

Brian Berry

Marketing Communications in a Digital Age

Advisor: Richard Linowes, Kogod School of Business

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Capstone Abstract

Brian Berry
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Marketing Communications in a Digital Age: How WPP Subsidiaries Have Adapted through an Integrated Marketing Approach

The dawn of the Internet and its corresponding digital capabilities has completely restructured the field of marketing communications. WPP PLC, based in the United Kingdom, is the world's largest communications holdings group and owns a diverse range of subsidiary companies across the globe. The purpose of this Capstone is to understand how these companies, specifically advertising giant Ogilvy & Mather, have adapted to these new media opportunities. Taking into account constant competitive innovation, tumultuous economic times, and the concerns of data security, an action plan detailing how Ogilvy can continue to grow and stand out amongst competitors is proposed. The study finds that while the agency has taken the necessary preliminary steps towards digital integration, there is further need for collaboration with or even acquisition of software-based communication companies.

I. Introduction

Since the dawn of humanity, humans have used tools to communicate. Over time, these tools become more and more complex. The field of marketing communications has emerged and been forced to constantly adapt to this materialization of new technologies. It began with print, then radio, then television. But the 1990s brought about the largest disruption to date with the invention of the internet. The landscape of marketing communications has faced enormous changes since the onset of the internet and its corresponding digital capabilities. This has caused a demand for new ways to communicate. Consumers are no longer just passive observers; they are on the internet to have a shared experience. A paradigm shift has forced both businesses and consumers to interact with peers and strangers, virally reworking the way we think and discover new things. Marketing communication services now have to seek out the newest and most innovative ways to share information.

It's an intriguing challenge to define the marketing communication services industry. At its core, the definition is rather obvious. Marketing communication is the assortment of methods by which an organization delivers messages to various audiences. But within this assortment exists a mass of different subcategories. Advertising, direct marketing, publicity, public relations, sales promotions—all of these can rightly be labeled as 'marketing communications' and each holds its own importance within an integrated marketing plan of any business organization. No longer does mass-media advertising dominate the promotional function in most companies. A synergy among the communication tools must be sought with a balanced approach in order to maximize their impact.

WPP Group is the world's largest communications services holdings group. Operating in 2,500 offices in over 100 countries, the Group is organized into nine major segments: advertising, media investment management, consumer insight, public relations and public affairs, branding, direct marketing, healthcare and specialist communications, and digital operations.¹ The holdings company itself does not provide these services directly, but rather exists as a parent company for over 320 subsidiaries around the globe. WPP provides much of the administrative work for these companies, centrally settling all high-level financial matters such as planning, mergers and acquisitions, and investor relations. This allows WPP companies to devote their time to clients and work in collaboration with one another.

This paper will seek to provide a better understanding of the marketing communications industry using WPP companies, primarily Ogilvy & Mather Worldwide, as a case study. The challenges provided by today's market in terms of both an unstable economy and a digital revolution are also examined.

II. WPP Group and Ogilvy & Mather

The WPP Mission

To develop and manage talent;
to apply that talent,
throughout the world,
for the benefit of clients;
to do so in partnership;

¹ WPP Group: Who We Are. 2012. <<http://www.wpp.com/wpp/about/whoweare/>>.

to do so with profit.²

In order to understand the full breadth of what a group such as WPP can offer, it will be necessary to break down each of the nine main pillars within the Group. One of WPP's largest communications networks is Ogilvy & Mather, an agency that encompasses nearly all of the same capabilities as does the WPP umbrella. Founded in 1948 by David Ogilvy, an icon of the advertising world, O&M has become a leading worldwide agency servicing a long list of Fortune Global 500 companies. Each of O&M's business units will be reviewed within the integrated marketing communications perspective. This perspective calls upon business units to be coordinated under a unified brand and voice as well as utilized strategically to carry out the most appropriate and effective methods for communicating and building relationships with customers and other stakeholders.³



² WPP Group: Annual Report & Accounts. 2010. <<http://www.wpp.com/annualreports/2010/how-were-doing/reports-from-our-operating-brands/agency-networks/index.html>>.

³ Belch, George, and Michael Belch. Advertising and Promotion: An Integrated Marketing Communications Perspective. Sydney: McGraw-Hill Australia, 2009. Print.

Figure 1: Visual representation of WPP Group company holdings⁴

Advertising

Advertising, the foundation of a traditional promotional mix, is any form of paid, nonpersonal communication. Advertising involves utilizing the mass media that will reach the largest possible net of consumers, though usually in a targeted fashion. This pillar is essential in that, aside from the product or service itself, advertising is the starting point for both building brand equity and providing consumers with information and influencing their decisions.

Within an agency, there are two very distinct role categories. The first is the creative role, which includes the designers, copywriters and illustrators. These roles are typically considered to be the talent of the agency, the real reason why a client would choose one agency over another. Often overlooked, however, are the business development roles which drive business growth and foster success among the creative roles. Account managers play the middleman between the client and the creative, simultaneously translating a client's needs into objectives for creatives and strategizing how to utilize the agency's resources to best tackle the requests of the client. Other development roles include strategists, who carry out the bulk of the market research for the agency and new business personnel, who pursue new clients to which an agency can pitch. Creative and development roles must work harmoniously in order to maintain a commitment to the needs of clients.

WPP's advertising agencies compose the largest segment of the holdings company. These agencies are some of the largest internationally including Grey, J. Walter Thompson, Young and Rubicam, and, of course, Ogilvy & Mather. While each has its own strengths and

⁴ WPP Group: Who We Are. 2012. <<http://www.wpp.com/wpp/about/whoweare/>>.

weaknesses and operates individually, the WPP umbrella dictates business growth for every agency. And while they are technically still competing agencies, none can acquire new business that is in competition with the client of another WPP agency. For example, perhaps Ogilvy and Mather would like to pursue a new sector in automotives. But because Young and Rubicam's client list includes both Lincoln and Ford, Ogilvy would not be able to go after giants like Toyota or General Motors for fear of a conflict of interest. While having the WPP umbrella certainly simplifies administrative responsibilities for the agencies, it can also provide a limiter to agency growth.

