



PRECIS



REPORT

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Communication Index 2007 in Sweden

- Sector growth and development during the previous year

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The 2007 Communication Index in brief

- Total investment in communication/Public Relations in Sweden amounted to SEK 46 billion in 2007.
- 22 % of the total investment (approx. 10 billion) related to expenses for communication/Public Relations activities arising in marketing departments. 80 % of this relates to activities in private companies (refers to listed and limited companies with over 100 employees).
- 55 % of the total investment constitutes expenses for employed staff.
- A new feature this year is that the Communication Index measures investments made by non-profit and idea-based organisations, which invested over SEK 2 billion in communication/PR in 2007.
- Communication departments purchased communication/Public Relations services to a value of over SEK 3 billion in 2007.
- In addition, communication departments purchased advertising agency services and media space to a value of SEK 7 billion in 2007.
- Almost 70 % of the total investment was made by private companies (see above).
- During 2007 Sweden's government authorities, consisting of 478 different authorities and 21 county administrative boards, invested SEK 9.5 billion in communication/Public Relations.

Introduction

The Communication Index is compiled and presented for the third year in succession by the Swedish Public Relations Association and Precis (the Association of Public Relations Consultancies). The intention of the survey is to highlight the industry's significance by displaying its turnover and development over time.

Purpose

The purpose of the Communication Index is to provide facts about the communication sector's size and development over time.

Objective

The objective of the Communication Index is to provide a basis for ongoing discussion about the relative size, influence and growth of the sector. The Communication Index will also contribute to the creation of opinion within important areas such as dissemination of communication/Public Relations work and methods in the organisations' operations as well as the increased significance of communication work and methods within the framework of leadership.

Implementation

Charting the 2007 Communication Index has been implemented as a quantitative study. Its form has been a web questionnaire that has been sent to a selection of the 856 members of the Swedish Public Relations Association who have budgetary responsibility in their organisation (directors and managers of communication). 37 % (or 318 respondents) have contributed material.

In order to make assessments at industry level, data per collected category has been converted with the support of statistics for the respective category. The population figures have been derived from Statistics Sweden (SCB), OMX Nordic Exchange Stockholm, Sweden's Municipalities and County Councils (SKL) and the Swedish Agency for Public Management.

Supplementary telephone interviews have been undertaken with managers within local and central government organisations in order to increase understanding of what constitutes their budgets.

The 2006 Communication Index in brief

In 2006 several different industry studies showed that investments in the communication/Public Relations industry increased more than in other traditional channels and media. Besides traditional measures of economic activity such as GNP, PMI, commercial sales figures and the development of media purchases, a strong positive development was also indicated by the recruitment situation, the number of introductions to the stock market, and the growth and development of PR-agencies' communication assignments in both private and public organisations.

With the support of growth indicators, qualitative interviews and a discussion group consisting of representatives of the industry, it was established that last year the industry probably turned over close to SEK 40 billion, which probably represents an increase of approx. 10 % over 2005 when a quantitative study measured the Communication Index at SEK 36 billion.

The 2007 Communication Index

Selection, respondents and population

This year's Communication Index has been answered by 318 respondents. All are members of the Swedish Public Relations Association and have budgetary responsibility for communication/Public Relations in their organisation. Besides the extent of their own budgets, the respondents have in addition specified how much the marketing department in their respective organisation allocates to communication/Public Relations initiatives. This combined data constitutes the Communication Index in its entirety.

Category	Number of organisations	Sample size	Source
Listed companies*	274	51	OMX, SCB
Unlisted companies (100-499, 500+)	3,074	80	SCB
Municipalities	290	58	SKL
County councils	18 + 2 regions	22	SKL
Organisations incl. the Swedish Church	373	38	SCB
Government authorities	478 + 21 county councils	69	Statskontoret, SCB
		318	

* Companies listed at the OMX Nordic Exchange Stockholm at Dec 31, 2007

Growth indicators

The indicators that formed the basis for a positive development of the sector when compiling last year's Communication Index also provide support for a positive development this year. GNP for 2007 has increased by an average of 3 % (quarters 1-3), PMI (Purchasing Managers' Index) has been at an index figure of around 60 (where over 50 indicates growth in the industry). However, in November 2007 the PMI fell to 55.1. The trend in interest rates during 2007 was plus 1 % and CPI (i.e. inflation) increased by 3.5 % during the past year.

