally provide their insights and outlook on business in 2012. For this year's survey, we also followed up with a handful of senior executives for live, one-on-one discussions, diving deeper into the results captured by the survey. You will find a number of interesting "sound bites" included throughout the report.

Overall, senior executives are generally optimistic about the health of their markets coming out of the economic downturn and see new product launches, organic growth and expansion of market share within existing markets as key growth drivers. Some of the keywords they mentioned most often when asked about how they would capitalize on these opportunities: Marketing; Talent; Investing; Digital; Technology; and Sales.

It is not surprising that executives are feeling more optimistic about their businesses heading into 2012, as many forecasters are predicting an increase in ad spend in 2012 vs. 2011. For example, Zenith Optimedia projects worldwide ad spend to increase 4.7% in 2012, following 3.5% growth in 2011. Forrester Research predicts that US Interactive Marketing Spend will increase 19% in 2012 and grow at a compound annual growth rate (CAGR) of 17% through 2016.

When it comes to growth, the key barriers have to do with the lack of talent necessary to take advantage of opportunities. One executive noted, "Without the tech talent to put ideas into action, all the learning we're getting from customers can't help us." The keywords most often mentioned by executives in regards to barriers to growth reflect this challenge: Talent; Hiring; Training; Recruiting; and People.

The survey results show that more than two-thirds of all executives from companies with more than \$50 million in revenue expect to make an acquisition in the next 12 to 24 months. This is not unexpected, given that the media and technology markets continue to evolve at a torrid pace, with companies increasingly seeking assets to drive growth and provide new revenue streams. JEGI expects that a diverse and active pool of buyers, including both strategic companies and private equity firms, both of which have access to unprecedented levels of capital and will also benefit from a steadily improving debt financing market, will drive vigorous M&A activity in the year ahead.

Of course, there is always some uncertainty surrounding survey outlooks and expectations. Corporations are concerned about systemic barriers to growth, such as competition from free/low cost alternatives and traditional competitors.



Furthermore, a valuation expectation gap between buyers and sellers continues to exist, and while the debt markets have improved significantly, banks are still reluctant to lend on smaller deals (those involving companies with less than \$10-15 million of EBITDA). Still, a recovering economy and improved confidence and growth projections contribute to an improving outlook for 2012.

We hope that you find the results of this survey informative, and thanks again to those who participated. We look forward to your participation in the future.



Sincerely,

A handwritten signature in black ink that reads "Wilma H. Jordan". The signature is fluid and cursive.

Wilma H. Jordan
Founder & CEO
The Jordan, Edmiston Group, Inc.

Executive Summary

2012 appears to be starting with cautious, qualified optimism. Even as companies expect less from organic growth, they are bullish on **new product development, acquisitions** and taking lessons learned into **new markets and verticals**.

For many companies in the study, new product development hinges on the combination of core skills and emerging skill sets/technologies. Legacy publishers have learned the lessons of content commoditization and are working to create **high value products** built on the foundation of excellence within a niche. To build these products, they are rapidly building expertise in **data** and **rapid technology development** (or they're building an expertise in outsourcing).

A persistent theme among larger companies is **being big, but acting small**, a response to the need to be faster to market with products, and faster to recognize a potential success, or a failure. This manifests in a number of ways, from **mass restructuring** to the creation of discrete **product-focused groups** that have latitude to make decisions and investments.

Moves that provide real freedom to act are the secret for companies that are overcoming the number one challenge facing most organizations, attracting talent. The sorest spots are at the **strategic level** – executives that understand digital within a business context, can spearhead product creation and go to market efforts. For this group, the ability to affect change is often just as important as total compensation.

Technology related talent is also hard to find, and retain. Not unlike executives, compensation is no silver bullet. Instead, independence, flex-time, working from home and other lifestyle related benefits are often the most effective incentive. For senior managers at traditionally-minded companies, it can be hard to understand and compensate for modern attitudes toward the work environment.

As in last year's study, the **gap in valuation expectations** between buyers and sellers represents the largest obstacle to acquisitions, but they do cite some mitigating factors. First, the credit crisis has eased for larger enterprises, but remains a stumbling block to smaller ones, moving some to more aggressively pursue exit events. Second, the proliferation of technology solutions around data analysis and manipulation is creating significant competition, if not commoditization, among these companies.

Among the traditional publishers with whom we spoke about their acquisition plans, the issue of **integration** was nearly universal. In few cases are acquirers looking to simply add technology, data or customers; they want the people who make their acquisitions tick to be part of the new company moving forward.

Not surprisingly, planned capital investments skew toward the key areas of opportunity and challenges identified by respondents. Acquisition capital leads the way, but investments in technology and talent aren't far behind. **Big data** is a hot area for investment, but technologies for **process automation** are also key to many leaders seeking to increase efficiency.

Methodology

The 2012 Media Growth Report is based on a two-phased approach, beginning with a survey conducted by Econsultancy in the third quarter of 2011. That survey was fielded to top executives at a diverse array of businesses of all sizes across the media, information, marketing services and technology sectors.

Respondent organizations are primarily based in North America, although Western Europe and specifically the United Kingdom are also significantly represented.

From the 324 total respondents to that survey, a small, representative group was invited to participate in qualitative interviews, to elaborate on their answers and provide context to the data. A total of 17 interviews were conducted.

