

# PR and Meaningful Business Outcomes:

## Demonstrating and Generating a Positive Return on Your PR Investment

### **About ACCbriefs:**

**Designed for cable communicators in public relations, marketing communications, public affairs, government relations, executive office and other staff positions, this issue provides a systematic approach cable communicators may use to measure the return on investment of public relations and related activities and to demonstrate PR's cost efficient value to their companies.**

In recent years, more companies in industries ranging from auto manufacturing to financial services and from consumer package goods to entertainment have reached the same unexpected conclusion: PR works. And at times, PR works even better than other forms of marketing and at a small fraction of the cost.

Professional communicators have been using PR to deliver value for decades. What's new is that a group of leading professionals are scientifically proving the measurable benefits of their public relations activities. The proof that PR works represents a significant step forward: Rather than relying on "gut instinct" or on purely subjective perceptions of what constitutes "value," they are applying the concept of "return on investment" (ROI) and scientifically measuring the economic benefits of public relations activity against its associated costs. The good news for PR people is that what we've always believed in our hearts to be true is in fact true: PR delivers and it delivers in ways that surprise even the most seasoned business executives.

In the pages that follow, we'll briefly explore the current public relations

landscape and the conditions which are driving the ROI imperative; define “value” and ROI within the context of PR; and provide examples of how leading PR organizations are driving their PR-ROI. At the same time, you'll find simple directions on how you, too, can prove the value of your PR while delivering on the growing demand for improved ROI.

## The Current PR Landscape

While industry reports indicate that PR spending is up even in our tough economy, PR faces a number of challenges on a number of different levels. One central theme across organizations large and small is that of delivering a measurable return. It seems that everyone in PR has been asked the dreaded “what's it worth?” question at least once. Today's business environment is one in which everything can be measured and the dog-eared claim that PR can't be quantified is easily dismissed.

However, at the same time business is evolving, so is PR. More and more PR people aspire to be recognized by their coworkers and others as “professionals.” As this recognition is achieved, they are now in a position through which they can help lead their businesses, using proven methods and a reliable body of knowledge. In such an environment, research and measurement in public relations is essential because it helps to set objectives that are meaningful, measurable and reasonable; to shape strategies and tactics that are relevant to the business; to aid in evaluating performance for continual improvement and to link investment to value and return-on-investment. The result is one in which public relations and communications performance evolves over time, versus competitors and in light of best practices.

## Proving Value and Demonstrating a Return-on-Investment are Different

One of the most common desires in the field of public relations is to “prove the value of PR.” The difficulty with “value” is its subjectivity. On the other hand, if you can

define what is valuable, there's not a more relevant or inexpensive way to make a connection with the executives who fund PR programs. ROI is generally understood among businesspeople as the resources either attracted to or retained by the enterprise as a result of a given investment. The challenge is that PR-ROI can be difficult and expensive to quantify.

It is safe to say that while “ROI” will always have value because it drives the enterprise, delivering on “value preferences” may not actually contribute to business outcomes. In any case, whether proving value or quantifying ROI, it is important to speak the language of business when communicating results. To the executives who fund PR or contribute to PR planning, the jargon of the PR trade is just that. Forget about such empty phrases as generating “buzz” or “creating significant media awareness” or “breaking through the media clutter.” No one but the PR team knows what you're talking about (believe me) and it won't earn the kind of respect you deserve.

## Return on Expectation: Unlocking the Value of Your PR

“Proving value” may seem like a complex task, but it isn't, once you uncover the often secret values surrounding PR within your organization. As definitions of value can differ from one organization to another or even from person to person within a given organization, one must take a systematic approach to value assessment and alignment. One approach is an annual “executive audit.” The audit is an on-line or telephone survey among executives with an impact on PR funding, objectives-setting and performance evaluation. And while many people prefer working with an outside research provider the audit can be done inexpensively and in-house using free on-line tools such as Survey Monkey. All executives are guaranteed anonymity and confidentiality to ensure open and honest responses. The objective is to gain the feedback required to set standards, to achieve mutual understanding, and then, once identified, to meet or exceed their expectations. The results can be used to initiate and formalize one-on-one

discussions for aligning executives' preferences towards the "sweet spot," the place that is reasonable, meaningful and measurable. While there may be "outliers," it is much easier to move them to the center based on the consensus. And once there is consensus, value becomes much easier to prove and risks are greatly diminished.

### Details of The Executive Audit for Uncovering Value

The Executive Audit consists of a brief questionnaire administered by phone or email requiring no more than ten minutes to complete. Batteries of questions include the following:

- Key indicators of PR success and the extent to which your PR department and competitors deliver
- Closed and open-ended questions focusing on executives' perceptions of:
  - PR department priorities plus performance vs. competitors, on factors such as:
    - Responsiveness
    - Providing quality counsel
    - Most and least valuable activities and tactics
  - Preferred measures of success; performance vs. measures and vs. competitors, i.e.:
    - Generating high clip volume
    - Delivering quality messages to target media
    - Raising awareness
    - Meeting or beating objectives
    - Driving sales or moving the stock price
  - Internal communications channels for reporting PR performance including frequency and structure of reporting and levels of participation:
    - preferences for formal interaction
    - preferences for formal communication of results
    - Messaging prioritization and performance- vs.- competitors
    - Media prioritization and performance- vs.-competitors

## The PR-ROI Equation: Driving Meaningful Business Results

The benefits derived from ROI-based public relations go beyond aligned perceptions of PR value: millions-and even billions-of dollars are in play. As we will discuss, public relations has been proven to lead to meaningful business results, that is to say, a measurable contribution to the organization by generating revenue, lowering costs associated with superior performance, or protecting against threats to the company.

### Using Public Relations to Generate Revenue

The easiest way to make a connection between PR and sales behavior is by assessing the contribution of PR when it is used in isolation at a given time and in a given place. In the absence of anything else, it may be safe to say that PR is driving any incremental gains. For example, when a Texas town sought to reduce car thefts, they implemented a PR-based awareness campaign to remind drivers to take their keys from the ignition when parking. As a result of local media coverage, car thefts dropped to nil within the month. The cost was less than \$10,000. When nothing else is present, it can be that simple.

However, few organizations use PR in isolation, and until recently, that meant that isolating PR's contribution from other marketing and communications activity was nearly impossible. Now, the convergence of new technology, advanced PR measurement, and superior statistical analytics enables marketers to connect a variety of activities with their impact on sales. As a result of these developments, known collectively as marketing mix modeling, the impact of any particular marketing agent on sales can be quantified, even when concurrent marketing activity

and other external factors are present. Armed with this knowledge, marketing investment decision-makers devote their dollars to the areas where they do the most good. And in more than 40 cases, PR works best.

### Marketing Mix Modeling

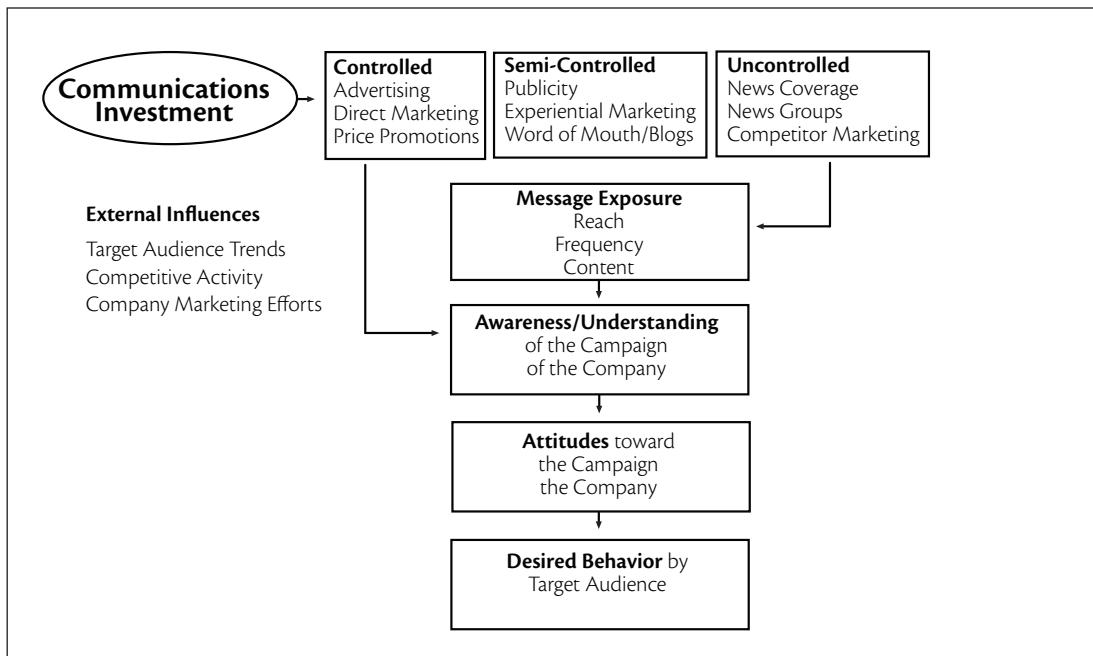
Marketing mix modeling is an analysis that draws data from disparate sources and applies advanced statistical analysis to provide insight into the efficiency and effectiveness of ongoing marketing and communication activities. The main hurdle in undertaking marketing mix modeling

