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The Economist Corporate Network

Building a professional network and interactions

**The
Economist**

The Economist Corporate Network (ECN) was started in the 1980s as a means of creating local city-based networks—including Dubai, Singapore, Tokyo, Johannesburg and others—wherein corporate executives on expatriate assignments in emerging markets could interact with senior economists and analysts from The Economist Group, while also interacting with other members. The network has grown to ten cities, although it remains relatively small by turnover, oscillating between £4.5m and £4.4m in recent recorded years (slightly greater than 1% of The Economist Group, as a whole).

In 2013, the set of city-based networks—formerly operating largely independently of one another—were consolidated under a single managing director. Management efficiencies that followed centralisation of the business have built up net margins to a level now exceeding 40%.

With growing margins but yet small scale, the inclination of management is now to grow the business. Seeking income growth through continuing search for management efficiencies remains enticing. Not only have the returns been sizeable as a proportion of the business, but they have also been relatively predictable—involving cost reductions, incrementally increasing quality and reliability in delivery across city networks. Expanding income through management efficiencies is also attractive to the extent to it involves further exploiting the fixed costs and resources of The Economist Group, increasing the return on those assets. Exploiting management efficiencies also largely avoids the need for after-tax income to be allocated towards costly and risky investments.

In principle, there may be any number of other paths to seeking growth. However, as a practical matter, these might be considered with several constraints in mind. To begin, the model of the ECN is quite similar to the original offer in the 1980s and any change will involve some degree of uncertainty and risk. Given the stability of the offer, it is not known how existing members would respond to changes, particularly radical ones, to the business.

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Added to the above concerns, operating at a small-scale means there is little margin for error. Even if the entirety of after-tax proceeds were invested in the business, this would only amount to a roughly two million pounds of investment per annum--at best. Further, the ECN largely depends on support functions from the wider Group, including: office facilities, information technology and web and sales. Any major changes would require coordination from these related groups from within the Group.

The financial risk profile of any changes also should be considered. Any changes to the financial risk profile within the ECN must also take into consideration The Economist Group's enviable tradition of maintaining strong margins and *regularly returning proceeds to shareholders*. Although the ECN makes up only slightly more than 1% of Group's revenues, high levels of non-performing investments could have an outsized effect on overall group margins. Further shaping the context, despite the strength and steady growth of The Economist Group, it is a mature enterprise operating in a publishing industry widely believed to be in decline.

Given these considerations, management decided to continue placing priority on seeking income growth through management efficiencies and also to add two new cities: Seoul and Jakarta. Replicating the model in new cities, if successful, is believed to hold the promise of adding volume without sacrificing margins.

The Economist Group

The Economist newspaper:

(Excerpted and adapted from Wikipedia)

The Economist (www.economist.com) is an English-language weekly newspaper owned by The Economist Group and edited in offices in London. Continuous publication began under founder James Wilson in September 1843. For historical reasons *The Economist* refers to itself as a newspaper, but each print edition appears on small glossy paper like a news magazine. In 2014, its circulation was reported to be 1.6 million.

The publication belongs to The Economist Group, half of which is owned by Pearson PLC via *The Financial Times*. A group of independent shareholders, including many members of the staff and the Rothschild banking family of England owns the rest. A board of trustees formally appoints the editor, who cannot be removed without its permission. About two-thirds of the roughly 75 editorial staff are based in London, at 25 St. James Street. As of March 2014, the Economist Group declared operating profit of £59m.

(Excerpted and adapted from The Economist website and Quartz online magazine)

The business is very much centred on the editorial staff and the collective editorial view of the newspaper. Many hands write *The Economist*, but it speaks with a collective voice. Lead articles are discussed, often disputed, each week in meetings that are open to all members of the editorial staff. Each Monday morning, as many people as possible pack themselves into the editor's office on the 13th floor of the paper's London headquarters. A handful of the most senior get chairs; the rest stand, sit on the floor or perch on the window

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ledges, blocking the views of Hyde Park and Buckingham Palace. The meeting can last an hour or more and the room quickly becomes hot and airless; latecomers crowd around the door, straining to catch the snippets of debate about what policy to prescribe to the European Central Bank or how America should deal with some recalcitrant dictator.