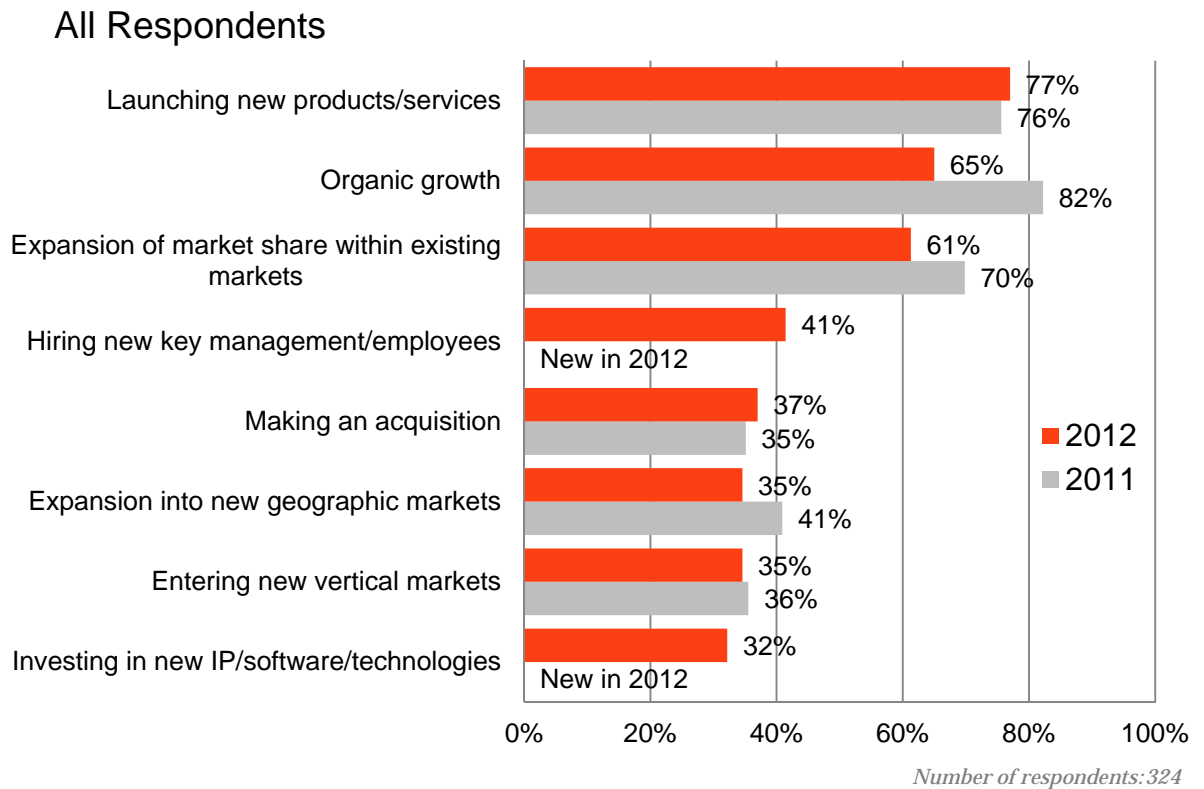
Special Thanks

The Jordan, Edmiston Group and Econsultancy would like to thank all of the companies that participated in the Media Growth Survey. We would also like to extend a special thanks to those executives who took the time to speak with our researchers directly and provided important context and deep insights beyond the data. Given the strategic direction of some of the responses, some companies/executives have chosen to remain anonymous.



Growth Drivers

Figure 1: Growth Drivers



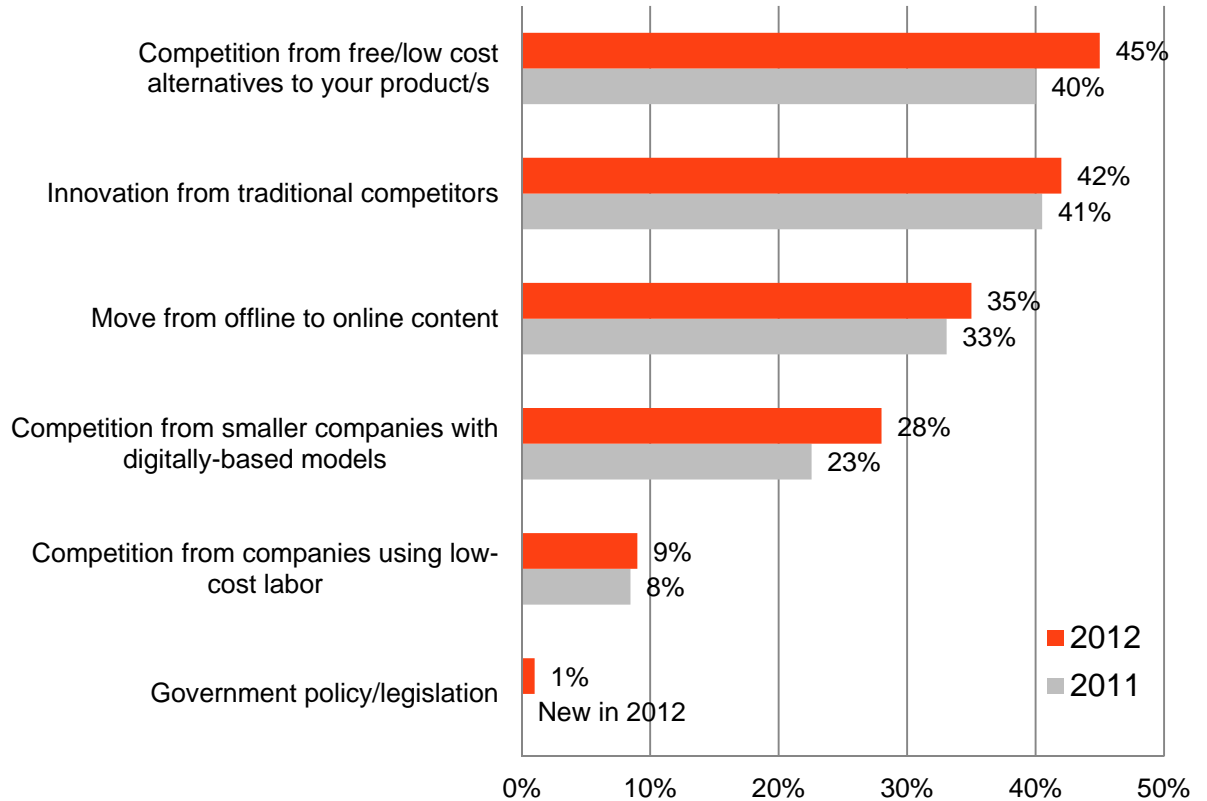
In keeping with last year’s study, the trend at the top continues to be toward new product development. Organic growth expectations waned in the face of ongoing economic pressures, especially for internationally focused companies, as European buyers’ caution more than offset the more optimistic North American company expectations for organic growth. Discussing their approaches to new product development, follow-up interview participants identified several opportunities:

1. Rich, multi-media experiences are a hallmark of successful digital consumer products, but shouldn’t be limited to them. Niche publishers and media companies serving a variety of business sectors also pointed to a growing need for products that enrich and enhance the learning and service products they sell.
2. Data combined with technological expertise will produce many of the new products offered in 2012. Commoditization threatens any product built on data or technology alone, but media companies are using both to form and leverage their core strengths into new lines of business.
3. Larger companies are taking advantage of the innovation of nimble competitors by using their deep and wide store of relationships. They are letting start-ups pave the way and educate the market, then “fast following” into the space with the advantage of stability, networks and bundled product offerings.

Challenges to Growth

Figure 3: Systemic Barriers to Growth by Revenue Size

All Respondents



Number of respondents: 324

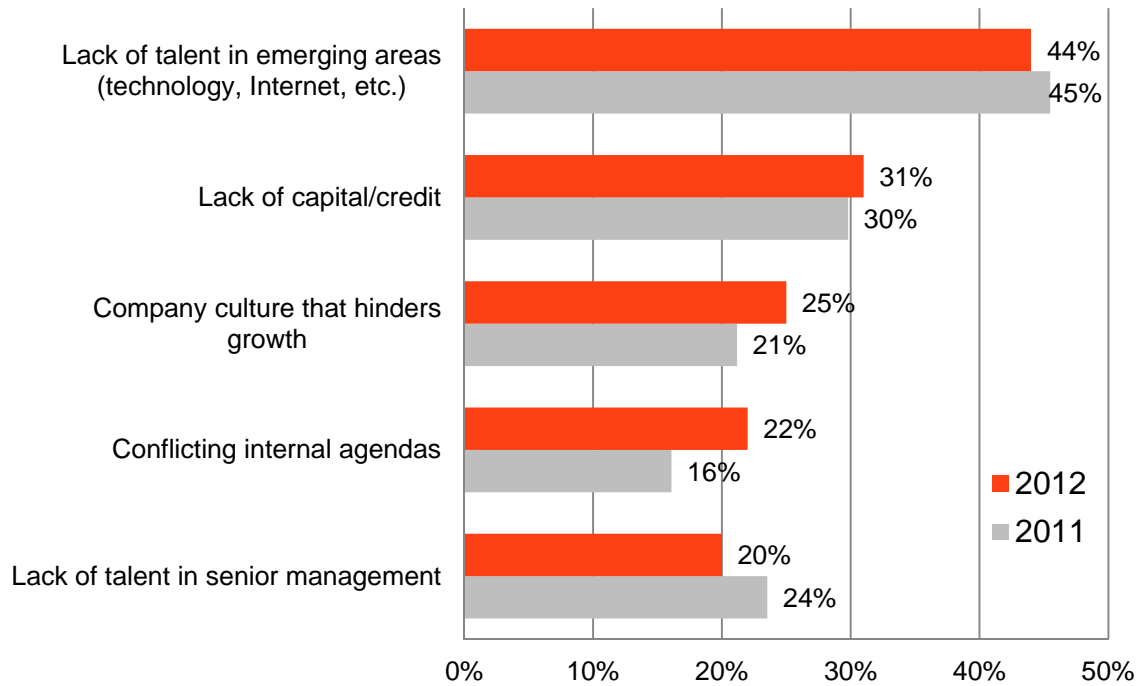
Nimble, digitally oriented companies with low cost structures are a perpetual thorn in the side of traditional media. But, strategic moves by some larger, long established companies have insulated them against some companies and positioned them to take advantage of others.

Companies have to recognize where their future lies, and consider divestiture of lines of business that can't be protected, sometimes while those pieces are still highly profitable. This tactic is among those discussed in follow-up interviews. CEOs commented on the difficulty in enlisting boards to this "sell high" line of reasoning several years ago, but that many attitudes have changed.

Established companies are also exploring the acquisition of technologies or services that pose the biggest threat to a given line of business. Even if a low cost solution isn't an attractive product line on its own, some organizations have created an advantage by acquiring these competitors and integrating their offerings into larger product suites.

Figure 5: Internal Barriers to Growth by Company Revenue

All Respondents



Number of respondents: 324

The difficulty in finding and attracting certain types of talent was by far the most frequently cited internal challenge to growth among survey respondents. Solutions aren't exotic; almost all revolve around approaching talent with a "small company mindset" that reflects modern workers' desire to create, contribute and affect change, in an environment they enjoy.

Companies that face the most difficulty typically suffer from the same issues:

- Limitations on creative compensation packages; for many, monetary rewards are only part of the puzzle. Several leaders noted that the current economy has led to longer tenures from talent that might have otherwise left for greener pastures, but all noted that this is a short-term effect.
- The inability to empower new managers. Many organizations' structures simply don't allow new hires to affect change in the short term, which is often in conflict with the premise on which the hires were initially made. Managers in this type of organization have found success in accommodating prized new hires by creating unique projects for them that sit outside of existing silos.
- Inflexibility toward environmental factors. For senior managers at traditional companies, it can be hard to understand and compensate for modern attitudes toward work environment. Working from home, flex-time, long vacations...all are more typical of smaller, digital revolution companies, but are increasingly mainstream expectations for younger workers.

