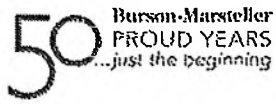

Ninth of a 50th Anniversary Series

The Thrill of Landing a New Client: Two Cases: General Motors and Coca-Cola

Anyone who has ever worked at a public relations firm (or an advertising agency) knows what a thrill it is to land a new client. Even at my stage of the game, I get charged up knowing that one or another Burson-Marsteller office has bagged a big one.

"New business" had a high priority at Burson-Marsteller from the outset. Our first year revenues were about a hundred thousand dollars. While we expected growth from our few existing clients, our success depended on attracting new clients. As discussed earlier, we were fortunate in having a ready-made list of prospects, the Marsteller Advertising roster of clients. But from the start, I measured success against the biggest and best independent public relations firms and that meant winning clients totally on our own merit.

Gaining new clients is important even for a business as mature as today's Burson-Marsteller. There's nothing that more quickly boosts morale, that unites a company which is spread across five continents, that so universally evokes pride and a sense of belonging. New business is the most visible sign of progress, a payoff for good performance for existing clients, and a manifestation of success to existing clients, prospective clients and the public relations community overall. Growth also provides the wherewithal for increased compensation and creates opportunities for promotions into jobs of greater responsibility.

After we built a nucleus of clients that gave us reason to believe we had a stable business -- a decade long process until we reached a million dollars in annual revenues -- our objective was to achieve annual revenue growth of not less than fifteen percent. If we made it, we would double in size every five years. We wanted half of our growth to come from existing clients – doing that would prove ongoing clients valued our services. The remaining half had to come from new clients – that would prove we were measuring up to our competition.

At that time, each of our offices was headed by a General Manager whose primary responsibility was managing his/her part of the business by growing revenues and profits. In addition to making myself available for locally-generated new business solicitations and presentations (I hate the word "pitch" – whether it's "pitching" a client or "pitching" a story), I had my own "wish list," companies I wanted on the Burson-Marsteller client list and I made it my business to get us a time at bat.

Two of the companies on my wish list were General Motors and Coca-Cola.

In 1957, we made a joint presentation with Marsteller Advertising for GM's non-auto Electro-Motive Division, the world's leading manufacturer of locomotives, headquartered at La Grange, Illinois. We jointly got the business and that enabled me and Buck Buchwald to establish a working relationship with Anthony G. (Tony) DeLorenzo, the widely-respected vice president in charge of the General Motors public relations staff, then about 300 people. Despite my hope that one day we might work for General Motors either at the corporate level or for one of the car divisions, I considered the prospects bleak because of the large internal staff – whose competence Buck and I quickly learned to appreciate from our Electro-Motive vantage point.

Coca-Cola, during a good part of the 70s, employed Ruder-Finn as its public relations firm. Previously, Coca-Cola worked with the Steve Hannegan firm (whose reputation was based largely on successfully promoting Miami Beach and Sun Valley as resort destinations) and Thomas J. Deegan, a well-positioned boutique in New York and Washington (Tom Deegan, who became a friend, headed the New York World's Fair Corporation in the 60s). For many years, Coca-Cola headed my "wish list" --- undoubtedly a factor of my early years in Memphis and the south. But I respected the Ruder-Finn association and felt it would be a long time before I could aggressively go after Coca-Cola.

Here, then, is the story of how these two great corporations became Burson-Marsteller clients.

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In 1970 General Motors was the principal, highly visible target of the then-young consumer activist Ralph Nader in his aggressive attack on the U.S. auto industry. The issue he exploited was safety. His book, "Unsafe at Any Speed," aimed specifically at GM design practices, was an immediate best-seller. Soon Nader was testifying before Congressional committees as were the Big Three auto CEOs. General Motors, then the world's largest corporation, bore the brunt of the media attacks, both print and electronic. One Congressional hearing produced such a public outcry that GM's board of directors created a Committee on Public Policy and Social Responsibility that specifically directed management to employ outside public relations counsel.

