



# The persuaders are coming

The influx of global communications giants, such as WPP, Omnicom and Interpublic, has churned the Indian advertising industry.

**Austin Lobo** examines the metamorphosis of the business of persuasion.

**BIG TIME STAKES:** Sir Martin Sorrell, CEO of WPP, believes Asia, especially India and China, has great growth potential

**T**here is a sense of hushed urgency in the corridors of power on the fourth floor of Peninsula Chambers, which houses the executive offices of JWT in Mumbai. The group's president worldwide, Michael Maedel, and area director for Asia Pacific south, Patrick Pitcher, are in the city to make an announcement. JWT has changed. No more is it J Walter Thompson — the eponymous firm started 140 years ago by a commodore has been consigned to a burial on the high seas and the advertising agency's commanders have charted a new course for it. No more is the agency housed in the solid stone Laxmi Building in Mumbai's old business district of Fort. JWT's India headquarters now sits in glass-and-gleam offices in a brand new complex in Mumbai's new emerging business district, Lower Parel. "This change opens a hugely important chapter in our 140-year history," explains Maedel. "The new JWT logo is an expression of change, but more importantly what we launched was a change in the way we cope with markets. It is a new set of beliefs about how to evaluate work both among ourselves and with our clients."

Maedel could well be referring to India's advertising industry — JWT's global transformation is symbolic of quick-paced evolution of the advertising industry in India, whose revenues are estimated at \$2.6 billion. The change is the outcome of India's economic liberalisation, which gathered momentum since 1991. As New Delhi opened the economy to foreign investment, global multinationals came in — and so did foreign advertising groups. After furious acquisitions, they have now consolidated their positions in India and have taken root.

Consequently Indian agencies have become part of giant global communications networks such as WPP, which commands 50 per cent of the

industry in India, followed by Interpublic and Omnicom. WPP is in India with major companies such as JWT, Contract, O&M, RMG David, Bates, Red Cell, Everest and Rediffusion Y&R. The Omnicom umbrella covers RK Swamy BBDO, TBWA and a small part of Mudra Communications. Interpublic's stable includes FCB Ulka, Lowe, SSC&B, Quadrant, McCann and Enterprise-Nexus and Publicis's team in India includes Leo Burnett, Saatchi & Saatchi, Publicis and D'Arcy. Besides, Dentsu has a small presence in India as has Havas with its agency Euro RSCG.

Omnicom, the world's single largest holding company in the industry, has a smaller presence in India than WPP because it has focused on Europe and the US. Omnicom sees growing emphasis on non-traditional forms of marketing communications and has been concentrating on developing such channels as customer-relations management, public relations and event management companies. Half its revenues come from such non-conventional communications channels. Recently the group has been taking an increasing interest in Asia, particularly India and China, and will look to acquire firms that specialise in public relations and health-care communications besides strengthening its ties in India.

The global giants, for their part, are happy to come to India, and for good reason. India offers a wealth of talent. Several Indians have made it to global management boards of international parents. Anil Kapoor, managing director of FCB-Ulka Advertising, is on the board of directors of Interpublic, the agency's parent company. Besides, Indians have also proved themselves on the creative front. Piyush Pandey, O&M's national creative director, was the first Indian to head an international jury at the Cannes international advertising awards this year. "There's very good talent here," says John Goodman, chief executive of India and

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south Asia, Ogilvy & Mather. "We send about six people every year to our offices all over the world." Global clients recognise that. Confectioner Perfetti decided to outsource, to O&M in India, the creative for the products it sells globally.

India's major attraction also lies in its quick economic growth. The Indian economy has been accelerating, posting growth rates of between six and eight per cent a year. Multinational companies have entered the market and competition is simmering. Virtually every product category has several players competing for a share of the consumer's rupee.

In automobiles, Santros, Ford Ikon, Opel Astras, Accents and Sonatas, Mercedes, and of course, the home-bred Indica and Indigo from Tata Motors, course the roads where once there was the Premier Padmini and the Ambassador. Foreign and national brands have proliferated across virtually every category — in soaps and shampoos, perfumes and pens, phones and fashion, detergents and drinks, chocolates and cheese, the list is endless. It's easy to see why global giants are flocking to a beckoning market.