In addition, when we study the sector's development in general, we observe that 2007 has been a year of continued growth. According to the Media Agency Barometer, the media industry's turnover increased by 8.4 % during the year. During 2007 Precis measured its members' turnover for 2006 and observed an increase in turnover of 25 %. In its forecast for 2007 IRM's assessment was that the

media market was to increase by 5 % during 2007, primarily due to the continued strong growth in the Internet that is keeping the media market buoyant.

The recruitment industry is experiencing an increased demand for qualified staff within the communication/Public Relations sector, which has resulted in it being more difficult to find candidates for services advertised during the year. The number of new recruitments was at the same high level as in 2006 and recruiters saw an upturn in the Göteborg and Skåne regions.

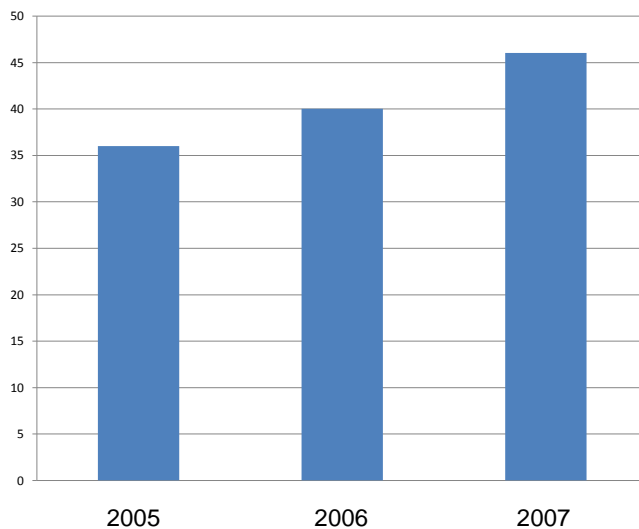
The influx of members into the Swedish Public Relations Association, an increase of 5 % compared with 2006, indicates an increased demand for skilled staff in the communication/Public Relations sector.

85 new companies were admitted to the Nordic Stock Exchanges during 2007, a task that required a large input of communication/Public Relations resources in those companies.

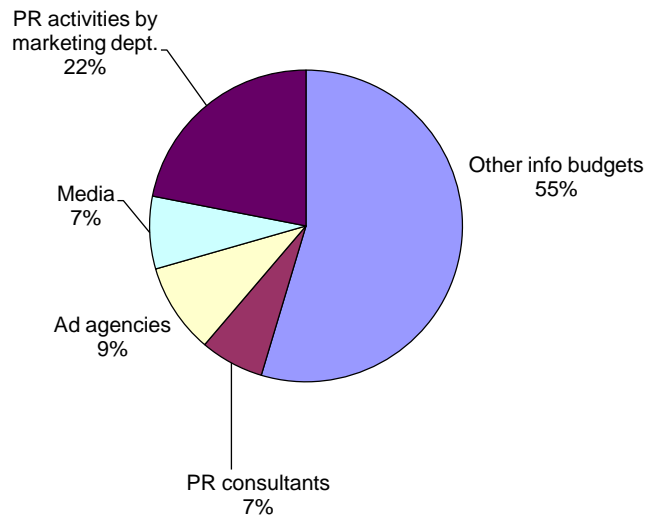
Result

This year's measurement of the Communication Index gives a total investment in communication/Public Relations activities of **SEK 46,062,000,000**.

Development of Communication Index 2005-2007



Of the total amount, just over half consists of staff expenses and some 20 % is made up of communication/Public Relations activities run by marketing departments. See the distribution below.



