

Every month VENTURE reports on entrepreneurs and new businesses. Advertising is one of the most entrepreneurial fields. The following story is about three recent advertising agency startups

Advertising's Own Breed Of Entrepreneurs

BY DONN SELHORN

Few fields sprout as many entrepreneurs as does advertising. Almost every day a new agency or media buying service or creative boutique opens its doors. In this article, we chronicle the births of three distinctive startups: Korey, Kay & Partners; Slater, Hanft, Martin; and Stern & Ingalls. But there are many more stories to tell. On occasion, VENTURE will present similar articles of interest to the advertising community

The adage about the size of advertising agencies, i.e., big is good and bigger is better, isn't stopping a growing number of ex-staffers from top-ranked agencies from starting their own shops. And thanks to the reputations that they've built, most are doing very nicely, thank you.

For example, Lois Korey and Allen Kay, who formed Korey, Kay & Partners in New York, are quick to concede it was their award-winning work on accounts such as Xerox and Frigidaire while at Needham, Harper & Steers that helped enhance their credentials.

Don Slater, 42, of Slater, Hanft, Martin, another Manhattan agency, echoes Korey, Kay. "What you sell is your reputation," says the former senior vice-president at Wells, Rich, Greene. "If you're good, most advertisers have already seen your work. You've got a track record and a reel to back it up. Boutiques can seldom match that."

Still another big agency expatriate, Brendan Kelley, 41, one of the few senior vice-presidents ever to leave Ogilvy & Mather, now works for Stern & Ingalls, which at last count had six employees and annualized billings of \$13 million. The agency is an "entrepreneurial-type" joint venture backed by two larger companies that wanted to establish a New York presence: the 72-year-old Ingalls Associates of Boston and Stern Advertising of Cleveland.

While not exactly in the league of a Young & Rubicam, the trio does have youth on its side—each was established in 1981 or later. The most recent startup is Stern & Ingalls, which opened its doors in



February, 1983.

Another similarity shared by the new agencies, aside from their marketing oriented backgrounds, is that they all come from humble beginnings. Their initial offices were either a hotel room or, in the case of Korey, Kay, borrowed office space from a friend.

"You want humble?" asks Kelley. "For the first six weeks we were at the Berkshire Hotel with one lousy telephone." Today, the agency occupies Fifth Avenue offices near St. Patrick's Cathedral.

Slater, Hanft, Martin, after hanging its shingle in January, 1981, in the Hyde Park Hotel, moved to offices at 540 Madison Avenue. As it added to its

Lois Korey (r.) started her career writing comedy for Steve Allen and Ernie Kovacs. She met up with partner Allen Kay (l.) at McCann-Erickson

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and to hasten R&D on new products. Also, the heads of many new high-tech companies, those lucrative advertisers, are entrepreneurs in the purest sense, people who started their own businesses and want to control their own destinies. In short, entrepreneurs are free thinkers and Korey, Kay drafted its ad accordingly.

But the first few responses to the *Times* ad were less than overwhelming. "A guy who owned a chicken-and-ribs restaurant phoned to say he was debating whether to advertise or install air conditioning," Korey says. "He chose the air conditioner. Another caller told us how excited he was, that we were exactly the kind of agency he'd been looking for. Then the operator cut in and asked him to deposit a dime for another five minutes. We never heard from him again."

Finally, they landed their first client: the Republican Marketing Group, an arm of the GOP's national committee. It had a \$10 million media budget and wanted "entrepreneurial, very visible-type advertising" for the introductory phase of the Presidential campaign. Working on a project basis, Korey, Kay turned out satirical Tip O'Neill and Jimmy Carter commercials. The Carter spot appeared on network news broadcasts ("great publicity for us," remembers Kay), but the GOP quietly dropped it for being too controversial. Nonetheless, advertisers took notice and the billings began coming.

In addition to WCBS and Playboy Hotel and Casino in Atlantic City, N.J., which combined bill slightly more than \$6 million, the agency has Pierre Cardin neckties, Oscar De La Renta footwear, World Research Systems computer software, International Watch Co., Legal Facilities Management Inc., and Cardio-Fitness Center, New York. Past projects have included Seagram, Miles Laboratories, Bristol-Myers, and Aladdin Industries.

The income has allowed Korey, Kay to rent, at \$11,500 a month, all five floors of an East 75th Street brownstone, complete with a spacious kitchen for its 19 employees.

Lois Korey, 47, and Allen Kay, 37, have been a team for 14 years, with stints at Jack Tinker & Partners and McCann-Erickson prior to their creative director posts at Needham, Harper & Steers.

