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PR inside the heartland

Craig McGuire - 6 Sep 2004 00:00

Corporate consolidation hurt, but agencies are leaner and meaner now.

There is a rumbling in the heartland as states throughout the lower Midwest and down through the inland Gulf Coast experience a slow economic resurgence, spurring new PR account opportunities. However, the majority of this sputtering growth stems from small to midsize businesses, as the recession that battered the US economy in 2001 lasted longer and hurt worse in the heartland, squeezing out many larger corporations. The PR industry there suffered along with the economic anemia that spread throughout Central US states like Kansas and neighboring Missouri, traveling south through Oklahoma and Arkansas, and continuing down the shores of the Mississippi to Louisiana. If there is a nexus for the communications industry in this region, it runs through the lobby of St. Louis-based Fleishman-Hillard. "In the face of corporate consolidation, many companies formerly headquartered in the Midwest or Missouri have either moved their headquarter locations or been absorbed through mergers and acquisition," laments Dave Senay, Fleishman's regional president and senior partner. "That is not at all to say that business is declining. But it has challenged agencies like ours to find new ways to broaden our scope of service to existing clients." So if a powerhouse like Fleishman is feeling the pressure, what has it been like to be one of the many feeder fish swimming alongside the PR leviathan? "It's a blessing and a curse," says Melanie Goldfader, AE at Kupper Parker Communications in St. Louis. "For some companies whose boards demand a safe choice, Fleishman is chosen, often without an agency review," Goldfader says. "However, *Fortune* 500 companies like Quest Diagnostics, WellPoint, and Emerson turn to niche firms for very specific initiatives." But the exit of various *Fortune* 500 companies has virtually smothered PR work in certain verticals. For instance, the exit of key players and regulatory battles have reduced the demand for firms that specialize in telecoms, and PR pros that serve the airline industry are reporting a severe drop-off in the wake of massive layoffs at American Airlines, Delta Airlines, United Airlines, US Airways in St. Louis, and Vanguard Airlines in Kansas City, MO. American Airlines announced it will cut almost half of its flights to and from St. Louis by November and close its St. Louis Reservation Center downtown, which will result in more than 2,200 layoffs. It hasn't been all bad news. Among the positive economic indicators to emerge this year was a recent ranking that placed Missouri second in the US in job growth. Meanwhile, the mass downsizing and exit of *Fortune* 500 companies has actually changed the structure and compensation of PR relationships to some extent, producing more client work for smaller PR firms and integrated marketing communications agencies. At the same time, Senay says, work in key emerging verticals, such as healthcare and biotechnology, has virtually "exploded" over the past three years, resulting in the region being christened the "Bio Belt." **PR in Missouri and Louisiana** The slower-than-expected economic rebound in this region is fueling increasing political PR campaigning. "PR programs in our region face competition from a cluttered landscape due to a busy election year and our continuing position as a battleground state in