Distribution, type of activity

To provide a conception of how much different types of business invest in communication/Public Relations, the Communication Index is broken down into six categories: listed companies, unlisted companies (companies with over 500 employees and with between 100-499 employees), municipalities, county councils, organisations and government authorities. Organisations is a new category for 2007 which means that there are no comparative figures for 2005 available for this group.

The Communication Index measures communication/Public Relations resources in the Swedish market, we therefore also report funds from the companies that are listed on the Swedish section of the Nordic stock markets. When we previously gave (see above) the number of admissions to the stock exchange that generate communication initiatives in Swedish companies, this refers to Swedish companies that were introduced onto the Nordic stock markets. The number of unlisted companies is the same as the number of limited liability companies in each size, according to SCB.

Distribution by organisational category – Total investment

Category	Number of organisations	2007	2005
Listed companies*	274	7,255,444,048	6,843,301,196
Unlisted companies (500+)	780	14,204,123,295	13,190,953,402
Unlisted companies(100-499)	2,294	10,453,063,344	10,313,977,613
Municipalities	290	1,761,136,725	1,206,215,174
County councils	20	206,294,000	297,707,619
Organisations incl. the Swedish Church**	373	2,639,985,710	-
Government authorities	499	9,540,174,550	8,825,384,964***
Total		46,061,721,671	40,677,339,968

* Refers to companies listed on the OMX Nordic Exchange Stockholm on December 31, 2007

** The category was not included in the 2005 measurement

*** The population from 2005 has been corrected in accordance with the Swedish Agency for Public Management's list of government agencies, undertaken on behalf of the Administration Committee (Fi 2006:08) dated June 5, 2007

Private companies

The number of listed and unlisted companies in Sweden is by and large the same as for the last Communication Index. The level of investment has on the whole increased somewhat in both listed and unlisted companies, on a par with companies' overall expenses. A breakdown of which departments budget for funds shows that it is communication funds in the unlisted companies that are increasing most. We are observing a transfer of funds for communication/Public Relations from the marketing side to communication departments. (See further pages 9 and 10.)

Municipalities and county councils

The Communication Index shows an increase in the investment level in Sweden's municipalities while we are observing a reduction in the investment level with respect to communication/Public Relations initiatives in Sweden's county councils.

Since the last measurement by the Communication Index there has been an election in Sweden. Many **county councils** have a new political leadership and have reorganised both the mode of working and the distribution of budget funds.

We understand that at Stockholm County Council (which consists of 1,900,000 inhabitants) the responsibility for both communication and budgeting has been decentralised at the request of the new political leadership. The politicians realised that there was too much central control and wanted the budgets to strengthen activities closer to the citizens. Most large county councils in the country are acting in a similar fashion. Furthermore, many county council operations are being converted into companies. Stockholm County Council currently own and operates 35 companies.

In the wake of the political winds inside the county councils we are observing the consequences for the work of communication departments. Budgets are being dispersed among the various operations,

professional communicators are also being dispersed, but overall responsibility and coordination often remains with the central communication department.

Sweden's **municipalities** are continuing to increase their investments in communication/Public Relations. Interviews with public relations/communication managers in municipal operations reveal in addition that the extent of the task is considerably larger than can be measured and that the Communication Index has requested. The perception in the municipalities is that large sums really are being invested, and that the strategic role and significance of communication is becoming clearer for the political leadership.

The 2007 Communication Index has asked for the municipalities' and county councils' central budgets, in order to be able to follow the development and to compare the figure with the 2005 Communication Index. During the period from 2005 until now, many municipalities (as with county councils) have acquired new elected representatives, new procedures and new forms of budgeting. As the political conditions have changed, the forms of financing for the communication/Public Relations sector have also changed. Many municipalities are choosing to centralise strategic communication work but to decentralise budgets, i.e. to disperse the budget into those sections where the goal and function is communication.