"Everyone told us we were crazy to go it alone," says Kay. "The timing was wrong, they argued, because the economy was depressed. But we believed in our entrepreneurial instincts. To Lois and me, a recession is the best time—that's when companies' look to change their advertising. We felt there was a niche for us out there, since advertisers with entrepreneurial temperaments weren't being handled properly by other agencies."

Stern & Ingalls emphasizes the dual expertise of



its parent companies and its entrepreneurial managers. The parent agencies, says Kelley, have handled significant retail accounts, such as Zayre Corp. and Revco, while Kelley's background is in package goods, such as Schaefer beer. "We offer a package goods 'push down' into the stores, and a retail 'pull through' out of the stores," Kelley explains.

The product that put them in business is Nature's Organics Shampoo, an \$8 million billing awarded by Joseph DeKama, an ex-Fabergé executive and now president of his own health and beauty aids company. "A very entrepreneurial spirit—the kind of success he's had is the kind of success we want," Kelley says of DeKama, the force behind the Farrah Fawcett campaign at Fabergé.

Others in the Stern & Ingalls portfolio are Computer Service Corp. of America, Medical Nutrition's Color Diet and Codorniu sparkling wine.

Codorniu, imported by Joseph Victori Wines, New York, caused a free-for-all among agencies when Victori's president, 40-year-old attorney Joseph Umbach, placed an open call ad in the *Times*. "Seventy-eight agencies replied," sighs Kelley. "Really, 78. And the billing was just under \$1 million. Umbach narrowed the field to 22 and endured all their presentations. The truth is we pursued the account as though it were GM—we researched the hell out of it and borrowed people from Ingalls Advertising for our presentation."

At this writing, Kelley and Stern are shuttling between New York and their Boston-Cleveland agencies once or twice a week. They expect to have Stern & Ingalls fully staffed and self-sufficient by mid-May.

The Stern & Ingalls story is unique in that the parent companies are from different parts of the country and had no prior contact with each other. Kelley is credited with bringing them together.

The originator of American Express "Don't Leave Home Without It" and the "Schaefer City" campaigns, Kelley was in Paris as Ogilvy's interna-

With Bic Corp. and Citibank as clients, billings for partners (l.-r.) Don Slater, Gerald Martin, and Adam Hanft have soared to \$25 million

Korey, Kay threatened a potential client: "We have your dog. Look at this reel if you want to see him again"



original staff of four and suffered space cramps, the agency rented an annex across the street and offices in its present location on Fifth Avenue and 19th Street. "We were one of the smallest agencies in town but we had three offices," notes Slater, who serves as executive vice-president and creative director.

Chairman Gerald Martin, 43, former Benton & Bowles senior vice-president, sees the lower Fifth Avenue area as becoming "the Silicon Valley of ad agencies." At least 10 firms have relocated in the neighborhood already to escape the uptown rents of \$50-per-sq.-ft. Among them are Chiat Day, Geer DuBois, Shaller Rubin Associates (renovating an East 25th Street building it purchased at a city auction), and Rosenfeld, Sirowitz & Lawson.

"Rumors are that some very large agencies are thinking of coming down here when their leases expire," insists Martin. "The rents uptown are killers. We're paying less than half of what we were on Madison."

The third partner, sharing equal equity with Slater and Martin, is Adam Hanft, 32, president and one-time boy wonder who freelanced as a copywriter while still in high school. At Wells, Rich, Greene, he was its youngest senior vice-president and responsible for the "Flic Your Bic" campaign.

Each of the new agencies evolved after the prin-

cipals had met at other shops. The Slater group were co-workers 10 years ago at Smith-Greenland. "We hit it off well," recalls Slater, and they promised to keep in touch with the idea of perhaps "someday" opening their own business.

The moment came when a contact of Martin's bought a furniture finishing company in Memphis, dismissed its small Southern agency and budgeted \$3 million for advertising. The New Yorkers were awarded Formby's Furniture Care Products. Almost simultaneously, they made a pitch for Konica Cameras and edged out three other finalists to grab their second big billing—all before the agency had an address. They were profitable from day one. "Some people open an agency before they have any business," Martin says, "and they're not always successful. So we wanted to avoid that risk."

Gross income for Slater, Hanft, Martin in 1982 was \$3.8 million on billings of \$25.4 million. This compared to its startup year's \$2.3 million gross, \$15 million billings. Its current client list includes Bic Corp. consumer products, a division of Citibank, Richardson-Vicks natural health and home care products, Westinghouse Group W (two cable channels), and Eyelab Inc. "What's unique about us is we've grown mostly with large clients," Slater explains. "They've all generated more billings for us by referring our name to others. We're not that aggressive; people usually call us."

At Korey, Kay, the game plan has been aggressiveness and innovative methods to get advertisers' attention. For instance, when New York's WCBS-TV News was looking for an agency, the pair resorted to a threat to get its reel viewed. They sent a note and reel to the station's director of communications after he had refused to interview any more hopefuls. "We have your dog," said the crudely lettered note. "Look at this reel if you want to see him again." The man didn't own a pet, but the agency won the account and the caper earned the dognappers a write-up in the "Advertising" column of the *New York Times*.

Starting out with no clients and a temporary home in a friend's offices in the Empire State Building, Korey, Kay was only days old when it bought a full page, \$20,300 ad in the *Times* with the headline "Do Entrepreneurs Advertise Differently Than Other People?" The 153-word text, which took a week to write and polish, was aimed at "classic entrepreneurs" as well as "closet entrepreneurs who work for major corporations."

Classic? Closet? Korey and Kay were onto something, and they knew it. The trend among mammoth companies is to develop entrepreneurial atmospheres within their own organizations, both as protection against losing talented personnel to startups



Ogilvy & Mather alumni (l.-r.) Peter Hurley, Bill Stern, and Brendan Kelley of Stern & Ingalls who won the \$8 million Nature's Organics Plus account

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tional creative director when he took a year's leave in 1981 to write a play, *The Day Babe Ruth Died*, scheduled to be produced next month by the New York Dramatists in New York. Then, "for numerous reasons," he decided not to return to New York and the agency where he had worked since 1969. Instead, the Boston College graduate went to Ingalls, with \$70 million in billings from clients including Zayre Corp. and Converse.

Meanwhile, Stern, his former co-worker on General Foods and other Ogilvy accounts, had left O&M and spent a year in Puerto Rico as vice-president and marketing director for Compton Advertising. He went back to his home town of Cleveland to head the 30-year-old agency founded by his father, Nelson Stern, which has \$22 million in billings, and whose clients include Revco drug centers.

Bill Stern was doing trade advertising for DeKama when the latter asked him to recommend a New York agency for Nature's Organics Plus.

"I gave him a few names," says Stern. "Then I thought, 'Hey, this is eight million bucks we're talking about!'" The upshot is that Stern phoned Kelley and asked if he would consider heading up a New York office if the shampoo account could be won.

Kelley was interested, but he had just come aboard Ingalls. "My idea was to put the Stern and Ingalls people in touch," he says. "I knew both parties, and it had all the elements of a nice marriage. I also knew that [Ingalls President S. Joseph] Hoffman had been exploring the possibility of entering New York."

A major hurdle, of course, was to convince DeKama that a new agency still in the planning stage could do justice to his product. DeKama said the embryo shop was welcome to compete but he was noncommittal.

Stern & Ingalls, which Kelley claims is an auto-

nous operation, has Bill Stern as president and Kelley as executive vice-president and creative director in a salaried, nonequity role.

A common headache of startup agencies is finding qualified staff, in part due to the cutbacks of training programs at many of the larger, long-established agencies. Jerry Della Famina laments that the industry is no longer attracting young talent. "I don't know of any up-and-coming creative people under 30," he stated recently in *Advertising Age*. "The best and the brightest just aren't there."

Amen, says Lois Korey. "It's harder to get good people than good clients. At our agency, everybody gets to know everybody else's function. You need that versatility in a place our size."

Slater, Hanft, Martin is not adverse to training; two of its 49 employees were groomed in-house. And Korey, Kay has a secretary-turned-copywriter. Conversely, Stern & Ingalls hires only pros from top agencies with packaged goods backgrounds "because that's the kind of business we like to acquire. We can't afford too many wrong moves," he grins. "The mother ship [parent firms] won't support us indefinitely if we're don't flourish."

Korey and Kay insist they "never considered failure."

Slater says he announced to his partners during the agency's formative stage, "What the heck, let's give it two years. If we bomb, we can always go back to other agencies."

One obstacle that consumed an inordinate amount of time was choosing a name for their shop, Slater recalls. Martin's name, although he's chairman, appears last. "We voted against Martin Slater, that sounds like one person," Slater says. "And we couldn't go alphabetically. Nobody can spell or pronounce Hanft."

Startups aren't always easy. ❶