Figure 6: Cloud – Overcoming the Internal Barriers to Growth



Number of respondents: 324

We asked survey takers and interviewees for specifics around how they're tackling the internal issues faced by their organizations. Their collective answers are represented by the cloud above. Some of the quotes that stand out are shared below:

“Growing people from within, investing in our own education to develop the experts we need in the digital world, since there aren't enough as it stands today.” – CEO, Marketing Services Provider for Internet Retail

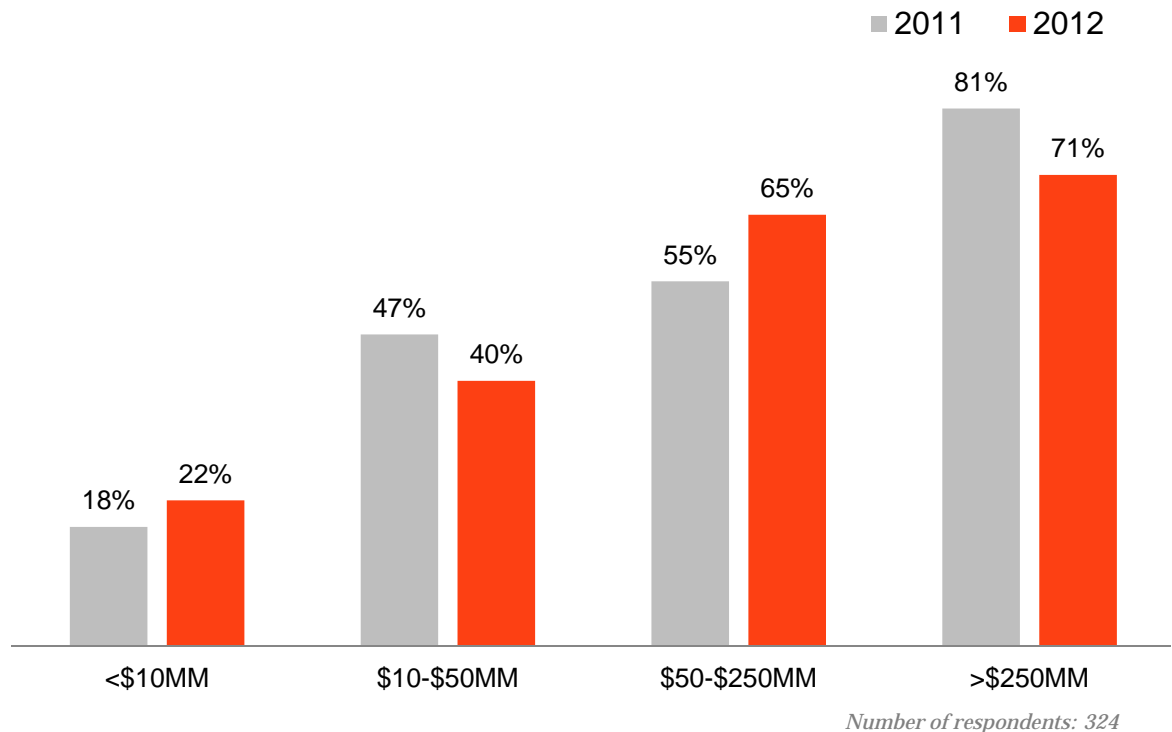
“It's twofold, isn't it? You've got to recruit and develop the talent that can grow the business internally, but also look for the right acquisition opportunities. Getting the balance right in terms of executive time spent is difficult. In the last year, we focused on internal development. Now, we have better access to capital, so it's time to look outward and take advantage of our market position and combine that with new ideas and technologies that can come through acquisition.” – CEO, B2B Publisher and Service Provider

“Our challenge is recruitment, pure and simple – developers specifically. Without the tech talent to put ideas into action, all the learning we're getting from customers can't help us. It's not easy, but we're getting much more flexible with this type of employee...flextime, letting them work on outside projects, letting them work from home – keep them in a cube and they're gone in a year.” – Travel Publisher

Mergers and Acquisitions

Figure 7: Expectation of Acquisition(s) in Next 12 Months

Respondents by Revenue



Among larger companies, both survey respondents and interviewees were bullish on their organizations' prospects for making one or more acquisitions in 2012. Mid-sized companies (\$50-250 million in revenue) were especially bullish about making an acquisition in 2012, as supported by several of the following factors:

- **A cash rich period for some, lean credit for others**

Many organizations have been sitting on cash through the economic downturn, waiting for the moment to invest in growth. At the same time, financial institutions are eager to find investments with "safe" borrowers, few as they are. For companies at the top of the food chain, there are ready funds for acquisitions. Meanwhile, emerging companies and start-ups are still feeling the downturn and credit crunch acutely.

- **Emerging companies seeking exits**

Building a network of new customers is a challenge, as potential clients are wary of untested start-ups and all but the most necessary purchases. Our interviewees described a wealth of potential deals, many sparked by these conditions, which are forcing shareholders of small, emerging companies to seek a liquidity event.

