

# Private Business

*Bringing your business  
the value it needs*

November 2010

In this issue:

**Page 3**

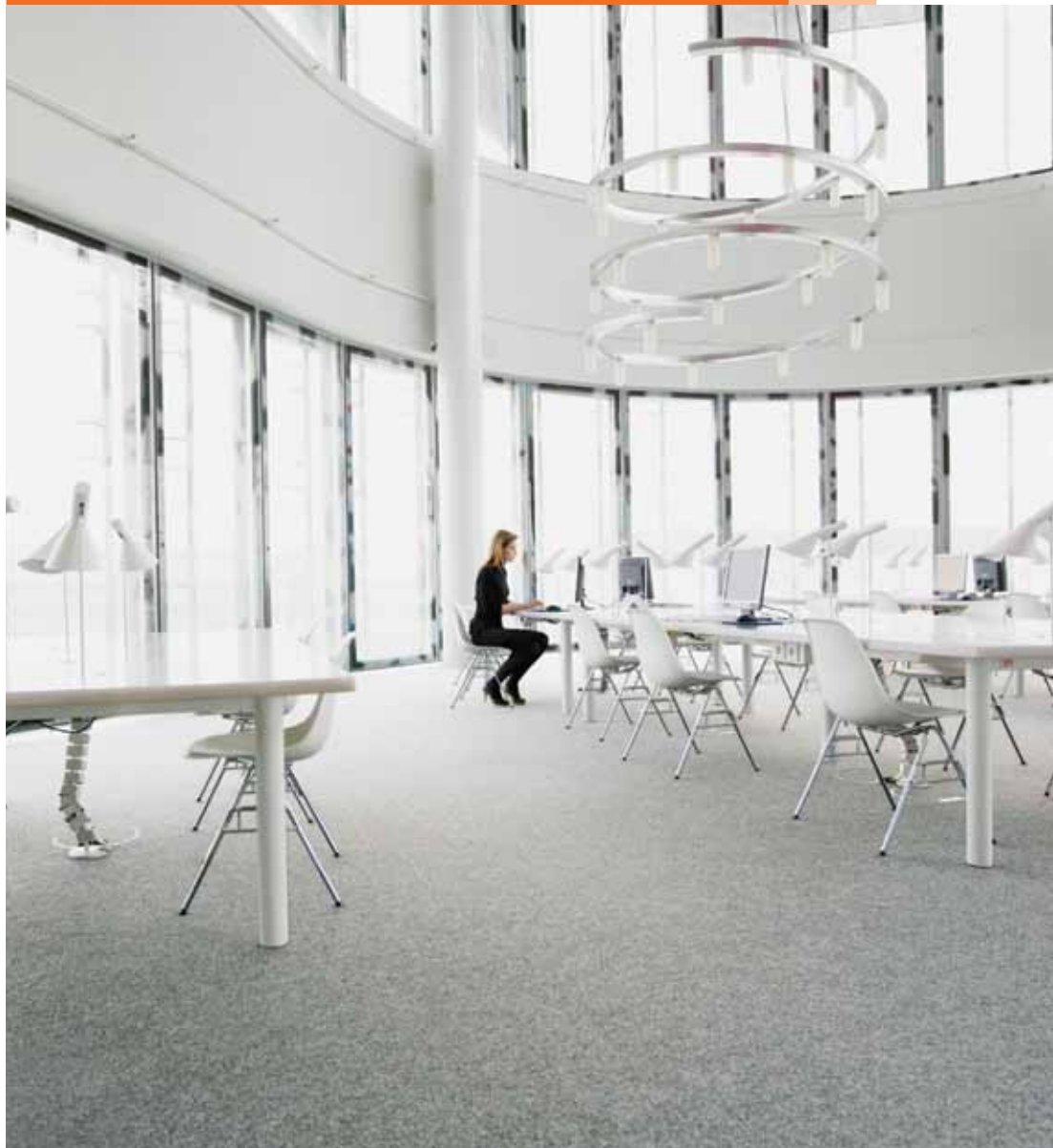
How are family  
businesses performing?

**Page 11**

Recognising the best

**Page 12**

Haymarket Media  
Group's story



# Introduction

Welcome to the winter issue of *Private Business* – a private business forum publication.

George Osborne is now firmly in place at the helm of the Treasury and his main task as Chancellor will be to reduce the UK's public spending and reduce the deficit. In October 2010 he released his autumn Spending Review, a lengthy overview of his intended cuts in spending across the public sector – cuts which will ultimately have a knock-on effect within the private sector as well. In this issue, we look at the detail of the Spending Review and the effects it may have on your business.

On the same theme, the days of the autumn Pre-Budget Report – principally a concept of the Brown years – seem to be numbered. The usual fiscal round-up will be replaced by a written statement from the Chancellor in which he will outline future changes, prior to the spring Budget. The creation of the new Office of Tax Simplification (OTS) is

another change, a body whose aim will be to reduce the 'spaghetti bowl' of tax reliefs and make the system more manageable for smaller and larger businesses alike. Former PwC partner and tax director of the OTS, John Whiting, explains these aims further.

We also talk to two private business leaders who have had very different success stories in their sectors – Rupert Heseltine, Chairman of Haymarket Media; and John Gregory, CEO of Gregory Distribution, winner of one of the recent PwC West of England Business of the Year awards. Both companies are well established in their industries, and have grown well over what has been a testing few years for all businesses.

I hope you enjoy the read and, as always, any feedback you have would be very welcome.



