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THE MEDIA BUSINESS: ADVERTISING

THE MEDIA BUSINESS: ADVERTISING; D.M.B.&B. Acquires Penchina

By Randall Rothenberg

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PENCHINA, SELKOWITZ INC., a tiny New York agency known for its work for Burroughs computers, was acquired on Friday by D'Arcy Masius Benton & Bowles, the $2.5 billion advertising giant. Executives of the agency will receive an undisclosed amount of cash and stock in D.M.B.&B., and a percentage of their agency's profits.

This is the second merger in recent weeks of a small, creative shop into a large advertising company. Last month Tracy-Locke, a division of the Omnicom Group, acquired Altschiller Reitzfeld, a $60 million agency whose founders are perennials on advertising's award circuit.

The willingness of these agencies to sell their independence illustrates the growing difficulty small shops are having in an increasingly competitive advertising and marketing environment. As American corporations battle for larger shares of existing markets rather than seek new markets, they are turning to established agencies that can provide them with services beyond good creative work. For their part, large ad agencies that once eschewed low-paying accounts are now eagerly pursuing them, squeezing smaller ad companies with fewer resources out of new-business presentations.

''The conventional wisdom is that the small, talented agency will have a great future in this business. Frankly and empirically, we don't accept it,'' said Steven M. Penchina, the chairman and creative director of Penchina, Selkowitz. ''For all the talk of big clients going to small agencies, to them 'small' means a $150 million agency.''

Penchina, Selkowitz has $20 million in media billings, but the road to that figure has taken the two founders up mountains and down rocky valleys, literally as well as figuratively. The agency was founded in 1982 by Mr. Penchina, who is 43 years old and is best known as the writer of Xerox's ''merry monk'' ad campaign when he was at Needham, Harper & Steers, and Arthur Selkowitz, who is 45 and was a senior vice president at Benton & Bowles, where he helped manage the Procter &

Gamble account. In 1983, the agency landed the Burroughs Corporation account, which tripled in size, to $12 million, in only three years and accounted for more than half the agency's billings.

When Burroughs merged with the Sperry Corporation, the new company, Unisys, wanted an agency with an international presence. ''We were 97 offices short,'' said Mr. Penchina, so they were dismissed.

The partners laid off three-quarters of their staff and went on a search for new business, an activity to which they were unaccustomed.

''When you have one central account of that size, it becomes difficult to broaden your base,'' explained Mr. Selkowitz, the agency's president. ''That client almost becomes a parasite to the agency.''

At one point, their search took them to France in pursuit of J. G. Durand, a large manufacturer of glassware. Mr. Selkowitz fell asleep at the wheel of their car and the vehicle tumbled off a mountain road. The men were injured, but won the account.

Still, their difficulties have continued. Recently, the agency lost some Thomas J. Lipton Company assignments to Young & Rubicam - the same agency that took the Burroughs account from them. That competition, and the desire to play on a larger stage - ''It's been a while since I've done a network TV ad,'' Mr. Penchina said - led the agency to seek a buyer.

During the last year, Penchina, Selkowitz was courted by several large agencies, including Keye/Donna/ Pearlstein and Roux, Seguela, Cayzac & Goudard. The merger with D.M.B.&B. came about in part because of Mr. Selkowitz's 11 years there and his long friendship with Roy Bostock, president of D.M.B.&B.

Penchina, Selkowitz will keep its name and operate as an independent unit within D.M.B.&B., but Mr. Bostock said he would ''aggressively review all prospects and current clients to find opportunities'' for it. He said its presence within D.M.B.&B.

would help draw business-to-business advertising, a Penchina specialty, to D.M.B.&B., and that its creative reputation would enhance the stature of D.M.B.&B.

''In this business, perception is, in many ways, reality,'' he said. ''Given the perception of these guys, it will help us achieve recognition for our superior creative product.''

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