- **Opportunities related to the European crisis**

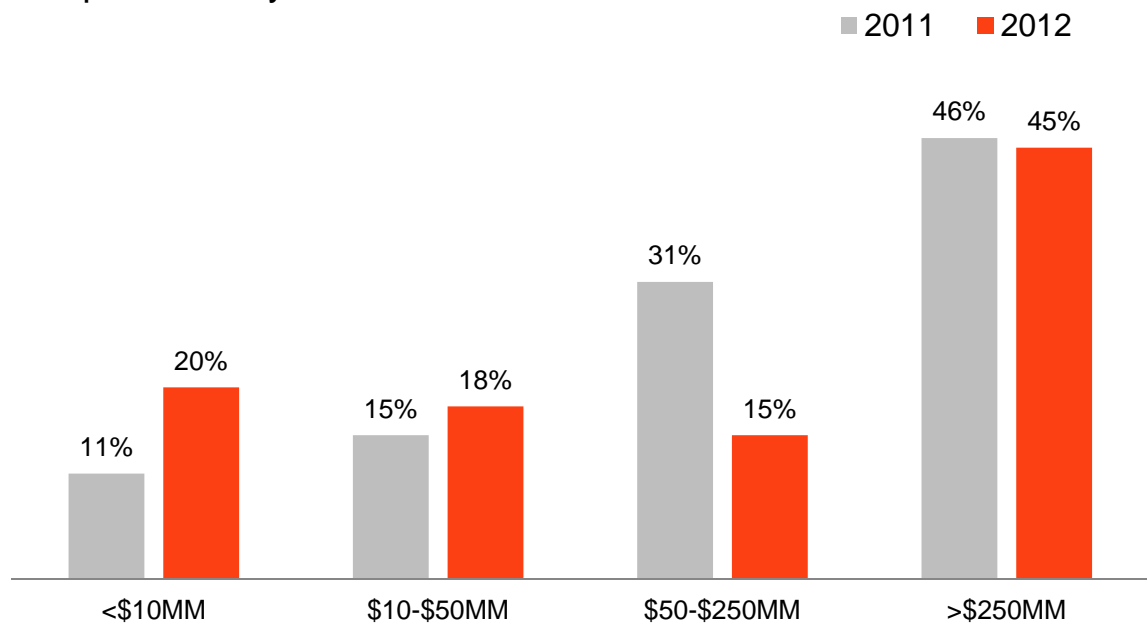
Another factor mentioned by a number of hopeful acquirers is the European debt crisis. As the United States continues to slowly emerge from its own torpor, the inability of European companies to access credit is driving divestiture by larger organizations and a scramble for exits by smaller ones.

- **Commoditization of technology innovations**

For every area where technology is being applied to data, there is a bloom of start-up companies. Only one or two start-ups in each competitive set will be likely to emerge from the venture phase, leaving the rest to seek exits. A glut of venture funding, coupled with relatively weak demand and the rapid culling of the weak from the strong, means a continued flow of technology companies into the market.

Figure 8: Expectation of Divestiture(s) in Next 12 Months

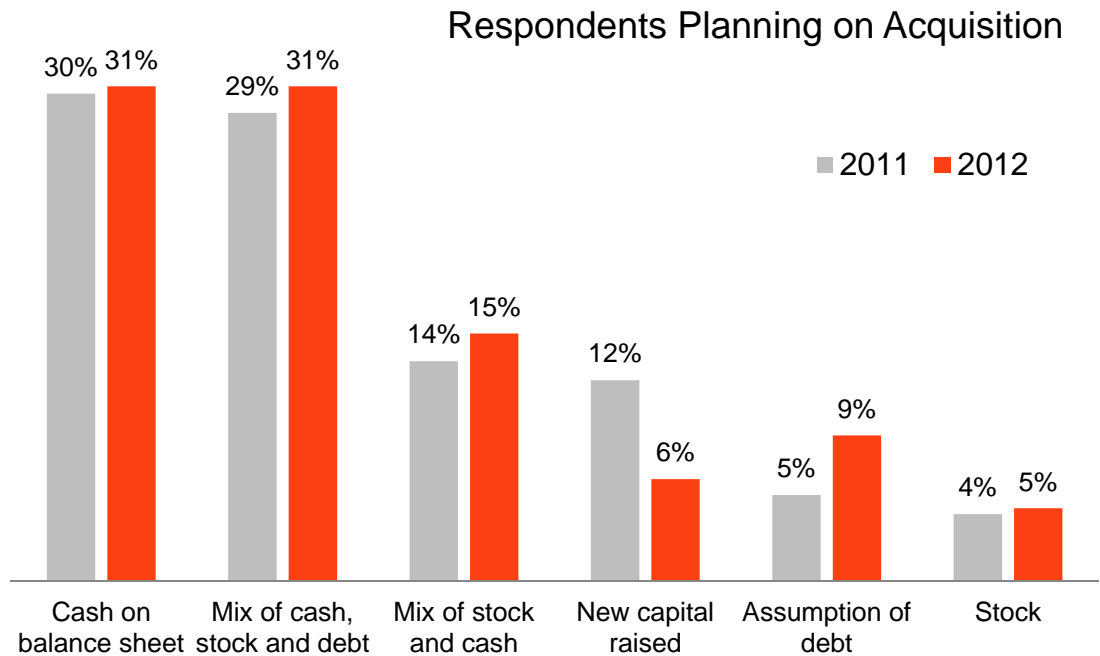
Respondents by Revenue



Number of respondents: 324

Divestitures aren't as common a goal as acquisitions, but are still expected by nearly half of the largest companies in the sample. In many cases, planned divestitures are part of a strategic refocusing on higher margin or protectable lines of business. In several cases, specific planned divestitures by interviewees involved the sale of "knee-jerk acquisitions" made during the early days of digital competition and growth. With more than a decade of experience in the new economy, companies are far more capable of identifying those areas where they can, and cannot, effectively compete.