Our involvement started with a surprise telephone call in late June 1970 from Tony De Lorenzo. He told me Burson-Marsteller was one of three firms selected as contenders to be public relations counsel for General Motors. The others were, predictably, Hill and Knowlton and Carl Byoir Associates, then the two largest and most highly regarded firms in the field. It was made clear from the outset that GM management was interested in obtaining public relations counsel at the corporation's most senior level. They had no interest in hiring "arms and legs" to implement programs or projects – they did that internally.

The first step, we were told, would be a meeting with De Lorenzo and Oscar Lundeen, GM vice chairman and the board member charged with overseeing the search for a public relations firm. Buck Buchwald and I had spent the preceding two weeks researching automobile issues and, in particular, how the media treated General Motors (before the Internet that was a formidable task!). We believed our only chance of winning the business would be by demonstrating, first, that we knew more about the auto industry and its issues than our competitors, and, second, by being brutally candid with our prospective client. Buck and I agreed to "tell it like it is" even though what we said would likely not be what GM executives wanted to hear – or what they had been hearing from internal advisors. At the time, this was a bold approach. General Motors was the world's most successful corporation measured by almost any metric, and an aura of infallibility permeated its management structure. Outsiders, especially consultants, played an insignificant role in the then closed General Motors culture.

That first meeting with Messrs. Lundeen and DeLorenzo took place at GM's elegantly furnished offices on the 25th floor of the then newly-erected General Motors Building facing the Plaza Hotel on Fifth Avenue. Buck and I took turns telling them that General Motors was widely perceived to be arrogant, fearsomely powerful and studiedly unresponsive to its numerous publics, including the government, franchised dealers and even customers. As we walked back to our office at 866 Third Avenue, neither Buck nor I was certain we would be called back for a second meeting – this time with GM's austere CEO James Roche (who turned out to be a kind and considerate client). The next day DeLorenzo telephoned me with the comment "you guys were pretty rough on us, but you got Oscar Lundeen's attention." He said he would call me "in a week or so" but stopped short of saying we would go to the second step and meet with Jim Roche. Nor did he say or infer we had talked ourselves out of the business.

A few nail-biting days later, the call came: to schedule a meeting with Messrs. Roche and Lundeen in the executive suite of GM headquarters in Detroit. Buck and I agonized over the approach we should take in the second and what we were told would be the final round in the competition. We decided to stay on course with our bare bones version of how we felt General Motors was perceived and the need for attitudinal and behavioral changes in how they related to their numerous constituencies. It had worked with Mr. Lundeen, GM's #2 executive; we could only hope it would work with Mr. Roche, GM's #1 executive.

That second meeting went well. Jim Roche defended the GM record, admitted to a degree of insulation from some GM stakeholders as well as a need to be more proactive in gaining a greater understanding of General Motors. The essence of his message, as I recall it, was "General Motors is a great and public-spirited company, but we have ignored the importance of public perceptions in the framing and implementation of our policies and we must do something to change that." We were told that "it may be a while – a month or so" before a decision on which of the three agencies they would work with. They explained that GM management was immersed in the auto industry's upcoming labor negotiations. Buck and I were, of course, aware of media speculation that both the

industry and the union would take hard-line positions and that a strike was likely. General Motors was believed to be the United Auto Workers' probable target.

Not hearing from De Lorenzo for three weeks, I telephoned him in Detroit. He explained in a friendly way that the reason "you have not heard anything" was, simply, that he and other GM senior executives were "tied up with the labor negotiations." He said the public relations issue would not get senior management attention until a settlement was reached, certainly not before October. As speculated, GM was the target company and there was a strike -- six long weeks during which De Lorenzo and I exchanged telephone calls and even visited over lunch when De Lorenzo was in New York. He played it close to the vest, but he assured us that the chemistry between Burson/Buchwald and the two most senior GM executives was good.

In late November, I got another telephone call from De Lorenzo: "Oscar (Lundeen) will be in New York next Monday for the Board meeting and he wants to know if you'll be in your office Tuesday morning so that he can come see where you live." I told him we would welcome Mr. Lundeen's visit. Instantly, I knew the game was over and we had won! I can't remember an occasion that gave me a greater thrill. Oscar Lundeen, the second most powerful executive at the world's largest and most profitable corporation, would hardly traipse around New York City examining the premises of three public relations firms. His visit to our office at 866 Third Avenue would be to deliver the good news.

