



# Conglomeration among the top American public relations agencies: A case study



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## ARTICLE INFO

### Article history:

Received 14 January 2014

Received in revised form 2 April 2014

Accepted 15 October 2014

### Keywords:

Public relations agencies

Conglomeration

Conglomerate mergers

Media economics

Industrial organization theory

## ABSTRACT

Conglomerates have been increasing in size to also include different media industries. Public relations has not been immune from conglomerate mergers. However, the inter-related economic and structural dimensions of public relations within a conglomerate are often undermined in the relevant literature. The existing literature shows lack of studies on these dimensions. This research investigates the degree of conglomeration among the top American PR agencies and the characteristics of these conglomerated agencies. Using industrial organization theory as the theoretical framework, the findings revealed that 24% of the leading public relations agencies in the United States are part of conglomerates. These agencies tend to be located in large metropolitan areas, have a relatively small number of employees and have considerable net fees. The study also found strong and positive statistical correlations between conglomerated PR agencies when compared to un-conglomerated in variables such as agency's location, primary service and net fees.

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## 1. Introduction

Public relations (PR) as a communication industry has been rapidly developing worldwide. The number of PR organizations, individual PR professionals, and the industry's overall revenues have been steadily increasing ("IBISWorld Market Research," 2013). Research on PR addressed various questions on campaign effectiveness and leadership. However, few research efforts have been made to investigate the market structure and evolving relationships among the leading players in the PR market. The current literature shows that prior empirical studies focused on the qualities of PR practitioners, interactions between PR and marketing, or new media and PR. Few research efforts aimed at examining the economic side of this mass communication field. As Vercic and Grunig (2000) noted, many scholars have failed to make connections between economics and PR, although it has been suggested that some PR theories have roots in microeconomic theory (p. 9). Meanwhile, according to the IBISWorld Market Research (2013), the PR industry's revenues have reached \$11 billion in 2012 in the United States, showing a steady annual growth of 0.8% since 2007. The PR industry has witnessed a very recent development. The beginning of 2014 has been highlighted by the Publicis-Omnicom merger. France-based Publicis and US Omnicom have created communications giant Publicis Omnicom Group which is worth \$35 billion (Chee, 2014). According to Publicis Chief Executive Maurice Levy, the new group will be able "to face the exponential development of new Internet giants like Facebook and Google, changing consumer behavior, the explosion of big data, as well as handle the blurring of

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roles of all the players in the market” (as cited in [Channick, 2013](#)). Therefore, the growth of the PR industry signifies the need to examine the economic and structural dimensions of major American PR players. This study, therefore, investigates the nature of conglomeration among the top 100 American PR agencies and the characteristics of these conglomerated agencies.

### 1.1. Overview of the PR industry in the United States

While it is important to know what constitutes PR and its roles and responsibilities, it is equally important to know what is meant by the term “public relations.” The definition of PR remains unsettled between scholars and professionals who do not fully agree on its fundamentals or if it is mere publicity or media relations. The First World Assembly of Public Relations Association and the First World Forum of Public Relations in 1978 provided the following definition:

Public relations practice is the art and science of analyzing trends, predicting their consequences, counseling organization leaders, and implementing planned programs of action, which will serve both the organization and the public interest (as cited in [Newsom & Carrell, 2001](#), p. 4).

In 2011 and 2012, Public Relations Society of America (PRSA) was working on redefining what PR is, especially with the advent of social media. According to [Elliott \(2011\)](#), the Internet and social media have transformed the relationship between the members of the public and those communicating with them (p. B3), changing the nature of PR and requiring an extension of the term as a result. Therefore, PRSA provided a new definition: “PR is a strategic communication process that builds mutually beneficial relationships between organizations and their publics” ([What is public relations, 2013](#)). Numerous scholars have defined PR. [Cutlip and Center \(1971\)](#) defined PR as “the planned effort to influence opinion through socially responsible performance based on mutually satisfactory two-way communication” (p. 2), while [Wright \(2013\)](#) defined it as “a strategic communication management function that includes research or measurement, strategic planning, communication, and evaluation” (p. 137).

A less investigated area of PR is the economics of this field. It is an area of media economics that has yet to get a considerable scholarly attention. While the word “economics” has several meanings, this study uses it as it is used in the industrial organization theory which focuses on how major players function within an industry. The existing literature on PR indicates that many scholars in this field focus on effectiveness, campaigns (including press conferences and press releases) or creative activities ([Cutlip, Center, & Broom, 2000](#); [Parkinson & Ekachai, 2006](#)); while little attention is paid to the economic and structural aspects of this industry. [Kaliberda \(2008\)](#) wrote

In literature, the data about the organization of PR in various fields of business are not systemized yet; but these data are necessary in regards to increased interest toward application of PR to achieving corporate goals (p. 8).

In order to gain a better understanding of the current structure of the PR industry in the United States and the market behavior of the PR agencies within this industry, it is important to look at the historical developments. These historical events have gradually paved the way to how the major PR players in the PR market perform, including going through mergers and acquisitions. First, as the literature shows, the first American PR firms were external agencies to client organizations. The Publicity Bureau was founded as an external agency in 1900 ([Cutlip & Center, 1971](#)). Another famous PR agency for political campaign management was founded by Leone Baxter and her husband Clem Whitaker in 1933. As many PR practitioners of that time, Baxter and Whitaker had backgrounds in journalism. Their agency implemented campaigns for several California governors and for President Eisenhower ([Inventory, 2009](#)). Baxter and Whitaker created a new division within PR – political campaign consultancy. This area of PR gained popularity due to the fact that at the beginning of the 20th century US Congress banned federal agencies from using appropriated funds for employing a “publicity expert” ([Rosapepe, 1971](#)). Furthermore, [Pimlott \(1972\)](#) described congressional opposition to PR activities as a permanent institutional “smoldering fear that the official information services will be misused” (p. 76). As Baxter noted in 1949:

When the firm of Whitaker and Baxter was organized nearly 20 years ago, the business of directing in ethical business-like fashion, campaigns for candidates, and campaigns for and against public issues, was virtually non-existent. . . We were enchanted by the broad horizon – the absolute absence of competition – and frankly by the pride of helping create a new profession (as cited in [Cutlip, 1994](#), p. 597).

Two PR agencies that were created at that time exist and hold leading positions until now. They are Ketchum and Carl Byoir & Associates ([Wright, 2013](#), p. 139). Gradually, in the mid-1930s PR became part of the organizational structure of several large corporations, such as General Motors and AT&T ([Pimlott, 1972](#)).

Second, as an industry, PR in the United States witnessed tremendous growth in the second half of the 20th century along with mass media development and technological innovations. This area of communication has become more systemized and research-led ([Baines, Egan, & Jefkins, 2003](#), p. 4), and PR shifted toward two-way communication, which was more effective than one-way ([Hiebert, 1992](#), p. 125). PR organizations have become not only interested in delivering the messages to the targeted audience, but in the feedback to these messages as well. PR was not about being a press agent any more. Third, another important indicator of the industry’s development was a financial one: revenue growth between 1990 and 2000 reached 250% ([Public Relations Services, 2010](#), p. 1). According to [Public Relations Services \(2010\)](#), American PR industry

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