The way in which the work is organised has consequences for the budget. Some municipalities are choosing to organise communication and IT into one unit. Other municipalities are transferring the budget for e-services from the communication department to the IT department. It is common that staff are being moved out into operations where they can work more closely with their clients, which means that the costs are transferred but that coordination takes place through the communication department. It is not unheard of for the communication department to also be responsible for the municipalities' customer service and reception.

All the people we spoke to in order to gain greater understanding of the municipalities' circumstances, bear witness to the fact that today ever greater responsibility is being placed on communication departments. In the majority of municipalities the politicians have grasped the importance of the web for dialogue with citizens and they are working to develop their municipality's brand. On the other hand, their budget instructions indicate that they want to keep down central expenses. It is common that besides the central budget, funds are allocated for initiatives or campaigns to strengthen the brand – attract citizens, companies, staff or events to the municipality. Funds for such initiatives are authorised by politicians, alongside the central budget. In some municipalities it is the Trade and Industry Office that budgets for such external initiatives. We have not been able to bring these amounts into the Communication Index as they are not included in the respondents' sphere of responsibility. Decentralised responsibility, decentralised budgets, in some cases conversions into corporate structures, IT-development and new political guidelines for decisions and budgeting make it hard to grasp the overall picture.

The conclusion is that the figures that are presented for municipalities and county councils are on the low side for communication/Public Relations work. Other forms of analysis are required for the

next measurement of the Communication Index in order to bring in all aspects and provide a better picture of the extent of communication/Public Relations work in these categories.

Organisations including the Swedish Church

The population for organisations in the Communication Index has been set at 359 plus the Swedish Church's diocese and general secretariat, which gives a total of 373. The selected organisations are those which have more than 30 employees. The statistics have been supplied by SCB.

Government authorities

Basic data for the population of government authorities for the Communication Index is derived from a report by the Agency for Public Management in which it has been commissioned by the Administrative Committee (Fi 2006:08) to update the list of the number of authorities and government employees. The population in 2007 amounts to 478 authorities and an additional 21 county administrative boards. We find the largest number of authorities within the Ministry of Justice (187) and the Ministry of Education and Science (103).

We find two reasons for the rise in the Communication Index in this category. One reason is the size of the population. The information that was available regarding the number of authorities in the measurement for 2005 gave a population that was too small, which contributed to an overall value that was too low. We also observe an average increase in the budgets for communication/Public Relations work within government authorities. To make a fair comparison the figures for 2005 have been recalculated in this year's Communication Index, with the correct number of authorities for 2005.

Today government authorities have a clear commission to communicate with the citizens and to work on their brand. As an element in the task of producing 24 hour authorities, in recent years many authorities have invested large sums in their web services, money that has been budgeted by the communication department. Interviews with a number of communication managers within government organisations verify that requirements for accessibility, reporting, language projects etc. in the web channel have been clarified in recent years and have thereby also required increased resources.

The open answers in the Communication Index indicate that many government authorities' investments in the Internet, the "24 hour authority" and increased accessibility for the citizens, are budgeted by the communication department. This is also one of the reasons that government authorities have increased their procurement of external services. In addition see below.

Besides the funds that are budgeted for the authorities' communication departments, funds are also allocated for opinion forming campaigns. We have included 291 million SEK for campaigns in the Communication Index. This tallies with a summary in SOU 2007:107 where it is reported that the government's communication campaigns during 2006 cost approximately 350 million SEK. This

government enquiry observed that the information that it had succeeded in gathering was probably on the low side.

Communication departments' budgets

An in-depth study of the communication budgets in the different categories reveals that it is the unlisted companies that are responsible for the largest increases, the organisations' budgets have been added and that both municipalities and government authorities' budgets have increased.

