WPP GROUP & The Advertising Industry

The advertising industry was once a market of many different players, most of them privately held. The rise of holding companies, with a global focus has changed it forever. The many cultures and strategies developed by those many hundreds of small advertising firms were now joined together under what we shall term ‘umbrella’ advertising corporations. While a relatively recent phenomenon, their takeover of the advertising industry has been swift– not stable. The top four advertising giants, Omnicom, WPP, Interpublic Group, and Publics represent over 52,630,000,000 USD in annual sales.

WPP Group: History, Growth Patterns, and Services

Mission statement: To develop and manage talent; to apply that talent throughout the world for the benefit of clients; To do so with in partnership; To do so with profit.

WPP was founded as Wire and Plastic Products, a maker of grocery baskets and other goods founded in 1958 by Gordon Sampson. The company began its transition to advertising giant through the speculative efforts of investors led by Martin Sorrell of Saatchi and Saatchi culminating in its purchase by those investors in 1985.

The “acquisition mind-set” began at this time; with heavy borrowing, WPP acquired advertising giant JMT, which was also a public holding company. The company almost immediately founded the agency Conquest in Europe and purchased the Ogilvy Group for 860,000,000 USD. This made WPP the largest advertising holding company in the world.

The string of fast acquisitions made WPP large, but vulnerable to changes in the overall economy. We feel that the inability to integrate many companies under a common management with understanding of the dynamics between the various subsidiaries may have been a chief reason for this weakness. When US markets took a downturn in 1991, WPP felt the crunch almost immediately. By 1992, WPP’s economic outlook was so bad that there was talk of the company being placed in receivership: whereby the courts appoint specific individuals to manage the assets of the said company.
WPP companies offer a full range of Advertising, Media Investment Management, Information & Consultancy, Public relations & Public Affairs, Branding & Identity, Healthcare and Specialized Communications Services.

WPP Group’s advertising sector includes three of the world’s top full service agency networks: J. Walter Thompson, Ogilvy & Mather and Y&R Advertising. Some major clients include Motorola, Ford, IBM, Unilever, American Express and Kraft. WPP also offers two of the world’s top 5 media planning and buying companies: MindShare and Mediaedge:cia, with support from Kantar Media Research Company. These two sectors alone account for just nearly 50% of WPP’s total communications activities and revenues.

Market information and expertise are becoming increasingly more important to clients, therefore WPP offers extensive research capabilities under their Kantar Media Research Company, including Millward Brown, Research International, Goldfarb Consultants, IMRB and Center Partners, and marketing consulting through firms such as Added Value, Glendinning, ICON, The Henley Centre, The Store, pFour and Première Group. Also holding three of the world’s top 10 PR companies – Burson Marsteller, Hill and Knowlton and Ogilvy Public Relations Worldwide – in addition to other leading names such as Cohn & Wolfe, Robinson Lerer & Montgomery and Finsbury – WPP agencies offer a wide range of general corporate, consumer and various brand-building services.

WPP’s direct, promotion & relationship marketing sector includes two of the world's largest and most recognized names in marketing, Wunderman and OgilvyOne. WPP’s direct marketing and promotion specialists include A. Eicoff, RTC Relationship Marketing, Savatar and VML. They also offer a broad range of specialized communications services, including strategic marketing consulting, interactive, and demographic and sports marketing. WPP branding and identity businesses offer specialized expertise in corporate and brand consulting, corporate reputation research, branded events, brand architecture, employee motivation and training, as well as product identity and design, from companies such as Enterprise IG, Landor and The Partners.