David Ogilvy founded his agency in 1948 as "Hewitt, Ogilvy, Benson, & Mather" in Manhattan. Establishing a core slogan of "We sell, or else", Ogilvy built the agency into one of the eight largest advertising networks in the world within two decades. In the agency's first twenty years, Ogilvy won assignments from Lever Brothers, General Foods and American Express. Shell gave them their entire account in North America. Sears hired them for their first national advertising campaign.⁵ Ogilvy's 1953 Rolls-Royce ad ("At 60 miles an hour, the loudest noise in the new Rolls-Royce comes from the electric clock.") became the paradigm for all subsequent automobile advertisements.⁶

Today, O&M still ranks among the most well-known and most profitable agencies globally. While creative advertising campaigns still drive the agency's value, it is the Ogilvy's dedication to diversification and 360 degree capabilities that make it such a sound option for agency of choice by top global brands. O&M advertising is able to handle just about any aspect

⁵ Ogilvy: David Ogilvy Biography. 2012. <<http://www.ogilvy.com/About/Our-History/David-Ogilvy-Bio.aspx>>.

⁶ Corporate Profile: Ogilvy & Mather Worldwide. *Corporate Watch UK*. July 2002. <<http://www.corporatewatch.org.uk/?lid=387>>.

of a campaign that a client may want to pursue. They can start with planning and strategy from within the Ogilvy and Mather ranks to a full range of production and creative adaptation capabilities from RedWorks, Ogilvy's in-house global production unit. To ensure that creativity isn't lost within the large-scale agency, a network of semi-autonomous was created so that, while having access to the resources only a large company can provide, each still works in a small shop environment.

Media Investment Management

Once advertising has created content to pass onto consumers, agencies rarely take responsibility for distributing this mass media. That task falls instead into the hands of media planners and buyers who are able to distribute all of the work produced by the agency and coordinate with publishers to create a media plan. GroupM is WPP's consolidated media investment management operation, serving as the parent company to agencies including Maxus, MEC, MediaCom, Mindshare, Catalyst and Xaxis.⁷ According to RECMA, a research company focused on evaluating the worldwide media agency industry, GroupM is the global number one media investment management group.⁸

GroupM's responsibilities include managing both above-the-line and below-the-line communication channels. In order to maximize the efficiency of WPP's communication materials, above-the-line strategies are pursued when content should be distributed to mass audiences and below-the-line strategies are pursued when niche demographics need to be

⁷ Group M: About Us. 2010. <<http://www.groupm.com/content/about-us>>.

⁸ Lerault, David. The RECMA Reports: Global Digital Agency Rankings. Rep. 2010. Web. <http://www.recma.com/files/RECMA_10826_1288348274753_RECMA_-_Global_Digital_Agency_Ranking_.pdf>.

targeted more specifically. While Ogilvy does produce some below-the-line material that it distributes itself, either digitally or through direct marketing, the agency relies heavily on GroupM media management to allocate its content.

Public Relations & Public Affairs

While a large part of an integrated communications practice concerns the influencing of consumers through paid media, public relations also plays an integral role in the system. Within PR practices, perception of a company is evaluated and programs of action to earn public acceptance are executed. The aim is often to influence the public, investors, employees and other stakeholders to maintain a certain point of view about an organization, its management, products or political decisions. Quite often public relations messages are delivered through unpaid channels such as newswires or public appearances.

The public relations and public affairs discipline within WPP is very strong and consists of corporate, consumer, financial and brand-building services from both PR agencies and lobbying firms. Among the most notable are Burson-Marsteller, Cohn & Wolfe, Hill & Knowlton, RLM Finsbury and Ogilvy Public Relations Worldwide.

Ogilvy PR was created in 1980, nine years before O&M was bought out by WPP.⁹ Operating out of Washington, DC, the practice has grown from a handful of employees into a global operation that ranks among the top ten agencies in the world by revenue.¹⁰ The industries served by OPR include consumer marketing, corporate, healthcare, public affairs, and technology. As it is based in DC, the agency has a strong focus on its federal lobbying

⁹ Ogilvy: Ogilvy PR. 2012. <<http://www.ogilvy.com/About/Network/Ogilvy-PR.aspx>>.

¹⁰ Ogilvy PR: Company History. 2012. <http://www.ogilvypr.com/en/about/company_history>.

capabilities. With the recent power of social media within the public relations realm, OPR has developed a 360° digital influence team that allows clients to control the public image of their digital presence.

Branding & Identity

While many of the other WPP disciplines feed into the branding space, dedicated consultancy agencies exist to give clients complete control over both internal and external branding and identity. WPP has acquired companies that offer consumer, corporate and employee branding and design services.

While Ogilvy & Mather does not have a dedicated business unit for branding purposes, a branding concept is woven into every operation of the company. Ogilvy considers brands to be at their best when they reach “the big ideaL”, an intersection between a brand’s best self and existing cultural tension.¹¹ Ogilvy feels that if it is to best serve its clients, it must “foster in them a point of view on how the world should be coupled with a resolve to work for it.”¹¹ Whether in advertising efforts, public relations, or digital operations, Ogilvy aims to arrive at their client’s ‘big ideaL’ when conveying the brand identity.

Direct Relationship Marketing

With the expansion of digital technology, more and more tools are created by which companies can take advantage of direct access to customers. What was at first just a mix of express mail and 1-800 telephone lines has boomed into a full range of digital and mobile access

¹¹ Ogilvy: About the Big IdeaL. 2011. <<http://www.ogilvy.com/On-Our-Minds/Articles/ThebigideaL2011/AboutThebigideaL.aspx>>.

points between company and consumer. Email can be used to deliver messages and promotions at any time of day. Search and display ads use customer behavior to send fully customized and relevant content to each web surfer. Mobile technologies such as QR codes and location-based marketing now offer content to consumers on the go. WPP understands how relevant and dynamic the direct marketing field continues to be and owns companies that offer a full range of general and specialist customer, channel, field, retail, promotional and point-of-sale direct marketing services. Among these companies are both OgilvyOne and OgilvyAction.

OgilvyOne Worldwide is the world's largest, most experienced and most highly-awarded one-to-one marketing network¹². This Ogilvy subsidiary works to help its clients grow by increasing their customer value and fostering customer loyalty. This is done by turning big ideas into personal experiences that change behavior through three pillars of service: consulting, communications, and connections. Its consultants work to gain deep understanding of a client's customers and strategies to maximize their value. Communications services develop brand-true, creative exchanges across all media. Lastly, connection services implement bridges that connect clients with their customers.

