

VIEW FROM THE CHEAP SEATS



12.8.2003

This is Your Holding Company on Drugs

Why do sister agencies end up in new biz catfights?

Let's role-play for a minute here.

You're 8 years old. Your dad comes up to you and your two brothers and says, "Okay, you guys are gonna rake leaves today. But we'll make it a contest. Whoever rakes the most leaves by dinnertime gets \$500. The other two of you will be grounded for a month."

Doesn't sound like an appealing idea, does it?

But in a sense, that's what happening to some of the biggest agencies and the biggest accounts in the ad world.

Advertising, much like the rest of media world, is feeling the effects of major industry consolidation. The top 4 ad agency holding companies control a large percentage of the dollars being spent. The actions of these companies affect everyone in the industry, be it directly or indirectly. So I think it's only proper that these companies get their fair share of scrutiny.

I'm not out to bash the holding companies. They have every right to exist and legally pursue their quest for world domination. But I did see something recently that could use an explanation.

A while back ADWEEK, in a haphazard editorial decision, juxtaposed a photo of the CEO of IPG, (you know, the head shot with the shit-eating grin they always trot out) next to the caption: "IPG Suffers Quarterly Loss of \$327 Mil."

Nothing to smile about, in my opinion. Hell, I could run IPG better. In fact, I'd be willing to take \$2 million less in compensation so under my watch, the company would only lose just \$325 million dollars.

But OK, every company gets to have a shitty quarter now and then. Time to regroup, take a few "charges" against the balance sheet and get the finances in order. I figured IPG would start being more fiscally responsible.

However, the next week, ADWEEK ran an article about the finalists in the Tylenol account review, worth about \$115 million in billings. Here's a snippet:

"The finalists, which emerged from a field of six, are all IPG shops: The Martin Agency in Richmond, Va., Hill, Holliday, Connors, Cosmopolos in Boston and Deutsch in New York."

What?

Wait, let me clarify. What the fuck?

Why are these so-called "sister agencies" fighting over this business?

These agencies are not working together to win Tylenol. Most likely, they're conducting separate market research studies, creating separate marketing strategies, producing separate spec creative, and kissing separate butt.

Do you want to take a stab at how much money and time each of these agencies, owned by the same company, is spending pursuing this account? And what kinds of financial hits do the losers take for a fruitless effort?

Now, take the investor point of view: Why is a company that lost \$327 million in 3 months pitting 3 of its divisions against each other? Does that sound like a well-run company worth investing in?

Yes, some accounts are divvied up by a holding company so that sister agencies work in tandem to produce integrated marketing. But for the Tylenol account, we have sibling rivalry. And a fairly high-profile example of why the holding companies seem so flawed.

Let's see what I've just talked about: Holding companies, quarterly loses, revenue, sound investments, internal competition, flawed business models. Did I leave anything out?

Oh yeah.

The creative work.

But that doesn't seem to matter much these days, does it?