The paper's no-bylines policy and tight editing give it an air of collegial unity, but also mean that the editor is, even more than at other old newspapers, the custodian of a long intellectual tradition and an established way of doing things. The chief editor must act as part coach and part referee, for there are many brilliant minds, including some world-class experts in their fields; discussion is polite, but pointed.

Journalists often co-operate on articles. And some articles are heavily edited. The main reason for anonymity, however, is a belief that what is written is more important than who writes it. As Geoffrey Crowther, editor from 1938 to 1956, put it, anonymity keeps the editor "not the master but the servant of something far greater than himself."

The Economist claims that it "is not a chronicle of economics". Rather, it aims "to take part in a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress". It takes an editorial stance of classical and economic liberalism which is supportive of free trade, globalisation, free immigration and cultural liberalism (such as supporting legal recognition for same-sex marriage). The publication has described itself as "a product of the Caledonian liberalism of Adam Smith and David Hume". It targets highly educated readers and claims an audience containing many influential executives and policy-makers.

(Excerpted and adapted from The Economist Harvard Business School case by Oberholzer-Gee, et al.)

Unlike many of its peers, which reeled from the global recession and the continued flow of advertising dollars to Internet publications, *The Economist* continued to deliver substantial growth and impressive operating results. In 2009 paid subscriptions, a key source of revenue for the newspaper, even increased by 6.4%. The online version of the newspaper, Economist.com, saw page views jump by half, and the Group's operating profit increased by 26% to £56 million. In this same period, Condé Nast closed its business magazine Portfolio; McGraw-Hill sold the unprofitable Businessweek to Bloomberg LP; Time magazine announced a major restructuring effort; and Newsweek attempted to radically reposition itself to save a sagging business.

Other businesses in The Economist Group:

The Economist Group (www.economistgroup.com) is the holding company of *The Economist* newspaper, with the bulk of turnover coming from the newspaper. The Economist Intelligence Unit is the next largest business unit in the Group – making up roughly 15% of its turnover. Details on the group and performance results are reported in the annual report (http://www.economistgroup.com/results_and_governance/annual_and_interim_reports.html).

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The Economist Intelligence Unit or “EIU” (www.eiu.com) was started in 1946 to provide global business intelligence and economic analysis and forecasts to both the newspaper and external clients. It now offers insights, data and analysis on what it describes as “any” country, industry or market. Although clearly no company can cover everything, the EIU is distinct in offering a wide coverage of countries and doing so for the better part of a century. Its relatively wide scope of coverage, structured methodologies and usual reference to data also support the EIU’s frequent use of benchmarks and comparisons and creation of ranked indices – including those related to economies, governments, places to live, business schools and so on.

The EIU has a full-time staff of 300, mainly regional experts and economists who take responsibility for collecting data and developing commentary and analysis in relation to specific countries or regions. Unlike the newspaper, economists and regional experts tend to continue to focus on the brief to which they are assigned to deepen their regional knowledge. The work is based largely on desk research and in-country research, and structured within EIU methodologies. The standardised approaches and frameworks and models that have evolved over the years in the EIU have allowed the creation of comparable forecasts and economic analysis across countries, and secondarily, across industries. These methodologies have grown out of the experience of the EIU since its inception.

