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Photograph by Phil Adams

Sir Martin Sorrell is one of the most enduring leaders in an industry that is famously transitory and focused on the shrinking human attention span: advertising and marketing services. As CEO of WPP, he presides over a parent company stocked with more than 160 operating companies. WPP's assets include iconic advertising agencies such as J. Walter Thompson, Ogilvy & Mather, Grey, and Young & Rubicam; media agencies such as MediaCom, Mindshare, and MEC; its data management arm Kantar (which includes Millward Brown and TNS); digital firms Wunderman, VML, Possible, and AKQA; public relations titans Burston-Marstellar and H+K Strategies; and public affairs outfits such as the Glover Park Group and Penn Schoen Berland — not to mention many other wholly owned operating businesses, associates, and investments. WPP is a global empire with 2015 billings of £47.6 billion (US$67.5 billion) and revenue of £12.2 billion ($17.4 billion). The company employs 190,000 people spread across 3,000 offices in 112 countries. As was said of the old British Empire, the sun never sets on WPP. Its operations touch every part of the global media industry, and, increasingly, other industries as well: technology, software, retail. And, unlike many others in the media business, WPP has managed to post steady growth in profits. Its earnings per share were up more than 10 percent in 2015.

Outlook 2016–20

The consistent growth and solidity of this company belie the churning waters in which it operates. The term *disruption* has been so overused as to have almost become a cliché. But it is difficult to think of industries that are being disrupted more than advertising, marketing, branding, and communications, the sandboxes in which WPP plays. Consider the ability of DVRs and other technologies to block and screen ads; the growth of time shifting; the introduction of new measurement tools; and the headlong rush of consumers to access media on tiny mobile screens (and then make purchases there). *Native content* — a phrase unheard of five years ago — has become de rigueur. Sand Hill Road in Palo Alto, ground zero of the venture-backed technology revolution, is now rivaling Madison Avenue as the geographic center of the advertising industry. As publishers give way to platforms, technology companies move into the ad business, clients develop their own content, and audience attention grows more elusive, advertising companies must develop ways to work, invest, and think collaboratively.

Sorrell sits at the center of this maelstrom. An air of calm pervades WPP's headquarters, in a townhouse in the Mayfair area of London, whose reception area more closely resembles an economics department at a university than a glitzy 21st-century multinational. (A shelf displays the many Cannes Lions awards the company has won in recent years.) In an unadorned conference room, Sorrell sat down with Deborah Bothun and Daniel Gross and discussed the necessity of coming together more effectively.

BOTHUN: At the PwC Global Entertainment and Media Outlook, we try to look ahead to see what the media industry revenue trends will look like over a five-year period, which is difficult. What will your business look like in five years?

SORRELL: In a sense there's violent change, and in a sense there isn't. The direction remains the same. We'll be a more integrated business. We'll be a more fast-growth-market business, although those fast-growth markets are not as fast as they used to be.

BOTHUN: Will you still be an advertising agency? Because you recently said WPP isn't in the advertising business.

SORRELL: Already, half our business is media and data. And we'll be a more digital business and a more data-driven business. But I don't see any massive changes in direction from where we've been going for the last five, 10, or 15 years. Digital will be 40 to 45 percent; that's inevitable. Data will probably be the same, maybe a bit greater. But the big engine of WPP is the $73 billion of media that we buy each year. Our billings are bigger than Google's. If you add it up, especially the data and the media, three-quarters of our business comes from stuff that Don Draper wouldn't have recognized 30 years ago. We probably wouldn't have recognized it ourselves 15 years ago. It's always very difficult to figure out what will happen going forward because the nature of our competition is changing.

"Three-quarters of our business comes from stuff that Don Draper wouldn't have recognized."

BOTHUN: You've got your clients flirting with trying to do some of their own work, with native content.

SORRELL: There's a limit, though. I find it very difficult to believe that clients can do in-house programmatic advertising, for example, over the long term. When they've got low growth, very little pricing power, low inflation, and a focus on costs, I can't see clients spending a lot of time or money building their in-house programmatic advertising capabilities. And most of the good people in that area don't want to work on just one client, they want to work on a multiplicity of clients. You also have to keep up with the technology.

We buy $73 billion in media a year, and the largest single client we have does $6.5 billion. So we're about 11 times bigger than our largest client. And we can get the benefits of economies of scale. Now, it's true that our digital billings are only, say, about $23 billion out of the $73 billion. But we can get very, very great economies of scale, particularly in the highly fragmented online space.

