

# STRATEGIC OFFSETS

*Measuring Perceptions and Performance in the \$500-Billion Global Offsets Market*

**New research on offsets identifies the opportunities and threats as companies and countries try to manage obligations that will hit nearly \$500 billion by 2017. The outcome will affect corporate growth and national economic development for years to come.**

Fleishman-Hillard and Avascent followed up on *The Half-Trillion Dollar Challenge* by conducting a two-pronged assessment of the offset landscape. First, we surveyed practitioners across the aerospace and defense (A&D) industry. Next, we studied how governments communicate in key markets.

## Offsets are Growing in Importance

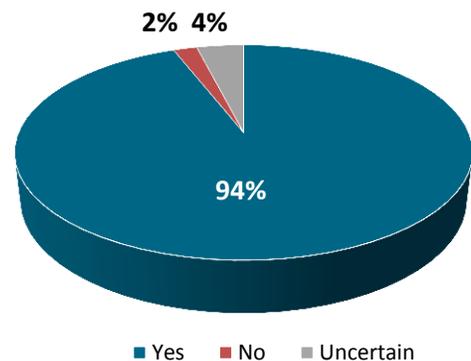
Respondents, who appeared to view offsets as both a risk and an opportunity, expressed near unanimity on the growing importance of emerging international markets to their companies. Virtually all reported that offsets would remain important in the future, with an impressive 80% suggesting these obligations would grow in importance for their organizations' international business development.

It is worth contrasting this to the relative displeasure respondents expressed with public recognition for successful offsets—only 36% reported a positive brand impact. Interestingly, 61% reported satisfaction with their offset programs; however, these results were influenced by the favorable sentiment of offset managers. The assessments of others were more guarded, suggesting some offset programs might not be meeting stakeholder needs or expectations.

### Key Markets Identified



Will foreign markets be more important in the future?



There is no single driver for the growing sense of urgency among respondents, but they did point to the increased premium governments place on offset proposals as part of the procurement process and governments' growing reliance on these programs to support their overall economic development programs.

The mounting portfolio of obligations is also weighing on sellers, prompting CEOs and other senior leadership to put pressure on managers. A&D insiders rarely mentioned investors and industry analysts, two groups that tend to be unaware of the importance of offsets.

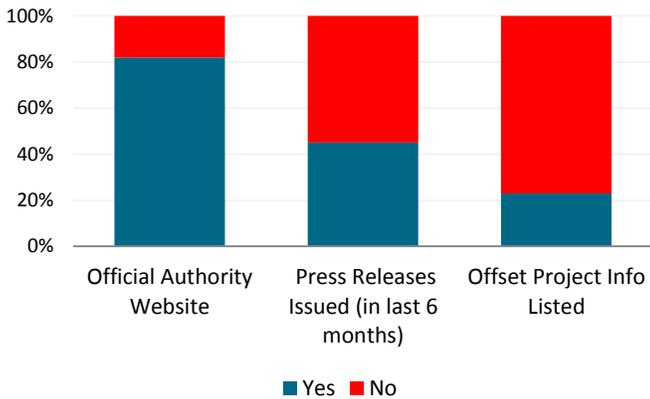
## Transparency, Outreach are Essential

Transparency is a vital part of sovereign outreach to industry. Over two thirds of respondents suggested there is room for improvement in terms of the transparency of offset authorities. Our survey suggests more can be done to help obligors understand offset policies and opportunities. This would help countries achieve their goals by unlocking the development potential of offset obligations.

## Offset Authorities Miss Out on Digital

Given the importance of digital media to audiences around the world, our review of communications by offset authorities focused on their use of these powerful tools to promote key messages and disseminate news and information to important constituencies.

### Quality of Offset Authority Outreach



Overall, the assessment showed a majority of offset authorities had a website of some sort, but only one in four appeared to be actively using social media. With some notable exceptions, these websites tended to be well designed, with mission statements, guidelines, and contact forms available for review.

The maintenance of these online properties was very inconsistent. For example, information about on-going or completed offset projects was listed in only 23% of cases. Most authorities had not posted any press releases or statements in the last six months.

Offset authorities are often missing the chance to advertise their successes online and help ensure future successes through the publishing of potential opportunities.

That is likely to be one of reasons a significant percentage of A&D professionals rely on secondary sources for important information about offsets that should be coming from government.

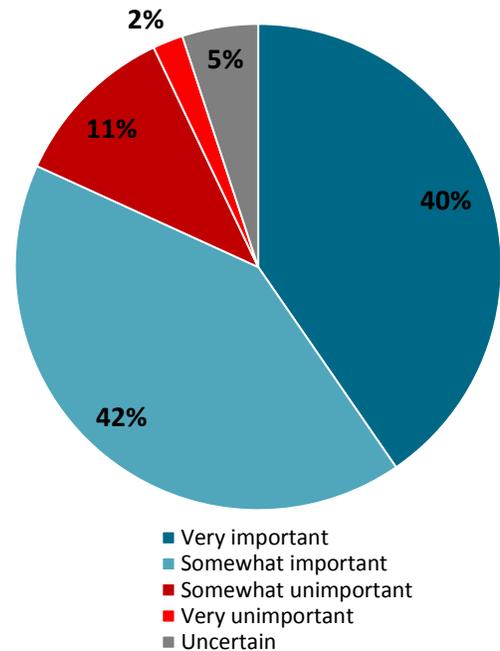
## Path Forward: Demystifying Offsets and Championing Opportunities

At first glance, our findings point to both immense opportunities and significant challenges. For obligors, complex rules, increasingly discriminating offset authorities, and growing international sales drive considerable pressure; greater corporate attention and support may alleviate some of these challenges.

For sovereigns, a move to ever more ambitious offset requirements coupled with an increased workload can strain organizations and staff; process and experience will do much to address these obstacles.

We hope this report, which is one in a series, will help countries, companies, and communities harness the economic power of the growing global offsets market.

### How important are offsets in acquisition decision-making?



This paper has been developed by [Avascent](#) and [Fleishman-Hillard](#).

We are management and communications consultants who believe that a more rigorous and transparent offsets market can deliver better results for governments, industry and the public. Together we bring:

- Deep sector knowledge
- A holistic approach that incorporates commercial growth with economic development and reputation management
- Proven ability to help governments communicate more effectively at home and abroad
- Global networks and the ability to work in every sector and virtually any location
- Analytical rigor and best-in-class proprietary tools

For more information, please visit [www.strategicoffsets.com](http://www.strategicoffsets.com) or contact us at [contact@strategicoffsets.com](mailto:contact@strategicoffsets.com)