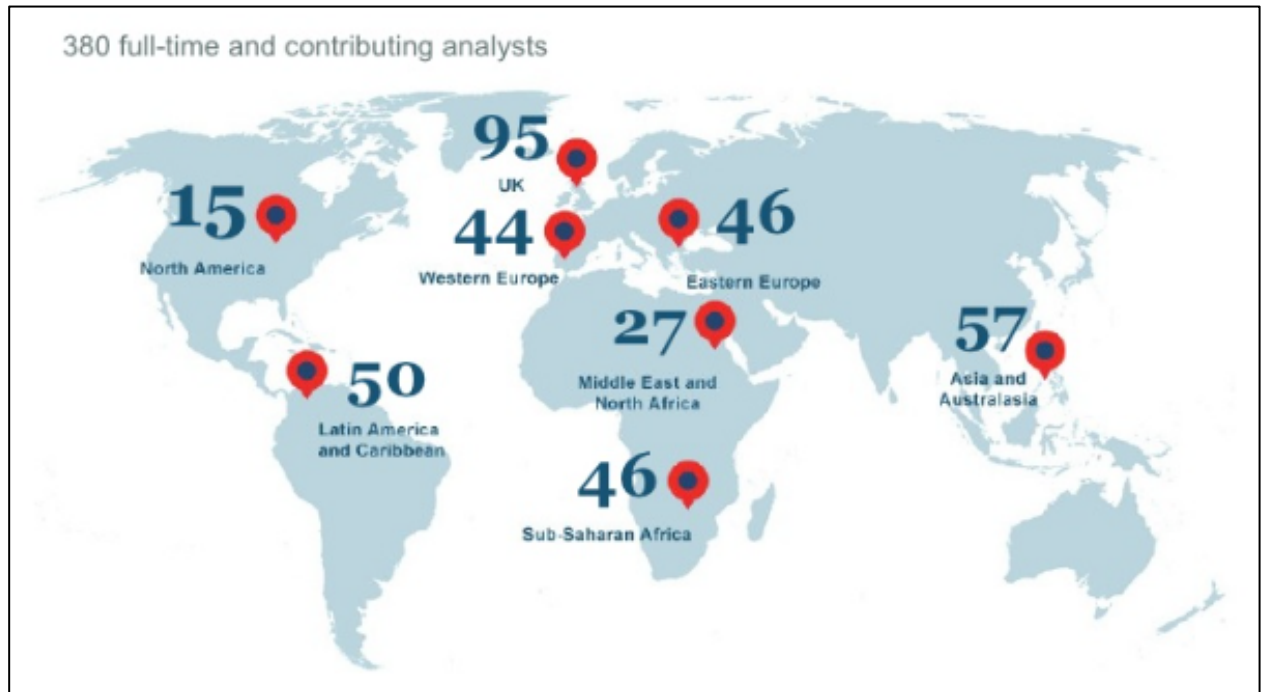
The EIU has been traditionally best known for its country reports in which key features of the economy, macroeconomic and political trends, prospects and risks are analysed. Increasingly, however, clients are consuming the EIU output as a stream of online advisory reports, notices, forecasts and databases. Custom solutions, responding to clients’ *ad hoc* information and analysis requests, represent a still small but growing share of turnover.

The EIU has several sub-units with which it closely coordinates: a business unit devoted to custom research – carrying out bespoke research and consulting, drawing on EIU data and insights – and The Economist Corporate Network (www.corporatenetwork.com).

In April 2012, the EIU expanded in Asia and in healthcare with the acquisition of Clearstate, a market intelligence firm specialising in customised strategic advisory and primary research solutions in the healthcare and life sciences domains. The company collects data (using human-based collection – interviews, telephone calls, etc.) from thousands of hospitals in Asia. This represents two areas – Asia and healthcare – which EIU executives hypothesise will be important areas of future growth.

The largest single concentration of EIU staff is based in London, at 20 Cabot Square. Staff is also widely distributed across offices in Brussels, Frankfurt, Geneva, Paris, Dubai, Johannesburg, Hong Kong, Shanghai, Beijing, Singapore, Tokyo, Gurgaon, New York, Chicago, San Francisco, and Washington, DC in the United States.

Exhibit 1: Geographic presence of EIU staff



Other businesses in The Economist Group include The Economist Events (www.economist.com/events-conferences), which started in 1956 as part of the EIU to offer government roundtables; CQ Roll Call (aimed at decision-makers on Capitol Hill); EuroFinance, a cash and treasury management events business; TVC, a London-based digital media agency; and The Economist Education, which provides business related e-learning courses.

The Economist Corporate Network: “*Analysis, insight and interaction*”

The Economist Corporate Network (ECN) (www.corporatenetwork.com and also see www.youtube.com/user/CorporateNetwork) was established in the 1980s as a network of professionals in foreign cities around the world, drawn by the intellectual reputation and brand equity of *The Economist* newspaper. Its foundation was catalysed by that decade’s wave of international expansion of western (and largely British) corporations into developing countries, as often senior executives and managers working on expatriate assignment could benefit from the experience and views of peers also working in-country. As *The Economist’s* reader base – at that time almost entirely British professionals – took on global responsibilities, The Economist Corporate Network supported them by providing economic and political data and insights through a membership programme. In addition, by

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bringing together senior professionals navigating 'foreign' markets on a regular basis for breakfast meetings and seminars, The Economist Corporate Network provided an on-the-ground, peer support network for its "members".

