

Publicis-Omnicom Deal Sees Levy Oust Sorrell as Adland King (1)
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(Updates with WPP share trading in 17th paragraph.)

By Kristen Schweizer and Marie Mawad

July 29 (Bloomberg) -- The transatlantic tie-up of Publicis Groupe SA and Omnicom Group Inc. pushes the reigning king of adland, WPP Plc's Martin Sorrell, into a spot he hasn't been in in more than four years: runner up.

Publicis Chief Executive Officer Maurice Levy and Omnicom CEO John Wren toasted the unveiling of Publicis Omnicom Group with Ruinart champagne atop Publicis's Paris headquarters yesterday, celebrating a merger due to unseat London-based WPP and its 68-year-old founder Sorrell, widely seen as the face and mouth of the industry.

"What will WPP say in a world where they're not the biggest? A version of Omnicom agency DDB's line: When you're only No. 2, you try harder?" said Nick Jefferson, managing director at marketing and advertising company Gyro in London. Sorrell "has worked hard to become the 'go-to-guy' for advertisers, and for anyone who wants to know how advertisers are thinking and -- crucially -- spending."

WPP has been the biggest ad company since its 2008 acquisition of Taylor Nelson Sofres Plc. Yesterday's announcement by third-ranked Publicis and New York-based Omnicom, the current No. 2, ushered in a behemoth with a market value of \$35 billion and left competitors and analysts alike questioning both its logic and what the future will look like with Sorrell's long-time nemesis Levy atop the heap.

No Joke

"Maurice is to be congratulated," Sorrell said in an e-mail, not mentioning Wren, who will serve as co-CEO with Levy.

"Time will tell if the cultures will click and whether clients and talent benefit," he said, adding that the new ad landscape "will generate further significant opportunities for WPP."

Levy -- who said the idea of a merger began as "a joke" six months ago -- also singled out his rival yesterday, saying "Martin Sorrell will remain a very strong competitor." Still, he said, "we don't define our strategy with regard to what he will think or do, we define it depending on our clients and shareholders."

Sorrell has become known for more than his ad operations, espousing theories on economics and politics at the World Economic Forum in Davos, Switzerland, and coining phrases like

“bathtub-shaped” economic recoveries, “dead-cat bounce” for company growth, and “gray swans,” which foreshadow trouble.

Torch Bearer

He was knighted in 2000 and, at last year’s Olympic Games in London, carried the flame for a stretch. Sorrell takes his role as leader of today’s “Mad Men” seriously and is a regular on-air guest on Bloomberg TV and CNBC, and opines in the press on everything from fashion and dining to taxes on the wealthy. WPP earnings statements include pages-long forecasts on the economy, opinions on world politics and detailed breakdowns on the ad industry.

“Sorrell is going to be forced to think about what this deal means and how it could affect the legacy he wants to leave behind,” said Claudio Aspesi, a media analyst at Sanford C. Bernstein in London. “Though he could go out and buy a large ad agency, I think he’s more complex and since he’s a fan of data, we could see him go for another market researcher or a Google-like company on a smaller scale.”

Yesterday Levy and Wren, who will serve as co-CEOs for 30 months, after which Levy will become chairman, hugged, finished each other’s sentences, and after their presentation, celebrated with champagne, as Levy said they didn’t have rice to throw “to celebrate this wedding.”

‘30 Seconds’

The two men “get along very well,” Levy said, adding “we agreed within 30 seconds” every time they discussed the deal, expected to be completed by the first quarter of 2014.

Levy and Wren may find things difficult after yesterday’s toasts, Sorrell said. “Co-CEOs is not an easy structure.”

Before that, they have to sort out their clients and get regulators to agree. Publicis has a large portfolio of digital assets including Digitas, LBi International and Razorfish as well as agencies in emerging markets. Omnicom’s strength lies in the U.S. Competing accounts -- Publicis counts Coca-Cola Co. on its client roster and Omnicom PepsiCo Inc. -- and overlaps including McDonald’s Corp. and Procter & Gamble Co. need to be resolved.

Other competitors said they’re also planning how to take advantage of the new situation and questioning the logic.

Poaching Clients

“Digital and technology have made scale irrelevant,” Havas SA CEO David Jones said in an e-mail. “That’s not a good

thing for either Omnicom or Publicis but it is a good thing for their competitors -- the first thing we'll be doing Monday is getting out both their client lists and going through the senior talent."

Sorrell is one of the ad industry's biggest consolidators with past purchases such as Young & Rubicam in 2000 and the Grey ad agency in 2005. He joined WPP when it was still a British shopping-basket manufacturer known as Wire and Plastic Products, and began buying ad companies.

Today, WPP shares rose as much as 4.8 percent and they traded 1.7 percent higher at 1,195 pence at 11:47 a.m. in London, valuing the company at 15.9 billion pounds (\$24.5 billion).

Levy, 71, joined Publicis in 1971 as the IT director a year after it went public and has helmed the company since 1975. He became heir apparent after running into the burning headquarters to save computer records, prompting founder Marcel Bleustein-Blanchet to call him "my loyal warrior."

Summer Surprise

Alex DeGroot, an analyst at Panmure Gordon & Co., said Sorrell may not go without a fight. "I wouldn't be surprised if he tried to disturb this somehow," DeGroot said.

Sorrell and Levy have traded barbs over the years, poking jibes over profit margins and their companies' relationships with Google Inc. Sorrell has often hinted that Publicis should merge with the world's No. 4 advertising company, Interpublic Group of Cos.

"This must come as one of the biggest surprises of all time for the sector," said Keith Hunt, managing partner at Results International, which advises on mergers. "You can bet a lot of people at the top of both networks will be feeling massively unsettled hearing this news over a summer weekend."

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--Editors: Heather Smith, Kenneth Wong

To contact the reporters on this story:

Kristen Schweizer in London at +44-20-7330-7526 or

kschweizer1@bloomberg.net;

Marie Mawad in Paris at [+33-1-5530-6290](tel:+33155306290) or

mmawad1@bloomberg.net

To contact the editor responsible for this story:

Kenneth Wong at [+49-30-70010-6215](tel:+4930700106215) or

kwong11@bloomberg.net