Kind regards  
**Ruby Parmar**

---

# Contents

What does the autumn Spending Review mean for your business?	2
A family affair: How are family businesses performing?	3
A drive for success: Gregory Distribution's story	6
Introducing the Office of Tax Simplification	9
Recognising the best	11
The changing face of publishing: Haymarket Media Group's story	12
Bits at the back...	16
Contacts	18

# What does the autumn Spending Review mean for your business?

This autumn's comprehensive Spending Review was one of the most significant public finance events for decades. Overall public expenditure is expected to tighten by over £110bn (6.3% of gross domestic product) during the course of the current parliament with three-quarters of savings coming through spending cuts and one-quarter through tax increases. Though public sector service users and employees will bear the brunt of these changes, private businesses and workers across the economy will feel the slowdown in both direct and indirect demand for their products and services.

## Who will be affected?

Some industries and businesses will feel the financial pinch faster and more acutely than others. Those production industries which depend on public sector capital investment and goods purchases – such as construction, transport equipment and defence – are likely to see sharp declines in demand for their services. In particular, large investment programmes such as public housing, schools redevelopment and weapons programmes are likely to be drastically curtailed for the foreseeable future.

Many providers of business-related services and goods will be hit through the reduction in the demand and increased price sensitivity of government, including consultants, advertisers and suppliers of such products as office furniture. Companies who have relied heavily on public expenditure will need to seek out and develop new opportunities in the private economy.

Most manufacturing, construction and service industries will be more influenced by overall economic circumstances so will likely feel the impact of the public cuts indirectly through the impacts on the macroeconomy. They will need to focus on improving their productivity and offerings to increase their competitiveness. For many businesses, this will require increasing their focus on improving their international profile, especially for the faster growing economies in Asia, Latin America and the Middle East.

## Consumer spending

Domestic consumer spending is expected to slow more significantly than overall economic activity as consumers consolidate their finances, manage down their debts and prepare for higher future costs. This is in response to expected future tax rises, increased employment uncertainty and the potential of having to pay for increased private provision as public

services and subsidies are withdrawn.

In addition, the planned increase in VAT to 20% will also weaken consumer demand for taxable goods and services. Together, these influences will dampen activity for retailers, distributors and producers of consumer goods – especially those which are seen less as necessities. On the other hand, lower cost retailers and producers may see increased demand if consumers shift their spending patterns towards more cost effective options. The retail and consumer products sectors would be the sectors most at risk of a continuing downturn if the public expenditure cuts cause consumer confidence to shrink further and limit personal spending even more.

## So, what's the outcome?

Overall, the public spending adjustment should help the UK economy in securing a sustainable lowering of interest rates, limiting exposure to financial shocks through an uncertain bond market and reducing the crowding out of private investment. The treatment will often be painful for the patient, but the alternatives certainly look less likely to secure a cure and do risk increased long-term pain. The medicine may be bitter but, long-term, the country will emerge all the healthier for taking it.

For more information on the autumn Spending Review, please contact:

**Ray Mills**  
0191 269 4284  
[ray.mills@uk.pwc.com](mailto:ray.mills@uk.pwc.com)

# A family affair:

## How are family businesses performing?

**PwC has recently completed the second Global Family Business survey, in which we've gathered together the views of more than 1,600 family business owners and managers in 35 countries. The survey looked at the main issues which may affect your family business, from the corporate challenges you face, to succession planning, management pay and conflict resolution.**

It's been three years since the first Global Family Business survey was carried out, and in this time the financial crisis and recession have wreaked havoc on businesses around the world. But while family firms have undoubtedly suffered, the survey shows that most have weathered the storm remarkably well.

The past two years have not been easy and the survey revealed a more sombre mood than when we completed our first global survey in 2007. A number of respondents talked in terms of 'trying to keep our heads above water' and 'making it through the crisis'. As a family firm, you are not immune to recession; you can face many of the same challenges other forms of business face, and some of these challenges may be particularly difficult to manage because, in a family business, there are inevitably emotional as well as commercial ties involved. But family firms also enjoy several special advantages, as many of the executives who participated in our survey acknowledge. Two thirds of those we spoke to were convinced that being part of a family business has helped them cope with the economic slump.

In fact, the signs are that family businesses have coped well with the economic conditions, and many

family businesses have prospered despite the turmoil of the past two years. An impressive 48% of the businesses we spoke to said that demand for their products or services had grown during the past 12 months, and 16% said that it has grown substantially. One hundred of the family businesses we spoke to were in the UK and, if anything, they seem to have suffered slightly more than others – 40% said they had seen modest or significant growth in demand over the past year.

One third reported a decline in demand for their products and services – a significant increase from the 10% that said the same in 2007. Construction companies have been particularly badly hit, with 22% experiencing a significant reduction in demand, compared with the overall average of 14%. The number of family businesses reporting an increase in profits over the past 12 months has also dropped since the 2007 survey, from 57% to 42%.

Even so, family businesses remain positive. 60% told us that they plan to expand the business over the next 12 months and most feel that they are well-placed to compete and capitalise on new opportunities. And they have good cause to be optimistic. Listed businesses can sometimes feel pressure from shareholders to focus on short-term

results: family businesses have a naturally long-term perspective that has served them well during the recession. As a family business, your fundamental aim is to preserve and nurture the business, respecting the legacy handed down to you by previous generations of your family, and for the benefit of the next.

The survey shows that family businesses are healthy, with ready access to cash. Two-thirds of the people we spoke to said they have access to cash if they should need it, and only 12% said they had nothing left in the coffers. And only a handful were planning to make, or had already made, major changes to their business model as a result of the recession.

### ***What keeps them awake at night?***

The recession has left its scars. Three years ago, family businesses told us their main external challenge was competition, with 39% naming it as among their top three external concerns. In 2010, only 26% were worried about losing out to competitors, but 68% named market conditions as a serious concern (an increase from 44% in 2007). It's fair to say that the financial crisis has moved the focus back on to the marketplace.

Even so, 38% of the people we spoke to said that their main internal challenge was the recruitment of talented staff, suggesting that many organisations are already looking ahead to how they will compete and expand in the future.