City networks

In the early years, ECN built networks in Vienna, Beijing, Hong Kong, and Tokyo; later Singapore, Shanghai, and Dubai were added. In 2008 the Singapore team launched a satellite network in Kuala Lumpur. In 2012, the business expanded into Africa with the launch of a Johannesburg network. In 2013 an 'emerging Europe' network that rotated between Vienna, Moscow, Warsaw, and Istanbul was consolidated to Istanbul, to be managed from Dubai. In 2014 a satellite network in Seoul was launched out of Tokyo.

In recent years the choice of cities has been driven by two factors: 1) market opportunity, viewed as the presence of a large population of senior executives (especially on ex-pat assignments) at multinational corporations supporting expansion into a given geography; 2) opportunism and exploitation of The Economist Group's (and EIU's) existing presence.

For example, Johannesburg was selected to support multinational executives expanding operations in sub-Saharan Africa. In another example, many of the ECN's clients in Tokyo also manage Korean operations and signalled a willingness to join the Seoul network in addition to Tokyo.

Exhibit 2: ECN city networks, with number of memberships

	<u>FY 12/13</u>	<u>FY 13/14</u>	<u>FY 14/15</u>
Beijing	55	59	55
Shanghai	120	134	130
Hong Kong	66	91	75
Singapore	103	113	103
Kuala Lumpur	29	38	35
Tokyo	88	95	86
Seoul	0	0	12
Istanbul	0	4	8
Dubai	35	34	28
Johannesburg	22	21	22
TOTAL	518	589	554

* Note: Each membership allows 3-5 executives to attend events and receive other content, thus the total number of people participating within the ECN numbers in the range of roughly 2,500.

The ECN offering

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Today, The Economist Corporate Network is a members-only service providing global and regional business intelligence briefings, presentations, and advice to its subscribers. The Economist Corporate Network relies on the “information and insight” of the regional experts in its parent organisation, adding “interaction” in face-to-face networking sessions. The network is geared to serve senior managers and executives at British, American, and European multinational corporations. 81% of members are business executives at the director or senior management levels. More than three-quarters are expatriates.

The offering to members of the ECN today follows the original vision and includes the following benefits:

- **Events:** Each network hosts 12-15 meetings and gatherings each year. Members and a maximum of four colleagues from the same company are entitled to attend (subject to seniority). Members of one city network can attend up to four events in a different city each year, when travelling for instance. Most events are either short breakfast meetings, which last 1-1.5 hours, half-day, or luncheons. Once a year the Dubai and Johannesburg networks host full-day events. Cocktail parties are held at year-end and in summer, occasionally with a light-hearted theme (eg, the Tokyo network hosted a summer cocktails on ‘the geisha business’). All ECN events are held in five-star hotels, e.g., Four Seasons, JW Marriott, Peninsula.

The event is hosted by the local director, whom most members will have met on several occasions during the year. Depending on the agenda, the director may facilitate a panel discussion, interview government officials, or give a prepared speech of his/her own.

- **In-house presentation:** Each membership includes an in-house presentation delivered by the local network director or by one of The Economist Group’s senior economists or regional experts. These presentations are attended not just by the member, but also colleagues in the host company. Typically 70-80% of members invoke this option each year. Presentations are typically attended by 10-30 people, ranging from the CEO in town on a trip through the region or the members’ local senior team.
- **Data and reports:** Members receive data and reports on a monthly basis. These deliverables can be accessed through the members-only website or iPad app.
- **Monthly email newsletter:** The local network director personally writes an email to all ECN members, providing information about upcoming meetings and events.

