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August 27, 2009  
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## WPP Profit Dropped 47% in Second Quarter

[More Than Half of Company's Revenue Came From Nontraditional Advertising](#)

By [Michael Bush](#)  
Published: [August 26, 2009](#)



NEW YORK (AdAge.com) -- Using words such as "severe" and "surprise" to describe the recession's impact on its business, WPP, the world's largest advertising conglomerate, said today that its profit was down 47% for the second quarter. And WPP Chief Executive Martin Sorrell said it will be a while before marketing executives begin to spend and take chances the way they did just a few years back.



Tom Stockill

Mr. Sorrell said going forward WPP would be focused on three key areas: 'the faster-growing markets,' the 'Next 11' emerging economies in Asian and Africa, and marketing services.

"Given the fact that we stared into the abyss six or nine months ago, people are going to take a long time to go back to where they were," Mr. Sorrell said. "It's going to be a long time before this generation of managers, who were managing businesses that are faced with the extinction of credit lines, severe sales compression and inventory being eradicated, begin to take risks. They won't until they are 100% sure things are on the uptrend."

While WPP's earnings are by far the strongest example of how serious a toll the recession and marketer cutbacks have exacted from the ad industry, its earnings report also highlights another trend -- the shift away from traditional advertising. More than 61% of the holding company's revenue came from nontraditional services such as direct, digital, PR and research.

WPP -- whose agencies include creative shops Y&R, Ogilvy & Mather and JWT; media-agency giant Mindshare; direct shop

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Wunderman; and PR agency Burson-Marsteller -- reported a profit of \$290 million for the second quarter, a sharp drop from \$548 million in the same period a year ago. Revenue was down 8.3%, more than doubling the 4% drop the group was anticipating.

In the past year, the group reduced overall staff by 5.8% (6,525 people), but it said employee and discretionary cuts weren't enough to offset the recession's impact. "Although action was taken to reduce staff and discretionary costs -- such as travel, training and personal costs -- as revenues came under pressure, this reduction was insufficient as revenues fell faster than budgeted," WPP said in a statement.

The group's advertising and media-investment-management services sector saw revenue drop 7.8%; PR and public affairs slid 8.2%; and branding and identity, health-care and specialist communications, which include direct, internet and interactive, fell 6.9%. But WPP's consumer-insights division, which now houses TNS, took the biggest hit, with a 10.3% drop in revenue. The company also noted that direct and digital activities now account for roughly one quarter of its total revenues.

### Western Europe hit hardest

Regionally, North America's revenue growth was down 10.1%. The area hit hardest was Western Continental Europe, which was down 10.5%. The U.K. (down 5.3%), Asia Pacific, Latin America, Africa, the Middle East and Central and Eastern Europe (down 4.7%) saw declines at about half that rate.

On the conference call this morning, Mr. Sorrell said that while it was too early to predict a bounce back for the industry, going forward WPP would be focused on three key areas: "the faster-growing markets" such as the Brazil, Russia, India and China group (BRIC); the "Next 11," emerging economies in Asian and Africa that Mr. Sorrell expects to eventually represent a third of its business; and marketing services, including new media and quantitative disciplines such as digital, interactive, internet and consumer insight. The group is projecting that top-line revenue in 2010 will "probably" be flat, despite some major events that would normally provide a jump in ad spending, such as the Winter Olympics in Vancouver, the FIFA World Cup in South Africa and midterm congressional elections in the U.S.

Some of WPP's biggest wins in 2009 include the \$225 million Activision Blizzard media account by Mediaedge:cia, the \$200 million worldwide [Microsoft direct account](#) by Wunderman and the \$160 million NFL creative account by Grey. Major losses include the \$420 million global [Bristol-Myers Squibb media account](#) by Mindshare, the \$260 million global [Nokia account](#) by MediaCom and the \$250 million [Wrigley media account](#) by Mindshare.



## 9 Comments

By [brianvandeputte](#) | Macomb, MI [August 26, 2009 04:58:06 pm](#):

2009 hasn't been the best of years for Mindshare...

<http://twitter.com/brianvandeputte>  
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By [paulainsf](#) | SF, CA [August 26, 2009 08:49:22 pm](#):

Martin will be replaced as CEO at WPP by end of Q1/10. Mark

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my words - he has not created a holding company capable of navigating the real world. All his shops (Grey, Oglivy, Y&R and to a lesser extent JWT) are floundering big time.

On the other hand the Omnicom shops are doing a far better job in this down economy.

Time for Sir Dwarf to step aside and admit his visionless tenure is up.

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By paulainsf | SF, CA [August 26, 2009 08:49:27 pm](#):

Martin will be replaced as CEO at WPP by end of Q1/10. Mark my words - he has not created a holding company capable of navigating the real world. All his shops (Grey, Oglivy, Y&R and to a lesser extent JWT) are floundering big time.

On the other hand the Omnicom shops are doing a far better job in this down economy.