And so it came to pass. Burson-Marsteller had received the equivalent of the corporate Good Housekeeping Seal of Approval.

Today's business leaders have little appreciation of General Motors's preeminent position in the corporate firmament for the four decades following World War II. GM was so much larger, so much more profitable and so far advanced over other corporations in its management practices that it occupied its own exclusive niche atop the pinnacle of the world business pyramid. For a year or more after winning the General Motors business, the questions most often asked me by client CEOs involved our relationship with General Motors. And I have long believed that adding General Motors to our client list was the "defining moment" that sparked the growth spurt that continued for more than two decades with double digit annual revenue increases and propelled us to the Number 1 position as the world's largest public relations firm in 1983.

(***FOOTNOTE***: *General Motors was a Burson-Marsteller client for eleven years. Following our acquisition by Young & Rubicam, we took the initiative in ending the relationship in 1981. Tony DeLorenzo, who has a place in my personal pantheon of public relations "greats," had retired and we were just starting to work with our fourth GM CEO. We took the action to work with Y&R in pursuing Ford business.)*

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Of the hundred or more corporate leaders I have worked with over the past half century, the most memorable was Roberto C. Goizueta, the gifted and charismatic chairman and chief executive officer of The Coca-Cola Company from 1982 until 1997. In my view, he was one-of-a-kind on the American corporate scene. With the possible exception of John F. (Jack) Welch, CEO at General Electric, no one of his generation left so distinguished an imprint on a major corporation. When he died on October 16, 1997 less than two months after he learned he had lung cancer, leading business publications around the world not only noted his death with lead articles, but many followed up with editorials and reflective treatises on the special qualities he brought to Coca-Cola and the world of global business.

Roberto and I met in 1981 when he was one of six vice chairmen of Coca-Cola in the succession horse race to follow the ailing Paul Austin as Coke's CEO. Our meeting came about after two visits I had made to Atlanta trying to make Coca-Cola a Burson-Marsteller client.

In those days, new business was not much of a problem for Burson-Marsteller, especially in the U.S. Year-after-year, we grew at a rate of 20 percent or thereabouts. Mostly, it came from existing clients and from corporate executives who had heard about us and telephoned or wrote to say they wanted to hire us. Even so, I had my personal "wish list" of corporations I really wanted on the Burson-Marsteller client list. Coca-Cola was high on that list.

My first new business contact with Coca-Cola was in the late 70s when an Ole Miss classmate, Lucian (Luke) Smith, was named president. Luke and I knew one another throughout the four years we were in Oxford (Mississippi, I should make clear!). His appointment happened to coincide with a change in Coca-Cola's relationship with its public relations firm, Ruder & Finn. That came about when R&F's largest client, Philip Morris, acquired 7-Up. Coca-Cola perceived this to be a conflict and Ruder & Finn had to choose between the two clients. They chose Philip Morris, thereby opening the door for a new public relations firm at Coca-Cola.

While Luke Smith greeted me warmly, he explained that he had no voice in the selection of a public relations firm. He introduced me to William (Bill) Prewitt, Coke's director of public relations, then a relatively low level position in the company. Prewitt did not have the authority to hire a public relations firm. But, perhaps encouraged by my college friend, he paved the way for me to meet with those empowered to do so. Before leaving Atlanta, I met his boss, the late Garth Hamby, who informed me privately that a decision on selecting a public relations firm would be deferred for the time being. I subsequently learned that meant after a new chief executive officer was named.

Several months later, I visited Atlanta again for a second call on Garth Hamby. Garth was one of the gentlest and soft spoken men I have met in business. At the same time, he exuded a persistence to get things done. We spoke for more than an hour about public relations in general and about some of the opportunities for Coca-Cola, a company that

seemed to me to have lost its luster of earlier years. He admonished me to "keep in touch."

A month later, Garth telephoned me. He and his boss, whom he identified as Roberto Goizueta, would be in New York the following week. I invited the two of them to lunch in our company dining room on the nineteenth floor of 866 Third Avenue. That venue, I felt, would be quieter and more private than a restaurant or a club, and we employed a chef whose cuisine was widely praised by our guests.