Most members say that events are the most valuable component of the membership.¹ However, feedback indicates that the benefits they derive from those events vary from city

¹ There are a number of different methods for collecting feedback from members: (i) *ad hoc* discussion between members and ECN directors at regular events or scheduled lunches or formal meetings; post-event survey forms; annual “lapsed member survey” that

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to city. In larger networks such as Shanghai or Singapore where events are large, with 150-200 people in attendance, members understand that in addition to the information and discussion during the scheduled programme they will meet other senior executives and foster potential valuable business relationships. In smaller networks like Kuala Lumpur by contrast, events are smaller, perhaps 25-40 people. As a result, members of smaller networks choose to join the network in order to benefit from the information shared at the events, knowing that there will be relatively few networking opportunities with fellow attendees.

Feedback indicates that value perceived in the data and reports is mixed; many of the most senior members make only infrequent use of those materials, preferring to share them with junior colleagues (or ignore them altogether).

Members that decide not to renew typically point to one of a few reasons:

- 1) The executive has relocated and/or has changed firms
- 2) Low attendance of events (due to travel, time) and usage of data and reports
- 3) Budget cuts

Only very rarely do members drop the ECN membership for a competitor.

Anatomy of an ECN meeting

At the start of each calendar year, ECN directors plan the year's events. There are certain standard events that recur from year to year, including:

- The semi-annual Regional Strategic Forecast sessions held in Asia in March and September at which a senior economist from The Economist Intelligence Unit in London travels in a road-show to each network over a two-week period to present the EIU's outlook on the global economy, geopolitical tension spots or major political or business events.
- An annual series sharing the results of a survey of network members about business sentiment and outlook for the year ahead.

Other events are designed for the local network audience, based on topics that come up in regular discussion between the ECN directors and members or from completed feedback forms, as well as interaction between the ECN directors and their counterparts at *The Economist* or The Economist Intelligence Unit.

asks members who decided not to renew the reasons why – and what, if anything, might compel them to re-join.

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Once the calendars are in place, the operational team, comprised of local events planning professionals secure hotel space, room layout and on-site equipment (microphones, projectors, etc.).

The ECN director and his/her research team begin to identify speakers or themes to cover in the event sessions. Giving the considerable brand reputation of *The Economist*, high-profile speakers and panellists are fairly easy to attract.

As the event draws closer – usually 4-6 weeks ahead – members are invited via email and RSVPs are processed by the operational team to ensure the venue is sufficient to support attendance.

Given that the ECN aims to support members on an ongoing basis, ECN directors modify the event calendars to stay timely and relevant – including responding to emerging events – changing geo-political circumstances, economic and price conditions, company news, etc.

Operational and staffing model

Networks are managed largely locally, at the city level, by experienced senior economists and regional specialists who bring together the intelligence of The Economist Group, curating it and presenting it to bring out both the 'big messages' and views across the globe, in addition to important subtleties in the latest research. ECN network directors host meetings and events during which they facilitate discussion between government officials, business leaders, academics, and colleagues of The Economist Group to bring out the best insights for members.

The network director runs his/her network with the support of one or two junior staffers for administration, operations, logistics and local marketing. For expertise and thought leadership, the ECN director turns to his/her colleagues across the ECN and within the EIU, often hosting them for speaking opportunities in their areas of expertise.

Until late 2013, management of the ECN was decentralised, geographically. The Asia networks were part of The Economist Group's Asia P&L and the Middle East, Turkey, and Africa networks were part of the Europe, Middle East, and Africa P&L. In November 2013 the business was globalised under a managing director reporting to head of The Economist Intelligence Unit CEO and sitting on the leadership team of the EIU. The ECN's managing director operates a global P&L.

Sales and revenue model

Members. Members gain access to the network and additional components of the programme by paying a year-long subscription fee of US\$12,500.

In each city there are 2-3 sales people with responsibility for renewing existing members and signing new members. An outsource partner in India provides the sales team with a list of senior executive prospects including name, company, email, telephone and function. The sales team sends emails and invites the most promising prospects to attend an

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upcoming event, free of charge. At the event, the sales person introduces the prospect to the ECN director and arranges a follow-up discussion to close the sale.