BOTHUN: Let's talk about segments. There's a big focus on reaching youth today.

SORRELL: It's a bit troubling as to why, given the fact that the older seg-

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ments are growing faster and they're wealthy. But that's a subject that's been with us for 20 or 30 years.

BOTHUN: In the 54 countries where the Global Entertainment and Media Outlook measures media, there is a pretty direct correlation between growth in entertainment and media spending and the proportion of the population under 35.

SORRELL: A direct correlation? I think that's understandable. I think younger people are more interested in music and entertainment and so on. But these are very fragmented audiences.

BOTHUN: So if you were giving advice to a 22-year-old who wants to be in the advertising, media, and marketing business, what would you tell her to do? Get a degree in data analytics? Become an IT specialist?

SORRELL: The answer to that question is really linked to the change in how we present. We used to present a strategic plan, and then out of that came a big creative idea, and then came the media plan. Today, we'd probably start with a strategic plan based on heavy data input. We look at the behavior of the centennials (people born in 1997 or later) or the millennials. So, Snapchat versus Facebook. We do the analysis on them and the older demographics, and then we come up with an idea. It could be a single big idea or one that is segmented by media. And in a way, the medium has become more important than the message, in the sense that the nature of the medium determines what the message is. We may do one thing for a small screen like this [points to his iPhone], and, for a big screen like that [pointing to a colleague's tablet], we may have to do something different creatively or contextually. So when I'm playing a video game, instead of seeing an ad that is completely irrelevant to me, I see an offer for the latest edition of the Ford F-150 because they know I've recently done a search for pickup trucks.

Creative is still obviously very important. But the nature of the creative has changed. That's why we're not in the advertising business anymore; we're in the media, data, and digital business, predominantly. That's 75 percent of our business.

That doesn't mean that David Ogilvy's big idea or Stanley Reese's big idea or Ray Rubicam's big idea doesn't matter. But what it means is the other aspects have become very much more important. It's not just the 30-second, 60-second TV spot. So we need a creative who is prepared to employ data, to use technology.

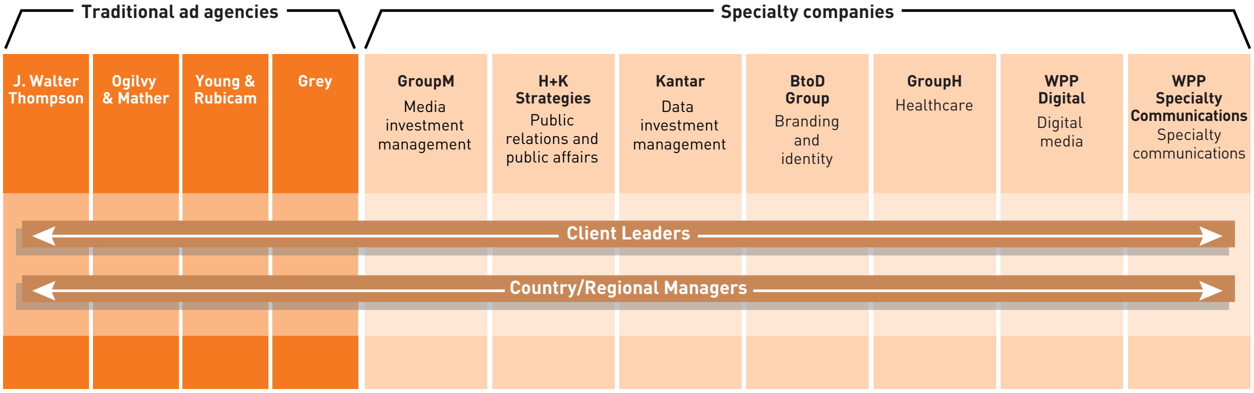
GROSS: What type of stresses and pressures does that put on an organization and on senior executives who are not data scientists?

SORRELL: It means the skills needed are very different from the ones Don Draper had. There are also skills that you probably still need today. People in our business get very irritated when I say this, but it's a bit like King Canute and the waves, isn't it? You can't stop the tides. People are looking back with rose-tinted spectacles to a different era.

But to your question, you have to change the engines while the plane is flying. And that's difficult for anybody who has a legacy business. The disruptors have it very easy, because they're revolutionaries and can tear things down. And because the world economy isn't growing quickly, you have to focus on costs. And you have CEOs who last

Exhibit: **Horizontal Approach**

By working together across vertically organized businesses, WPP can bring all its capabilities to bear on serving a single client or addressing a single geographic market.



