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Extended Abstract: British and French advertising and the challenge of the Multinational agency (1945-65).

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This paper attempts to examine how the British and French advertising industries responded to the challenge posed by the multinational agency, by analyzing the performance of J. Walter Thompson's (JWT) London and Paris subsidiaries during 1945-65. This is the first study to investigate the performance of both subsidiaries from a comparative perspective, whilst drawing upon the work of Douglas West<sup>1</sup> and Eric Hultquist<sup>2</sup> on the London and Paris operations. In this study data provided by Dunning<sup>3</sup>, Gervais<sup>4</sup>, Vaupel<sup>5</sup> and Wilkins<sup>6</sup> has been used to highlight a new explanatory variable in understanding the disparity in the performance of the two JWT subsidiaries. It is argued that the low levels of direct American investment in the French manufacturing sector, vis-à-vis its British counterpart, contributed to the commensurate dearth of French advertising receipts generated by the multinational agencies. Conversely in Britain by 1960 six out of the top advertising agencies were American owned, a natural reflection of the substantial quantity of American investment made into the British manufacturing sector. Although the London office lost the General Motors contract in the 1930s, the disparate experiences of American automobile production in France and Britain influenced the fortunes of the JWT Paris and London subsidiaries.

Two of America's largest agencies in the inter-war period, N.W. Ayer & Son, and J. Walter Thompson received their major impetus for international expansion from car manufacturers. Ayers obtained the Ford account in 1927 and opened offices around the world to service it.<sup>7</sup> A year later Thompson's negotiated a world-wide advertising agreement with General Motors (GM) to open offices wherever they had car distribution or production facilities.<sup>8</sup>

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<sup>1</sup> Douglas West, "From T-square to T-plan: The London office of the J. Walter Thompson advertising agency, 1919-1970", Business History, 2, (1987), pp.199-217.

<sup>2</sup> Eric Hultquist, "Americans in Paris: The J. Walter Thompson Company in France, 1927-1968", Enterprise and Society, Vol. 4, No.3 (2003), pp.471-501.

<sup>3</sup> John H. Dunning, American Investment in British Manufacturing Industry (London, 1998)

<sup>4</sup> Jacques Gervais, La France Face aux Investissements Etrangers (Paris, 1963).

<sup>5</sup> J.W. Vaupel and J.P. Curhan, The Making of Multinational Enterprise (Boston: Harvard Business School, 1969) Chapter. 3.

<sup>6</sup> Mira Wilkins and F.Hill, American Business Abroad: Ford on Six Continents (Wayne State University Press, Detroit 1964).

<sup>7</sup> R.M. Hower, The History of an Advertising Agency, (Cambridge: Harvard, 1949).

<sup>8</sup> Advertising Age, 2 March 1959.

The initial pre-war success of the JWT London office was greatly assisted by securing the General Motors account. This provided the London subsidiary with the time and financial resources to attract a number of accounts via the American office. These included Coca-Cola, Gillette Razors, Kodak and Quaker Oats.<sup>9</sup> Moreover business was soon diversified towards indigenous British accounts as the agency integrated into the British advertising market. By 1930, 50 per cent of the accounts were British.<sup>10</sup> A sign of Thompson's stability was that the London office did not close during the Second World War. After the War, American advertising agencies continued to establish new operations in Britain when they secured automotive contracts. Young & Rubicam opened a London office in January 1945 to service the General Motors account.<sup>11</sup>

The picture in France was very different. Both Ford and GM had only a small market share in France before the Second World War. Unlike JWT London, the Paris office closed during the Second World War. During the post-War period GM had no operations in France, and Ford had little success with the eight-cylinder Vedette. Consequently the Paris office could not depend upon the large-scale American automotive accounts to rehabilitate its business when it opened after the War in 1950. This placed the French subsidiary in a difficult position. The indemnity system<sup>12</sup>, (whereby if JWT Paris gained a new client, the client's former agency were entitled to one year's advertising commission from JWT Paris) acted as a significant impediment to the Paris office winning new mandates from French clients.<sup>13</sup> This forced JWT to focus on American clients who had largely failed to gain significant market share for their products in the French market. This was partly due to rampant inflation which resulted in the devaluation of the franc in 1949<sup>14</sup>, thus increasing the price of American goods. JWT Paris was therefore placed in a strategic quagmire for the two decades succeeding the War.