Renewals are driven by the combination of the ECN director and his/her relationship with the member over the year and the sales person's managing of the communication with the member. Because it is a personal sale – i.e., the senior executive typically uses his/her discretionary budget for the membership rather than receiving it from a central information resource – renewals can be subject to circumstance. One of the biggest reasons for losing a renewal is departure of the purchasing executive for another role, or relocation back to corporate headquarters. Double digit percentages of members do not renew choose not to renew every year, with considerable sales and business development attention devoted to both renewals and new sales.

In FY14/15, the number of members declined in many cities due to expected factors (see page 8), and stated concerns from lapsed clients about: the relevance of the product to their needs; localisation of senior executives (i.e., Chinese or Japanese executives taking senior roles at multinationals); and budgetary pressures.

Sponsors. Although the biggest source of revenue is membership fees, increasingly the business has begun to offer sponsorship opportunities for corporations that wish to market themselves to professionals that fit the ECN member profile (eg, CBRE, Baker & McKenzie, Hays Group). In FY14/15 sponsorship comprised 15% of total revenue.

Management efficiencies. With the appointment of a global managing director based at headquarters in London, the ECN has been able to take greater advantage of the intellectual rigour of the EIU's country, regional, and industry experts in the form of inviting senior experts to host webinars for ECN members on topics of the day that may fall outside of the expertise of the local ECN director. One recent example relates to the decline in oil price, tracked and analysed closely by the EIU's commodities team and energy sector experts. Their analysis was made explicit for the business community in an interactive webinar.

Beyond the intellectual synergies there have been a number of management synergies including the heft of the EIU's marketing team supporting ECN events – knowing too that a content ECN member may purchase additional EIU products and services – as well as finance, HR, IT, and other functions.

Competition

There are other companies offering a similar product to The Economist Corporate Network. Company executives see groups such as IMA Asia (www.imaasia.com) and CEEMEA Business Group (www.ceemeabusinessgroup.com) as direct competitors. Both of these competitors were in fact established by former ECN employees. Other organisations offering analogous services include the American and British Chambers of Commerce, which each offer events and do so with a lower cost membership fee.

Performance history

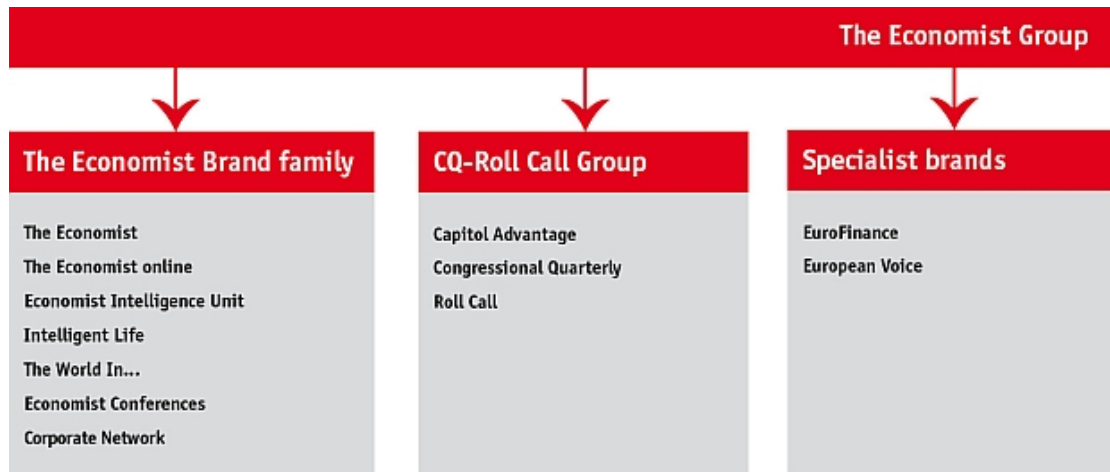
The following exhibit summarizes recent trends in performance of the ECN.

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	<u>2013/14</u>	<u>2014/15</u>
Turnover	4,570	4,413
Of which: Membership fees	3,734	3,794
Sponsorship	836	619
Contribution	1,622	2,056
Memberships (units)	589	554

* Note: There are only two years of reliable data on performance, as prior to 2013 the cities operated as distinct line items under separate geographic EIU businesses, following different reporting standards and structures.

APPENDICES

Businesses in the Economist Group



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