

Will WPP's "Two Speed World" theory keep rising?

You can learn a lot from the internet it seems. Here I was innocently surfing around for news, and I managed to suck down the entire WPP 2005 presentation to analysts, hidden away on their website. There's some interesting insights here with ramifications well beyond the holding group, particularly for those of us toiling away in this part of the world.

For a start, they talk about "The Two Speed World" – more than just the BRIC theory (more on that later), there's now a two speed world in two different senses – one is the growth of the developing markets versus the developed markets – and the other being the growth of non-traditional revenues against those of advertising, which is remaining more static. It's time to open / buy / invest in that below the line agency in China or India.

While our multi-headed friends at WPP can toast to a 14% margin and a 25% revenue rise, the numbers are a little misleading as this year includes the swallowing of the Grey Global Group and its various bits and bobs. What is more illuminating is a 5% like for like increase in revenue globally, and an 11.9% like for like increase in Asia Pacific. (As an aside, the newly swallowed Grey is now generating 11% operating margin, something it wasn't consistently reaching under previous, more benevolent management).

Where this becomes interesting is looking at ROW and BRIC – two acronyms that if you were WPP, you would want to become mainstream vernacular. For the "Rest of World" (ie outside Europe and the US), WPP snarl up US\$1.9b in revenue, more than double that of any other holding group. And where is all this coming from? Well, the BRIC's of course – Brazil, Russia, India and China, something Goldman Sachs identified back when we were all worried about the millennium bug.

Ten year ago, when the definition of a "China Agency" was a hotel room with multiple door keys for the few staff, WPP had a mere US\$80m of revenue in Greater China. Today, that number stands at close to \$400m, with India not far behind at \$270m. (that's revenue, 'real money', not billings). Both markets have doubled just in the last five years.

Now to take our rose-tinted glasses off for just a minute, the other holding groups are not sitting on their hands. Omnicom has seen three of four major pieces of business leave their US agencies recently – Visa, Dell, and others – bound for where? Other Omnicom agencies – the gentle art of keeping things in the family. Publicis continues to perform well, looking ever-acquisitive. But WPP is doing their best to frame and set a global agenda. Take these three last metrics – one third, one half and two thirds – a third of their revenue within five years will come from developing nations ; half of their income will come from quantitative areas (research and the like) and two thirds of their income will come from marketing services (currently around 52% does).

Nowhere is it clearer to see how the business is changing. When the time comes that a creative agency talks about integration, and then *doesn't* play you their TV showreel, some of Sir Martin's visions might be realized.

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