### Keeping it in the family

Passing the business on to the next generation has always been one of the biggest headaches for family businesses and the survey suggests that many still have a pressing need for better planning in this area. A surprising number of businesses – more than a quarter, rising to nearly half in the emerging markets – expected to change hands sometime during the next five years, and more than half of these were expected to stay within the family. Even so, almost half of the companies we spoke to don't have a succession plan in place, and only half of those that do have identified and named the person who will take over.

Another worry is that most of the family businesses we spoke to haven't made any plans to cope with a sudden and unexpected change of ownership – 44%, for instance, didn't have any procedure for buying out shareholders who die or become incapacitated.

### Resolving disputes

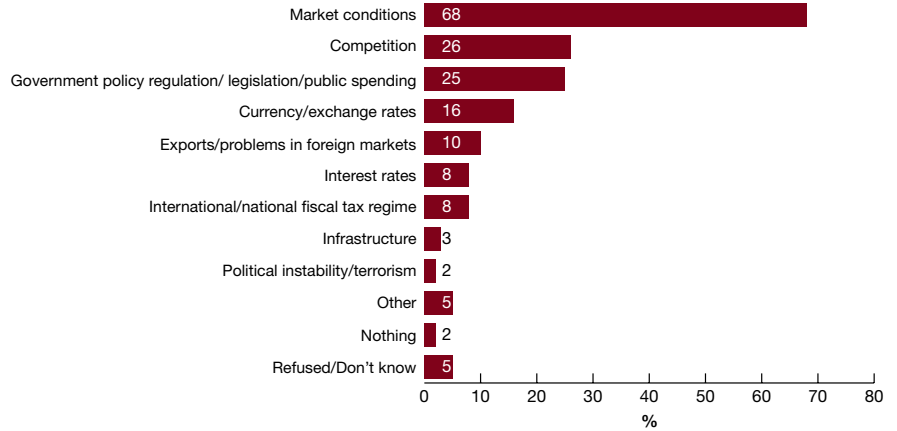
It's hardly surprising, given the difficult trading conditions over the past two years, that more family businesses say they have experienced tension between family members recently. The issues most likely to cause problems include the future direction of the business, and the performance of family members who are employed within the business. A serious argument between family members can destroy a business but, worryingly, less than a third of the businesses we spoke to had any system in place for dealing with family disputes.

### What does the survey tell us?

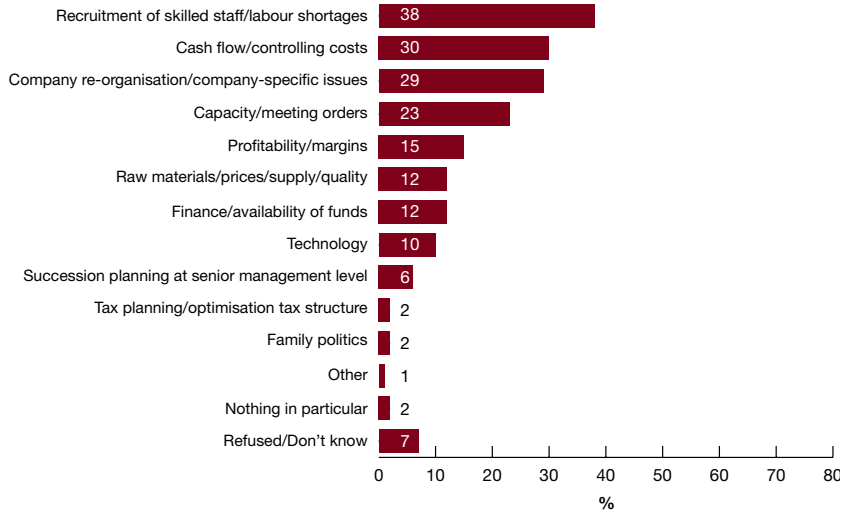
The past two years have been a struggle for survival for many of the UK's companies – the financial crisis and challenging times in the marketplace have all had to be overcome. But the global and UK surveys both suggest strongly that the longer-term, generational

perspective of family businesses, as well as their lower reliance on external financing, has served them well. The unique characteristics of a family business have allowed them not only to survive in a difficult economic environment, but to strengthen their foundations for the future.

#### External challenges



#### Internal challenges



If you would like to find out more about the Global Family Business survey, please contact:

**Julian Jenkins**

020 7804 6399

[julian.s.jenkins@uk.pwc.com](mailto:julian.s.jenkins@uk.pwc.com)



# A drive for success: Gregory Distribution's story



John Gregory

**It's been a positive 12 months for Gregory Distribution, the South West-based transport company. The business has continued to expand, despite tough times within the sector, so we caught up with John Gregory, Chief Executive Officer, to find out more about their particular brand of family business.**

**Firstly, we should congratulate Gregory Distribution on its success in the recent PwC West of England Business of the Year awards. Winning the award for the larger business category must have been a very proud moment for you and your team. How did it feel to win on the night?**

“It was a huge moment for us. Historically, we haven't put ourselves forward for too many awards, but I decided to have a go this year having been to the awards the year before. We thought we stood up very well against the other companies – we had been in the finals 14 years ago when James Dyson won – and we just thought it may be our moment in time. We tried hard, we worked hard on the presentation to the judges and gave it our best shot! Our story is a good one in such a highly competitive business world.”

**Do you feel that the past year has been a good one for the business?**

“We're talking about an industry with very tight margins. Within the boundaries that we operate, we were as close to performing as well as we could last year – something which doesn't happen in many years. You can never sit in a transport business and say that you are 'very pleased'. It was one of those years where we had fewer problems over a 12 month period than we would normally expect.”

