

Lobbying & Law

MOVING BEYOND ATTACK ADS

BY LOUIS JACOBSON



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PLUNGING AHEAD: “This is the time to build something and pick up market share,” says GOP ad man Alex Castellanos (left) of his new full-service public-affairs firm. He is accompanied by colleague James Courtovich.

Republican advertising guru Alex Castellanos is sometimes called the father of the attack ad. Now Castellanos is looking to break the mold once again—this time by creating a different kind of public-affairs firm.

Historically, campaign media firms—the hired guns who craft hard-hitting television commercials for political candidates and corporate clients—have been among Washington’s quintessential boutique businesses. To be successful, practitioners must exhibit a rare mix of horse-race sensibilities, a knack for the technical side of television production, and the willingness to go for an opponent’s throat. So media firms often coalesced around unique personalities, such as Democrat Bob Shrum or Republican Stuart Stevens, and retained an independent flavor.

But as part of a consolidation of the public-affairs industry in the late 1990s, a number of well-known media firms were purchased by larger public-relations conglomerates. The advertising firm Goddard Claussen was acquired by Porter Novelli; Murphy, Pintak, Gautier, Hudome was bought by Cassidy; and Greer, Margolis, Mitchell, Burns & Associates was acquired by Fleishman-Hillard. Each is owned by a huge multinational holding company.

One reason for this buying spree was that executives wanted to lure clients with “one-stop shopping” for PR services, lobbying, polling, and advertising. Now Castellanos’s Alexandria, Va., firm, National Media, wants to tweak that model.

National Media intends to go it alone, offering clients one place to shop by growing itself into a diversified, midsize firm, rather than by joining one of the conglomerates. National Media founder Robin Roberts and Castellanos, both 48, are pitching the company as a full-service firm, but without any bloat.

“Our clients don’t need an office in Hong Kong,” Castellanos said in an interview. “Because times are tough, clients are looking for more value.”

Currently, National Media—which began in 1981 and added Castellanos in 1989—employs 37 people. In recent months, the firm has hired a handful of veteran public-relations and grassroots-advocacy specialists, and it may add up to a dozen more after its makeover in September. By keeping overhead low and the number of junior staffers to a minimum, the firm hopes to attract clients who seek personalized attention from senior strategists. Officials say National Media won’t be on the purchasing block.

“At the firms that have been bought out by publicly held companies, the firm doesn’t make a huge profit when the top guy bills his clients,” said James C. Courtovich, who was recently hired away from the public-relations firm Ketchum to help oversee National Media’s expansion. “The lower employees are where the real profit lies, so to make enough of a profit, the firms have to force their work lower down on the food chain. And that’s not the best way to do public affairs.”

Mark Schannon, Ketchum’s Washington office director and Courtovich’s former boss, called National Media’s strategy “a different but very legitimate approach. Some issues and clients are going to want a small specialty firm, and they don’t need a lot of people to help with the tactical stuff. Some campaigns require lots of arms and legs and a national or international presence. So I think there’s plenty of room for both of us.”

Ken Rietz, the worldwide chief operating officer of the PR firm Burson-Marsteller, praised National Media and called Castellanos “very talented.” The biggest risk, he said, will be if bigger firms suddenly view National Media as a competitor and begin pulling the plug on subcontracting offers.

Castellanos, whose family fled Cuba in 1961, is admired by advertising professionals and deplored by political adversaries for his aggressive ads. Some criticized Castellanos in 1990 for making a campaign ad for Sen. Jesse Helms, R-N.C., that dramatized the issue of affirmative action by showing a white hand crumpling a job rejection notice. Castellanos took heat again 10 years later when he made a commercial for then-presidential candidate George W. Bush that attacked Democratic nominee Al Gore's Medicare prescription drug plan and included a brief frame with the word "RATS." Critics called it "subliminal advertising," which Castellanos denied.

National Media's new business plan did not come about overnight. Election-related advertising—historically the firm's meat and potatoes—now accounts for only about half of its revenue, officials say. Much of the rest comes from corporate campaigns, including work for telecom giant Verizon Communications, the American Forest &

Paper Association, the Federation of American Hospitals, and pharmaceutical companies. Some of the firm's existing clients have already signed up for its new services.

