‘This is not a takeover’:
US Participation in the Advertising Industry in Australia after 1959

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Although there had been certain foreign advertising agencies arriving in Australia as early as 1930, it was not until after the introduction of television in 1956 that foreign agencies assumed any great presence. Yet the influx that began in 1959 with US agency McCann Erickson’s buyout of Sydney agency Hanson Rubensohn was welcomed by the Australian industry, as the US agencies brought their experience with television as well as capital to invest. In the case of the 1964 takeover by US agency Ted Bates of Australia’s biggest agency of the time, George Patterson, they also brought clients. Although ‘Patts’ had already been servicing these clients in Australia, the merger consolidated the new agency’s relationship with them internationally. In the 1960s this was known as a ‘common account’ arrangement: by the 1990s we would learn to call it ‘global alignment’. By 1972, at least three quarters of the Australian advertising business had been brought under US ownership. Since then, US participation has waned, and the once controversial ‘Americanisation’ of the Australian advertising industry has become a true process of globalisation.

This paper will outline the various modes in which the US agencies entered the Australian market, their motivations in doing so, and the reasons why the Australian agencies – for the most part – were receptive to them. It then proceeds to put the 1959-1972 ‘Americanisation’ era into some perspective, with an overview of the globalisation which has occurred since. The paper draws on published recollections of advertising personnel of the era, as well as trade journals and both Australian and international secondary sources.

Drawing on the French media scholar Armand Mattelart’s account of the globalisation of the advertising industry, he discerns three phases: ‘imperial’ expansion; ‘nationalisation’ and ‘transnationalisation’. These categories are employed not so much as a rough periodisation, than different modes of market entry. Mattelart’s imperial phase begins with J Walter Thompson opening up a London office in 1864, but it also includes those agencies which, in the 1950s and 1960s, opened up an overseas network of subsidiaries or purchased an existing agency outright. The nationalisation mode of expansion Mattelart applies to the 1970s when nations, particularly in what was then called the ‘Third World’, had become wary of advertising as a form of ‘cultural imperialism’. Accordingly, US agencies entering such markets would lower their foreign profile by taking a minority share, or form a partnership or joint venture, with an existing national. Transnationalisation refers to the global era, that is, since the 1980s, when market entry has been driven by alignment with the massive conglomerated holding companies to which the international advertising agencies now belong.

The advent of television in Australia was a major factor prompting the incursion of US agencies into the Australian advertising industry. The US agencies came with experience in producing television commercials (TVCs) and media-buying, the art and science of knowing when and where to place commercials in spots. Yet the US agencies were welcomed not only for their ‘American knowhow’, but because they came with capital, and with established relationships with very desirable clients – the largely US-based ‘multinational’ corporations that were actively expanding their overseas markets in the 1960s and 1970s.

As noted, with Ted Bates’ 1964 acquisition of 80 per cent of George Patterson, the takeover served to bring the Australian agency firmly into the common account arrangements which Bates had with those clients elsewhere. There were other motivations, on both sides, having to do with capital: Bates needed to invest surplus funds or lose them in taxation, while Patterson shares had reached a level beyond the reach of most buyers in Australia. In the buoyant but competitive environment of the time, it made sense to Australian agencies that they should seek out a partner able to provide not only the capital to sustain their expansion, but also to bring in expertise, especially with television and research,
gained from US and international markets, and of course, to come with established relationships with international clients. For the US agencies, some form of participation with an Australian partner gave them access to local creative talent, business and cultural knowledge.

The Patterson Bates case is an instance of the nationalisation mode of market entry, but there were still a number of arrivals on the imperial model over this period. Other US agencies entered either by establishing wholly-owned branch offices, such as Ogilvy & Mather in 1967, or by total takeover of an existing Australian agency, such as Leo Burnett’s buyout of Jackson Wain in 1970. Agencies based in the UK were also part of the rapid internationalisation of Australian advertising in the 1960s, but because US agencies were moving heavily into the UK and Europe more generally also at this time, the UK agencies’ deals in Australia could be transformed subsequently by US takeovers in London.

The 1972 entry of US agency BBDO in the form of its acquiring an initial 35 per cent stake in Australia’s then second-biggest agency, John Clemenger, was by no means the last US arrival, but arguably marked a high point in the harmonisation of US and Australian interests. The majority of share ownership remained with the principals and staff. Although the BBDO stake was subsequently raised to 45 per cent, not until 2010 did BBDO assume majority control.

Not everybody perceived the incursion of US and UK agencies as a complementarity of interests. In 1972, Austac (Australian-owned Advertising Agencies Council) was founded, a body created to promote and protect Australian advertising agencies from the trend. However, the divisiveness within the industry which Austac provoked ultimately led to the formation of a new industry association to represent all agencies, the Advertising Federation of Australia, in 1974.

Yet, the real crucible of the present ‘transnationalised’ era was the 1980s, when UK, French and Japanese-based agencies rose to challenge US domination of the industry at a global level. Although the UK and Western Europe had also experienced the influx of US agencies in the 1960s, when ‘Madison Avenue’ was a byword for the world advertising industry, by the 1980s, particular British agencies, buoyed up by stock market speculation, rode a counter-flow which resulted in several major US agencies being brought under UK ownership by the end of the decade. This was the beginning of globalisation proper, in the sense that the putative national origin of agencies became less important than the combined interpenetration of capital from different national origins, and more importantly, that a completely new ‘stratospheric’ level of ownership and management was created in the form of the global advertising group, or ‘megagroup’. These are not global advertising agencies in themselves, but corporations or holding companies which are composed of global advertising agencies. However, while the Americans originated the business model for this, it was the British who propagated the concept and ideology of the global group, and built the biggest of them during the pivotal decade of the 1980s, later followed by the French.

With such seismic shifts, the advertising industry in Australia by the beginning of the 1990s was dominated by agencies belonging to the UK, US or French megagroups, or the few wholly-owned subsidiaries of US agencies not then part of a group. By 1991, there was no wholly Australian-owned full-service advertising agency within the top twenty. As the decade proceeded, several of the larger remaining Australian agencies became integrated into global groups, the most significant being in 1998 when the Singleton Group, a public company now known as STW Group, merged with the WPP entity, Ogilvy & Mather. This was a response to the squeeze which globalisation places on Australian-owned agencies, namely that in order to gain access to global clients, they have to join a global group with which such clients are ‘globally aligned’. As the Saatchi brothers had foretold, with a prophecy they had done much to fulfill, this was now a world in which the major global advertisers are serviced by the same global agency group in each national market where they do business.

To bring this up to the present, a table is provided to give an up-to-date alphabetical list of the leading full-service and creative agencies in Australia. The table also notes each agency’s local or global affiliation. It demonstrates that the majority are either wholly-owned divisions of global groups, or some kind of joint venture or other relationship, which characterise the global, transnationalised era.

References