The American advertising industry experienced a period of extraordinary growth after the Second World War. Between 1946 and 1960 the advertising volume of the United States tripled. Expenditures grew faster than GNP,<sup>15</sup> national income, disposable personal income or any other relevant measure. This growth coincided with a major period of expansion for American multinational firms. As large American firms established their operations in foreign markets, they required media systems and marketing facilities capable of global operations. J. Walter Thompson (JWT), the leading American advertising agency until the

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<sup>9</sup> Thompson's, Summary of Facts about J. Walter Thompson Company (Thompson's, London, 1930) p.3.

<sup>10</sup> Ibid.

<sup>11</sup> Advertisers Weekly, 12 January. 1945.

<sup>12</sup> The indemnity system was a remnant of the protectionist era of the Third Republic.

<sup>13</sup> For a discussion of the indemnity problems encountered by JWT with the Bristol-Myers account consult Eric Hultquist, "Americans in Paris: The J. Walter Thompson Company in France, 1927-1968", Enterprise and Society, Vol. 4, No.3 (2003), p.487.

<sup>14</sup> Maurice Parodi, L'Economie et la société française depuis 1954 (Paris, 1981), p.53.

<sup>15</sup> Gordon E. Miracle, The Management of International Advertising (Michigan, 1977), p.23

1970s expanded overseas in tandem with the growth of American Multinational Enterprises. JWT also epitomized the threat posed to both the British and French advertising agencies from the growth of the American multinational advertising agencies, during the post-War period. By 1965<sup>16</sup> JWT had established offices in twenty four countries including Paris and London.

Table 1.<sup>17</sup>

The Proliferation of American Manufacturing Firms into Europe during the 1940-1966 period.

Time Period	Total Number of Subsidiaries	Total Number of European Subsidiaries
1940-1945	305	61
1946-1960	536	139
1951-1953	580	173
1954-1955	598	168
1956-1957	632	213
1958-1959	829	356
1960-1961	1224	559
1962	596	280
1963	696	343
1964	714	329
1965	714	344
1966	622	300

In marked contrast to the success recorded by the London branch the Paris office performed poorly during the period in question. Eric Hultquist maintains that “While many of JWT’s branches became the leading agencies in their respective countries, notably Great Britain and Germany, JWT Paris foundered from the late 1920s through the early 1960s”.<sup>18</sup> Hultquist cites four reasons for this performance disconnect between the British and French subsidiaries. These include “cultural clashes between the French and Americans, a regulated and protected French market, anti-Americanism among French businesses, and American condescension and insensitivity”.<sup>19</sup>

<sup>16</sup> Advertising Age, 7 December 1964.

<sup>17</sup> Source: James W. Vaupel and Joan P. Curham, The Making of Multinational Enterprise: Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1969, p.122

<sup>18</sup> Eric Hultquist, “Americans in Paris: The J. Walter Thompson Company in France, 1927-1968”, Enterprise and Society, Vol. 4, No.3 (2003), p.471.

<sup>19</sup> Ibid.

The role played by American investment in the British and French economies, merited only peripheral comment in research published by West<sup>20</sup> and Hultquist.<sup>21</sup> However an examination of the value, composition and growth of American direct investment made into the British and French economies during 1945-65 reveals several interesting patterns. First, American investment in France was small in comparison with neighbouring countries, whatever the criterion used. On the basis of American investment per capita using 1961 figures,<sup>22</sup> France ranks only before Italy. Second, there is a sharp divergence in the levels of American investment made in the British and French manufacturing industries. In 1960 the value of American direct investment in French manufacturing was \$402m<sup>23</sup> compared to a figure of \$2.1billion for Britain.<sup>24</sup> Third, an examination of the location of foreign manufacturing subsidiaries of American multinational enterprises reveals a marked disparity in the number located in Britain compared to France. In 1967 1,438 were located in Britain, whilst only 223 were located in France.<sup>25</sup>

Table 2.

American Investment per Capita (1961)<sup>26</sup>

United Kingdom	\$66.50	
Belgium-Luxembourg	\$27.50	
Holland	\$26.30	
Germany	\$21.30	
France	\$18.20	
Italy	\$ 9.40	

Within the manufacturing sector, the automotive industry was particularly important for the multinational advertising agencies, because it provided the catalyst for their overseas expansion before and also after 1945. For Britain, Dunning has created a US concentration quotient “which indicates the importance of various industries from the viewpoint of US investors.”<sup>27</sup> From this “an overall coefficient of concentration may be calculated which measures the

<sup>20</sup> Douglas West, “From T-square to T-plan: The London office of the J. Walter Thompson advertising agency, 1919-1970”, Business History, 2, (1987), pp.199-217.