**Building strong, long-lasting relationships with your customers is vital to the success of any business. How does the company create and maintain these relationships?**

“Firstly, in terms of building relations, we've been in business for 91 years. Obviously we haven't got customers who have been with us for the whole 91 years, but we do have one who we have worked with for over 50 years. That is an extraordinary relationship.

The basis of a long-term relationship like this is twofold: you've got to have the right chemistry between the people who are making the decisions commercially; and you've got to have the right chemistry between the people who are operationally involved. You have to recognise that, on both sides, these same people won't always be involved and, therefore, you've got to keep on working and impressing the customer with initiatives over time.

To create any kind of long-lasting relationship you've got to approach it as a partnership. Ultimately, it all depends on service: if you deliver service that is unquestionable, then you are in a position to work with the customer much more effectively.”



As a company, Gregory Distribution believes strongly in training its staff and developing their careers. Do you feel that this approach has paid dividends? Is there true mobility within the firm?

“There’s massive training within the business. Training has been at the centre of our operations for a long time. Obviously, we don’t always succeed: with the business being so service-based, sometimes people make mistakes and sometimes people are not in the right position, but in general we have a ‘can do, must do’ approach to business.

Anyone who wants to stick their head above the parapet has an opportunity. We’ve grown Gregory Distribution, in my time, by more than a 1,000 people and there are always opportunities when you’re developing a people-based business.”

Do you feel that being a family business has advantages in management style and staff motivation?

We’re unusual as a family business, in the sense that my grandfather was hands-on and my father was hands-on and so am I. It isn’t a case of the first generation founding the business, the second generation expanding it and the third one destroying it. I have been as committed to this business as both my father and grandfather were.

It does feel like a legacy in some sense, because it’s the Gregory name. But at the end of the day, the business is so large now – compared with how it was – that I feel I’m running it with my fellow directors and senior management and all the staff. I don’t feel that it’s a family business with a load of people all working for me: I feel it’s a company where we all work together.”

The company’s first vehicle, back in 1919, was a horse and cart. This contrasts strongly with the hi-tech nature of your current fleet of vehicles, where each driver has their own PDA and each lorry is electronically tracked. Have you found that bringing in new technology has created measurable efficiencies in the business?

“I think the technology has added value: there’s no question. We link technology with trade. We’ve done it to assist with miles-per-gallon, damage, insurance, driver behaviours and attitudes, law, speed of information for customers and as a management tool for ourselves. There are a 1,000 reasons why technology, at the edge of this game, is important.

At the end of the day, fuel and labour are 70% of the operating costs of the business, so we have to find new ways to differentiate ourselves from our competitors. Technology and training are just two of the things that businesses like us must focus on.”

A logistics and distribution company obviously has a very large environmental impact, mainly from the carbon footprint of your vehicles. Does Gregory Distribution see sustainability and environmental impact as issues which will need to be tackled?

***“We even have a division called Gregory Environmental that is fundamentally involved in the recycling industry. It’s not a small business: it probably represents 20% of our business.”***

“We are certainly involved in environmental issues. We even have a division called Gregory Environmental that is fundamentally involved in the recycling industry. It’s not a small business: it probably represents 20% of our business. Beyond that, environmental policies and carbon footprint policies are fundamental to our relationships with our customers. It’s a key component.”

The company has recently set up ‘Team Gregory’, a sponsorship package for five West Country-based Olympic medal prospects (swimmer Liam Tancock, modern pentathlete Heather Fell, wind-surfer Nick Dempsey, UK 800m champion Jemma Simpson and the UK’s top pistol shooter Gorgs Geikie). How does this sponsorship align with the aims of the business?

“The original idea came about because of my interest in sport. I think the 2012 Olympic Games is going to be the biggest sporting and commercial event of our times and I just wanted to find a means to get involved in some way.

We regionalised it for the South West and then we thought about using the sides of the lorries as billboards to develop the visions of Team Gregory. We also went for a diverse range of sports and hoped that our staff would embrace the idea as much as we did. To date, the feedback from our employees has been excellent, and from our customers too.

We didn’t enter this idea to promote the company as such, but there’s no question that it’s how we’re approaching it now. We’re also very happy to be promoting the athletes: if they become famous and get other deals off the back of this, then that would be great.”

What are the long-term goals for the business? Do you expect to expand further?

“Our goals are concentrating on more of the same. I do have to say that business is much tougher than it was last year. We anticipate fairly tough times over the next two years, but we’re used to this – the transport industry has been used to this forever and a day. Our long-term goals are to continue to crystallise our involvement in the transport sectors that we’re involved in today. We anticipate reasonable growth on an ongoing basis.”

You’ve managed to maintain growth in the business through some pretty tough economic times. Do you see signs of economic recovery on the horizon?

“There is sales activity, but it’s the mix of sales that matters to transport companies. You can have sales through promotional activity which are very bad news. You can throw money at big promotional activity which can then be followed by a lull. Do I believe there are signs of recovery? I think we’ll be battenning down the hatches for a long time.”

# Introducing the Office of Tax Simplification

Newly-appointed tax director of the Office of Tax Simplification (OTS), and former PwC partner, John Whiting outlines how and why the OTS has been set up, its staffing and its initial projects of small business taxation and tax reliefs.

I've long argued that we need a simpler tax system in the UK. Many years ago, when president of the Chartered Institute of Taxation (CIOT), we put forward a number of 'quick wins' – ideas for specific quick and easy changes to the tax system (some were even adopted!). I've also argued for the establishment of a Tax Law Commission, to parallel the Law Commission, with a brief to review the UK's stock of tax law (the Law Commission's remit doesn't run as far as taxation).