OgilvyAction, while also offering direct marketing services, is an Ogilvy business unit with a very different feel than OgilvyOne. Action prides itself as a 'brand activation' organization, one that uses advanced analytics to gain intelligence on emerging consumer patterns and trends. With this knowledge in hand, Action creates conditions that drive brand purchasing behaviors. Its experiential marketing tactics help to engage consumers with brands in innovative and uncommon ways, creating positive brand affiliations and resulting in viral interest

¹² Ogilvy: OgilvyOne Worldwide. 2012. <<http://www.ogilvy.com/About/Network/OgilvyOne-Worldwide.aspx>>.

in the experiences created. OgilvyAction's point-of-sale messaging techniques at both the consumer shopper and professional trade levels tap into insightful buyer sentiment to help sway purchasing decisions. This business unit's creativity, digital willingness, and results-based analytics strategies help lift the company to the top of the direct marketing industry.¹³

Healthcare Communications

Due to the vast nature of the healthcare industry, many marketing communications agencies devote a designated SBU or department to the field. WPP has a number of subsidiaries of this nature that provide integrated healthcare marketing solutions from advertising to medical education and online marketing. Ogilvy's CommonHealth Worldwide uses the agency's 360-degree capabilities and brand growth focus to provide healthcare industry clients across 36 countries every communications service they might need.¹⁴

Specialist Communications

Among WPP's company portfolio is a comprehensive range of specialist services, from custom media and multicultural marketing to event, sports, youth and entertainment marketing; corporate and business-to-business; media, technology and production services.¹⁵ These highly-focused agencies and business units capitalize on their unique expertise or insight within a certain sector to offer their clients with strategy, opinion and thought leadership from those most informed about a topic. The Ogilvy umbrella provides a new and very advantageous specialist service through Ogilvy Noor.

¹³ Ogilvy Action: Pillars of Expertise. 2012. <<http://www.ogilvyaction.com/What-We-Do/Pillars-Of-Expertise.aspx>>.

¹⁴ Ogilvy: CommonHealth Worldwide. 2012. <<http://www.ogilvy.com/About/Network/Ogilvy-CommonHealth-Worldwide.aspx>>.

¹⁵ WPP Group: What We Do. 2012. <<http://www.wpp.com/wpp/about/whatwedo/>>.

Ogilvy Noor is the first full-service Islamic Branding consultancy that offers tailored advice to any brand seeking to appeal to today's Muslim consumer. Ogilvy created Noor in 2010 in an attempt to tap into a global and largely untapped market in terms of international brand exposure.¹⁶ Marketers need to see the Muslim consumer in a very different way than they do most other consumers and brands must adjust their messaging to become compliant with Shariah principles. Through this practice Ogilvy hopes to either provide clients with a deeper understanding of and greater relevance for an existing Islamic market or provide a better position to enter into this market for the first time.

Consumer Insight

WPP owns a number of companies that are specialists in brand, consumer, media and marketplace insight and work with clients to apply these insights towards communications strategies. The Futures Company integrate proprietary survey data to monitor trends and offers future-facing consulting to help clients adjust moving forward.¹⁷ Milward Brown is a leader in marketing research and allows clients to create innovative research methodologies and track advertising performance through consumer feedback.¹⁸ As with media investment management services, the Ogilvy group does not have a dedicated consumer insight unit but has integrated these facilities within its other practices, namely in its advertising specialty.

WPP Digital

¹⁶ Ogilvy Noor: Why Islamic Branding. 2011. <<http://www.ogilvynoor.com/index.php/why-islamic-branding>>.

¹⁷ The Futures Company: What We Do. 2012. <http://www.thefuturescompany.com/page/what_we_do/>.

¹⁸ Milward Brown: About. 2010. <<http://www.milwardbrown.com/About/Default.aspx>>.

Digital operations are undoubtedly the backbone of today's marketing communications. From public relations through to direct marketing, digital underlies every operation of an agency and is constantly providing new innovation upon which agencies can build new campaigns. Through WPP Digital, WPP companies and their clients have access to a portfolio of digital experts. Whether it is the management of digital platforms, the publishing of digital ad content, or the integration of digital technologies into sales practices, these digital experts are among the leaders of the field.

In 2011, Ogilvy officially launched Social@Ogilvy, a cross-discipline team of social media experts from across all of Ogilvy's businesses.¹⁹ Social experts are able to design integrated social solutions that combine deep disciplines like CRM, public relations and shopper marketing and rooted in what drives behavior. These solutions use the collaboration and advocacy strengths of social media to drive value internally and in customer relationships while at the same time managing risk.

Still a very new concept, companies are just starting to understand how social practices can be integrated into existing communication plans. Many have decided to pursue social strategies by using Facebook or Twitter pages, but few have figured out how to effectively utilize and monitor the impact of this social space. While Ogilvy has established a consulting practice, there still remains a need to not just engage consumers socially but to learn from that engagement. To address this issue, Ogilvy may want to look towards Bazaarvoice, an online marketing company based out of Austin, Texas.

¹⁹ Social@Ogilvy: What is Social@Ogilvy. 2012. <<https://social.ogilvy.com/expertise/what-is-socialogilvy>>.

Bazaarvoice is a leading provider of social commerce solutions that help its clients capture, display and analyze online word of mouth, including consumer-generated ratings and reviews, questions and answers, stories, recommendations, photographs, videos and other content about clients' brands, products or services.²⁰ Bazaarvoice enables its clients to place consumers at the center of their business strategies by helping consumers generate and share sentiment, preferences and other content about brands, products or services. Through its technology platform, Bazaarvoice's clients leverage online word of mouth to increase sales, acquire new customers, improve marketing effectiveness, enhance consumer engagement across channels, increase success of new product launches, improve existing products and services, and effectively scale customer support and decrease product returns.”²¹

Essentially, the strength of Bazaarvoice is in its ability to generate feedback from social customers. The company's founder, Brett Hurt, discovered that web analytics showed a strong correlation between the sales conversion rate and the quality of customer reviews.²² By soliciting, screening and analyzing reviews on the retailer's behalf, then feeding data from those reviews back to retailers so they can modify their sales methods, Bazaarvoice provides tremendous value to its clients.