Sir Martin Sorrell, chief executive of WPP, the world's second largest marketing and communications group, sees 'massive opportunities' in India and China, which are home to a third of the world's population and a 150 million-strong middle-class population that can afford to buy the products that WPP's clients sell. "There is a shift of wealth back to the East," says Sir

### Who owns what in India

Company	Their Indian advertising agencies
<b>Omnicom</b>	R.K. Swamy BBDO, TBWA-Anthem, minor stake in Mudra
<b>WPP</b>	JWT, O&M, Contract, RMG David, Bates, Red Cell, Everest, Rediffusion /DY&R
<b>Interpublic</b>	Lowe, SSC&B, Quadrant, McCann, Enterprise-Nexus, FCB-Ulka
<b>Publicis</b>	Leo Burnett, Saatchi & Saatchi, Publicis, D'Arcy
<b>Dentsu</b>	Dentsu Communication, Dentsu Marcom
<b>Havas</b>	Euro RSCG

Source: Adage

Martin. "And I don't think the West quite understands what is happening."

Expenditure on advertising has picked up. The industry's revenues have been growing at a healthy pace after growth eased at the turn of the century. But the rates seem to have matured since the heady days of the 1990s, when advertising expenditure grew by 35 per cent and soared higher to 50 per cent. In the year ending March 2003 adspends grew by 9.5 per cent and revved up to 13.4 per cent in the following year.

"The economy is growing fast and foreign advertising agencies are interested in this growing economy," says Goodman. "They are taking India seriously." India's economic growth has been driving the advertising industry's development. Suddenly the Indian consumer has the gift of choice. He has become exacting and demanding. He demands quality and insists on brands by name. Brands, in their turn, are trying to sell themselves to the consumer, to corner a share of his mind and wallet. Competition has become stiffer than ever. That means advertising agencies must work harder to get their brands into a consumer's consciousness." India is changing fast," says Colvyn Harris, president of JWT's Indian operations. "Clients are under pressure in the marketplace. And if you are ambitious there's even more pressure."

Agencies must therefore understand the consumer well if they are to communicate effectively. They must bring to the table a thorough understanding of consumer behaviour and become an active part, along with their clients, in the marketing strategy. Global partners have resources, tools and



**A NEW IMAGE:** JWT group president, Michael Maedel, sees change in India's advertising industry

expertise that help their Indian partners to do just that — and clients love it. Consequently, Indian agencies are now armed with fairly sophisticated research tools that can enhance consumer understanding and measure advertising effectiveness.

Interestingly, Indian agencies have begun to develop their own research tools, which are being used by their parent companies. FCB Ulka Advertising, part of the Interpublic stable, has developed a research tool that helps advertising agencies get a better fix on their target consumers. The innovation is being used in the Asia Pacific.

For all the glamour of belonging to a global network, some Indian agencies

prefer to maintain their independence. The perception among some of the independent Indian advertising agency owners is that multinational networks come in and drive hard bargains and they end up controlling the agency, leaving the entrepreneur who actually started the enterprise, with virtually no say in the running of the company.

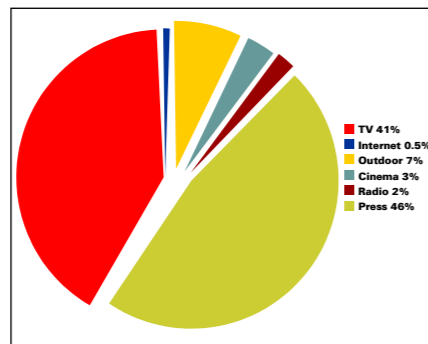
Many agency owners resent the idea of submitting to quarterly stocktaking of the agency's progress. According to Sam Balsara, chairman and managing director of Madison Communications, a foreign partner must further an Indian agency's interests. He says, "Virtually every large network has spoken to us and expressed interest in

**Ad spends in Asia Pacific**

Countries	2003*	2004*	% change
Japan	36898	37300	1.1
China	19660	27669	40.7
South Korea	5612	5371	-4.3
Australia	5540	6134	10.7
Hong Kong	3650	7793	113.5
India	2419	2967	22.7
Indonesia	2239	3009	34.4
Taiwan	1708	2035	19.1
Thailand	1676	204	19.6
New Zealand	1160	1276	10
Singapore	662	725	19.4