Source: WPP

for six or seven years, CFOs for five or six years, and CMOs for only two years. You put those three things together, and that means it's a very tough environment.

GROSS: Given that tough environment, what do you do?

SORRELL: Three things. One, you need to move your traditional business quickly into the digital space. The second is to get your digital brands — we have five or six big digital brands like Wunderman and Possible and AKQA and VML — to move even faster within the digital space. The third is [to address] cannibalization. If you don't eat your own children, somebody else will. But the people in those traditional businesses, irrespective of whether they know what's going on digitally or beta-wise or media-wise, are emotionally tied to the business. So it's very difficult to change.

BOTHUN: One of the big points you emphasize is that firms like yours have to work with clients in new ways. You've become known for talking about "horizontality" in the ad business, meaning that people in different units and with different competencies should work together through client teams and country and regional managers. You've gone from 10 cross-group client teams in 2010 to 45 last year. How far can you take that?

SORRELL: Not far enough. The ultimate way you get to horizontality is to have one brand. That would be impossible, in my view, because the parent company would get confused with the operating company. However, we are increasingly organized by client and by country.

BOTHUN: Does horizontality also mean that you go to market by industry sector?

SORRELL: Yes. I'll show you how. We've got verticals that are sectors as well as being brands. [*See exhibit.*] The matrix is brands and function: advertising, digital, data, branding and identity, public relations, and so on. But under advertising we've got four brands: JWT, Ogilvy, Y&R, and Grey. I can't pull out somebody from here to put them in charge of all these things, because client conflicts immediately come out of that. So we have client leaders who work and manage horizontally, drawing from different units. We also have country and regional managers. Everybody looks at this image and says, gosh, that's a mess, which it is. But deliberately so, because we're just getting economies of scale.

BOTHUN: How do you incentivize people who are in five or six different groups, working for one client?

SORRELL: If they're working for the client, we're increasingly incentivizing them on the results of that client. That could be the client's revenue growth, or the client's profit, or the client's happiness and satisfaction. The biggest issue for us is how do you get everybody to think about the group as a whole? So all these people in that vertical have to think about that. And at the top of that organization it's even worse, because they are prouder. There's a sort of law of cooperation: The deeper you go down inside a company, the more cooperative people are. Also, the better the people, the more difficult they are. Average people are easy to deal with; good people are difficult to deal with.

BOTHUN: What are you doing at WPP to develop your people?
SORRELL: We've got the WPP Fellowship, which is awarded to selected new hires at various points — entry, first degree, second degree, art school degree, and everything else. We have developed MBA-type training programs. Interestingly, the three countries where we've founded schools are China, in Shanghai; India, in Mumbai; and South Africa, in Cape Town. We find more flexibility and willingness among municipalities or institutions to invest in Shanghai and Mumbai and Cape Town than we do in London or New York or Paris, which is a shame.

BOTHUN: One of the things companies are struggling with is the fact that the talent in the two generations that are currently from age 21 to, say, 35 is becoming so fragmented. It seems like many sectors, especially technology, are looking for the same types of people that you would look for.
SORRELL: The investment banks probably have lost ground — and the tech companies have gained ground. The consultancy companies, yourselves included, probably remain the same. I think because we're seen as being technology-related, WPP has a relative advantage. The fact that digital is 40 percent of our business has given us an advantage. It's more sexy for youngsters.

BOTHUN: But you still have quite a bit of turnover. In fact, the turnover has been increasing in the last few years.
SORRELL: Our turnover is 20 to 25 percent — 20 percent in bad times and 25 in good times. That's too high. (At the senior levels, among the top 2,000 of our people, it might be 3 to 5 percent.) And in some markets, it can be as high as a third. What our leaders have to understand is that managing a strong growth business in a strong growth market means you're going to get high turnover. You can't stop that. The young Chinese men and women want to move fast, and compensation is important. And if you have a competitor.… One of the problems in our industry is that some companies grow by stealing people.

BOTHUN: At some point, do you say that this turnover is too expensive, and you have got to change your talent model?
SORRELL: At the moment, I think the cost of trying to change is so great that it's not worth it. Our turnover rate should probably be 10 to 15 percent overall. So, could we solve that issue, if it is an issue, by increasing our salaries by 10 percent? No. Could we solve it by increasing our incentive pools by X amount? No.

BOTHUN: Over the last few years in particular, you have bought a lot of

companies that are responding to the big disruptions in the industry. How do you use these acquisitions to support your strategy?