Bazaarvoice Inc. was founded in 2005 and held its initial public offering in February of 2012. By the time the Austin-based company closed its IPO it had sold nearly 11 million shares

²⁰ Bazaarvoice: About-History. 2012. <<http://www.bazaarvoice.com/about/history>>.

²¹ Bazaarvoice: Investors. 2012. <<http://investors.bazaarvoice.com/>>.

²² Assadi, Djamchid. "How Viral Marketing Is Changing the (business) World." *Le Journal Des Grandes Ecoles* June (2011). *Journal Des Grandes Ecoles*. Web. 03 April 2012. <<http://journaldesgrandesecoles.com/how-viral-marketing-is-changing-the-business-world/>>.

raised \$116.3 million.²³ In August of 2011, the company registered for an \$86.2 million IPO.

During the previous fiscal year, the company posted a \$20 million loss on \$64.4 million in revenue versus a \$7.9 million loss on \$38.6 million in revenue in fiscal year 2010.²⁴ Ogilvy may have a lot to gain by seeking to acquire this company. While Ogilvy does have valuable intellectual capital with online strategy consulting through Social@Ogilvy, there would be proven added value in acquiring a team that is founded on software solutions that work to listen to the consumer, completing a cycle of communication.

Bazaarvoice offers its customers four major platform tools with which it can provide actionable consumer knowledge. The first tool is the simple conversation platform. Yes, customers are already able to review and discuss products through third-party review websites or online forums. The power in this is that shoppers want to be connected with authentic consumer opinions that they can trust, rather than receiving all messaging directly from a company. Bazaarvoice Conversations has perfected the art of creating these social communities both on Facebook and through client websites. This helps to provide consumer-generated content, nurture loyal fans, uncover insights, and moderate conversations to protect corporate reputation.²⁵

A second tool that Bazaarvoice provides is Connections, a space within which the many questions that consumers ask through a conversation platform are actually answered.²⁶

Bazaarvoice knows how to train brand product experts to act as digital assistants to shoppers on

²³ Calnan, Christopher. "Bazaarvoice Closes IPO at \$116M." Austin Business Journal. 1 Mar. 2012. Web. 14 Apr. 2012. <<http://www.bizjournals.com/austin/news/2012/03/01/bazaarvoice-closes-ipo-at-116m.html>>.

²⁴ Bazaarvoice: Form S-1 Registration Statement. United States Securities and Exchange Commission. August 26, 2011. <<http://investors.bazaarvoice.com/secfiling.cfm?filingID=1193125-11-233414&CIK=1330421>>.

²⁵ Bazaarvoice: Conversations. 2012. <<http://www.bazaarvoice.com/products/conversations>>.

²⁶ Bazaarvoice: Connections. 2012. <<http://www.bazaarvoice.com/products/connections>>.

retail sites. Questions are answered directly on the site so that customers can produce higher conversion rates and both customer service costs and return rates are diminished.

Most importantly, Bazaarvoice provides its customers with business intelligence. Bazaarvoice Intelligence works to uncover product and service insights as recommended by consumers that will drive new innovations back into the company.²⁷ This analytic data will identify advocates and influential consumers who will be best to target when rolling out marketing campaigns. The end goal of this intelligence feedback is to pinpoint any issues to decrease returns and improve customer satisfaction, learn to which aspects of a company consumers are most drawn so that only the most important processes can be reworked, and drive retailer-supplier relationships by building shared experiences and insights. Bazaarvoice uses this data to create tailored assistance to its clients but also releases seasonal ‘Social Trend Reports’²⁸ and ‘Conversation Indices’²⁹ to illustrate to the public the value proposition of the company.

A last offering of Bazaarvoice that ties directly back into the operations of an agency like Ogilvy is Bazaarvoice Media. This company produces advertising material based on the concept that consumers are very skeptical of traditional marketing media. They know that most messaging they see is produced directly by a company and is therefore highly manipulative. Bazaarvoice approaches advertising from the other direction. Media content is produced based on insights and feedback given directly by the consumers themselves.³⁰ Including transparent, authentic consumer word of mouth content, advertising is created to tell the consumer exactly

²⁷ Bazaarvoice: Intelligence. 2012. <<http://www.bazaarvoice.com/products/intelligence>>.

²⁸ Bazaarvoice: Social Commerce Trends Report. 2011. <<http://www.bazaarvoice.com/resources/research/social-commerce-trends-report-top-takeaways-2011-social-commerce-summit>>.

²⁹ Bazaarvoice: The Conversation Index. March 2012. <<http://www.bazaarvoice.com/theconversationindex>>.

³⁰ Bazaarvoice Media. 2012. <<http://www.bazaarvoice.com/products/media>>.

what their peers are saying about a client. It creates a much more trusted connection by having consumer voices power paid media across all channels.

Not only will the acquisition provide Ogilvy with a better sense of the customer voice, but it would open up an opportunity for Ogilvy's US operations to expand into a fast growing southern market. As shown on the map below, Ogilvy has many offices throughout the States, but none through most of the Southern and Midwest states. While large portions of agency clients do not require a close proximity in order to effectively manage strategic communications, many clients do prefer that they have the convenience of doing business in person upon short notice. When Ogilvy brought in SC Johnson's business in the summer of 2011, for example, all of the new work was appropriated to Ogilvy's Chicago office. As SC Johnson is based in the Chicago area, the Chicago Ogilvy office was requested to take a hands-on approach to foster a positive relationship with the client moving forward.

Austin would seem to be the next location of choice, regardless of a Bazaarvoice acquisition. Many large, global corporations have operations headquartered in those states surrounding Texas and would find great appeal in an agency founded in similar southern ideals. Austin is an area of tremendous population growth, the nation's second fastest growing metro area between April 2010 and July 2011³¹. While the culture of the city may have much to do with this growth, the industries choosing Austin as home are very telling of its potential. Austin, and Texas in general, is becoming the sister region to Silicon Valley in terms of tech innovation. With low housing costs and no state income tax, employees are very happy to be moving to a region that is both cost efficient and has a vibrant professional and social culture.

