



The 2004 Agency Report Card

by The Holmes Report

Momentum

The largest of the remaining independents, Edelman may have missed out on some of the big integrated pitches that occurred with increasing frequency in 2003, but there are at least as many clients out there that find the PR-centric communications model Edelman espouses a refreshing contrast to the big holding company agencies. As a result, Edelman outperformed the market throughout the recession and continued to grow in 2003, albeit modestly: up about 1 percent worldwide, slightly more than that in the U.S. Major wins included work from Unilever, AT&T Wireless, Veritas, AstraZeneca, GlaxoSmithKline, Heinz, Canon, Hershey, Kraft, United Airlines, the government of South Africa, and the National Cattlemen's Beef Association.

National Reach

Edelman's greatest strength is in the Midwest and on the East Coast, with its co-headquarters in New York and Chicago and its Washington D.C., public affairs operation accounting for a bulk of its U.S. revenues. The Atlanta office has also made impressive strides, breaking into the top five in the local market after revenue growth of 17 percent in 2003 and the addition of clients such as Georgia Pacific and Southern Company. And the West Coast operations continue to contribute, serving major clients such as Microsoft, Nissan, the Motion Picture Association of America and Starbucks, and the Texas operations are expanding, with a new office in Austin.

International Reach

Edelman has one of the broadest and best-established international networks, on a par with the giant holding company-owned agencies, but it has

failed to capitalize on that network in recent years, in part because of its inability to find a stable leadership team in Europe, which accounts for about \$45 million in revenues but declined slightly in 2003. The consumer practice is particularly weak in Europe—ironically, given Edelman's heritage in that arena—and that has to be a priority for a new regional CEO David Brain as he sets out to expand the firm's European footprint, building on strong operations in London and Brussels. The Asia-Pacific operations, meanwhile, recorded impressive growth last year, up by more than 20 percent to around \$14 million. The best news, however, is the increasing globalization of the firm's biggest accounts: Microsoft is served in 11 markets; UPS worked with Edelman to introduce its new brand globally; AstraZeneca has migrated from the U.S. to London and Asia; Huawei was an Asian win that is now served in the U.S. and Europe.



Best Agency to Work For



Client Service Awards of Excellence

pharmaceutical companies including AstraZeneca, Pfizer and J&J. The public affairs operation, meanwhile, is one of the top three or four in the nation's capital, has a well-rounded capability that includes research (StrategyOne subsidiary), issues advertising (through Blue Worldwide) and now grassroots (thanks to the acquisition of Lunde & Burger in 2002) as well as more tradi-

tional public affairs. The technology practice has held its own, thanks to continued work for Microsoft and its Xbox product, as well as new assignments from AT&T Wireless, Infocus, Manguistics, TIBCO and Veritas. And Edelman continues to get called in for high-profile corporate and financial and crisis assignments, adding the American Stock Exchange and Chicago Mercantile Exchange to its client roster in 2003 and working on issues ranging from mad cow disease to SARS to the largest recall of poultry for Pilgrim's Pride.

Expertise

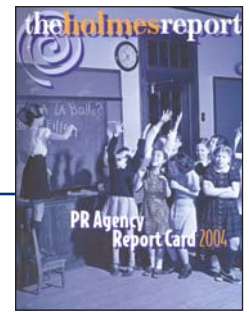
Edelman remains a market leader in consumer and healthcare. The consumer practice, long recognized for its breakthrough creative work, has

grown more strategic in recent years, drawing on research conducted in-house through StrategyOne and externally by Yankelovich and others, and providing brand building counsel to companies such as Baskin-Robbins, Butterball, Michelin, Guinness, Mars, Microsoft, Quaker, Starbucks and Unilever. In healthcare, the firm has a mix of consumer and Rx business, as well as strength in life sciences and health policy, and a client list that includes most of the large