WPP’s healthcare companies, which include CommonHealth, Shire Health Group and Sudler & Hennessey, provide solutions - such as professional and consumer healthcare advertising & marketing, medical education and the latest interactive technologies - to pharmaceutical, healthcare and life-sciences clients.
Through the growing maturity of the relationship between WPP and its constituent parts and improved fiscal management, the company was able to recover and began purchasing and founding more companies in 1993. The realization of a global advertising industry with common markets began for WPP when offices were opened in South America, the Middle East, and Asia. WPP won a major contracts including IBM for 500 million dollars in 1994, heralding a new string of purchases. Twenty-one companies were bought WPP in 1997. WPP went on to place stakes in Asatsu (Japan), Batey Holdings (Hong Kong), and IntelliQuest Information Group (USA). WPP went on to gain contracts with organizations such as Kimberly-Clark, Merrill Lynch, and the International Olympic Committee.

WPP has proven to be a formidable opponent in advertising capitalism. On several occasions, WPP has acted aggressively in bidding wars with competitors. Sometimes, these have turned out to be disadvantageous with employees and shareholders disappointed in the results. WPP lost its top position to Interpublic Group in 2001. This soured the pride of the company until its 2005 purchase of the last large privately held agency Grey Global Group for 1,750,000,000 USD. The company’s merger with Young and Rubicon continues to be an expensive decision, however. The Young and Rubicon have been consistently unproductive, having lost accounts like Jaguar, Burger King and Sony in recent years.

Advertising – the process of highlighting or featuring a product, service or company through the use of various media for the purposes of making it known to a specific market or group.

The global and varied nature of WPP’s holdings has made it a hallmark of the future of the advertising industry. Through diversification of services, WPP fits the definition above perfectly. The umbrella corporation can supply the tools for the entire workflow of a marketing/advertising campaign. With greater integration technology becoming available, it is expected that WPP and its holdings will continue to grow in number, market share, and economic power.

A noted aspect of the umbrella-advertising corporation is its desire (or perhaps fear of changing) of the corporate model and culture of its subsidiaries. As one browses the web sites or notes the ‘brand-image’ of the companies, it wouldn’t be obvious that it is part of or owned by WPP. We believe this aids in diversification while upholding and retaining the corporate culture with which the employees and investors of the said
company are familiar. This also creates a weakness of integration, although the benefits outweigh the negative aspects of this arrangement.

**WPP Core Services**

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Statistics & Metrics

WPP Group has operations in more than 100 countries. Here are the various geographical markets broken down by annual income and % of total revenue. These values are for the fiscal year 2004.

### Annual Sales by Geographic Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Million (USD)</th>
<th>% of total revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>1,387</td>
<td>17</td>
</tr>
<tr>
<td>Other Countries</td>
<td>2,175</td>
<td>26</td>
</tr>
<tr>
<td>North America</td>
<td>3,167</td>
<td>39</td>
</tr>
<tr>
<td>A. Pacific/L.America/M.East</td>
<td>1,504</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,243</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

### Operations & Holdings
- Asatsu (Japan) 20%
- Bates Asia (China)
- JWT (USA)
- MindShare (founded by WPP)
- SicolaMartin (USA)
- Grey Global Group
- Many others

### Products and Services by assets percentile (2004)

<table>
<thead>
<tr>
<th>Service</th>
<th>Million (USD)</th>
<th>% of total revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising and Media Services</td>
<td>3,806</td>
<td>46</td>
</tr>
<tr>
<td>Market Research Consulting</td>
<td>1,428</td>
<td>17</td>
</tr>
<tr>
<td>Public Relations and Affairs</td>
<td>854</td>
<td>11</td>
</tr>
<tr>
<td>Branding, health care communications</td>
<td>2,155</td>
<td>18</td>
</tr>
</tbody>
</table>

The following metrics represent (1) Share value in the WPP group in fiscal year 2006:

- 52-week high 60.55 USD
- 52-week low 47.05 USD

- We believe that these values indicate volatility in share value that is representative of the highs and lows that WPP has experienced throughout its existence.
Ogilvy & Mather’s Brand Integration Group, better known as BIG, is known for reinventing major corporate brands. Their client list includes giants such as Hershey’s Chocolate, Coca-Cola, and Miller Beer. They rely on the company’s wide-ranging advertising skills and a strong team of filmmakers, writers, sculptors, and design professionals to create everything a client needs from logos to packaging to event promotion.