³¹ Castillo, Juan. "Austin-area Growth Rate Ranks 2nd in Nation." Austin Statesman. 5 Apr. 2012. Web. 03 Apr. 2012. <<http://www.statesman.com/news/local/austin-area-growth-rate-ranks-2nd-in-nation-2284182.html>>.

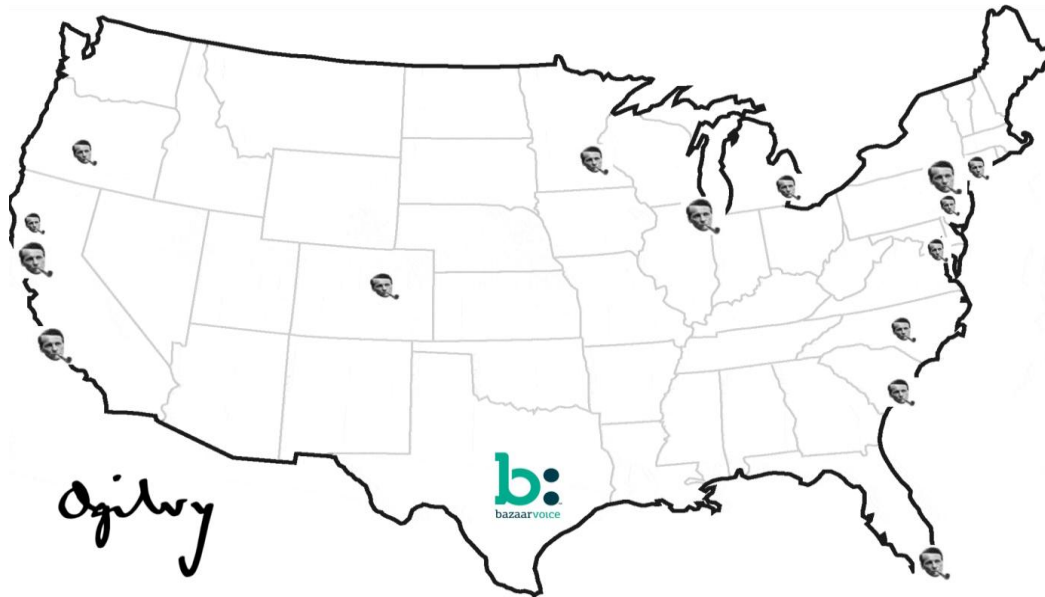


Figure 2: United States Ogilvy Operations (signified by David Ogilvy profile) and Bazaarvoice HQ

Ogilvy would be joining some major digital and high-tech companies that have decided to expand operation into the Lone Star state. In March of 2012, Apple Inc. chose Austin as its newest location for a \$300+ million campus due to tax incentives from both state and local councils.³² LegalZoom.com also established a second major location in Austin, citing both a business-friendly environment and a mimicked California culture as motivation for the decision.³³ Even social media revolutionary Facebook, which had never had a major U.S. expansion outside of the state of California, launched a major Austin office in May of 2010.³⁴

With so much digital and tech influence on the region, it seems Austin would be a perfect

³² Kuehl, Julie. "County Considering More Tax Incentives for Apple's Austin Expansion." Mac Observer. 6 Apr. 2012. Web. 03 May 2012.
<http://www.macobserver.com/tmo/article/county_considering_more_tax_incentives_for_apples_austin_expansion/>.

³³ Hawkins, Lori. "LegalZoom Eyes Austin." Austin Statesman. 28 Jan. 2012. Web. <<http://www.statesman.com/business/legalzoom-eyes-austin-201132.html>>.

³⁴ "Facebook Austin Opens Monday." KXAN TV. NBC, 3 May 2012. Web. 02 Mar. 2012. <<http://www.kxan.com/dpp/news/Facebook-Austin-opens-Monday>>.

environment in which to grow Social@Ogilvy division. Increased cooperation with Facebook and similar online platforms could greatly increase the value of this Ogilvy business unit.

WPP Poised for Growth

In order to speculate about acquiring a company such as Bazaarvoice, especially one that has just proven its high worth with an impressive IPO, WPP must be in a financially sound position. It may not be surprising that during the recession of 2008 and 2009, the communications industry as a whole took a major hit. While there is tremendous proof to show the value of these services to companies both large and small, often times the marketing and communications platforms are first on the chopping block during hard economic times. WPP CEO Sir Martin Sorrell reported that advertising as a proportion of gross national product (GNP) in the US probably fell to a low we had not seen since the mid-1970s.³⁵ WPP was no exception to this rule, as reported profit before tax was down over 16% from the previous fiscal year by the end of 2009.³⁶

Despite the hard times, WPP continued to adapt and grow. Even in 2009, revenues and billings saw slow growth across almost all WPP sectors. But 2010 was a year of significant recovery, with reported profit before tax reaching an unprecedented growth rate of 28% resulting in revenues that surpassed all WPP competitors.³⁷ WPP points to ‘mini-quadrennial’ events that helped to quickly stimulate growth in the sector—Winter Olympic Games in Vancouver, the World Cup in South Africa, the World Expo in Shanghai, the Asian Games in Guangzhou and

³⁵ Sorrell, Martin. *What We Think*. WPP: Annual Report 2010. <<http://www.wpp.com/annualreports/2010/what-we-think/by-sir-martin-sorrell.html>>.

³⁶ WPP: Annual Report. 2009. <<http://www.wpp.com/annualreports/2009/the-fast-read/index.html>>.

³⁷ WPP: Annual Report. 2010. <<http://www.wpp.com/annualreports/2010/index.html>>.

the mid-term Congressional elections in the US.³⁸ But while 2010 was a year of stable recovery for the holdings company, WPP saw a year of tremendous growth in 2011.

Though a 2011 annual report is not yet available for the company, WPP reports that profits soared 43 percent to \$1.46 billion, up from \$959 million at year's end 2010.³⁹ The company was not alone in its success, as the three other major industry holding companies, Publicis, Interpublic, and Omnicom, all posted double-digit increases in net income.³⁹ With all competitors showing signs of improvement, WPP is forced to continuously reinvest profits into new business acquisition and growth. In 2012, WPP and its subsidiaries has already acquired, taken an ownership stake, or merged with over fifteen new companies worldwide, most of them within the digital sector. Most notably, Ogilvy and Mather took a stake in DTDigital in Australia,⁴⁰ WPP acquired EffectiveUI in Denver,⁴¹ and WPP took a majority stake in 41?29! Media, a digital agency in Turkey.⁴² For reasons described earlier and because competitors will continue to invest in similar ways, an Ogilvy acquisition of Bazaarvoice is a feasible and beneficial next step for the company.