The research I did on Goizueta did little to explain why he, as one of the six vice chairmen, was a contender for Coke's CEO position. Only recently had he been given overall responsibility for public and government affairs. He was a Cuban who emigrated to the United States in 1964, a Yale University graduate with a chemical engineering degree and had joined Coca-Cola in Havana in 1954, his first job. Until he was appointed a vice chairman, his responsibilities at Coca-Cola had been engineering or technical in nature. I had not yet ascertained that, through the years, he had developed a close relationship with the late Robert Woodruff, a giant among corporate leaders who made Coca-Cola a worldwide business institution. Since Garth had made clear that Roberto wanted to talk informally with me and that they did not want to see a "dog and pony" show, the lunch table was set for the three of us.

What was to have been a twelve to two luncheon became an extended discussion that lasted until a few minutes short of four o'clock. I had never met anyone like Roberto Goizueta. Speaking with a pronounced accent, he employed the English language with great precision. He was well versed in current affairs and what he said reflected a large vocabulary. It was obvious that he was well-read. It was obvious, too, that he was a conceptual thinker. While he enjoyed talking about people and events, he was equally at ease in discussing ideas. It was also obvious that he was passionately committed to The Coca-Cola Company and that he had a vision for the company much more expansive than the Company's performance of the recent past. Coca-Cola, he believed, was falling short in achieving its potential. That potential included not only growth in sales, earnings and the price of its stock, it also included building relationships with the millions of people who stopped to "have a Coke" at some time in their day. And it included making tens of thousands of people around the world proud to be members of the Coca-Cola system that delivers a billion servings a day.

Four months after that first and only meeting with him, I read in THE WALL STREET JOURNAL that Roberto C. Goizueta had been elected chairman and chief executive officer of The Coca-Cola Company. I responded by sending him a handwritten note wishing him well and expressing the hope that we could meet soon to continue our discussion.

Garth Hamby telephoned me three weeks later.

"Will you be available to meet with Mr. Goizueta at the end of the day next Tuesday at the Coca-Cola suite at the Regency Hotel on Park Avenue?," he asked. Of course, I

would. I arrived a few minutes before five o'clock and Roberto was expecting me. I was to learn that promptness was a near fetish for him. When he made a date, you knew he would be there on time. He began by apologizing that he could not ask me to join him for dinner because of a previous commitment. However, he had "at least an hour or even a few minutes more" to talk about "an arrangement" that would make available to him my personal services. He quickly made me feel at ease -- two friends resuming a conversation. He said he had made an assessment of his strengths and weaknesses vis a vis his new responsibility as chief executive officer at Coca-Cola and concluded that he had had little experience in relating to the media, to the investor community and to the public at large. In effect, he wanted not only an advisor but a mentor who would teach him the basics of establishing good relationships with the communities that he considered important to Coca-Cola and to his success as its CEO.

Like many of his counterparts in the corporate world, Goizueta was never fully trusting or comfortable with reporters and editors. Although he had some favorites like John Huey, now as editorial director in charge of all Time Inc. publications, whom he met when John was Atlanta bureau chief for ***The Wall Street Journal***, for the most part, he was untrusting of how writers would report on him and The Coca-Cola Company. Perhaps his most frequent expressions of displeasure came during the hours of six and seven in the morning when he was chauffeured to his office while scanning ***The New York Times, The Wall Street Journal*** and ***The Atlanta Journal Constitution***. With many ties to the company, ***The Journal Constitution*** frequently reported on matters that Goizueta considered premature or, in some instances, simply gossip or speculation. On those occasions, members of the Coca-Cola public relations staff – Carlton Curtis, Randal (Randy) Donaldson and others who dealt directly with the media -- could expect a call from his car. When he considered the reporting especially egregious, Garth Hamby got the call. After Hamby's retirement, the calls went to Earl Leonard, Coke's senior vice president responsible for public and government relations.