SORRELL: Most of the acquisitions, if not all, we grafted onto one of our 11 verticals. I can't remember the last acquisition that was what I would call a free-floater, increasing the horizontal span. We usually have five-year earn-outs. So over a five-year period, we learn a lot about the clients and the people, which is sufficient in our mind to make sure that everything is hunky-dory. Some of those acquisitions get grafted onto the legacy businesses. Some get grafted onto the digital businesses. And some are pure cannibalization businesses. The fact that somebody competes with you, or competes with a service that you have, or threatens to disintermediate you, doesn't mean that you should ignore them. What you should be doing is creating your own innovation or investing in it. If we have been successful, which we have, in keeping alive (because everybody said we were going to get killed by Google, and we haven't been killed yet), it is because we have done that.

The advertising and marketing services market is over a trillion dollars, $500 billion old stuff and $500 billion new stuff, and the market has continued to grow in the 30 years we've been in existence. So we try to keep our head above water by trying to find, in a world growing at 3.5 to 4 percent in nominal terms, the growth buckets.

> "I'm a raging bull on China. People forget that China is the world's biggest incremental source of growth."

GROSS: Where are those growth buckets?

SORRELL: This year, the growth buckets are still going to be the G2 — China and the United States. They will drive incremental growth in the world markets. In the eurozone, it will be the United Kingdom. In India, [prime minister Narendra] Modi has got some challenges. But he's done a brilliant job, just like [president Mauricio] Macri has with Argentina.

BOTHUN: One of the things you've talked about is the fragility of an economy that isn't growing that rapidly to begin with. Between terrorism, the immigration challenges, and the economic challenges, what are you most concerned about?

SORRELL: Well, you know I'm a raging bull on China. People forget that even if it is growing at only 3 or 4 percent per year, China is the world's biggest incremental source of growth. I mean, 3 or 4 percent of $11 trillion is equivalent to a little bit more than 2 percent on $16 trillion [about the size of the U.S. economy]. If China were to go south? That would be a problem. Brazil is not as critical, but it is still important. The Brexit is a big, big, serious threat. And within Brexit, Grexit, because people have forgotten about Greece. When we were in Greece last November for Stream, our big digital conference, we said that in six months' time, Greece will come back as an issue.

GROSS: You spoke before about how some industries have it easier, in the sense that they know exactly who their competitors are. So you see a startup over here, it's got a huge valuation. How do you assess whether this company is going to compete with you; is it a company you want to cooperate with or invest in, or is it someone you can ignore?

SORRELL: You have to assess whether you think they're going to be a frenemy: a friend and an enemy. You can ignore them, but sometimes you ignore them at your peril. I think the answer is, you just have to accept that this is going to be a contradictory world, that in some aspects of your operation, you might be having a constructive relationship, and in some aspects of your operation, you have a destructive one.

BOTHUN: Like the relationship between WPP and Google in some respects.

SORRELL: Oh, Google's a frenemy. The world is not segmented anymore. I mean, what is the Internet, at the end of the day? It's a big disruptor of traditional business models and business approaches. And every legacy business and even the new businesses are going to be disintermediated. Who would have thought that the automobile business would have Uber, which has a value of $60 billion, as a competitor? Or that 3D printing could challenge manufacturing? I saw a 3D-printed car, full size. Two-seater. Really pretty, for $12,000, and it was produced in 10 hours (without the engine, bucket seats, and wheels).

BOTHUN: So do you have proactive discussions with other CEOs in these frenemy organizations where you say, "Let's just face reality, we're your customer, and we're your competitor"?

SORRELL: Yes. Absolutely. All the time. There then may be grounds for cooperation. So take Sapient, which was acquired by Publicis in 2015. When you buy a company outright, you take the risk of buying the business, which has on it, excluded from its P&L, the stock option costs of keeping the people. And the moment you buy it out, the people fly with it. So it makes no sense [to choose that transaction]. Instead of buying Sapient for $4 billion, in 2013 we invested about $80 million in Globant [an Argentina-based company that specializes in software for digital marketing]. It has now gone public, and we own about 20 percent of it, worth about $250 million. There are lots of ways to skin a cat.

BOTHUN: I want to finish up with mobile, which certainly looks like the next frontier in which people in the ad industry have to learn how to work together in new ways. Facebook now gets 80 percent of its ad revenue from mobile. How do you manage your clients' explosive growth in that area?

SORRELL: If you look at the industry stats, mobile advertising has not penetrated as rapidly as it should be. So there's more to do there. The industry hasn't figured out how to deal with the small screen yet. +

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