See appendix for further WPP financial statements.

III. Integrated Marketing Communications: Surviving the Recession

³⁸ Sorrell, Martin. *What We Think*. WPP: Annual Report 2010. <http://www.wpp.com/annualreports/2010/what-we-think/by-sir-martin-sorrell/a-faster-than-expected-recovery.html>

³⁹ O'Leary, Noreen. "2011 WPP Profit Soars 43%." *Ad Week*. 1 Mar. 2012. Web. 12 Apr. 2012. <<http://www.adweek.com/news/advertising-branding/2011-wpp-profit-soars-43-138678>>.

⁴⁰ WPP. Ogilvy & Mather Takes Stake in DTDigital in Australia. Feona McEwan, 18 Jan. 2012. Web. <<http://www.wpp.com/wpp/investor/financialnews/default.htm?guid=%7b4ee0a12c-90e0-4684-a4f4-b59f68a35681%7d>>.

⁴¹ WPP. WPP Acquires EffectiveUI in Denver, Colorado. Feona McEwan, 3 Apr. 2012. Web. <<http://www.wpp.com/wpp/investor/financialnews/default.htm?guid=%7b4ee0a12c-90e0-4684-a4f4-b59f68a35681%7d>>.

⁴² WPP. WPP to Acquire Majority Stake in 41?29! Media, a Digital Agency in Turkey. Feona McEwan, 24 Jan. 2012. Web. <<http://www.wpp.com/wpp/investor/financialnews/default.htm?guid=%7b4ee0a12c-90e0-4684-a4f4-b59f68a35681%7d>>.

With so much new growth and prosperity for WPP Group, one has to be curious as to how the company emerged so prolifically out of the recession. While many marketers argue that marketing budgets should never be cut during a recession, the severity and unpredictability that occurs during a downturn may force companies to do just that. But WPP companies survived because of their ability to adapt and differentiate.

Recessions of the past have shown that brands that lose market share in recession will take from two to four years to regain lost ground.⁴³ Brands that maintain balanced and consistent marketing support, however, will gain market share more cheaply than in stable periods and will grow more rapidly when market growth returns. Marketing will keep a brand reputation afloat if it is the only one advertising even in hard times. It helps to push companies forward rather than fading backward into past circumstances. It helps to gain market share. There's really no reason to look to the marketing budget in times of trouble. Ogilvy and Mather proved that it could do all of these things in more when clients didn't jump ship during the recession.

Essentially, Ogilvy knew that it needed to do more with less. Its primary goal was to retain the agency's most profitable clients. Losing these clients would be the end of the agency and so the priority had to exist in them. Once these clients had been assured that the agency would retain them as precedence Ogilvy needed to go after new target markets of customers who are still ready and willing to buy. After harboring existing customers, these customers have to be swayed to spend their hard earned dollars in a troubled time. One way of finding these customers is through an optimized budget and selection of channels. Because digital is so accessible and

relatively cheap, most of the budget must be shifted into this sector. While Ogilvy did strive to do just that, a 360 degree campaign solution was still the primary choice for clients.⁴³

In transitioning to digital, there are five main facets to approach as a marketing communications agency. These include search engine optimization, email, content and video distribution, mobile marketing, and social media. As discussed early in the paper, the adaptation to these digital media is what allows Ogilvy to strive amongst solid competitors. The digital space can be an extremely cost-effective and measurable way for marketers to deliver messages in today's market. Ogilvy hopes to utilize every available aspect of this space as they navigate clients through a recession.

Search engine optimization may be the easiest strategy for Ogilvy to pursue. A free (aside from man hour) strategy, SEO plays a vital role in connecting consumers' needs with products and services. Organic search result efficiency is hardly organic. Web technicians must scour keywords to ensure that the most frequently searched terms are matched with those that a client's website holds. Email is also very impactful and quite cheap. With viral video and heat mapping techniques, Ogilvy can ensure impact of a direct marketing campaign through email messages. A risk in this, however, is the likelihood of spamming potential and existing customers that would be put off by aggressive email systems. It becomes a delicate balance of efficiency and restraint.

Content and video distribution is an entirely new form of unpaid media now that the internet has the power to virally spread messages. Online video has to be a focal point for digital campaigns in times of recession due to the nature of user connectivity. If Ogilvy can establish a

⁴³ Gray, Bill. "Doing More with Less: A Point of View on Marketing in a Recession." Ogilvy Assets. 5 Dec. 2008. Web. <http://assets.ogilvy.com/truffles_email/og_recessionpdf/Doing_More_with_Less_A_Point_of_View_on_Marketing_in_a_Recession_US.pdf>.

campaign that will sound with the masses, it will create a massive network of brand ambassadors through its online content. The best aspect of this content is its interactivity, for the longer Ogilvy can keep a consumer engaged with client material online, the more likely they are to leave a lasting impression.

In adapting to the times, Ogilvy knows that the two newest marketing mediums by which content will have a phenomenal reach are in mobile and social media. Many marketers have not yet adopted mobile as a part of their channel mix. Ogilvy hopes to take advantage of SMS advertisement marketing, within which fifty-one percent of mobile users respond in some way.⁴⁴ Since mobile users can quickly opt in or out of a messaging program, marketers can make their content available to a wide range of mobile phone subscribers. And as discussed earlier, the social space is becoming tremendously powerful in creating two-way conversation between brand and consumer. This space is currently free to utilize and can create a mass amount of unpaid influence over consumers. Ogilvy is one of the first to attempt to master this space.

Marketing communications counter intuitively must see a growth in budget during the recession rather than diminishing. While this may not be possible in all situations, it is those who do turn to marketing that come out of a recession with the greatest leverage and the most to gain. Even with a tighter budget there are effective marketing techniques to continue to grow, namely those unpaid forms of social marketing. It is a space that Ogilvy should and will continue to pursue both during and after an economic downturn.