I certainly haven't been the only person to suggest that we need to try and call a halt on what seemed to be the inexorable complexification (as George W Bush might have termed it) of the UK's system. The Tax Law Review Committee of the Institute for Fiscal Studies (IFS) put out an important report<sup>1</sup>, but probably the seminal moment was the publication of Lord Howe's July 2008 report<sup>2</sup> in the wake of the Forsyth committee's wider report<sup>3</sup> on the tax system. Geoffrey Howe led the way with his Hardman lecture in November 2000<sup>4</sup> but his 2008 report undoubtedly led the Conservatives to include the idea of an Office of Tax Simplification in their manifesto.

The Liberal Democrats had also registered concern over the complexity of the tax system when in opposition and so were presumably happy to support the idea. The OTS was referred to in the recent emergency Budget and on 20 July 2010, it was duly launched.

## So what is the Office of Tax Simplification?

The OTS has, as the name suggests, a brief to look at areas of the UK tax system and report on how it might be simplified. Its staffing has three components:

- The OTS board consists of the Chairman (Michael Jack) and Tax Director (me), together with Dave Hartnett (HMRC Permanent Secretary for Tax) and Edward Troup (Managing Director, Budget Tax & Welfare at HM Treasury).
- A small full-time secretariat of HM Revenue & Customs (HMRC) and HM Treasury (HMT) people.
- A group of secondees from the private sector, including people seconded from the big accounting and law firms and a number of professional and industry bodies.

Michael Jack, previously both an MP and a Financial Secretary to the Treasury, is an ideal person to act as Chairman. He and I are both very much part-time, unpaid appointments – I am only signed up for a day a week – so I should stress that the OTS is a small unit! We will be able to draw on the wider expertise in HMRC/HMT as well as subject matter experts and HMRC's statistics team.

Those with experience of the tax system will no doubt expect to see a steering or consultative committee involved. The original plan was to have such a body to oversee the OTS's work but my inclination is to establish a consultative group for each of the OTS's projects.

## What are we going to do?

I'd better emphasise that I don't believe we can ever have a truly simple tax system in the UK. We live in an increasingly complex world and tax must reflect that, especially if we want a fair system – fairness tends to pull against simplicity. But the system can be simpler – both administratively and technically. Above all, we can commit to doing things in an easier, more straightforward way. If the OTS can show that tax can be 'done' in a simpler way and that doing so will pay dividends, then that will surely carry over to the process for new legislation.

1. *Making Tax Law*, March 2003, available at <http://www.ifs.org.uk/comms/budd03.pdf>

2. *Making Taxes Simpler*, available at [http://conservativehome.blogs.com/torydiary/files/making\\_taxes\\_simpler.pdf](http://conservativehome.blogs.com/torydiary/files/making_taxes_simpler.pdf)

3. *Tax Matters – reforming the tax system*, October 2006, available at <http://www.conservatives.com/pdf/taxreformcommissionreport.pdf>

4. Howe, *Simplicity and Stability: The Politics of Tax Policy*, [2001] *British Tax Review* 113.

To me, tax is a tripartite arrangement and a simpler tax system will benefit:

- taxpayers, both business and individuals (especially the unrepresented)
- tax advisers, who – contrary to popular belief – don't like excessive complexity
- HMRC, and through them the Government, both of which need a simpler system to administer with fewer loopholes.

To start with we are tackling two areas, beginning with the taxation of small businesses. This review specifically includes IR35 intermediaries legislation and all those working in the area, as taxpayers or advisers, will identify with the need to simplify that system. I've had a number of suggestions already – with 'abolish IR35' an obvious way of winning in the popularity stakes. However, whatever IR35's failings, it was brought in to tackle some abuses; if it's abolished, do those abuses just come back? What I hope we'll be able to do is have a wide-ranging look at small business taxation. I don't want to just add another piece of sticking plaster to the system, even if it's one marked 'simple'.

The second project is to codify and evaluate the multiplicity of reliefs in the tax system. The 400+ reliefs are all undoubtedly helping someone (business or individual) but are they efficient and delivering value for money? I should underline that abolishing reliefs isn't the role of the OTS: decisions on actual changes are, ultimately, down to ministers. What we need to look at is whether the reliefs are working properly. Surveys have shown that many business tax reliefs aren't known about or claimed as widely as might be expected, so that does suggest a need for change.

It will probably be clear that I see that much of the OTS's work is to focus on the administrative burdens created by the tax system. Can we make it easier to comply? Can we cut the amount of time it all takes, so businesses can get on with what they really want to do and individuals can get on with life?

### ***Are we independent?***

So, realistically, how independent is the OTS from the Treasury? The team will be accommodated within the Treasury building and will be staffed, at least in part, by HMT and HMRC people – and we ultimately report to the Chancellor. Won't there be political interference?

There are good practical reasons why we will be in the Treasury building – there is space available and we will have access to a lot of the necessary experts. But I acknowledge the independence issue as something we will have to demonstrate; in part by getting 'out and about': I want to talk to a good number of CIOT branches, for example, to get their input and Michael is linking to businesses.

I'd also hope that my background shows that I have a good record of being independent, but the acid test will be what happens to the reports that we produce. I can't guarantee that David Gauke, Exchequer Secretary to the Treasury, and George Osborne will accept everything we suggest, but if we produce reports that are well-argued and well-founded, they should be prepared to take them forward.

### ***Conclusion***

I have long campaigned for a simpler tax system, so I'm delighted to be given the chance to take the OTS forward. I hope we can start to make a difference, but I can't guarantee we'll reduce the Yellow Book by a volume a year. Then again, we can dream!

### ***Contact***

***John Whiting*** can be reached in his new role at  
ots.interimsecretariat@  
hmtreasury.gsi.gov.uk

## Recognising the best

Ruby Parmar, partner in PwC's Private Business and Private Client team and editor of *Private Business* magazine, outlines the new Private Business Awards for 2011.