is assembling the data, which can be expensive, and gaining sufficient levels of buy-in. That being said, if the company has already committed to measuring marketing and communication properly and consistently, the data that feeds most marketing mix models is relatively simple: frequency and reach of advertising or direct marketing, also known as “Gross Rating Points” or GRPs, segmented by market and within a given time frame. For PR to be properly represented one must track the frequency and quality of the news coverage, including the tone and presence of key messages by market over time.

The key to properly representing PR within the marketing and communications mix is to distinguish “controlled” forms of communications, such as advertising, from uncontrolled and “semi-controlled” forms such as public relations and public affairs. The qualification of these elements comes in the form of news content analysis (“message exposure” in the diagram). Content analysis tracks the frequency and reach of the news coverage but also the presence of key messages and other drivers of recall and awareness such as the use of visuals/photographs, messages in the headline, and the size of the story. Once the message exposure is quantified, the integration of PR results with those of other marketing and communications agents can be synthesized.

### Properly Representing PR's Uniqueness in ROI

Figure 1



In dozens of cases from categories as diverse as long-distance telephone service to beer to movie tickets to financial services and automobiles and consumer goods, traditional and on-line retailing, marketing mix modeling proves that PR is capable of delivering the best ROI of anything tested. Case studies featuring actual brands are extraordinarily hard to find as the elite organizations benefiting from this approach consider it to be top secret and prefer to keep their secret advantages, well, secret.

# How PR Drives Sales

In the December 2003 issue of *Television Week*, renowned marketing journalist Joe Mandese reported how Miller Beer, one of the nation's largest marketers, changed its marketing strategy, shifting budgets out of TV advertising and into public relations. Miller's marketing team learned that PR has a significant impact on actual product sales relative to other forms of marketing, especially TV advertising. Mandese quoted Ranjit Choudhary, the marketing mix modeling specialist for Miller at the time, who said, "In this study we found that PR was much more efficient than other promotions for the brand." Mr. Choudhary predicted a change in Miller's marketing mix and that the change would come "at the expense of TV advertising budgets that would be shifted into PR."

## PR's Impact on Beer Sales

While more and more major marketers conduct the type of modeling discussed by Miller, extraordinarily few track or reveal the impact of PR on sales or its impact relative to other forms of marketing. But for Miller, which based its analysis on two and a half years of data, including sales, promotional spending, ratings from Nielsen Media Research, and proprietary PR research in the form of news content analysis, the beer marketer uncovered PR's contribution to the bottom line. For example, as shown in Figure 2 and based on their analysis, Miller learned that its PR campaigns generate roughly 1.2 percent of base product sales or 4 percent of incremental product sales. That may not seem like a lot, but TV advertising was attributed with only 5.3 percent of base sales and 17.3 percent of incremental sales. While Miller's precise advertising-to-PR spending ratio was not revealed in the article, it should be noted that the U.S. industry average is estimated at 61:1 in favor of ad spend-

ing over PR spending. Assuming that Miller's ratio is similar, its PR was approximately 15 times more efficient than its advertising.