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the presidential election," says Cathy Dunkin, president and CEO of The Standing Partnership in St. Louis. Along that same continuum that indelibly links politics with economic prosperity, increasing union activity is spurring employee communications work as "union and nonunion companies are spending more time and money trying to determine what their employees want to hear and relaying that information," says Suzanne Holroyd, VP at The Vandiver Group. Like Missouri, Louisiana has weathered economic anemia in recent years and now is the headquarters for only two *Fortune* 500 companies, down from a half dozen only 20 years ago. Arthur Wiese, VP of corporate communications at Entergy, says Louisiana has never fully recovered from the collapse of the world's oil market in the mid-1980s. "Therefore, there is little or no presence of the larger national PR firms in Louisiana - although some companies here use those firms on out-of-state assignments," he says, adding that Entergy uses Burson-Marsteller for PR contract work at its nuclear plants in New York and Vermont. "But, despite a still sluggish economic recovery, some of the excellent midsize regional firms here, like The Ehrhardt Group and Keating Magee, have done well," Wiese says. While there might not be any major PR firms anchored in Louisiana, some say the state's industry is maturing. "Louisiana firms are starting to understand that they need to develop their skills beyond the basic distribution of press releases," says Julie Calzone, CEO of her eponymous firm in Lafayette, LA. "However, the largest firm is capitalized at around \$40 million, not very large when compared to other markets. There is a plethora of freelancers, and when combined with limited marketing resources by Louisiana companies, it presents a limited pool of accounts." Still, a bright spot is the seemingly endless stream of tourism PR dollars fed by a flood of thousands of conventioners who visit the Big Easy each year. And that's not even the madness that is Spring Break or Mardi Gras. But there is more to Louisiana than beads and Bourbon Street. "Healthcare is consistently competitive throughout Louisiana, and PR and marketing are equally in demand to attract consumers and recruit highly qualified physicians and personnel," says Francesca Benten, EVP at Williams Creative Group in Shreveport, LA. "Biotechnology is a burgeoning industry and rife with opportunity to market North Louisiana as a regional technology center." **Kansas agencies thinking big** Meanwhile, as in Missouri and Louisiana, Kansas has seen its corporate environment constrict. With the right approach for PR agencies, though, small business can be big business, says Deanna Harms, SVP at the Greteman Group in Wichita, KS. "Small area businesses increasingly need to look big," Harms says. "For example, to survive and remain independent, community bankers are reinventing themselves and finding new ways to reach their customers - including an increased reliance on PR and more guerrilla-style tactics." At the top of the PR food chain, some of the area's larger players are also aiming higher, such as the launch of national PR, advertising, and marketing initiatives at Payless Shoe Source. "Payless is repositioning as a fashion brand, and our focus is on national fashion coverage that can impact the entire store chain of more than 5,000 stores," says Mardi Larson, PR director, Payless. "The PR program that I manage for Payless Shoe Source is a national one. I don't do much PR in the region." However, for those who do PR here, it has not gotten any easier. Battling an increasing number of network, cable, and online news sources, print publications are trying to increase earnings, affecting who and what they cover, while some publications have ceased to exist because of financial problems. "The *Kansas City Star*, the area's leading newspaper, now charges for personnel announcements," says John Landsberg, principal of Bottom Line Communications. "This is believed to be a first in the industry. Until earlier this year, business promotions, new hires, and such were part of editorial coverage. They are now paid ads." **Crafting new strategies** Oklahoma, often the epitome of Heartland corporate values, exhibits an insular approach to PR and no-nonsense communications. "If you want to talk to the people in our state, get a placement in *The Sunday Oklahoman*," says Vincent White, VP of communications/IR at Devon Energy, the largest company in Oklahoma. "There are very few businesses in Oklahoma that generate national news," White says. "If you are one of those companies, the papers will likely be open to your announcements. Unfortunately, most news printed in *The [Daily] Oklahoman*, *Tulsa World*, and *Journal Record* stops at the state borders. So if regional or national news is desired, it has to be pitched in Texas or the East Coast." On the PR front in Arkansas, though, a massive influx of Hispanics has produced a huge demographic shift. Lisa Bondurant, VP and director of PR at the Communications Group, says there is a major push throughout the region to tap into this burgeoning audience. "The growth in the Hispanic population has spawned Spanish-language newscasts, media, and community organizations," Bondurant says. "Using those effectively to reach the appropriate Hispanic audience is an increasing trend in the region." However, like virtually everything else in Arkansas, PR is dominated by Wal-Mart and its Byzantium web of affiliates and suppliers. Frustrated by critics that warn it is bent on demolishing small-town America, Wal-Mart launched a major PR initiative this year. No longer ignoring the media, executives have been blasting letters to the editor, sounding off on news articles and editorials critical of the world's largest company. It also underwrites causes, such as National Public Radio, has contributed \$40 million to education, and sends employees into area schools to lead activities, like Earth Day projects, while wearing their Wal-Mart vests. (Wal-Mart did not return calls for this article.) Like Wal-Mart, Kansas City, MO-based Sprint has recognized the value in PR campaigning around local charitable initiatives - a particularly effective strategy in this region. "In March, our CEO announced we would refocus 75% of all charitable contributions, or \$20 million over the next three years, to local interests," says Jennifer Bosshardt, Sprint media relations manager. "This is driving virtually all of our PR operations now. Inevitably, not being based in a major market enables you to make so much more of an impact than you can in a New York or a Chicago."

Fact file Arkansas Population: 2,725,714 **Top employment sectors:** Educational, health, and social services: 19.6% Manufacturing: 19.4% Retail trade: 13% **Top companies:** Wal-Mart Stores Tyson Foods Dillard's **Kansas** Population: 2,723,507 **Top employment sectors:** Educational, health, and social services: 21.9% Manufacturing: 15% Retail trade: 11.5% **Top companies:** Sprint Yellow Payless Shoe Source **Louisiana** Population: 4,496,334

Top employment sectors: Management, professional, related occupations: 29.9% Sales/office jobs: 26.8% Service: 16.7% **Top companies:** Entergy CenturyTel Freeport-McMoRan Copper & Gold **Missouri** Population: 5,704,484 **Top employment sectors:** Educational, health, and social services: 20.4% Manufacturing: 14.8% Retail trade: 11.9% **Top companies:** Aquila Emerson Electric The May Dept. Stores **Oklahoma** Population: 3,511,532 **Top employment sectors:** Educational, health, and social services: 20.5% Manufacturing: 12.5% Retail trade: 12% **Top companies:** Phillips Petroleum Company The Williams Companies ONEOK

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