Private businesses are the foundation of the economy but all too often are seen as less exciting than listed companies. We're passionate about private businesses, their owners and their management teams which is why we're launching the Private Business Awards. We want to celebrate your success and we're hoping to do it in style!

Around the UK and beyond, my colleagues and I are dedicated to working with private businesses. For me, it's the opportunity to work with and advise owners, their management teams and their families to plan for the long term: to help grow the business and transfer wealth from one generation to the next.

Every business and every meeting is different. Being surrounded by the energy and optimism of my clients is truly inspiring and we want to make everyone see how great our private businesses are.

The awards will be presented at a gala dinner/reception in London on 8 September 2011.

There will be seven awards and you can nominate your business, or others you admire, next spring. We'll be looking for strong, profitable and well-managed businesses that stand out and have the edge over their competition. People are the heart of all companies and we think this is especially true of private businesses, so we're also looking for top employers, individuals, leaders and rising stars of the future. At PwC we try to do the right thing for our clients, our people and our communities so we also want to recognise businesses that are leading the way as social enterprises, by succeeding in hitting financial and social or environmental goals.

Look out for more on the awards and our other Private Business Forum activities at [pwc.co.uk/privatebusiness](http://pwc.co.uk/privatebusiness)

You'll hear more about the Private Business Awards in the coming months so start thinking about why you or your business deserve to win.

For more information, please contact:

**Ruby Parmar**  
020 7804 7152  
[ruby.parmar@uk.pwc.com](mailto:ruby.parmar@uk.pwc.com)

**Emma Thomas**  
01223 552328  
[emma.thomas@uk.pwc.com](mailto:emma.thomas@uk.pwc.com)

---

# The changing face of publishing: Haymarket Media Group's story



Rupert Heseltine

**Haymarket Media Group is one of the biggest players in the editorial and publishing sector, both in the UK and overseas, with titles including *What Car*, *What Hi-fi*, *Stuff*, *FourFourTwo* and *Gramophone* amongst many others. We met up with Rupert Heseltine, Company Chairman, to find out more about the future of the industry and his views on Haymarket's success.**

In just over half a century, Haymarket has grown from a small publishing house to a global presence in the media world. Do you think that your father, Michael (now Lord) Heseltine, could have predicted the success of the company when he founded Haymarket back in 1957?

"I think my father always had intentions to go international. When he came back to the company in 1997 he saw all these licensed titles, like *Cosmopolitan*, and decided to set up a separate licensing division: and we're doing very nicely, thank you. I think we have about 130 licences around the world.

The UK is a pretty mature market when it comes to the media: you've got your big established players. So where were we going to go for growth? Well, we could see that several countries were opening up. India was opening up, China was about to open up and obviously places like America and Australia were open for business.

So it actually seemed like we were losing great opportunities overseas. Michael had experience in politics and, therefore, probably viewed the world a little differently to the way we looked at it. We made mistakes along the way, but we learnt from those mistakes and now we're growing well overseas, which is fantastic."

The company's maxim is 'Know what you're talking about, create something great, and it will attract a strong following. And that will bring revenues.' Does Rupert feel that it's this level of expertise and vision that has driven Haymarket's success?

"We stuck with our heritage, which is our verticals – i.e. new cars, hi-fis, gadgets etc. If you go across, it's a lot more difficult. If you talk to some of our competitors in the last year or so, I think they'll have found it very difficult being a 'generalist'. If you're a car fan, or a gadget fan, then that's what you want to read about. What you might leave behind is the more generalist stuff and also the more general titles are more cyclical. There are hi-fi fans throughout most generations, whereas when you look at the lads mags, they have gone on a pretty difficult journey. Specialisation, I think, is key."



From an employee perspective, the company clearly believes in being a meritocracy where those with talent will rise to the top. Do you feel that events such as your annual employee awards help to inspire and engage your staff?

“I think it’s a lot of things that help to motivate staff. I don’t think that you can pinpoint one particular thing. For some people it will be the magazine – they are car enthusiasts and if you cut open their veins a whole lot of little cars will come charging out rather than blood. There are other people who are extremely wedded to the public sector, or people with a passion for horticulture. So, passion and connection to the brand is probably the key motivator.

I think, for some people, the work we do with charity is another motivator. For other people it will be the environment and what we’ve done in terms of making our building more sustainable and reducing our carbon footprint and the water we use. I think being a private company, I hope, helps. Everyone has access to me – my door is always open and I walk around the office a lot. I think I’m pretty accessible and I encourage all the other managers to be accessible as well. We all started here quite young. I’m 43 and my chief executive is 46, so we still have a lot of drive. We’ve only just started: I’ve only been in the gig for nine months!”

Over the past decade, Haymarket has greatly expanded the web-based side of the business. Do you see this growth continuing and how does he feel about the idea of ‘pay-to-view’ content in the manner which titles like *The Times* have implemented it?

“I’m a subscriber to *The Times*, so I declare that. Like a lot of people in the media, you have to see what you get and how it works. The biggest question is ‘Is the web here to stay?’. And the answer is yes. The web is

Being an independent voice in the media world is increasingly unusual. Do you feel that Haymarket’s independence is one of its main strengths?

“Absolutely. It’s not our biggest strength – I think that’s our staff and our brand – but it’s great to be able to ring up your bank manager and say ‘Can I see you next week? We would like to invest overseas’ and for him to say ‘That’s fine.’ We don’t have to go to six or seven bankers and explain ourselves and say ‘I want to be in India and I’m going to make a loss over seven years’. I’m perfectly comfortable with losing a million quid in the first year and then a couple of hundred thousand over the next couple of years. Because, actually, I’m merely a guardian for the next generation. It’s a long-term investment and everyone buys into it for a long-term investment because the positives outweigh the negatives.”

We were interested to know why you chose India, in particular, as a market.