Figure 2

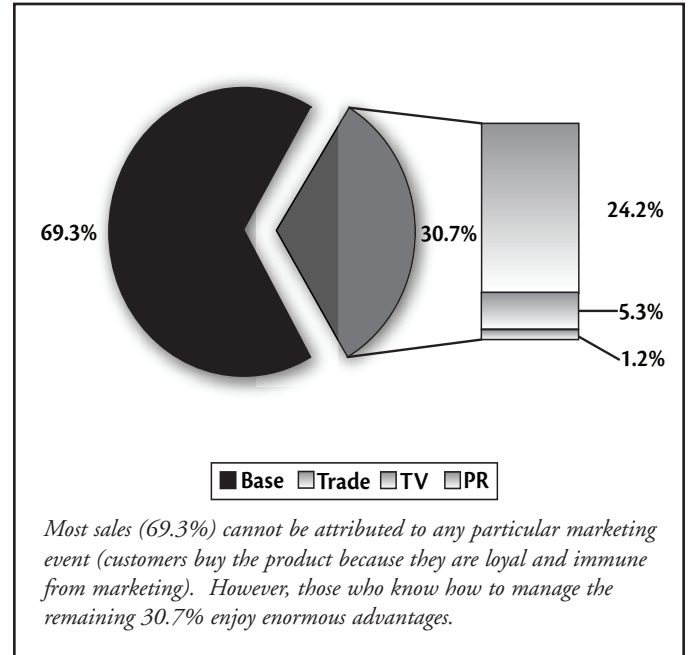
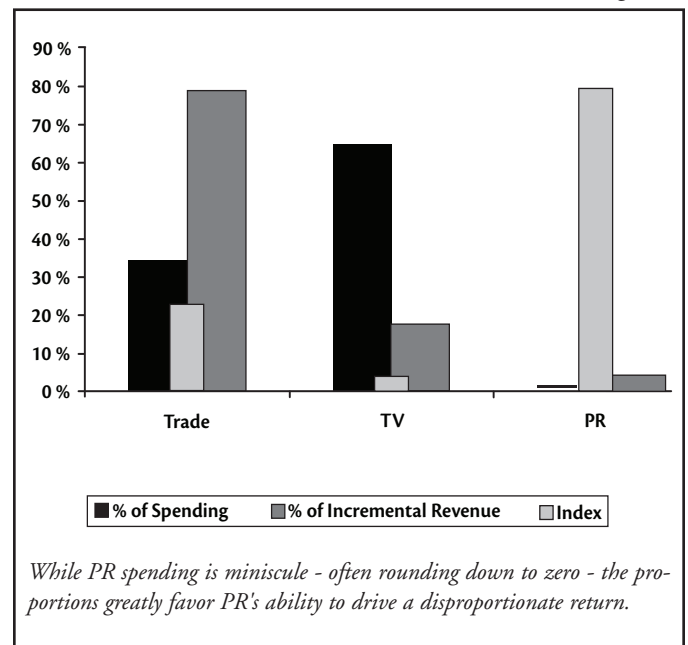


Figure 3 shows the relative efficiency of spending on three forms of marketing. Trade advertising brings a return of roughly \$2.20 for every dollar spent, and TV advertising delivers less than \$1.10. PR, by contrast, delivers \$8, the best of any marketing agent tested.