Figure 9: Financing Acquisitions in the Next 12 to 24 Months



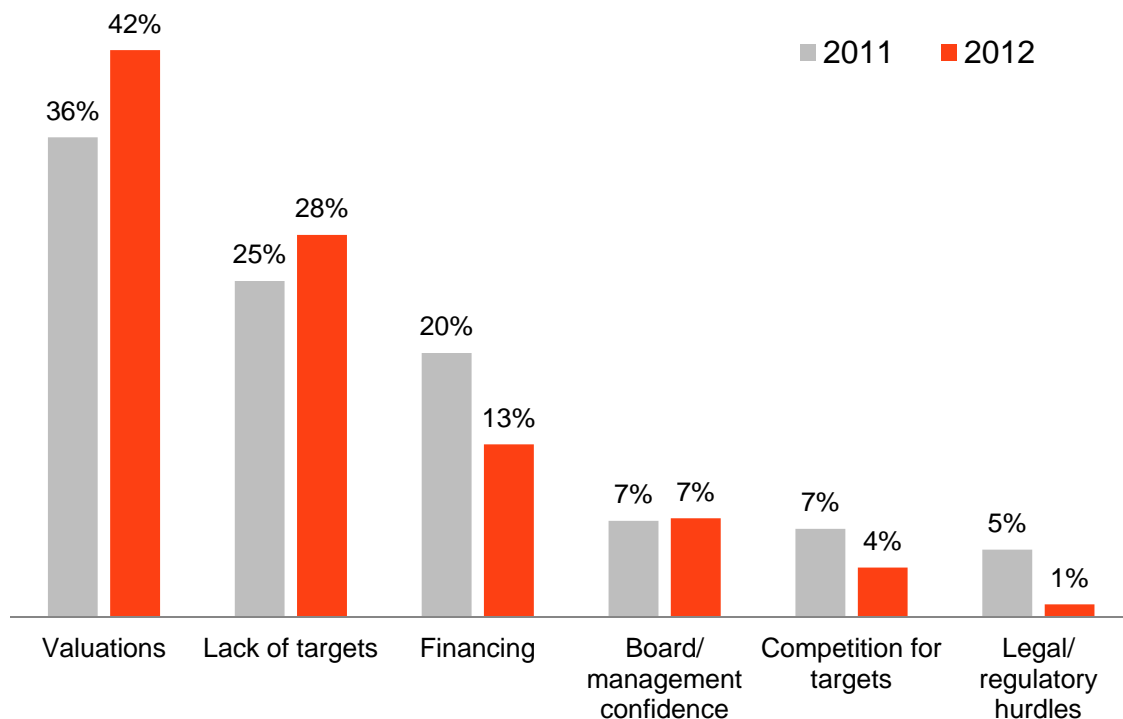
Number of respondents: 111

Similar to last year's findings, most senior executives expect to finance acquisitions via cash on their balance sheets or through a mixture of cash, stock and debt; most likely determined by the size of the acquisition and deal structure.

It is interesting to note, when looking at the year-over-year results, that only 6% of senior executives were planning to raise new capital to finance acquisitions in 2012, or half the level indicated in 2011. Meantime, senior executives seem more confident, as 9% are willing to assume debt to finance acquisitions in 2012, as compared to only 5% who felt that way in 2011.

Figure 10: Challenges to Acquisitions

Respondents Planning on Acquisition



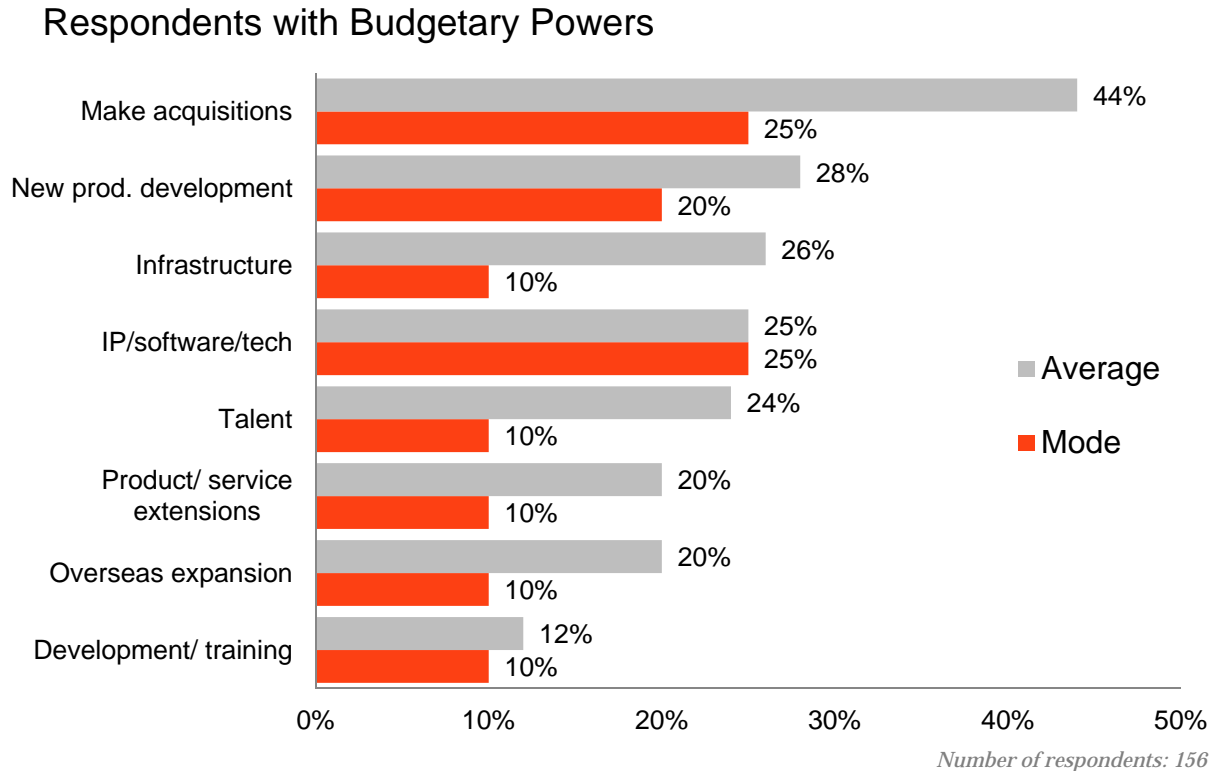
Number of respondents: 111

According to senior executives, the primary obstacle to completing acquisitions continues to be the valuation expectations of targets, followed by a lack of quality targets. This holds true across all organizations, regardless of size or sector.

For larger organizations (those with more than \$250 million in revenue), competition for targets is a major concern, while financing continues to be an issue for the smaller companies in the sample. Overall, however, the credit crunch is expected to be less of an issue in 2012.