Communication department budget - Distribution by organisational category

Category	Number of organisations	2007	2005
Listed companies*	274	6,461,344,048	6,308,000,000
Unlisted companies (500+)	780	9,444,935,569	6,928,888,095
Unlisted companies (100-499)	2,274	6,950,204,354	5,417,577,391
Municipalities	290	1,624,422,439	1,000,121,840
County councils	20	193,894,000	297,707,619
Organisations incl. the Swedish Church**	373	2,022,670,710	-
Government authorities	499	9,248,729,623	8,595,000,000***
	Total	35,946,200,742	28,547,294,945

* Refers to companies listed on the OMX Nordic Exchange Stockholm on December 31, 2007

** The category was not included in the 2005 measurement

*** The population from 2005 has been corrected in accordance with the Swedish Agency for Public Management's list of government agencies, undertaken on behalf of the Administration Committee (Fi 2006:08) dated June 5, 2007

The unlisted companies have not only increased their investment in communication/Public Relations, but a proportion of the marketing department's funds for communication/Public Relations have moved to the communication department. (See below.) Explanations for this include the fact that more communication departments are budgeting for brand work. The government organisations' increase is to a large extent due to accessibility projects, i.e. web development, but there is also a perception that awareness of the importance of communication in accomplishing the goals of the organisation is increasing in the organisations.

Communication/Public Relations in marketing

The respondents state that 22 % of the total sum consists of funds that are budgeted for communication/Public Relation activities by marketing departments. This is somewhat lower than the measurement in 2005 when the figure was 30 %. It is primarily the unlisted companies that have reduced their communication/Public Relations inputs into market. This category has on the other hand increased the investments that were budgeted in the communication department, which indicates that in these companies the budgets have been reallocated.

Communication/PR investments budgeted by marketing departments

Category	Number of organisations	2007	2005
Listed companies*	274	794,600,000	535,301,196
Unlisted companies (500+)	780	4,760,187,726	6,262,065,307
Unlisted companies (100-499)	2,294	3,502,858,989	4,896,200,222
Municipalities	290	136,714,286	206,093,334
County councils	20	12,400,000	-
Organisations incl. the Swedish Church**	373	617,315,000	-
Government authorities	499	291,444,928	230,384,964***
Total		10,115,520,929	12,130,045,023

* Refers to companies listed on the OMX Nordic Exchange Stockholm on 31 December 2007

** The category was not included in the 2005 measurement

*** The population from 2005 has been corrected in accordance with the Swedish Agency for Public Management's list of government agencies, undertaken on behalf of the Administration Committee (Fi 2006:08) dated 05-06-2007

Increased influence over funds

44 % of the respondents consider that they have more influence over funds today than two years ago. An equal number consider that their influence is unchanged. This means that the bulge in work assignments that we have seen clarified in communication departments has now to a greater extent been defined and that communication departments today, to a greater extent, are more distinct and stable parts of organisations.

Communication/Public Relations services to a value of SEK 3 billion

Approximately 7 % of the total budget is used to purchase external consultancy services in the communication/Public Relations sector. The proportion of the total budget that is put into communication/Public Relations consultants has thus increased somewhat. (2005: 5 %)

The major change is the addition of the organisations' budgets to the Communication Index but also a considerably larger procurement by government authorities, which is probably explained by large web development projects in recent years. Another explanation for the government's increased expenses for communication/Public Relation consultants is that nowadays government organisations are putting an increased focus on brand issues.

Communication/Public Relations services

Category	Number of organisations	2007	2005
Listed companies*	274	475,618,333	516,242,4
Unlisted companies (500+)	780	837,932,727	712,887,7
Unlisted companies (100-499)	2,294	616,095,409	557,394,5
Municipalities	290	28,844,643	36,859,5
County councils	20	16,600,000	44,500,0
Organisations incl. the Swedish Church**	373	205,542,632	
Government authorities	499	833,330,000	260,476,250*
	Total	3,013,963,744	2,127,078,2

* Refers to companies listed on the OMX Nordic Exchange Stockholm on December 31, 2007

** The category was not included in the 2005 measurement

*** The population from 2005 has been corrected in accordance with the Swedish Agency for Public Management's list of government agencies, undertaken on behalf of the Administration Committee (Fi 2006:08) dated June 5, 2007

A total of 56 % of the Communication Index's respondents say that they are currently responsible for the brand budget. In the 2005 measurement the figure was 44 %. A total of 64 % say that expenses for brand work are included in their budget this year. Here too there is an increase in relation to 2005 when 51 % included brand expenses in their budget.