Time for Sir Dwarf to step aside and admit his visionless tenure is up.

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By William | East Rockaway, NY [August 26, 2009 08:50:03 pm](#):

Martin Sorrell just said, "It's going to be a long time before this generation of managers, who were managing businesses that are faced with the extinction of credit lines, severe sales compression and inventory being eradicated, begin to take risks. They won't until they are 100% sure things are on the uptrend."

Guess what Martin? .. None of you're WPP executives will ever be 100% assured of an upswing in the trend, until you set the trend for their taking risks! [bcrandallnyc@aol.com](mailto:bcrandallnyc@aol.com)

[Permalink](#)

By Rodney33 | FRISCO, TX [August 26, 2009 11:59:26 pm](#):

I don't understand the harsh words toward Mr. Sorrell in this comments section. He's still making a substantial profit that is better than most companies in the world.

Furthermore, whether through accident or not, his staffing "reduction was insufficient as revenues fell faster than budgeted," did save a few thousand jobs at least in the short term, giving peers more time to figure their financial livelihood out.

The harsh reality in this storm does come with silver digital lining.

We've conducted extensive research we're releasing in a few weeks entitled "XL Marketing Trends." The Top 10 Trends changing the marketing landscape now and over the next 10 years.

Some highlights concluded from our study and confirmed independently by WPP's most recent earnings and more importantly by Veronis Suhler Stevenson's (VSS) US Communications Industry Forecast, finds for 2009, US advertising overall will decline by 7.6 percent, with a 1 percent decline to follow in 2010 and expected growth in 2011 - 2013.

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The segments forecasted to decline most rapidly in 2009, newspapers (down 18.7 percent, to \$35.5 billion); consumer magazines (down 14.8 percent, to \$11 billion); radio (down 11.7 percent, to \$15.8 billion); and broadcast television (down 10.1 percent, to \$43.0 billion).

The few sectors to increase their advertising dollars this year, include mobile (up 18.1 percent, to \$1.3 billion) and the Internet (up 9.2 percent, to \$23.8 billion).

The media industry is actually expected to be the third-fastest-growing economic sector over the next five years, after mining and construction. Almost none of that growth is forecast to come from traditional media.

Instead, it will be drawn from areas like Internet and mobile devices, branded entertainment and word of mouth marketing and public relations.

Paid interactive television gaming and advertising, mobile advertising and content tied to broadcast television, Internet and mobile home video downloads, mobile advertising and texting, e-mail and in-game advertisements will be the front runners within those growth segments.

2008 was the first time in the history of modern electronic communication consumers spent more time with media they paid for, like books, cable television, online subscription services than with ad-supported media, like newspapers and magazines.

What all this means is, every marketer right now needs to develop three important strategies;

- 1) Mobile
  - 2) Social Networking and a
  - 3) Digital Video Strategy
- (for phones and computers).

This maybe the first and last time you read this in Ad Age but, "give Martin Sorrell a break."

And to fend off the negative comments toward me, no I don't work for him and no, I'm not sucking up. I just call it like it like I see it.

Rodney Mason, CMO  
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The Great State Of Design  
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By Rand Lutomski | Seattle, WA [August 27, 2009 01:39:17 am](#):

While WPP has taken a hit, a BIG hit, and their positioning thus far may not have been all but forward thinking, they have made great strides as far as venturing into new and non-traditional mediums. Their agencies are adopting more social media and conversation style tools by the day to adapt to market trends. They have acquired a number of companies in order to position themselves as leaders in the social media space, most of which are start-ups that may have a few years before they mature fully. It will be interesting to see what happens down the line if they have fully committed themselves to evolution, or if they will continue to move slowly as the field

passes.

<http://millenialmusings.wordpress.com/>

<http://twitter.com/RLSeattle>

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By Rystairs | Singapore, NA [August 27, 2009 08:36:25 am](#):

if marty's smart enough, he'll take the bold step of merging his south east asian portfolio.

i was in singapore last week, dining with a bigwig from unilever europe - she equalled the ad industry in south east asia to a slave - archaic, formulated, scammy and servile.

ogilvy and jwt singapore, for example, are plagued by a managerial sliver that's ripping the profits of a slave-driven wedge.

that lady knew what was going on. apparently some creative dude called "ugene" had spilt the beans to someone who told someone who told her... about how hard he actually worked to earn what he did. scary...

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By korfel | CRAWFORDVILLE, FL [August 27, 2009 08:55:37 am](#):

This may be the end of advertising as we know it. It has been in the making and the protracted recession may have tilted the scale. The future should be in relationship marketing and establishing true connections with consumers. It also represents an opportunity for innovation and true creativity.

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By Marc | Staten Island, NY [August 27, 2009 09:06:04 am](#):

We all know the economy is bad... articles like this only make matters worse for all of us in the advertising business.

How about focusing on what we can do increase business. Read How to Increase Business Profit in a Bad Economy - By: Chris Robertson...







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