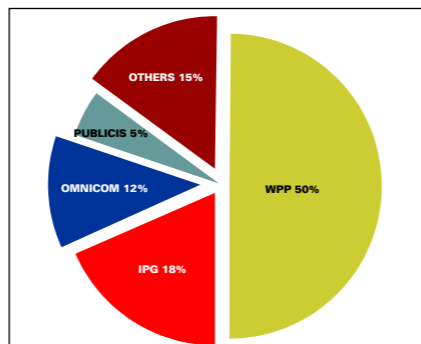
\*\$ million Source: Initiative Worldwide

**Where the \$ 2.6 billion ad spend went in 2004**



Source: Industry Estimates

**Who has what share of the business in India**



Source: Industry Estimates



**GOING IT ALONE:** Sam Balsara, chairman and managing director of Madison Communications, is doing 'reasonably well' without a tie-up

buying a stake in Madison. But we are clear that any tie-up must first make Madison stronger, must be in the best interests of our clients, employees and shareholders, in that order. Madison does not have a philosophical objection to teaming up with a multinational network, but it must make sense to us." He points out that his agency is doing "reasonably well so it's not exactly easy to hand over every thing on a platter to someone else."

Balsara however sees one advantage if an alliance takes place — preferential access to international clients. But he believes that his agency is quick to respond to situations and to take decisions. Besides, he is not answerable to any shareholder. Balsara should know. Madison and DMBB had been in a relationship for five years between 1993 and 1998 after which the agencies parted ways. Another independent agency owner is averse to a foreign entity owning his agency because he sees it as an intrusion — "I do not want them looking over my shoulder", he says. And another owner decided to shut shop rather than sell his agency, which carried his family name, to a stranger.

Some agencies opt for the security that comes from being part of a global network. An Indian agency, TBWA, opened its doors in 1988, with headquarters in Delhi. It acquired a Mumbai-based advertising

agency, Radeus Advertising, in 1994 and seeing the sizzling competition, decided to collaborate with a foreign agency. It tied up with Anthem in 1998 and came to be called TBWA Anthem Advertising. Then, Omnicom acquired Anthem abroad and TBWA came under the Omnicom umbrella.

Although the big four marketing communications groups are well represented in India, many Indian enterprises might not be able to effectively use the services of a large advertising firm. On the other hand a large advertising agency might not find it worth its while to handle a very small account. Srinivasan Swamy, chief executive of RK Swamy BBDO Advertising, believes that clients need varied levels of sophistication. "Some clients would be uncomfortable with such levels of sophistication," he says, referring to the large super-agencies and their resources. "Most often, entrepreneurial clients take their business decisions based on 'gut feel' rather than elaborate research, and many of them are very successful."

**On the Web**

- Ogilvy & Mather: [www.ogilvy.com](http://www.ogilvy.com)
- JWT: [www.jwt.com](http://www.jwt.com)
- Lowes: [www.loweworldwide.com](http://www.loweworldwide.com)

A complete listing of advertising agencies in India is available on [www.agencyfaqs.com](http://www.agencyfaqs.com)

So, there is room for small agencies, at least until an entrepreneur grows large, wants to spend considerable amounts of money on marketing communications and needs the services a large agency can offer. The system will always throw up the enterprising spirit in the form of boutique agencies. This has happened abroad, as in the birth of St Luke's in London, and it has happened in India with the formation of small firms such as Chlorophyll, Alok Nanda & Company and Vyas Giannetti Creative. "There is always room for the right kind of person to survive," says Kurien Mathews, director at TBWA India. "There will always be people who will challenge and break the conventional mould."

As long as agencies stay small and minimise on overheads their chances of survival are high. But an enterprising entrepreneur would want to develop the agency, which would mean larger overheads and looking for larger clients, who in turn would demand quality services, which would call for resources, investment and talent. All this costs money. The tendency, then, is to look for a large network that will buy out the agency. That brings the global giants into play — it's the way of the system.

And the global communications groups are only too happy to come to India for the various benefits that a growing market throws up.