“It chose us, to be honest. Our business partner met our former chief executive at a motor show and said he wanted to publish *Autocar*. There was a little competition between us and a German magazine, and he said that he wanted to a deal with us today! So we signed a deal and worked on a consultancy basis together, starting off with a licence.

The intention was, once the market in India opened up, that we would follow them with a joint venture. India now has *Autocar*, *What Car*, *Stuff*, *What Hi-fi*, *Campaign*, *PrintWeek* and *AutoCar Professional*. We work with our business partner and we have an English manager out there who runs the business-to-business side, but ideally I want to have Indian managers.”



here to stay, there is no doubt about it. The web is going to get more and more crowded; there are going to be more and more individuals running businesses on the internet and there will be more and more voices out there. So, our job as media owners is to bring order where there is chatter. Who do you follow? Who do you read? Who do you listen to? I, frankly, don't have time to read every blog and watch every interview, so I want to find somewhere that will give me what I need. And I think that's the role of media players like ourselves.

I think there's a huge issue of trust. Who do you trust? An individual? Or a group of people who have been doing a job for 20 or 30 years and who are experts? I think mobile devices are obviously the next big thing. I have an iPad, I have an iPhone, I have a Blackberry: I have every piece of different kit and every one I use in a slightly different way. So it complicates the issue for publishers.

But the media has always evolved: it's never stopped evolving. Haymarket started with a hardback,

bound directory in 1957 and now we're working in a huge variety of areas. We've constantly evolved and the web will just make us evolve faster. The majority of our money still comes from magazines, but the web is coming up hard on its heels. We don't see ourselves as a technology company; we see ourselves as an editorial company and our job is to deliver that editorial through the correct channels to the correct person at the right time of day."

**Has the introduction of devices such as the iPhone, iPad, Kindle and other eBook readers changed the way you think about your hard copy and web-based titles? Is print, as a medium, on the way out?**

"Things like the iPad are amazing and they are a fantastic business tool. They could be a game changer and then we'll have to produce the right apps; and when I say apps I don't necessarily mean magazines. It might look really different on an app, but it's the same thing. A magazine is just a name for a physical product, so it would just mean repackaging and redelivering that editorial content.

I don't see print dying out: I see it doing a different job at a different frequency. Not every business person will want another new bit of kit. They might get kit fatigue. They're talking about tablet PCs which would have a phone and cameras built in, so you could be reading a magazine and then a face pops up and says 'Hi, Dad!'. Not everyone will want that.

People will pay for content. People do pay for our content now in paper format. What we've got to stop doing is giving it all away for free. Some of it will be free – news is probably the main thing that will be free – but it will be the analysis, the hardcore data that helps you do your job better that I suspect people will have to pay for."

**Does Haymarket carry out a lot of market research to find what their customers want from their publications?**

"More and more. The difficulty is – and this is where the skill of the editor comes in – that every single person wants something that is slightly different. So, you've got to



find that common denominator and you've also got to present that information in such a way that actually it does achieve the majority of people's needs.

When you sit down and start reading a newspaper, or even a magazine, you don't know what you're about to discover. You open it up and you're going to read a story, and then another story and another story. If you look at the average user time on a particular website, or the number of pages that somebody will actually read, it's far less than with a magazine. The engagement is far higher with a magazine."

**Even with the expansion of online content, publishing companies clearly still have quite considerable carbon footprints associated with the print side of the businesses. How has Haymarket tackled the issues of sustainability?**

"Impressively, I think is the answer – we were the first gold standard in Richmond with our new office; we're part of the Green 500 in London; we've won industry awards

for a number of years in a row. All our paper is from Forest Stewardship Council (FSC) approved forests. We talk to our suppliers and their carbon footprint and what they are doing to reduce it. Obviously, we are in the environmental publishing sector as well. We do have very strong ethics – we encourage people to ride bicycles and join the ride-to-work scheme.

We have gone down to the minutiae of each of our magazines having its own carbon footprint. So I think we've done everything we can. It came from our staff, from staff surveys, that they were very keen to do something about sustainability. And of course, if your business doesn't do something about it, then the Government is going to come along and sting you quite hard. Also, as a family company, one that believes in nurturing, it's a very important part of our ethics. Reducing our impact on the environment is extremely important."

**Corporate social responsibility is a key focus for today's large companies. With such a wide global presence, how has Haymarket faced the challenge of interacting and supporting local communities?**

"When I became chairman in January the terrible disaster in Haiti came along. Sadly we've had two massive disasters this year in Haiti and Pakistan, both of which we've contributed funding towards. What I want to do is form some kind of foundation which staff can contribute to and where we can contribute to the projects and be a bit more focused on what we do. Some of this would be overseas, some of it would be in the UK.

We want to get local offices doing something for their local community. There are lots of fantastic opportunities out there."

**You've been in the publishing business for over 20 years now, 16 of these with Haymarket. How do you see the future of the sector over the next 10 years? Will companies be able to react and adapt to the changes ahead?**

"Do I know where my sector will be in 10 years time? No. If I look back 10 years, it was the time of the dot.com bubble and we were all rubbing our hands and thinking 'woo hoo!' and then the next year, bang, the whole thing collapses. That hurt a lot of people very badly: there weren't many survivors. Ten years ago, Google had just been created; there was no Facebook; there was no Bing; Yahoo was around. So, it was a whole different world.

The thing that will affect the sector will be technology and the speed and access to the internet. Those are the two things that will affect our business far greater than anything else. Are we ready? I hope so. I believe we are because we're evolving and changing our business models. Or it may just be that everything will just find its natural order. It's changing every day!"

## Bits at the back...

### Corporate structures – would yours pass its MOT?

Following a number of changes in the tax, legal and commercial world in which they operate, many private business structures may no longer be fit for purpose.