In early 2000, Motorola approached BIG asking for a corporate makeover to completely break away from their past and to totally reinvent their look. Motorola felt this was necessary because of the increased competition in the global phone market. Phone companies, like Nokia, began to recognize that phones had become fashion accessories and started to modify their products to meet the customer’s needs. Nokia began aggressively marketing interchangeable cell phone covers, where a customer’s phone could match their style and mood. At the time, Motorola’s was strong at marketing functionality, but lacked innovation when it came to design.

BIG knew they faced a complicated task of transforming Motorola’s identity to become more appealing to younger, fashion-conscious consumers without losing the mature consumers. They felt that Motorola did not need to spend millions redesigning their logo. The 75 year old “em-signia”, as it is known, is a circle-enclosed M in black and white. They felt the logo was elegant, with a futuristic-retro quality, and decided to simply reanimate the existing logo so that it would appeal to both demographics.

BIG then determined that the product redesign would have to be simple yet bold enough to stand out in a retail environment. The team then applied 27 different hues of saturated colors such as fuchsia, burnt orange and deep blue to the logo. They also expanded the color palette to more muted colors, due to the fact that many professionals who use Motorola, such as police departments, would not take to lime green and fuchsia casings.
BIG also reworked Motorola’s product package design. Previously, phones were sold in white boxes with the image of the phone and all the technical data printed on the box, nothing that conveyed the fact that the package contained a Motorola product. The BIG team designed new boxes, each with one of the 27 colors and the logo wrapped around the side. The new box was very artistic, some stores would even use the boxes as window displays.

Motorola’s research and development department was simultaneously designing and producing new phones. These new devices would be assigned to a specific personality type for which the advertising would be targeted. The team then came up with the idea of calling the device—whether phone, pager, or two way—“Moto” rather than Motorola. The “Moto” ads began running in 2001, and have since then made Motorola the most popular mobile phone brand in America, based on sales. The actual cost of the BIG project is undisclosed.
Conclusion

WPP Group’s history of fast maneuvering to acquire and found a global advertising umbrella corporation has changed the advertising industry forever. Although a relatively recent player, WPP has in only two decades gone from grocery bag supplier to the second largest advertising holding company in the world. The implications of this are immense, and many times the goal to acquire has gained precedence over the integration of the various companies, creating a situation where very successful businesses are economically impacted by the underachievement of their fellow subsidiaries. WPP has been at a loss to bring these companies together with a common purpose. However, we also believe that the inability to integrate may in fact have assisted WPP because many of its holding companies were able to keep their own culture and brand-image, and so continue to hold on to clients within their own niche. However, as is the way with capitalism, when WPP acquires new contracts, they run the risk of aggravating the relationship between competitors (who might both be using WPP’s services.) This aggravation has caused WPP problems in the past as with the example of the USD 500,000,000 contract with IBM. The contract caused IBM’s competitors Hewlett-Packard and Compaq to downgrade their relationship with WPP or move to a different holding company altogether.

While we understand the benefits of the financial relationship that is attained through mass acquisition, there is a danger that the creative and unique identities of privately held corporations will be stifled by the economic losses and “streamlining.” WPP will have to choose between allowing freedom to its holding companies (and thereby incurring risk) or mandating demands on them (which lessens the niche identity of each subsidiary.)

WPP has, like all other companies, proven vulnerable to wanes in the overall economy. However, unlike many companies, WPP acts very aggressively against its competitors, which costs egregious amount of money. This has made WPP unable to withstand great fluctuations and will probably continue to plague the company in the future. On a positive note, WPP has been a part of, been aware of, and has taken an aggressive action in the ever-increasing nature of the globalized economy. Servicing so many different markets with such a varied service offering makes WPP an important player in the future of the advertising industry.
Sources:
