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## FCBOZELL? TRUE NORTH EYES MARRIAGE: MERGER OF TWO NETWORKS WOULD CREATE LARGEST AD AGENCY IN U.S.

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True North Communications is weighing a merger of Bozell Worldwide and Foote, Cone & Belding into one global network, a move that would stun Madison Avenue and create the nation's largest ad agency.

The merger is believed to have been discussed at True North's regularly scheduled board meeting the first week of August. In the past 12 months, True North's share prices peaked at \$34.13 in February, up from a low of \$18.18 last October; at least one person speculated the board has interpreted the gains as an indication Wall Street has heard-and approves of-the merger rumors.

True North executives and board members did not return calls. A spokeswoman said the company does not comment on speculation.

A marriage of the country's eighth-largest ad agency, FCB, and No. 14 Bozell would create the largest U.S. ad agency, with gross income of more than \$532.7 million, surpassing Grey Advertising's \$422.3 million. The combined entity would be the ninth-largest agency brand worldwide.

### SOME CONFLICTS

On the downside, there would be a handful of conflicts in a merger of the networks. The upside could include a stronger bump in the stock price. And the move would allow David Bell, named chairman-CEO in March, to put his stamp on the company.

The two most obvious client conflicts would be between Bozell's Bank of America and FCB's Chase Manhattan and Bozell's Bell Atlantic Mobile and FCB's AT&T business.

While many rivals have been looking to grow through purchases, True North in May said it would abandon plans to acquire a third network. Morgan Stanley Dean Witter analyst Mike Russell said while most holding companies try to increase revenue through acquisitions and gaining new business, others focus on winning increased billings from existing clients.

### 'A CHANGE IN DIRECTION'

"There are two ways to grow. One is to win new accounts. The other is to do what [Young & Rubicam] has done and concentrate resources on a few accounts but penetrate them more deeply," Mr. Russell said. "If Bozell and Foote Cone were to come together, it would be a change in the direction [toward] what Y&R does. Right now, what they seem to be doing is what Omnicom or Interpublic does."

One executive close to True North said if the board voted to merge the networks of

the publicly traded company, the Securities & Exchange Commission would have been notified, which had not happened as of Aug. 13. But University of Virginia law professor Paul Mahoney said a board decision likely would require notice only to the New York Stock Exchange, where the stock trades.

True North, the world's seventh-largest ad organization, saw revenue rise 5% in the second quarter. Operating profit margins also are improving; they're likely to hit 11% this year, up from 8.6% last year.

True North has beefed up margins by cutting general and administrative costs, a move that could continue under a consolidation, Mr. Russell said. He said even if a merger does materialize, it would not mean automatic staff reductions.

#### COULD BOOST REVENUE

"It could be a good thing and could lead to increased revenues and increased hirings," he said. "They've got to keep their front line and creative people who help win that business."

Mr. Russell, who said he was not aware of True North's plans for a merger, speculated the board might try to consolidate administrative efforts or tie together overseas operations.

Of the 53 countries in which Bozell has offices and the 82 in which FCB operates, 45 are duplications. Mr. Russell said each network could become a great global network but that "in certain markets, business does not require them to have two brands."

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