To be sure, National Media continues to do advertising work for both candidates and corporate clients. The firm placed more than \$500 million in television, radio, and print ads over the past four years. Its clients include three GOP gubernatorial candidates—John Sanchez in New Mexico, Brian Sullivan in Minnesota, and Rep. Van Hilleary in Tennessee—plus Rep. Gerald C. "Jerry" Weller, R-Ill., and Georgia congressional candidate Barbara Doolley. Some of the firm's past meal tickets, such as Sens. Strom Thurmond, R-S.C., and Phil Gramm, R-Texas, are retiring.

Castellanos has turned over day-to-day oversight of the advertising operation to Brad Todd, 31, and Monica Notzon, 29. For now, Castellanos promises to focus on the firm's expansion. And in something of a shift, the new public-affairs practice will

be officially nonpartisan, though always "pro-business," he said.

Courtovich, 36, served as vice president and group manager in the public-affairs practice at Ketchum Communications between 2000 and 2002. Earlier in his career, he worked for the PR firm Burson-Marsteller and served as an aide to Gramm, Sen. Bob Smith, R-N.H., and former Sens. Bob Dole, R-Kan., and Warren Rudman, R-N.H. Other newcomers to the firm include Julie Rienzo, formerly a freelance producer with Fox News Channel in Washington, and lawyer Deborah Haynes, who has worked in the finance, insurance, real estate, and tax industries.

Despite the soft economy, Castellanos said he isn't concerned about the risk of expanding right now. "This is the time to build something and pick up market share," he said. ■

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■ From the K Street Corridor ■

STOMP the Unions, NRCC Says

The National Republican Congressional Committee is asking Washington-based trade groups to provide volunteers to help register and mobilize GOP voters in key congressional districts. The NRCC's effort—dubbed STOMP, or Strategic Task Force for the Organization and Mobilization of People—is getting help from House Majority Whip Tom DeLay, R-Texas. The idea is to counter the labor unions' vaunted voter-mobilization drives, which historically have boosted Democrats. Earlier this year, for example, several dozen recruits—including some local insurance agents who had been alerted by their trade group, the Independent Insurance Agents & Brokers of America—spent a day in the Nevada district where Republican Jon Porter is vying for an open House seat. And on June 8, two training sessions for volunteers were held in the districts of Rep. Anne Northup, R-Ky., and Shelley Moore Capito, R-W.Va. Besides the IIABA, other trade groups that have been asked to recruit volunteers include the National Federation of Independent Business, the National Restaurant Association, and the U.S. Chamber of Commerce, GOP sources said. —Peter H. Stone

Somalia Set to Hire Lobbyists

Jefferson Waterman International, a Washington public-relations and lobbying firm that represents foreign governments, may soon go to work on behalf of the government of Somalia. Jefferson Waterman has filed registration papers with the Justice Department, but Senior Vice President

Kenneth A. Yates, a former U.S. Information Agency official, says some hurdles remain before his firm can finalize a deal with the war-torn African country. The United States and Somalia have not had diplomatic relations since 1991; in 1993, 18 U.S. soldiers were killed in a street battle with warlords in the capital city of Mogadishu. During a recent visit to Washington, Somali Foreign Minister Yusuf Hassan Ibrahim met with State Department officials and urged the United States to recognize his government and to provide humanitarian aid. He also pledged to work with the United States to fight terrorism. —Shawn Zeller

Soros's Institute Opens D.C. Office

The Open Society Institute, the foundation funded by investor George Soros, has opened a Washington office and a policy center that will lobby Congress and the administration. The center will focus on such issues as protecting civil liberties, encouraging the United States to adopt a multilateral approach to foreign policy, and reducing penalties for drug crimes. Soros decided to open the office after September 11, said Open Society Communications Director Andrea Pringle, because he has "concerns about the threat to civil liberties and the knee-jerk reaction in Washington." Morton H. Halperin, who previously headed the Washington office of the American Civil Liberties Union, and who served as director of policy planning at the State Department during the Clinton Administration, is the director of the institute's new office. —S.Z.

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