<sup>21</sup> Eric Hultquist, “Americans in Paris: The J. Walter Thompson Company in France, 1927-1968”, Enterprise and Society, Vol. 4, No.3 (2003), pp.471-501.

<sup>22</sup> U.S. Department of Commerce, Balance of Payments, Statistical Supplement ( Washington: Government Printing Office, 1962), pp.208-209, and Survey of Current Business, Vol. 43, No.8, August 1963, pp.18-19.

<sup>23</sup> Ibid.

<sup>24</sup> John H. Dunning, American Investment in British Manufacturing Industry (London, 1998), p.289 (Appendix 3): Table A.2.

<sup>25</sup> Source: James W. Vaupel and Joan P. Curham, The Making of Multinational Enterprise: Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1969, ch.3.

<sup>26</sup> U.S. Department of Commerce, Balance of Payments, Statistical Supplement (Washington: Government Printing Office, 1962), pp.208-209, and Survey of Current Business, Vol. 43, No.8, August 1963, pp.18-19.

<sup>27</sup> John H. Dunning, American Investment in British Manufacturing Industry (London, 1998), p.36.

degree to which US affiliates are concentrated in certain sectors. The higher the figure, the less evenly is employment dispersed between industries, compared to that which is average for UK industry in general.”<sup>28</sup> For the year 1953 Dunning concludes that the groups with the highest US concentration quotient include “chemical, precision instrument and motor vehicle groups.”<sup>29</sup> The motor vehicles group recorded a US concentration quotient of 1.77.<sup>30</sup>

Gervais, who has prepared the most extensive study of the concentration of foreign capital in French industries,<sup>31</sup> depicts a very different picture for the French automotive industry. He estimates the following percentages of output in specific industries to be produced by American-owned enterprise.

Table 3.<sup>32</sup>

Percentage of Production of French Industries Under Foreign Control- April 1963.

Industry	Foreign Share of Production
Carbon Black	95%
Synthetic Rubber	90%
Agricultural Implements	65%
Petroleum (Refining)	20%
Automobiles	15%

The experiences of both General Motors and Ford in post-War France support the estimates provided by Gervais for the percentage of French automobile production accounted for by American owned corporations. Mira Wilkins has suggested that devaluation of the franc, coupled with the transient nature of governments, were key factors in persuading senior GM management to avoid establishing manufacturing operations in France.<sup>33</sup> Ford continued to manufacture automobiles in France after the war. However the levels of production were small. In 1945 Ford produced 6,000 units<sup>34</sup> which increased to a peak of 23,000 in 1953. During the same year in Britain, Ford produced 204,409 units.<sup>35</sup> Ford disposed of its manufacturing operations to Simca in 1954, following

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid. p.37. Table 2.2 Industrial distribution of US-financed and British manufacturing firms by employment.

<sup>31</sup> Jacques Gervais, La France Face aux Investissements Etrangers (Paris, 1963), pp.71-166.

<sup>32</sup> Ibid.

<sup>33</sup> Mira Wilkins and F.Hill, American Business Abroad: Ford on Six Continents (Wayne State University Press, Detroit 1964), p.393.

<sup>34</sup> Ibid., pp.436-437.

<sup>35</sup> Ibid.

the failure of the eight-cylinder Vedette to compete with the product offerings from Renault, Simca and Citroen.<sup>36</sup>

It is possible to construct a series for vehicle production in Britain and France by American firms for the years 1945-1953. For Britain this can be calculated by simply adding the figure for GM production (categorized as Vauxhall) to the figure for total production at Ford. Alfred Sloan provides figures for GM production<sup>37</sup> and Mira Wilkins provides the data for Ford production<sup>38</sup> in Britain. For France there was no GM production during the 1945-53 period, so we are only concerned with the figure for Ford production provided by Wilkins.<sup>39</sup> The time period 1945-53 has been chosen because American vehicle production in France ceased in 1954.

Table 4.

