

Film was first shown to employees, spouses and retirees "to restore confidence at home," says media rep Harold Deakins. Then made available for public scrutiny. "So far we've had 300-500 requests nationwide and hundreds of requests to lecture at journalism schools," reports Deakins.

He told pr reporter those viewing the company version have "invariably responded favorably." "Many of our employees sat down to write their congressmen that very night. Of the 200-300 outside letters we've received I can recall none that were unfavorable."

TV station in Poughkeepsie (NY) plans to air the whole tape, Deakins says. "The owner feels the issue of misrepresentation crucial enough to risk even possibility of CBS suit."

BANKS FAIL TO ANTICIPATE ISSUE;
PUBLIC, LEGISLATIVE SUPPORT FALTER
LEAVING BORROWING AT STANDSTILL

Lenders & retailers in Washington have "learned the hard way that emergency planning is a must," says Sally Heet, dpr Ranier Nat'l Bank (Seattle). Lending capability

has been frozen since October when Federal Reserve Bank increased discount rate to 12%. New rate equals Washington's lowest-in-the-nation usury ceiling, making loans non-profit venture.

Solution is to raise ceiling. But that requires quick action by state legislators, now in session after 2 mo. recess. "Public opinion has been dead set against such legislation," says Heet. Knowledge of basic economics is "abysmal." "The public perceives the usury ceiling as a mechanism designed to protect the little guy."

Heet blames banks for lacking foresight "to get ducks in order." Public misperceptions of banking industry are now compounding the misunderstanding. "We've traditionally projected the image of intimidating, impersonal institutions, inaccessible to the press and public," she told pr reporter. It's little wonder that they're angry and suspicious."

Belatedly -- tho with "good measure of success" -- lenders & retailers have formed task force to undertake massive public education program. Public hearings, speaking engagements, media campaign now underway. Economics has jumped out of business sections and onto the front pages, Heet reports. Schools are requesting speakers. "Even tv -- a medium which has traditionally shied away from the technicalities of such subjects -- has begun to give excellent coverage."

"It takes longer than two months to change public opinion," she acknowledges. "But the average person in Washington now understands far more economics than before." Legislature is still deliberating its move. Heet's counsel to fellow professionals: "Practitioners have to spend more time on issues not yet on our doorsteps -- and public education is a key."

WHO'S WHO IN PUBLIC RELATIONS

PEOPLE. Kemper Group (Long Grove, Ill.) appoints Charles F. Johanns dir corp rels ...James P. McKinley joins Celanese Corp. (NYC) as sr comms assoc...Donald Berns named media rels mgr, Monsanto (St. Louis).

Leaseway Transportation (Cleveland) appoints Edward G. Ackerman dir corp comms ...Carol M. Vollmer joins Jos. Schlitz Brewing (Milwaukee) as supvr, editorial svcs, pr dept...Irving J. Levine is named dir comms svcs, Con Edison (NYC).

Vol.23 No.7
February 18, 1980

HILL AND KNOWLTON BOUGHT BY J. WALTER THOMPSON,
WILL BE AUTONOMOUS UNIT IN HOLDING COMPANY;
PRACTITIONERS SHOW MIXED REACTIONS

Hill and Knowlton, nation's largest public relations firm, agreed to acquisition bid by ad giant J. Walter Thompson last week. Move follows spate of similar mergers, but surprised many familiar with H&K's philosophy of independence -- articulated quite strongly in company's first annual report issued this winter.

According to pres. Loet Velmans, H&K "will remain autonomous," management and policy unchanged. JWT will restructure to "a holding company with two independent units, one in advertising, the second in public relations." Still unresolved is who will head public relations unit, exact relationship between JWT's public relations division and H&K.

Velmans told pr reporter, "It's a question of resources. We have real needs for expansion that are client dictated and require large amounts of capital." Wants to maintain 20% growth rate set over past 5 years. New marriage may help: in '78 H&K reported \$28 million in revenue, JWT posted \$229.7 million.

Expansion plans include breaking into Latin America "where JWT has been for decades," acquiring existing firms in U.S., opening new offices. H&K is now in 11 U.S. cities, 22 abroad, but that leaves "several hundred where we do not have offices and there are large populations," Velmans says. Also investigating applying computer technology to public relations, area in which company expects to make major investment.

Now emerging as largest independent is Ruder & Finn, which ranks fourth in nation. Burson Marsteller, no. 2, was acquired by Young & Rubicam last year, Carl Byoir,

— VELMANS ON AUTONOMY —

Will advertising spoil public relations? "Unfortunately, yes. Since advertising budgets are usually far larger than public relations budgets, the best talent in a firm providing both services must gravitate toward advertising....

"A public relations firm can best support its clients' management goals when it is objective, independent of any other discipline, and credible with the media and all of its publics."

-- Loet Velmans in 1/7 pr

"Neither of us is saying we are going to integrate communications. We consider the two as separate disciplines. What I object to is when advertising and public relations get mixed."

-- in 2/12 interview with pr

no. 3, by Foote Cone & Belding in '78 (pr 7/16/79, 8/7/78). Manning Selvage & Lee, no. 7, was bought by Benton & Bowles (pr 12/3/79).