⁴⁴ Lee, Toni. "Digital in a Downturn: Smart Strategies for Tough Times." Ogilvy Assets. 2009. Web. <http://assets.ogilvy.com/truffles_email/og_recessionpdf/Digital_in_a_Downturn_Smart_Strategies_for_Tough_Times.pdf>.

IV. Marketing Communications In the Era of Cyber Instability

Information security is now a major factor that companies must take into account when doing business in the digital realm, and marketing communications is no exception to this rule. The world in which we live today is becoming increasingly connected through cyber network structures. In an attempt to organize and consolidate the world's information, much of our new communication and data storage operations are now managed over a digital network, with 85% of all systems relays being digital.⁴⁵ Within the next five to seven years, all communications are going to be transported over a common network structure through network convergence.⁴⁵ Companies around the world have begun to store data in and access data from exterior facilities and data from individual users around the globe is being consolidated onto one central mainframe. In our race to simplify and organize our information, however, we have not allowed for our cyber security to catch up.

Cyberspace is a unique new space that both public and private organizations have welcomed with open arms, yet there is much to this realm that these organizations do not understand and cannot control. The cyber environment has a distributed global span that is not controlled by any one entity. It was designed this way, as its creators wanted to create a medium over which information could pass without restrictions. But because cyber is a free and open platform, attribution is nearly impossible. A diverse range of threats have emerged with almost no obstacles. Since the digital realm is leading the way forward, though, disassociation from cyberspace by any organization is impossible. The physical world is now completely dependent

⁴⁵ Aiken, Scott. "Data Breach - Risk Intelligence." SAIC Guest Speaker. Information Security Risk ITEC-596, Washington, DC. 31 Jan. 2011. Lecture.

on the operations over the cyber domain. And as advertising continues down a digital path, this dependency can prove to be a major issue.

Verizon's 2010 Data Breach Investigations Report shows that on average, organizations are spending more than one million dollars per day on their information technology operations and one million per week on overseas information security alone.⁴⁶ The globalization trend of late has encouraged organizations to store information not only just digitally but digitally within the cloud, outside of the organizations' security controls. This trend opens up the floodgates for cyber intrusions, and in 2008 alone an estimated \$1 trillion was lost by companies worldwide due to the damage from these intrusions despite all of the security protocol in place.⁴⁷

Almost all major organizations have seen some sort of breach during their normal periods of operation. A 2008 report by McAfee and SAIC shows that around 25% of organizations have had a merger, acquisition, or new production rollout stopped or slowed by a data breach or credible threat of a data breach.⁴⁷ Often these companies simply do not feel that these remedial actions are worth their cost, but the attacks are only growing in number and severity.

These companies are overlooking the fact that the cost of security breaches goes far beyond just system downtime and possible customer or stakeholder litigation. Cyber security incidents will corrode customer trust and public image, inflicting long-lasting negative effects on a company's reputation. Therefore, not only do marketing communications agencies have to manage the risk of data breaches but they also have to learn how to manage a communications campaign after a security breach takes place.

⁴⁶ Baker, Wade, et. al. 2010 Data Breach Investigations Report. 41. Rep. Verizon Business, 28 July 2010. Web. 04 Dec. 2011.

⁴⁷ George, Jennifer. Intellectual Capital and Sensitive Corporate Data Now the Latest Cybercrime Currency. Rep. McAfee and SAIC, 2011 Mar. 28. Web. <<http://161.69.13.40/us/resources/reports/rp-underground-economies.pdf>>.

As far as avoiding incidents themselves, agencies have to be very careful to have stable security procedures in place. They are dealing with a wide range of extremely sensitive information that isn't even their own. Clients provide agencies with the inside scoop regarding cutting edge developments that are of vital importance to retaining competitive advantage. There is much to be gained by hacking into a communication agency's system to retrieve this information. Not only that, but agencies interact with a very broad scope of actors when they create campaigns for these clients. They have to be absolutely sure that every freelance agent and every actor throughout the production channels abides by the security protocol that the agency puts in place to protect itself from intrusions. There are so many points of access that it becomes a very delicate safeguard around this intellectual capital.

If a breach does occur at a client site, the agency also has to deal with the massive public relations backlash that will occur. Crisis communication policies must be made mandatory within all organizations, big and small, to prepare for attacks on their system data. Public relations specialists must understand the cloaked nature of such crises and prepare to combat an invisible opponent. As long as companies continue to ignore the risks of cyberspace, public relations teams must be standing by. Essentially, it falls upon the integrated communications teams to deal with any misstep by the security teams which are currently largely underfunded and largely unprepared. This is and will continue to be a major issue as digital communications propels the way we interact.

V. Conclusion

As integrated marketing communications becomes more and more entwined with the digital space, agencies across the globe must be able to adapt. This comes with both positive and negative consequences. Digital can provide a huge positive in its ability to reach a very targeted consumer at a very low cost and opens up the capability of two-way communication between companies and consumers. But with that rapid expansion emerges the risk of opening up operations to security vulnerabilities. Taking into account constant competitive innovation and tumultuous economic times, Ogilvy and the WPP Group have performed very well but will need to continue to innovate and collaborate with or even acquire new software-based communication companies in order to stay ahead of the field. The entire communications field will change very rapidly as new technologies emerge, so these trends will not end any time soon.