Vehicle production in Britain and France by American Firms (1945-53)<sup>40</sup>

Year	Britain	France
1945	61,061	6,000
1946	119,382	8,422
1947	141,410	10,470
1948	177,107	14,947
1949	202,586	18,232
1950	230,303	20,033
1951	212,809	23,059
1952	211,983	20,178
1953	314,190	23,000

It is interesting to note the parallel between the level of American investment in the French and British manufacturing sectors, and the corresponding concentration of Americanization within their respective advertising industries. An examination of the ownership structure of the top British and French advertising agencies, during the post-War era provides sharply differing results regarding the degree of Americanization. The prodigious level of direct American direct invest into the British manufacturing sector in 1960, highlighted by Dunning<sup>41</sup> is mirrored

<sup>36</sup> Ibid., pp.393-397.

<sup>37</sup> A.P. Sloan Jr., My Years with General Motors (McFadden Books, New York, 1965). (Appendix).

<sup>38</sup> Mira Wilkins and F.Hill, American Business Abroad: Ford on Six Continents (Wayne State University Press, Detroit 1964). pp.436-437.

<sup>39</sup> Ibid.

<sup>40</sup> Ibid. Sloan and Wilkins.

<sup>41</sup> John H. Dunning, American Investment in British Manufacturing Industry (London, 1998), p.289 (Appendix 3): Table A.2.

by the number of top British advertising agencies which were American owned in the same year. Conversely in France, the dearth of American investment in the French manufacturing sector in 1960 (\$402m compared to \$2.1 billion for Britain)<sup>42</sup> coincided with few American owned advertising agencies penetrating the top end of the French advertising market.

By analyzing the names of turnover of the top agencies within Britain, it is apparent that by 1950 J. Walter Thompson had become the largest agency operating in Britain, and Erwin Wasey was ranked third.<sup>43</sup> However eight out of the top ten agencies remained British. One decade later there had been a dramatic change in the position of American agencies in Britain. By 1960 six out of the top ten agencies were American owned. J. Walter Thompson had maintained its number one position and had been joined by Masius and Fergusson, Young and Rubicam, Hobson Bates and Foote, Cone and Belding as well as Erwin Wasey. By the end of the 1950s the American advertising agencies had firmly established their dominance within the British market.

Table 5.

The Top Ten Advertising Agencies in Britain 1950-1960.<sup>44</sup>

1950

- 1) J Walter Thompson (American)
- 2) London Press Exchange
- 3) Erwin Wasey (American)
- 4) S.H. Benson
- 5) G.S. Royds
- 6) Lintas
- 7) Mather & Crowther
- 8) Saward Baker
- 9) W.S. Crawford
- 10) Colman, Prentis & Varley

1960

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|----------------------------------|--------------------------------------|
| 1) J Walter Thompson (American)  | 6) Mather & Crowther                 |
| 2) S.H. Benson                   | 7) Yong & Rubicam (American)         |
| 3) London Press Exchange         | 8) Erwin Wasey (American)            |
| 4) Masius & Fergusson (American) | 9) Hobson Bates (American)           |
| 5) Lintas                        | 10) Foote, Cone & Belding (American) |

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<sup>42</sup> For a breakdown of the value of American direct investment in France by major industries: See U.S. Department of Commerce, Balance of Payments, Statistical Supplement ( Washington: Government Printing Office, 1962), pp.208-209, and Survey of Current Business, Vol. 43, No.8, August 1963, pp.18-19.

<sup>43</sup> Sources: 1950 and 1960 collected from the Statistical Review.

<sup>44</sup> Ibid.

In 1968 David Ogilvy<sup>45</sup>, wrote a letter responding to an article in Le Monde entitled “Is the United States colonising French advertising?”<sup>46</sup> Ogilvy was unconvinced of this article’s title, writing “While American agencies have been rather successful in colonizing Germany, Italy and England, they have utterly failed to colonize France. I see no sign of this changing.” Ogilvy’s dubiety was well warranted. Despite the appearance of American agencies (directly or by proxy), the three largest French agencies (Publicis, Havas and Synergie) accounted for one quarter of all French advertising in 1968. The American firms (some partially French owned) cumulatively accounted for less than fifteen per cent of French advertising spending.<sup>47</sup> For the most part, French advertising remained in the hands of French companies.

Table 6.<sup>48</sup>

Billings of French Advertising Agencies, 1962.

Publicis	100*
Havas	92.5
R.L. Dupuy	79.5
Elvinger	66.5
Synergie	66.4
Sodico-McCann	50
Yves Alexandre	35.7
J. Walter Thompson	27.5
Dorland	26.5
Promos	23.5

\* Billings denominated in millions of francs.