Investment Breakdown

Figure 11: Share of Capital Investment in Next 12 Months



60% of our respondents set capital expenditure budgets for their organizations and shared with us specific breakdowns of their budgets for the year ahead. Acquisitions account for the largest single share of the 2012 capital expenditure budget for acquisitive companies.

Despite cloudy economic conditions, the majority of companies also discussed new investments in organic growth – product development, technology upgrades and new hires were the most common areas. When we dug into these categories at the interview stage, several key areas stood out:

Big Data – the opportunity in advanced database analytics isn’t new, but the emphasis on implementation by large, traditional publishers may be. Having seen smaller, digitally focused companies successfully productize existing but underutilized data, these companies have been spurred into action via internal innovation and acquisition.

Technology – in addition to the technology required by data-related initiatives, moves toward process and marketing automation are central to new technology development and/or adoption.

Hiring – in a dynamic industry, hiring is always a challenge, but the pursuit of talented, digitally progressive strategists, product innovators and developers came up in every conversation.

only is an intimate understanding of how technology works valuable in and of itself, but an argument can also be made that the leaders of tomorrow can only benefit by understanding not just technologies themselves, but the people who create them.

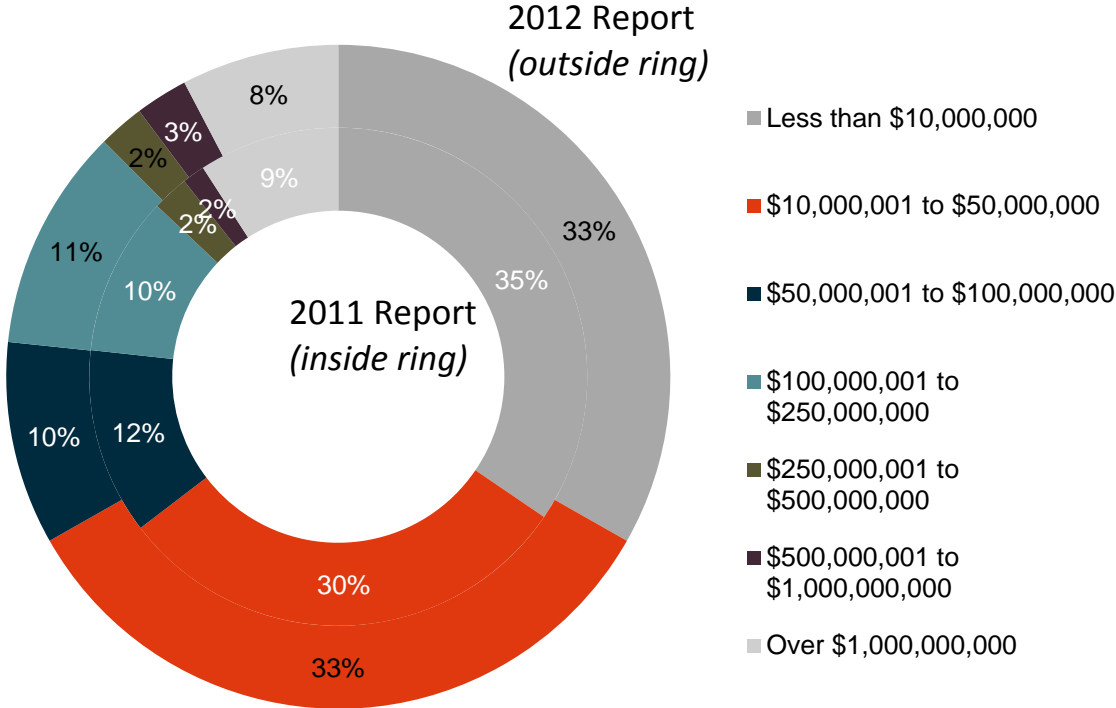
5. **Engineering** – not to be confused with computer engineering, many CEOs (especially those with engineering degrees themselves) suggested that engineering – mechanical, chemical, civil, etc. – provided an excellent foundation for business today and the emerging future.

Hundreds of individual responses boil down to a few basics – a balance of left and right brain skills, the ability to adapt and a recognition that to access the opportunities of tomorrow, future leaders shouldn't limit themselves to any single geography or language.