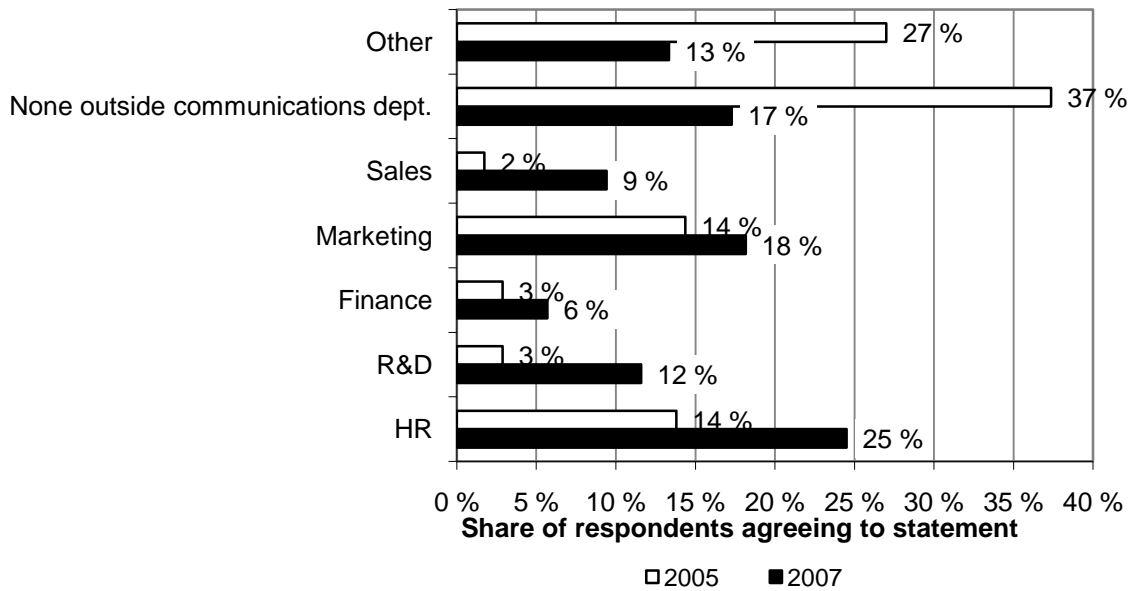
An integrated cross-departmental skill

Communication work does not take place solely in communication departments. Communication is a cross-departmental skill that is critical for all organisations in terms of their activities and the organisation itself. This is reinforced by the fact that the respondents in the Communication Index perceive that there are several departments, besides communication and marketing, which generate communication expenses.

There are fewer respondents than previously who say that there are *no* expenses outside the communication department. The majority point out that the HR/personnel department works with communication issues, most likely in the form of recruitment, employee branding and internal communication. We can also observe that more respond that both the marketing department and the sales department utilize communication/Public Relations in their work.

The table below illustrates where communication/Public Relations expenses arise in the rest of the business. This is not to be confused with how much resources each department allocates for communication/Public Relations work, i.e. the respondents have answered below *that* funds are used in these departments as well, not how much.

From where are Communication/PR spending originating outside the communication departments?



Summary

When we summarize the Communication Index for 2007 we can observe that:

- During the past year over SEK 46 billion was invested in communication/Public Relations work.
- Communication/Public Relations work is a cross-departmental skill that is budgeted for in more areas than that of communication and marketing.
- The Communication Index reinforces the picture of a significant strategic skill that is defined as critical to the organisation and its business.
- Municipalities and county councils are increasingly often decentralising the expenses for communication/Public Relations work, which means that there are a large number of posts within these categories that it has not been possible to include in this year's Communication Index
- Among the respondents there is a high level of belief in the future of the industry. The majority believe in an unchanged level of investment in 2008.