<sup>45</sup> David Ogilvy controlled Ogilvy and Mather which was one of the top global advertising agencies.

<sup>46</sup> Le Monde, “Les investissements americains dans la publicite francaise vont-ils accroite la dependance de notre industrie?” January 17, 1968, p.22.

<sup>47</sup> Ibid.

<sup>48</sup> Annuaire statistique de la France, resume retrospectf, 1966. p.340



Table 7.<sup>49</sup>

Billings of French Advertising Agencies, 1967.

Havas	244.9*
Publicis	214.8
Synergie	95.8
Dupuy-Compton	94.3
Intermarco-Elvinger	93.3
Thibaud-Lintas	62.7
McCann Erickson	59.2
Inter-Plans	55.3
Impact	43.9
J. Walter Thompson	42.5
AFP/ Ted Bates	41
Dorland and Grey	35.1
Provente/NCK	35.1

\* Billings denominated in millions of francs.

In summary it ought to be stressed that there will be natural, and arguably significant omissions in any analysis which attempts to assess the performance of two multinational subsidiaries, with operations in very different political, cultural and socio-economic geographies. This paper has not focused on the knowledge transfer between the American and London offices which undoubtedly played a key role in the success of the London subsidiary. Elements of this including the introduction of the T-square plan in London are incorporated within research published by West.<sup>50</sup> However it is important to emphasise that the London office made market research almost synonymous with its business in 1933 when it established the first market research company in Britain, The British Market Research Bureau (BMRB). This move enabled Thompson's to offer market research facilities to new potential British clients, and played an important role in London's diversification away from American clients. BMRB soon became an established front-runner in the business. The French indemnity system prevented the Paris office from using their more sophisticated market research techniques as a mechanism with which to attain French clients. This forced JWT Paris to focus their attention on American clients during the post 1945 period. Vehicle production figures for Britain and France by American firms provide a useful insight into the difficulties JWT Paris encountered as a result of their forced dependence on American clients. General Motors and Ford both increased automobile production in Britain during 1945-60. In 1960 British production for

<sup>49</sup> Advertising Age, March 31, 1969, p.74.

<sup>50</sup> Douglas West, "From T-square to T-plan: The London office of the J. Walter Thompson advertising agency, 1919-1970", Business History, 2, (1987), pp.199-217.

both Ford and General Motors peaked at 474,719 and 245,981 units respectively.<sup>51</sup> The relationship between the American automotive companies and the multinational advertising agencies operating in Britain was one of mutual inter-dependence. The General Motors account was of strategic importance for the JWT London office in the pre-war period, and when the account changed hands in the post-war period it provided the impetus for another multinational agency, in this instance Young and Rubicam to establish a London operation in January 1945. In France, General Motors had no production facilities, and Ford production peaked in 1951 at 23,059. JWT Paris could not turn to either of the large-scale American automotive producers for support when re-opening the Paris office after the War. Figures for the level of American investment in the economy as a whole, but particularly for the manufacturing sector highlight both the peripheral nature of the French market from the perspective of the American investor, but also the difficulty American firms operating in France experienced in attaining a significant market share. From a macro-economic investment perspective it is apparent that the spread of American manufacturing firms into Europe from 1945-66 (See Table 1) was the primary motivation for the overseas expansion of the multinational advertising agency. Direct American investment made into the French manufacturing sector was insignificant when compared to its British counterpart, and was reflected in the number of foreign manufacturing subsidiaries of American multinational enterprises located in the two countries. In 1967 1,438 were located in Britain, whilst only 223 were located in France.<sup>52</sup> This pattern is also mirrored in the ownership structure of the top British and French advertising agencies during the 1960s. In 1968 the multinational agencies had failed to penetrate the top echelons of the French advertising market. In Britain nearly a decade earlier six out of the top advertising agencies were American owned.

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<sup>51</sup> See A.P. Sloan Jr., My Years with General Motors (McFadden Books, New York, 1965). (Appendix); Mira Wilkins and F.Hill, American Business Abroad: Ford on Six Continents (Wayne State University Press, Detroit 1964). pp.436-437.

<sup>52</sup> Source: James W. Vaupel and Joan P. Curham, The Making of Multinational Enterprise: Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1969, ch.3.



