Agencies warn of tough year ahead for advertising
Tim Bradshaw and Kenneth Li

Three of the world's largest advertising groups warned of a tough fourth quarter, confirming fears of a dismal 2009 for the marketing industry.

Interpublic, Publicis and Aegis reported mixed third-quarter results, with the greatest revenue falls in Germany, Spain and the UK.

But all insisted they would maintain or improve margins by controlling costs and cutting staff as the impact of the financial crisis hit marketing budgets.

Maurice Levy, chairman and chief executive of Publicis, owner of Saatchi & Saatchi and Zenith Optime-dia, said: "We have entered a turbulent zone and it is very difficult to predict the intensity or duration of that turbulence."

But he added that clients were "not panicking", and were making less drastic and sudden cuts to marketing budgets than in 2001.

Organic revenues grew 3.9 per cent in the quarter to the end of September. Mr Levy expects full-year growth to be ahead of 2007.

"If things still continue as they are today we will have growth in the fourth quarter," he said, with growth remaining stronger in emerging markets and digital advertising.

Variable staff costs amounting to 8 per cent of revenues would enable Publicis to maintain margins of around 16 per cent, he said.

Interpublic, which owns agencies such as DraftFCB, Lowe and McCann Erickson, swung back to a third-quarter net profit of $45.7m from a net loss of $21.9m last year.

Organic revenues rose 7.6 per cent but Michael Roth, chief executive, said that visibility into the fourth quarter was limited. "[The volatility in financial markets] is calling in question every business assumption no matter what business you're in.

"We've experienced a limited number of delays and cancellations in the fourth quarter," he said, adding that headcount reductions -or increases - would be made according to clients' specific projects.

Aegis, the media and market research group, said it was "difficult to forecast accurate levels of client spend for the fourth quarter", its most significant trading period. "We have become more cautious about the outcome for the full year."

The comments reflect caution from Omnicom, the world's largest agency group, last week. WPP, the second largest group, is expected to report third-quarter results on Thursday.

Both Publicis and Interpublic said that automotive clients - seen as one of the largest and most vulnerable segments of advertisers -had not been reducing spending any more than had already been anticipated.

Deutsche Bank expects organic revenues in the industry to fall 5 per cent in 2009, with a dip of 1 or 2 per cent in the fourth quarter. Patrick Kirby, analyst at Deutsche, said that Publicis' forecast of growth in the fourth quarter was "quite a brave assertion to be making", especially given Mr Levy's confidence in emerging markets. "Aegis have been a lot more realistic."

Mr Kirby added that cost cuts would only aid margins next year. "This late in the year, it's difficult for companies to fully offset revenue shortfalls of this magnitude."

Fonte: Financial Times, London, October 29 2008, Companies & Markets, p. 19.