

## 2007 A-LIST AGENCIES

### EDELMAN



CEO Richard Edelman

- Links PR, new media
- Biz surges in China
- Joins "green" wave
- Wins HP, Hyatt work
- Firmly all in the family

Consider the dominant marketing and business trends of the past year, and there's a good chance that public-relations agency Edelman is already one step ahead of its competition in defining them.

Adapting to the new digital and social media marketplace?

Edelman last year established a distinct division, Me2Revolution, dedicated to incorporating new media into appropriate campaigns, and the firm's eponymous CEO, Richard, blogs regularly on the corporate website.

Expanding business in China?

Edelman's revenue increased 27% there, outpacing even its strong 25% growth in the U.S.

Embracing more green-friendly initiatives?

Edelman in 2007 launched Goodpurpose, a global unit that aims to bring social-responsibility marketing to its stable of blue-chip clients.

The one marketing movement Mr. Edelman has continued to resist, however, is the pressure to sell his family-owned business to one of the holding companies.

This go-it-alone strategy continued to serve Edelman well in 2007, as it notched dozens of new-business wins such as Hewlett-Packard, Hyatt and Mars while not losing an account of consequence.

More importantly, the PR giant created meaningful campaigns for its existing base of clients, most notably for Microsoft Corp. (for the launches of both Vista and "Halo 3"), Duke University (restoring the institution's rep-

utation while growing its pool of new applicants) and Unilever's Dove (continued efforts for its widely recognized "Campaign for Real Beauty").

Chalk this up to a steady commitment to consumer marketing, something many other PR agencies have gotten away from because profit margins are higher in other practices such as public affairs and financial communications.

Led by Mitch Markson on a global basis with big names such as Rick Murray and (Advertising Age columnist) Steve Rubel in the U.S., the practice is arguably best-in-class among PR firms and even has some ad agencies with shared clients a bit nervous.

Importantly, Edelman managed to steer clear of any high-profile snafus a year after concocting a fake blog for Wal-Mart that momentarily sullied the agency's reputation, and that's no mean feat when you consider how Edelman is living on the edge of a new-media landscape. Add it all up – an excellent new-business year, impressive work and a scandal-less 12 months – and 2007 was a charmed year for Edelman.

With 800 new employees worldwide, including former Newt Gingrich aide Tony Blankley, Edelman is well-positioned to take on the PR challenges the U.S. presidential election and the Beijing Olympics are sure to present to its clients.

Among its tasks: continuing to grow in China and other emerging markets and recharging its Washington office, which lost two big rainmakers in the past year. Former Reagan adviser Michael Deaver passed away, and Leslie Dach went in-house at Wal-Mart Stores.

# HOW EDELMAN IS CHANGING THE IDEA OF A PR AGENCY

**NEW PATH:** Marketers turn to firm for focus on 'public relationships,' not media relations; exec talks about possibilities of going public

By MATTHEW CREAMER

IN JUST A FEW years' time, the realm of news has gone from an austere information oligarchy to the messiest of democracies. No agency has done more to grapple with that power shift than Edelman. Where other public-relations firms have made meek advances into the blogging and social-network fray or retrenched into the more-controlled environs of public affairs or financial PR, Edelman has jumped into the consumer maelstrom headfirst. Leading the charge is CEO Richard Edelman, whose significant financial and personal investment (he's been blogging for years) into what the agency has dubbed the Me2Revolution might just change what it means to be a PR agency. The independent grew 26% globally in 2007 to \$376 million in revenue.

Here Mr. Edelman chats with Advertising Age about changes in media and the possibility of going public.



Photo Credit: Darryl Estrine

### What was the high point of 2007 for you?

Proving that our thesis around social media actually works. And it doesn't just work in the marketing space. It works in employee communications and corporate reputation. We're starting to see establishment clients embrace it – clients like GE doing employee blogs. It's a big deal.

Also, for clients who have historically relied on ad agencies as the exclusive supplier for this kind of thinking, from Unilever to Wal-Mart,

we are now absolutely in the game for all things digital, particularly if they come from the rational side of the house. That opens up the thinking and the budgets to say we don't have to have the ad agency in the lead position and that there are times when PR ought to lead or at least we should have equality at the table. We have the ability to do it ... in multiple countries.

Another thing that's paid off is a long focus on things environmental. We started pointing out the importance of [nongovernmental organizations] and

having good relationships with them back in 2000. In the last 18 months, everyone wants this.

**It seems as though Edelman is good at seeing these cultural moments before they happen or at least before they crystallize. How do you do that?**

These ideas come from multiple senior people. Our initiative in green came from Chris Deri [exec VP-global leader, corporate social responsibility and sustainability], who heard [Al] Gore

## AGENCY EXECUTIVE OF THE YEAR

talking about this in 2000. We're not a top-down organization. We also let offices have independence and leeway in the local market. It's less a distribution network ... 70% is local, 30% is global. That works well because we can do "glocal" – global clients with local feel. That's the essence of PR.

### **Are social media replacing traditional notions of media relations?**

What interests me is the intersection of the horizontal and vertical axes. Trojan's ad agency did a fantastic ad that was rejected by Fox. For us, the first shot was getting a piece in The New York Times. Then it was No. 1 blogged item on the Times, and then we got some of the bloggers to go on NPR. ... You can keep a story alive for longer.

### **Is that hybrid the future? Is it even worth talking about distinctions between traditional and social media?**

There's a distinction. The lines blur, certainly. On its website, the BBC, for example, only takes on so-called traditional media, like The Washington Post, but they're clearly moving to a time when bloggers ... will be there.

### **Why did Edelman remain committed to consumer marketing, more so than many competitors that focus on more-**

### **profitable areas such as crisis communications?**

Our entire corporate ethos is make money, invest, make money, invest – like squirrels taking acorns. That's how this private company works. The initial phase was to build out a global network. Then it was build out the practice areas. We're still in some places doing that. The idea that we'd stop investing and stop seeking the next growth area is not in our DNA. We're always looking for the next opportunity for PR to say we're at the table.

### **Is it easier to do that outside of the holding company, as a private independent?**

It's being both private and independent -- private because our margin expectation is lower than if we were part of a holding company, independent because we don't have sister agencies saying, "That's digital. That's ours." We don't have a definition of what we are or what we have to be. We talk about PR as being public relations. It's not media relations.

### **Edelman was at the center of a big social-media blunder in 2006, when the firm was exposed for creating fake blogs on behalf of Wal-Mart. What did you learn from that episode?**

In every step forward, you have to make sure you're constantly educating your staff, that we have a checking process. If you fall down, you have to get up. People respect that. We've proved our commitment to doing it right. Retreat was not an option. This was too central a focus to the strategy of the firm to go back.

### **Do you have any plans to sell to the holding companies that have been courting you over the years?**

There has to be will on both sides. So far, for us the best thing is to be independent. It's allowed us to be agile, to be creative, to be edgy in a way we arguably couldn't have been. It's worked well for 55 years.

### **What about going public? Is that something you've talked about?**

Sure. I don't preclude it, but we'd need a reason. If, say, there was a key acquisition we'd need to make. Again, the singles hitter in us is cautious enough.

### **It wouldn't be reason enough for the family to take some value out of the company?**

The important thing is working for the clients, and anything that changed that would be problematic. Our family doesn't do this to take dividends.

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