Goizueta suggested that the original agreement between The Coca-Cola Company and Burson-Marsteller be confined to a personal consulting relationship involving him and me. I was to report directly to him. We agreed that I would make one or two visits a month to Atlanta (more if called for), that he would provide access for me to Coke's senior management so that I could learn the basics of the soft drink business, and that we would speak frequently on the telephone. He also said he would send me copies of reports and correspondence that would expand my knowledge base on the issues affecting the company. He suggested I visit Atlanta as soon as possible to meet with Garth Hamby, his executive assistant and, in effect, gatekeeper, "to work out a compensation arrangement and to get introduced to our top executives." As I prepared to depart, he again made it clear that I would report directly to him, but that we may at a later date discuss a relationship between the totality of Burson-Marsteller and the Coca-Cola Company. Also, he reiterated that he was employing me because he believed I would tell him what he should hear rather than tailor my messages in anticipation of what I or others thought he wanted to hear. And he wanted an outside point of view as well as reports on how other CEOs approached common problems. This was the start of a 12-year

relationship that I suspect was among the closest ever between the CEO of a major corporation and a public relations consultant.

Garth Hamby and I quickly agreed on a fixed monthly fee to cover my consulting services. Out-of-pocket for travel and other expenses would be reimbursed, and any projects requiring Burson-Marsteller staffers in addition to me would be billed separately at standard rates. The agreement also called for a review after three months to assess whether the fee was sufficient to fully compensate Burson-Marsteller for my services.

During the first two years when I worked as a personal consultant to Goizueta, Burson-Marsteller received several marketing assignments that produced minimal income at a time when our business was booming. My associates responsible for our business in New York were naturally eager to "grow the Coca-Cola business" and make it a meaningful Burson-Marsteller client from a revenue standpoint. I tried to assure them that their wish would come to pass but I did not think it prudent to force the issue. (In fact, I later learned that my relationship with Coca-Cola and Roberto Goizueta was sometimes referred to by my close associates as "Burson's ego trip.")

A little over two years into our relationship with Coca-Cola, Tom Mosser and Bill Noonan, two of my most senior associates at B-M/New York (sad to say, both have passed on) walked into my office and said "Barry Holt has offered us $30,000 a month to represent Pepsi International -- twice as much as we billed Coke – what do you want to do?". They also told me Barry wanted "to get together with them within the next four or five days to talk." Barry had been a long-time and valued B-Mer who left in 1981 to join Pepsi and like so many others, continued to have an allegiance to Burson-Marsteller and its people. He had recently been promoted to head Pepsi International marketing communications and turned to his former colleagues for help. Although I valued my close relationship with Coca-Cola and with Roberto Goizueta and his management team – in particular, Don Keough, his second-in-command – I recognized that I was responsible for doing what was best overall (and long-term) for our business.

I telephoned Garth Hamby and told him it was important for me to have a face-to-face meeting with Roberto within the next 24/48 hours. He asked if I could tell him the reason for my wanting to see him so urgently. I told Garth what had transpired with my associates and that I wanted Roberto to know first-hand from me about it so that he could understand the position it put me in with my associates. Garth said he would call me back. Twenty minutes later we were on the phone again. "Come to Atlanta for lunch with the Chairman and me tomorrow. But get here a half hour early so the two of us can talk before you meet Roberto."

At 11:30 the next morning I was in Garth Hamby's office. "After you have gone through your pleasantries when you meet in his private dining room, stop talking. Just let Roberto do the talking," he advised me. And that's what I did – just listened to my friend and client, Roberto Gouzieta. "Harold," he said, "I have been talking with Ike Herbert (Coke's top marketing officer) and we believe it's time that Burson-Marsteller played a bigger role with our company. I know it's hard to estimate how much work there will be,

but you can count on about $35,000 a month – in addition to our personal arrangement -- and we should start right away."

And so began the Burson-Marsteller relationship with Coca-Cola that continues to this day. (When I recently telephoned Barry Holt, now corporate vice president for global communications at Whirlpool, to verify some dates, I told him this story. "Now, at last I know why Tom and Bill cancelled that date we had," he commented.)

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Despite today's greater competitive environment, despite the RFP (Request for Proposal) process that has, in my view, diminished what we do as public relations professionals on both the agency and the client sides of the equation, despite the extravaganzas agencies feel forced to generate to demonstrate their creativity – knowing the telephone is ringing to tell you "the business is yours!" remains for me one of the greatest of all experiences in the agency business. And even more so when I was on the team that made it happen.

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November 1, 2003