Respondent Demographics

Figure 14: Company Revenue

All Respondents



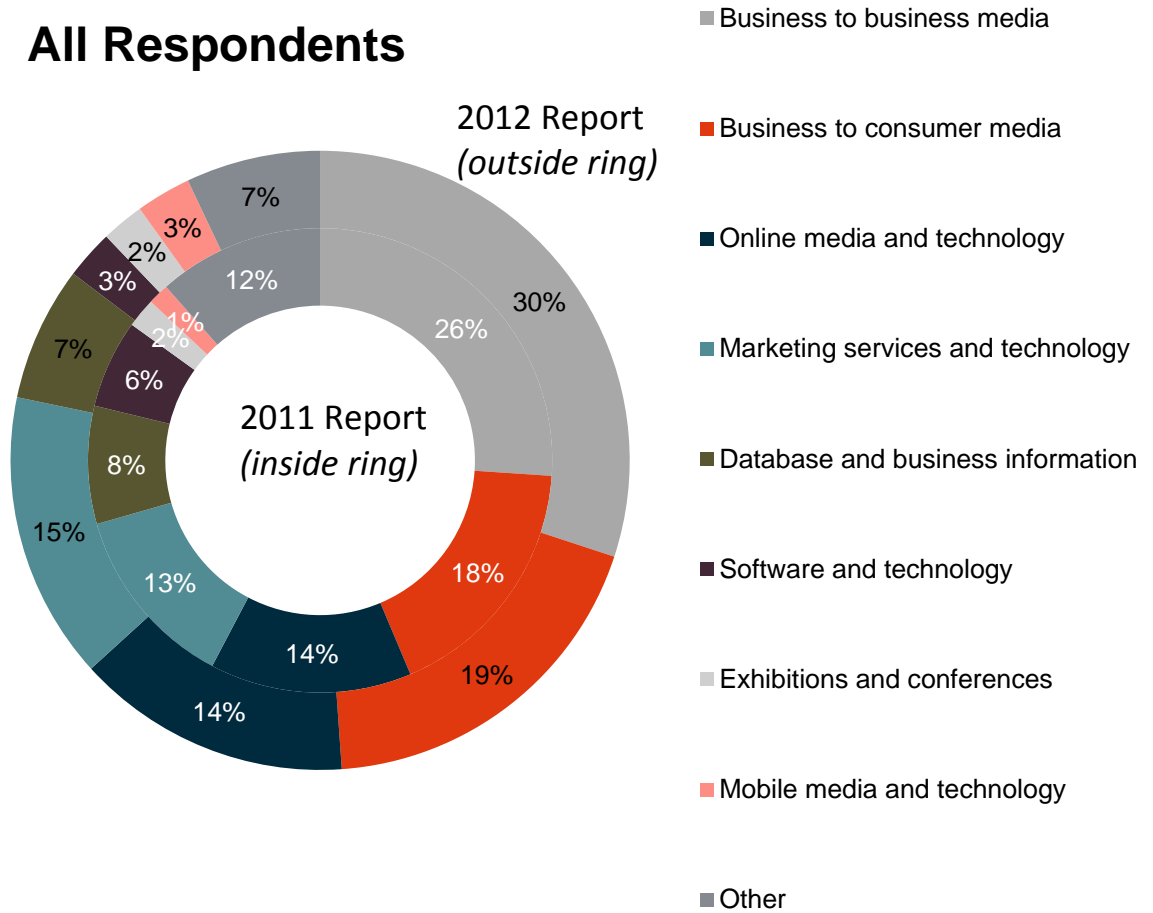
Number of respondents: 324

As noted in the chart above, the breakdown of respondents by company revenue was very similar in 2012, as compared to 2011. 13% of respondents were from companies with more than \$250 million in annual revenue; 21% were from companies with revenue between \$50 million and \$250 million; and 66% were from companies with revenue less than \$50 million.



Figure 15: Type of Company by Sector

All Respondents

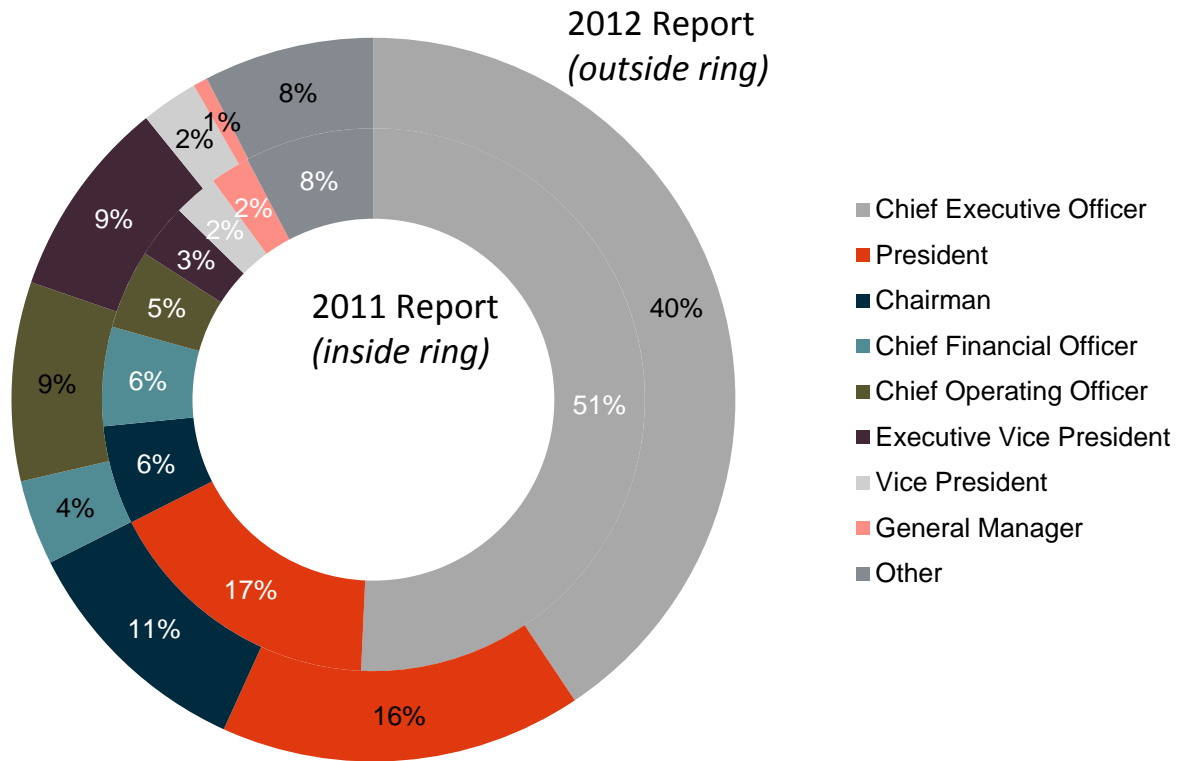


Number of respondents: 324

This chart shows that nearly 50% of the respondents were from companies classified as either B2B or B2C Media; 29% classified their companies as either online media and technology or marketing services and technology; 7% as database and business information; 8% as software and technology, exhibitions and conferences or mobile media and technology; and the balance were from other types of organizations.

Figure 16: Respondent Titles

All Respondents



Number of respondents: 324

This chart shows that most (89%) of the responses to the 2012 Survey came from c-level executives, including 40% CEO; 16% President; 11% Chairman; 4% CFO; and 9% COO.