

PRWeek

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Healthy pairing
p.86

Avocados
forge link
to Mexico's
bicentennial

PRWeek



AGENCY



BUSINESS



REPORT

2011

Buoyed by an improving economic outlook, PR and communications agencies report strong 2010 numbers and greater expectations for the foreseeable future

There's strength in these numbers

This year's Agency Business Report paints a positive picture across the board of a sector that returned to robust health in 2010 and benefited from its clients unlocking their wallets after a concerted period of circumspection.

During recessions, firms are encouraged by clients who stick with their marketing and strategic plans and rely on the adage that businesses that continue to invest come out of downturns stronger, and best able to take advantage of positive market conditions when they return. Many of the most successful PR firms stuck to this mantra and bore the fruit of keeping their nerve in the downturn and maintaining their investment in people, systems, and business structures.

Taking the top 25 and then top 50 firms for which we have year-on-year numbers shows remarkably similar and broad growth of 17% in staff and a 14% to 15% rise in revenue. This more positive outlook was reflected by the fact that 180 firms reported figures this year, up from 139 in 2010. Kudos to those who report every year no matter the economic conditions. Welcome back those who are more bashful when recession shines a light on their financial performance.

We particularly welcome those public companies that revealed figures. Let's get one thing straight, Sarbanes-Oxley in no way forbids publicly traded companies from revealing revenues and headcounts:

that is just the way some holding groups choose to interpret them. Full credit goes to Next Fifteen Communications Group, which continues to report its agencies' numbers. Big respect this year also goes to Omnicom's Fleishman-Hillard, which stuck its head above the parapet and revealed revenue and headcounts – I look forward to more public firms following suit.

Compared by calendar year, the St. Louis-headquartered PR giant leaps into second place in the agency rankings behind Edelman, though on a fiscal year basis Fleishman would top this list as Edelman's financial year runs from July to June and reflects six months of a less positive trading environment in 2009. Calendar year is the true head-to-head comparison however, and this is what has been used in the rankings tables (*p. 74*).

As always, it is a fascinating report and bears close scrutiny for those looking to learn the secrets of running an effective PR agency business. The runes for Q1 2011 are more positive than 2010, so, geopolitical upheaval and domestic macroeconomic strife aside, next year's report is set to tell an even more encouraging story. ●

Formula

Principal

Michael Olguin, CEO

Ownership

Independent

Offices

Three: San Diego, CA; El Segundo, CA; and New York



Staff

Headcount increased in 2010 to 75 from 52 the previous year. The firm hired Jarrod Walpert as VP and Ditas Mauricio was promoted to SVP.

Practice areas

The agency has eight: consumer, business technology, sports, entertainment, lifestyle, travel, Hispanic, and consumer technology, which was added last year.

Accounts

Key account wins included Sun-Maid, Behr, DTS, Qualcomm, Competitor Group, ESPN Sports Nation, Toyota Pet, and Happy Baby. Losses were Bamboo Pets, ESPN Zone, Hollywood.com, and Movietickets.com.

Financial performance

The agency ended 2010 with \$9.1 million in revenue, a 38.6% increase from 2009. New business accounted for 92% of last year's increases and 8% was organic growth.

Analysis

Formula PR's "national boutique" approach propelled it to a successful 2010, explains CEO Michael Olguin.

"Not only did we meet our goal, but we also met our stretch goal," he adds. "It was significant coming out of 2009 when we were 7% down. The part that was significant for us was we added a number of blue-chip brands, including Sun-Maid raisins, and some other ESPN work and Toyota Pet's initiative – some really significant pieces of business for us and for an agency our size."

In addition, the agency saw growth in its Hispanic practice Formulatin, which signed on Bohemia beer and Napa Auto Parts. Olguin says the team raised its profile from a media relations standpoint, earning more invitations to RFPs. Formula PR also increased its headcount significantly, while expanding its offices in New York and San Diego. ●