Appendix

WPP Group Consolidated Income Statement⁴⁸

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m	2008 £m	2010 \$m ³	2009 \$m ³	2008 \$m ³
Billings ¹		42,683.6	37,919.4	36,929.0	65,961.2	59,388.7	67,381.0
Revenue	2	9,331.0	8,684.3	7,476.9	14,416.2	13,598.2	13,598.4
Direct costs		(770.5)	(703.6)	(467.5)	(1,190.0)	(1,103.8)	(827.2)
Gross profit		8,560.5	7,980.7	7,009.4	13,226.2	12,494.4	12,771.2
Operating costs	3	(7,587.5)	(7,219.0)	(6,133.4)	(11,728.2)	(11,275.6)	(11,195.2)
Operating profit		973.0	761.7	876.0	1,498.0	1,218.8	1,576.0
Share of results of associates	4	55.2	57.0	46.0	85.3	91.2	83.7
Profit before interest and taxation		1,028.2	818.7	922.0	1,583.3	1,310.0	1,659.7
Finance income	6	81.7	150.4	169.6	126.0	241.4	316.9
Finance costs	6	(276.8)	(355.4)	(319.4)	(427.8)	(562.3)	(588.4)
Revaluation of financial instruments	6	18.2	48.9	(25.4)	30.1	80.1	(37.3)
Profit before taxation		851.3	662.6	746.8	1,311.6	1,069.2	1,350.9
Taxation	7	(190.3)	(155.7)	(232.9)	(294.4)	(249.3)	(416.7)
Profit for the year		661.0	506.9	513.9	1,017.2	819.9	934.2
Attributable to:							
Equity holders of the parent		586.0	437.7	439.1	901.0	708.1	803.5
Non-controlling interests		75.0	69.2	74.8	116.2	111.8	130.7
		661.0	506.9	513.9	1,017.2	819.9	934.2
Headline PBIT	31	1,228.7	1,017.2	1,118.2	1,893.3	1,622.7	1,984.4
Headline PBIT margin	31	13.2%	11.7%	15.0%	13.1%	11.9%	14.6%
Headline PBT	31	1,033.6	812.2	968.4	1,591.5	1,301.8	1,712.8
Earnings per share ²							
Basic earnings per ordinary share	9	47.5p	35.9p	38.4p	73.1¢	58.1¢	70.3¢
Diluted earnings per ordinary share	9	45.9p	35.3p	37.6p	70.6¢	57.2¢	68.7¢

⁴⁸ WPP: Financial Statements. *Consolidated Income Statement*. 2010.

<<http://www.wpp.com/annualreports/2010/financial-statements/consolidated-income-statement.html>>.

WPP Group Consolidated Cash Flow Statement⁴⁹

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m	2008 £m
Net cash inflow from operating activities	11	1,361.2	818.8	922.7
Investing activities				
Acquisitions and disposals	11	(200.1)	(118.4)	(1,029.4)
Purchases of property, plant and equipment		(190.5)	(222.9)	(196.8)
Purchases of other intangible assets (including capitalised computer software)		(27.0)	(30.4)	(23.8)
Proceeds on disposal of property, plant and equipment		7.6	9.2	11.5
Net cash outflow from investing activities		(410.0)	(362.5)	(1,238.5)
Financing activities				
Share option proceeds		42.7	4.1	10.6
Cash consideration for non-controlling interests	11	(15.1)	(26.4)	(19.7)
Share repurchases and buy-backs	11	(46.4)	(9.5)	(105.3)
Net increase/(decrease) in borrowings	11	19.8	(426.3)	810.4
Financing and share issue costs		(3.5)	(18.8)	(19.4)
Equity dividends paid	8	(200.4)	(189.8)	(161.8)
Dividends paid to non-controlling interests in subsidiary undertakings		(66.7)	(63.0)	(63.5)
Net cash outflow from financing activities		(269.6)	(729.7)	451.3
Net increase/(decrease) in cash and cash equivalents		681.6	(273.4)	135.5
Translation differences		82.2	(98.7)	120.3
Cash and cash equivalents at beginning of year		946.0	1,318.1	1,062.3
Cash and cash equivalents at end of year	11	1,709.8	946.0	1,318.1
Reconciliation of net cash flow to movement in net debt:				
Net increase/(decrease) in cash and cash equivalents		681.6	(273.4)	135.5
Cash (inflow)/outflow from (increase)/decrease in debt financing		(16.3)	445.1	(796.6)
Debt acquired		–	–	(577.8)
Other movements		(17.7)	35.1	(94.5)
Translation difference		104.4	220.4	(448.5)
Movement of net debt in the year		752.0	427.2	(1,781.9)
Net debt at beginning of year		(2,640.4)	(3,067.6)	(1,285.7)
Net debt at end of year	10	(1,888.4)	(2,640.4)	(3,067.6)

⁴⁹ WPP: Financial Statements. *Consolidated Cash Flow Statement*. 2010.

<<http://www.wpp.com/annualreports/2010/financial-statements/consolidated-cash-flow-statement.html>>.

WPP Group Consolidated Balance Sheet⁵⁰

At 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Intangible assets:			
Goodwill	12	9,106.3	8,697.5
Other	12	1,904.5	2,000.7
Property, plant and equipment	13	708.4	680.5
Interests in associates	14	792.1	729.3
Other investments	14	173.7	294.6
Deferred tax assets	15	79.1	67.5
Trade and other receivables	17	323.5	286.1
		13,087.6	12,756.2
Current assets			
Inventory and work in progress	16	366.0	306.7
Corporate income tax recoverable		82.9	73.0
Trade and other receivables	17	8,843.4	7,548.9
Cash and short-term deposits		1,965.2	1,666.7
		11,257.5	9,595.3
Current liabilities			
Trade and other payables	18	(11,703.6)	(9,774.0)
Corporate income tax payable		(115.8)	(71.6)
Bank overdrafts and loans	20	(255.4)	(720.7)
		(12,074.8)	(10,566.3)
Net current liabilities		(817.3)	(971.0)
Total assets less current liabilities		12,270.3	11,785.2
Non-current liabilities			
Bonds and bank loans	20	(3,598.2)	(3,586.4)
Trade and other payables	19	(388.6)	(423.3)
Corporate income tax liability		(481.8)	(485.5)
Deferred tax liabilities	15	(750.7)	(809.6)
Provision for post-employment benefits	23	(241.5)	(251.8)
Provisions for liabilities and charges	21	(161.6)	(152.9)
		(5,622.4)	(5,709.5)
Net assets		6,647.9	6,075.7
Equity			
Called-up share capital	26	126.4	125.6
Share premium account		54.5	12.6
Shares to be issued		3.1	5.5
Merger reserve		(5,136.8)	(5,138.0)
Other reserves	27	1,182.8	1,093.1
Own shares		(144.8)	(154.0)
Retained earnings		10,361.4	9,949.2
Equity share owners' funds		6,446.6	5,894.0
Non-controlling interests		201.3	181.7
Total equity		6,647.9	6,075.7

⁵⁰ WPP: Financial Statements. *Consolidated Balance Sheet*. 2010.<<http://www.wpp.com/annualreports/2010/financial-statements/consolidated-balance-sheet.html>>.