Velmans doesn't believe the move to communications conglomerates poses serious threat to medium & small firms. "Their role will be just as important as always." Among the reasons: 1) the need for "strong personal relationships between the client and firm" and 2) "some companies feel more comfortable with a local firm." Professionalism will continue to improve at every level, he believes.

H&K's pres. also sees no conflict between new "autonomous" arrangement and earlier statements about independence (see pg.1). Key, he clarified, is not ownership -- but whether single firm provides both services. So far reactions from clients & publicity have been favorable, he told pr. Sample poll of field, however, shows mixed response:

"This trend can have great impact on the future of everyone in public relations and related fields. It may revive the impression among management people and media that public relations is just a branch of advertising. If it does, the struggle to get recognition for public relations as an essential function will be severely damaged."

-- Philip Lesly
Counselor (Chi.)

"I would have liked to have seen Hill & Knowlton buy an advertising firm. Corporate advertising cannot be written by advertising people.... Still, I don't think bigness is the answer. I shudder when I see Hill & Knowlton's 600 client list. Public relations involves deeper management and social issues. Someone will fill the void left by publicity-oriented firms.

"I see very grave dangers to the profession that public affairs practitioners or lawyers might someday be recycled to fill this void."

-- John Budd, vp-pr,
Emhart Corp.

"I see this as a very positive thing... considering the growing demand for Hill & Knowlton services, the firm will greatly benefit from Thompson's financial assets. This is a trend and the reason the trend can continue is

the complete acceptance on the part of advertising agencies, including Thompson, that autonomy is necessary."

-- Chester Burger
Counselor (NYC)

"Seldom are there mergers where there are not claims of autonomy. The question really turns on whether the autonomy is indeed real, and if it can be preserved...."

"I think the concerns of public relations exceed those of advertising. For that reason I hate to see a public relations firm become part of, and by implication subservient to, an advertising operation."

-- Frank Wylie, dpr,
Chrysler Corp.

"We have considered the idea of a merger very carefully, and we've come to the conclusion that there's a very important and unique service to be performed by independent public relations firms. One of the most important functions of our field is to be able to counsel top management on crucial issues, and we feel we would be sacrificing some of the ability to provide this independent counsel if we were part of a large agency."

-- David Finn, Chmn. Bd.
Ruder & Finn, Inc.

LAWYERS SUGGEST PR COUNSEL
WHEN CRISIS STRIKES;
FIRM COUNTERS GOV'T SECRECY

Tampa Bay on Jan 28 was the scene of a fatal collision between commercial tanker Capricorn and Coast Guard Blackthorn that left 27 CG crewmen dead, missing. Shortly after, legal counsel to Capricorn's owners & operators advised the two firms to retain public relations counsel. They heeded, brought in Gray & Assocs. (Tampa) to handle media relations.

"Public relations firms can be a lot of help," Capricorn attorney Dewey Villereal told pr reporter. "And nothing else can quite fill the bill." Bill Gray, firm pres., believes "sophistication in recognizing the need for counsel is still unique" but "referrals are becoming more common" and are "good for the profession."

Gray & Assocs. was immediately designated as single source. All media, other information calls to N.Y. owners, operators & their attorneys are referred to firm. Gray issues statements, provides copies of lawsuits filed by attorneys to exonerate his clients & collect damages. Throughout, Gray's firm has worked closely with lawyers -- relationship he considers essential in situation where "lawsuits will be raining down for months & years." Experience in emergency planning & pr's guidelines also helped, he said.

"Thirty minutes after we were retained, two attorneys gave me a crash two-hour briefing on the situation," he recalls. "I have no hesitation in telling media 'I don't know the answer to that question but I'll try to find out and get back to you,' because 'winging it' will sure come back to haunt you in a courtroom."

Media relations will prove to be crucial to Capricorn case, Gray believes. Coast Guard is operating full speed to "see the whole thing classified." USCG is conducting investigation, has steadfastly refused third party approach. Gray emphasizes to media: 1) his client was not at fault (CG ship on wrong side of channel, ignored warning calls); 2) anything brought up from downed CG boat should be public knowledge, not classified military and 3) impartial agency should conduct hearings.

Media response has been "uniformly excellent." "Our goals of exoneration and extracting damages are more attainable than they would be without such extensive press coverage," Gray says. "It's helping to thwart the secrecy which threatens our case." Attorney Villereal is much less optimistic about case which is being tried outside court of public opinion, "in Coast Guard hierarchy."

TREND: BUSINESS TAKES
HARD LINE MEDIA STANCE;
60 MINUTES IS LATEST TARGET

After November 25 airing of CBS' 60 Minutes, executives at Illinois Power Co. knew they had been misrepresented. Their stockholders did not -- the next day 40,000 shares were sold & value plummeted. Show exploited controversial charges to customers for construction of new nuke plant (CWIP). But Illinois Power had the means to recoup. It had taken the precaution of filming full CBS interviews in tandem with network cameramen.

Till recently, companies shied from tackling biased media coverage from fear of further retribution. Now, move is to reserved cooperation. Johns-Manville's handling of media on asbestos issue, Celanese's policy show where new lines are being drawn (see pr 10/29/79, 11/19/79).

Illinois Power compiled 90 minute film defense. 60 Minutes segment provides base, additions are spliced back in where CBS edited points out of context. Some are shown in full to counter shorter versions the company felt unfair.