

Name: Sir Martin Sorrell
Position: CEO
Company: WPP
Date: 17/08/2007
Time: 07:39 BST
Channel: Bloomberg UK
Duration: 5 mins 43 secs

Interview with Sir Martin Sorrell

Francine Lacqua

Welcome back. WPP, the world's second-largest advertising firm, announced its earnings this morning. The group said first half profit rose 2.9%, helped by growth in emerging markets. Joining us now from the London Stock Exchange is WPP's CEO, Sir Martin Sorrell. Sir Martin, thank you so much for joining us today. First of all, I just wanted to get the sense from you of what's happening on the credit crunch and if this is going to hurt the way that advertisers can approach clients.

Sir Martin Sorrell

Certainly not through the end of July, where you saw our first half top line was up about 5.3% or 5.4%. Gross margin level was even higher: about 5.7% or 5.8%. Top line growth accelerated in the second quarter to over 6% from over 4%. In July, we saw almost 8% growth. It certainly hasn't impacted yet. We see the rest of 2007 as being pretty good, certainly better than 2006. We did well: top line growth over 5% last year, so we'd expect top line growth this year to be better than that. Into 2008, we see Beijing 2008 as a bonanza for advertising and sponsorship. The prognostications about \$1.5bn of spending, which is about double what we saw in Sydney a few years ago -

Francine Lacqua

But Sir, in terms of -

Sir Martin Sorrell

- and then we'll see the European Football Championships and the US presidential elections, so 2008, I think, pretty good. I think the issue is: what happens into 2009 after the US presidentials? With the twin deficits, with the implications, maybe, of what we've seen in the financial markets, there may be some slight slow-down in 2009. We usually see that quadrennial cycle, and I see no reason why it shouldn't occur again as we move into 2009.

Francine Lacqua

But some of the companies which are also your clients are getting quite a beating on the stock markets. Is that going to affect how they do business with you, because they may decide just to spend less on advertising?

Sir Martin Sorrell

There's a difference between the financial world and the real world. Usually, the financial world is about a year ahead of what happens in the real world. Corporate profits as a proportion of GNP on both sides of the Atlantic is I think at a fifty year high. Corporate profits are quite strong. What's been happening in the last fifteen or sixteen years has been remarkably different, with the exception of the internet bust in 2001 and 2002. What we've seen is steady increase in profitability, improvement in margins and strengthening of balance sheets. Corporate capital spending has not gone crazy. Some of the excesses that we've seen in the financial markets: private equity over-gearing, some of the subprime mortgage issues, have not spilled over, as I say, into real industry as yet. I wouldn't expect to see any impact, at least until we get into that political cycle I referred to before.

Sara Walker

Okay. Sir Martin, looking now at your company and your growth - or rather non-growth - you're saying the UK remains weak, growth slowing in France. Do you see prospects of that improving?

Sir Martin Sorrell

Well, not non-growth; have to be careful what we say. We see the world growing at three speeds. Asia, Latin America, Africa and the Middle East and Central and Eastern Europe: 10% or 11%. The US: surprising everybody I think with consistent growth around 5% [or] 6%, constant currents at about 8%. Western Europe is where the issues lie. I think the UK has been about 3%. We saw a strengthening in the second quarter, but the UK was the weakest market in Western Europe. France, Germany, Italy: Italy a little bit better; Germany a little bit better, France –

Sara Walker

So do you see UK improving?

Sir Martin Sorrell

France: still under pressure, and Spain: very different to the rest. The UK, as I said, improved in the second quarter, and we see a little bit of further improvement in July, but these are at relatively lower levels to the other markets. I think what we have to get comfortable with, and we certainly are comfortable at WPP, is that the fast growth markets are Asia, Latin America, Africa, the Middle East and Central and Eastern Europe. The fast growth functional markets are the digital markets. 23% of our business is now orientated around digital, direct and internet, and 23% around those faster-growing markets I mentioned. That's the twin challenge, so we're very well positioned with almost a quarter of our business in the fastest-growing segments of our markets.

Sara Walker

You mentioned the fastest-growing markets. You said China maybe will become your third biggest market this year. Does that still stand?

Sir Martin Sorrell

Yes. We have a business now approaching \$600m of revenue. It would rank as our third or fourth largest business already. We have 8,500 people in Greater China. Our mainland China business is growing like-for-like at about 29%, even greater when we factor in acquisitions. India: we're growing at over 20%. We have about 5,500 people there; we're continuing to make significant acquisitions there. We see China and India; we also see three new tigers in the East: Indonesia, Vietnam and Pakistan. Those three markets have shown very great growth in the last fifteen to eighteen months. The same goes for Latin America with Brazil, Mexico and Argentina all strong, and Russia and the other CIS countries growing quickly, too.

Sara Walker

Sir Martin, sorry; we've got to leave it there, but thank you very much.

Sir Martin Sorrell

Thanks very much indeed.

Sara Walker

Sir Martin Sorrell there, CEO of WPP.

Important Disclaimer

Although strenuous efforts are made to ensure the accuracy of interview transcripts, Executive Interviews and its associated companies accept no liability for what is said, for any discrepancy between the spoken and written word, or for any errors and omissions. Where doubt arises, please refer to the original broadcast video interview.