Talent

Edelman has always had its share of stars, and it continued to add talent in 2003, its independence allowing for investment hires that many of its competitors could not afford, with bean counters questioning every expenditure. Andrew Merrill joined from Abernathy MacGregor to head the financial and investor relations practice; former Copithorne & Bellows partner Rich Moore came on board to add depth to the tech practice; Michelle Holland joined to lead a youth marketing capability; and Smith & Harroff veteran Robert McKernan joined the Blue advertising unit. The firm also promoted some homegrown talent; including Patrick McGuire and Gail Becker, presidents of the western region; Luca Penati,





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who took the helm in Silicon Valley; and Russell Dubner, who heads the corporate and public affairs group in New York. The senior leadership team, including Richard Edelman, Leslie Dach, Pam Talbot, Nancy Turett and others, has been together more than a decade and provides a steady, stable presence.

Culture

Edelman has always had a distinctive culture, which is one reason many of those who leave the firm come back sooner or later. But increasingly, thanks to a series of initiatives that include a firm-wide vision and values process, an expanded commitment to professional development, and an ambitious quality initiative, the culture is both distinctive and functional—which hopefully means people won't be quite so inclined to go searching for greener pastures elsewhere. There are still complaints that compensation isn't competitive with other large firms, though many say "it gets better every year; they really make goals and achieve them." Increasingly, Edelman's independence is a recruitment and retention advantage: "I could not be happier that I work for a private firm," says one respondent. "I have seen others hire and fire at will, and I feel that I have more job security, more input into day to day operations and that we have a more respectful environment than at other firms."



Intellectual Leadership

At the heart of Edelman's philosophy is what it called a "PR-centric" approach, a model that sees public relations as the business of managing relationships and supports it with all the traditional tools as well

as capabilities in research, advertising, interactive, custom publishing and grassroots. That means conventional PR thinking is the starting point, not the end result of the agency's thinking, and an increasing number of programs include a wide range of capabilities, like the Recording Academy anti-piracy initiative that includes PR, public affairs, online and issues advertising. A new development in 2003 was the Relationship Index, a partnership between Edelman and the University of Maryland academic James Grunig, which goes beyond measuring awareness and recall to focus on the key attributes of relationship: trust, commitment, satisfaction. The firm also continued to produce some of the most interesting original research in the area of corporate social responsibility.

Programs

Edelman continues to do great work in the consumer and healthcare arenas, launching AstraZeneca's new statin Crestor (the company's most successful new product in the company's history, despite being sixth to market in a crowded category); helping Claritin become the best-selling OTC drug after just a few days on the market; working with Nestle to position cereals as a staple in China; producing innovative programs for established brands like Brawny and Hershey's. But the corporate and issues work has been just as interesting recently, ranging from work for the City of New York on Lower Manhattan redevelopment



issues, UPS on global identity and volunteerism, Puerto Rico on voter registration, and several clients on the fallout from the SARS crisis.

Brand

At a time when most big agencies are starting to look more and more alike—a result of holding company pressures and the need to be all things to all people—Edelman has a wonderful opportunity to differentiate itself. More than any other firm of its size, it has a personality, an attitude and a distinctive vision for the PR industry. To take advantage of the opportunity, it needs to dispel some outdated ideas about high turnover of both staff and clients. Its recent vision and quality initiatives should do the job.

The Future

There's no doubt that Edelman would make an attractive acquisition for one of the French holding companies—Havas and Publicis—that derive far less of their revenues from PR than their U.K. and U.S. counterparts (WPP, Omnicom, Interpublic). And some day Edelman management must look at the big, integrated pitches that occur with greater frequency and wonder whether there wouldn't be some benefit to having a giant ad agency sister company.

But in both boom and bust years, Edelman has proved it does not need a holding company to compete effectively. Management has done a tremendous job of addressing perceived shortcomings and making independence an asset. For the good of the industry, let's hope Edelman can continue to thrive as an independent for years to come.

"We could not have been able to do this without Edelman, and I question whether any other firm could have been able to help us as quickly and effectively as Edelman did."

— Daniel L. Doctoroff, Deputy Mayor for Economic Development and Rebuilding, New York

