

# A successful formula

Once again Sarbanes-Oxley Act-affected agencies have not entered the Top 150, so PRWeek has fine-tuned its own estimations of their performances

It was a year ago that *PRWeek* re-engineered the Top150 Consultancies table to make it more representative of the PR industry. After much deliberation, PR agencies owned by large marcoms groups – that had previously been absent from the table by their owners' interpretation of the Sarbanes-Oxley Act – were reinstated using an industry-agreed formula.

The agencies in question, those owned by WPP, Omnicom, IPG, Publicis, Havas, and Cossette Communication, had a dramatic impact upon the composition of the Top 150 when they were reintroduced.

Independent agencies which had bumper years found themselves moving down the table as the bigger agencies muscled their way back in via our formula.

Today the methodology pioneered by the *PRWeek* panel (see panel, above right) is still a robust measurement standard.

Feedback on the formula collected throughout 2006 was extremely positive. At least two agencies told us off the record that the estimates we gave in last year's table were just £50 out.

This year, despite none of the agencies bound by Sarbanes-Oxley rules submitting official figures, revenues generated by these consultancies can still be closely estimated. It should be stated clearly here that no-one from these agencies collaborated in this process.

*PRWeek* is the only organisation in the sector able to provide data on some of the industry's biggest names.

## INDUSTRY PANEL



**Daniel Rogers**  
Editor,  
*PRWeek*



**Tom Wells**  
Managing director,  
Gyroscope



**Alex Young**  
Head of public relations,  
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**Adrian Wheeler**  
Founder,  
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**Esther Carder**  
Partner,  
Willott Kingston Smith



**Patrick Barrow**  
Director general,  
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The year-on-year changes in fee income shown by our Top 150 table betray the true fluctuations in growth (or not) of the top 150 agencies in the PR industry.

When *PRWeek* was first deciding a formula (see box on the right) to estimate the fee incomes of the Sarbanes Oxley-affected (SOA) companies, we assembled a panel comprising Alex Young, head of public relations, AAR; Esther Carder, partner Willott Kingston Smith; Tom Wells, MD Gyroscope; Patrick Barrow, director general, PRCA; Adrian Wheeler, founder, Agincourt; and *PRWeek* editor Danny Rogers.

*PRWeek* could have decided to use last year's fee income estimates and just multiply them up by an across-the-board average growth in fee income multiplier. However, this would have

been to ignore any changes in company size. So, whereas we used the 2004 Companies House files as our starting point to produce last year's SOA figures, to produce this year's numbers we repeated the process from scratch, using the 2005 Companies House figures and applying our formula once again. This also involved finding out the most accurate number of staff numbers for each company.

The fee income per head for each SOA was calculated by multiplying the most recent Companies House fee income per head, by the average in fee income across the non-SOA agencies by sector. This year, the average rise in the generalised sector was 8.5 per cent; the financial sector was 9.3 per cent and the health sector was 10.9 per cent.

For a detailed explanation of the methodology, refer to the box (right).

## METHODOLOGY

The panel agreed that estimates would be based on the following equation:

- SOA agency fee income = estimated 2005 fee income per head x current headcount.
- The fee income per head figure for each agency was calculated by multiplying the most recent Companies House fee income per head (2005) by the average rise in fee income across non-SOA agencies by sector.
- The average rise in the generalised sector was 8.5 per cent, the financial sector 9.3 per cent and the health sector 10.9 per cent.
- Only income changes from agencies with a fee income greater than £2m were counted.
- To determine employee numbers *PRWeek* asked two anonymous PR analysts to contact agencies anonymously. Their figures were averaged with data compiled for the latest PRCA year-book.
- Companies subject to this calculation are shaded darker on the finished table.
- However, some SOA consultancies do not have an original Companies House figure from which to estimate fee income per head. This is due to the way parent groups report data.
- For these five examples a 2006 fee income figure was calculated by multiplying the average sector annual income per head figure by the current headcount. There were no healthcare agencies in the five, only generalists.
- The generalist figures are extrapolated from 2005 Companies House data.
- We calculate this to be £78,362 per head.
- Agencies subject to this calculation are also shaded but marked with an asterisk in the table.