If you're a private business owner you should ask yourself whether your current business structure is optimal for:

- risk and asset protection
- a future exit or succession
- management and employee incentivisation
- efficient case extraction
- simplicity and minimising compliance costs.

We'll explore the issues and options open to you when structuring your businesses in the next edition of *Private Business*.

### Customer co-ordinators – a new approach

Having previously focused on larger companies, HM Revenue & Customs (HMRC) is now engaging more closely with businesses below the £200m turnover threshold and has introduced a 'customer co-ordinator' (CC) role to those with turnover in excess of £30m.

Private businesses make up a significant proportion of this population and, as such, many will be allocated a CC.

What does this mean for affected businesses? The new role will mean the following:

- A single point of contact through which any issues, questions and concerns can be addressed.
- A CC who will play a vital role in HMRC's risk assessment of that business.
- As HMRC focus on those businesses which are not 'low risk', a possible increase in compliance checks/interventions.

From our experiences helping companies with these relationships, it is clear that dialogue with the CC can assist in securing a low risk rating and moving existing enquiries toward a conclusion. We consider that adopting a proactive approach to your CC will pay dividends for most private business.

### Pension regime – all change

The previously announced and much heralded changes to the pension regime have been amended by the coalition Government. Rather than a restriction of tax relief on contributions for 'high earners' the Government has introduced a much reduced annual allowance of £50k with effect from 6 April 2011 and a lower lifetime allowance of £1.5m with effect from 6 April 2012.

As a private business owner, you need to consider your pension savings and those of your higher earning employees before these changes become effective. For example, and notwithstanding HM Revenue & Customs' stated intention to introduce new legislation to this area, you could give some consideration to employer-financed retirement benefit schemes (EFRBS). Many high earners are turning to EFRBS as an alternative to traditional pensions as well as a vehicle into which they can defer taxable income.

## **Equality Act 2010 – are you prepared?**

The Equality Act 2010 has significant implications for private business. Many of the Act's key provisions came into force on 1 October 2010, in particular:

- significant extensions to the definitions of discrimination
- extension of the concept of employer liability for harassment of employees by third parties (e.g. clients, customers, suppliers and consultants)
- the enforceability of contractual 'pay secrecy' clauses being limited in specified situations.

To avoid falling foul of this new legislation, as a private business owner you will need to ensure you are aware of the potential impact on your organisations.

It is also likely that, from 2013, government will be given the power to require employers with at least 250 employees to publish information about the differences in pay between their male and female employees.

If you're a larger private business you should, therefore, consider assessing whether a gender pay gap currently exists in your organisation and look at addressing any resulting inequalities in advance of the obligations being imposed by law.

If you would like to discuss the topics raised here in more detail, please do not hesitate to raise any queries with your usual PwC contact.

**Chris Romans**  
0121 265 5432  
chris.romans@uk.pwc.com

## **How to get your copy of *Private Business***

### ***Paper or electronic versions: your choice***

To reduce our environmental impact, PwC is printing fewer copies of publications. Instead you can download them from our website. *Private Business* can be found at [www.pwc.co.uk/publications](http://www.pwc.co.uk/publications)

### ***Choosing a format***

At your request, we will:

- post a paper copy to you; or
- notify you by email (which will include a link) when future issues become available on our website.

Please let us know if you would like to receive the email version by emailing:  
[private.business@uk.pwc.com](mailto:private.business@uk.pwc.com)

If you do not want to receive this publication please also email the address above.

Please note if you choose the electronic version please let us know the address we currently mail your copy to so we can change our lists.

### ***Private Client autumn edition available now***

Our sister magazine, *Private Client*, provides news and our opinion on relevant tax and investment issues for private individuals. If you would like to receive this publication, please email your details to: [private.client@uk.pwc.com](mailto:private.client@uk.pwc.com)

# Contacts

## London

**Ruby Parmar**  
020 7804 7152  
ruby.parmar@uk.pwc.com

**Mary Monfries**  
020 7212 7927  
mary.c.monfries@uk.pwc.com

**Julian Jenkins**  
020 7804 6399  
julian.s.jenkins@uk.pwc.com

**Alison Lees**  
020 7804 4964  
alison.lees@uk.pwc.com

## South East

**David Gibbs**  
01223 552242  
david.c.gibbs@uk.pwc.com

**Lynn Piercy**  
01895 522249  
lynn.m.piercy@uk.pwc.com

**Ray Thomas**  
0118 938 3278  
ray.e.thomas@uk.pwc.com

**Andy Latham**  
01727 892295  
andrew.latham@uk.pwc.com

## Midlands

**Paul Norbury**  
01908 353051  
paul.j.norbury@uk.pwc.com

**Chris Romans**  
0121 265 5432  
chris.romans@uk.pwc.com

**Steve Snook**  
0121 265 6851  
steve.r.snook@uk.pwc.com

## West & Wales

**Tracey Bentham**  
0117 928 1194  
tracey.n.bentham@uk.pwc.com

## North West

**Alison Lever**  
0161 247 4079  
alison.j.lever@uk.pwc.com

## North East

**Jonathan Greenaway**  
0191 269 3319  
jonathan.greenaway@uk.pwc.com

## Yorkshire and Humberside

**Arif Ahmad**  
0113 289 4716  
arif.a.ahmad@uk.pwc.com

## Scotland

**David Clarkson**  
0141 355 4051  
david.j.clarkson@uk.pwc.com

**Isabel Mcgarvie**  
0141 355 4060  
isabel.mcgavie@uk.pwc.com

## Northern Ireland

**Paul Rooney**  
028 9041 5412  
paul.g.rooney@uk.pwc.com

**Lindsay Todd**  
028 9041 5540  
lindsay.todd@uk.pwc.com

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2010 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

Designed by studioec4 20446 (10/10)



Printed on paper manufactured in the EU containing recycled fibre.