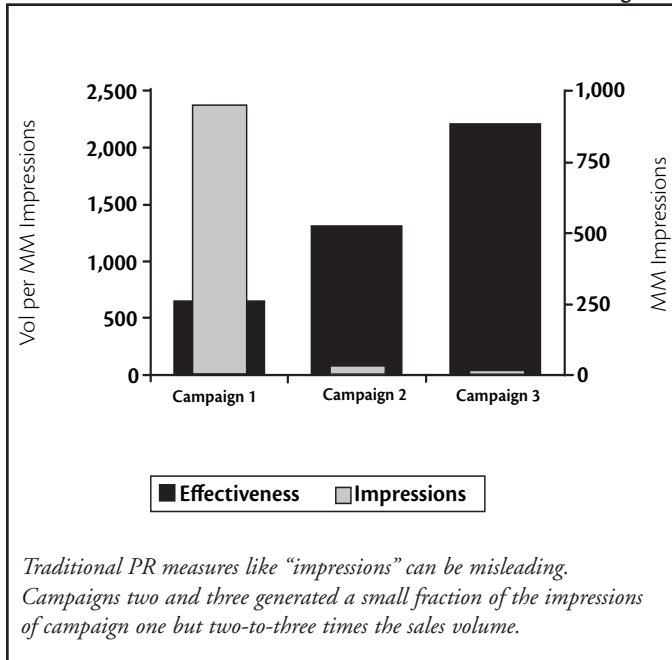
Figure 3



# Efficiency: Incremental Spending and Revenue

Armed with the intelligence derived from marketing mix modeling, PR programs can be created based on what's most likely to drive sales. The bar chart shown in Figure 4 shows the sales impact of three PR programs versus "impressions," one of PR's more conventional and less revelatory measures. If you had the choice to invest your resources in campaigns like number one, two, or three, which would you choose? Campaign one drove impressions, so for most traditional PR practitioners, that looks like the sure bet. But dig deeper and you see that campaigns two and three efficiently delivered a remarkable sales yield through relatively small impression counts.

Figure 4



At Miller and companies like it, PR has been proven to account for hundreds of millions of dollars in sales. Given the typical PR budget, this represents a handsome return.

## Stretching Limited Resources

PR professionals work diligently every day to deliver better results within the limitations of their budgets, but few seem to recognize that the decisions they make either contribute towards or detract from the organization's ROI. Simple examples such as using targeted media lists for press release distribution, repurposing your existing digitized video assets rather than originating new content or prioritizing product sampling campaigns may seem small but savings can contribute directly to meaningful business results.

## Doing More with Less

This phenomenon plays out in many industries. For example, a retailer once used a rigorous public relations measurement program to test the worth of an annual brand-sponsored fishing tournament designed to support the company's line of fishing gear. Given the level of investment, the event generated little visibility, which prompted the brand PR executive to probe further. He discovered that the net profits for this particular sporting goods line were less than the cost of the sponsorship. The exec returned hundreds of thousands of sponsorship dollars to the company's coffers by simply "doing more with less and for less." The dollars that were saved were available to aid the company's bottom line or to re-invest in a more worthwhile form of PR or marketing.

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# Doing More for Less and with Less: Six Sigma

As with making the “PR-to-sales” connection, new methodologies and technologies are being integrated to foster greater efficiency for optimized public relations performance. One of the most important emerging forms of this integration is Six Sigma, a quality and performance philosophy. Six Sigma is a disciplined, data-driven approach and methodology for “eliminating defects” where a defect is described as “anything below expectations.” By definition, Six Sigma is less than 3.4 defects per million, or a success rate of 99.9997 percent. Consider that four sigma level or 99.38 percent success rate sounds pretty good (but it means that 6,210 of every million airline flights would end in disaster). Most PR departments aren't in a position to initiate Six Sigma on their own but the thinking behind Six Sigma is worthy of consideration and can lead to efficiency breakthroughs (see sidebar).

Essentially, the purpose of Six Sigma is to gain unconventional knowledge on how to improve processes to do things better, faster, and at lower cost where these efficiencies translate into savings that go directly to the bottom line. Approaching PR in this systematic fashion -- even if it isn't at Six Sigma levels -- forces one to be more focused on improving the returns of public relations.

The Six Sigma process begins by first understanding who your internal and external customers are. (In PR, internal customers are those people who fund PR; external customers might be journalists, analysts, employees, and customers.) Once “customers” are identified, the second step of the process is uncovering the needs of customers so that customer expectations can be met.

Here's how the corporate communications team at one well-known company took a Six Sigma approach to analyze everyday PR decisions to improve execution and ensure that media coverage always met or exceeded the tar-

## Six Sigma Project Ideas for PR

- Reduce time for press release approval
- Improve media targeting by identifying media that have proven reach among your target audience
- Assess a journalist's preferences and satisfaction with current PR initiatives; improve upon shortcomings
- Assess internal client preferences and satisfaction with current PR initiatives; address shortfalls and reinforce strengths
- Improve the ratio of releases sent to releases used
- Improve the ratio of placements featuring key messages
- Improve the ratio of placements featuring a company spokesperson
- Improve the ratio of stories featuring visuals or graphics
- Improve the ratio of stories that are exclusives or feature-length
- Improve the ROI of events and event sponsorships
- For agencies, improve ratio of billable hours vs. results delivered

get effectiveness and productivity measurements.

The company began to test, refine, and verify how its news content analysis data could be applied toward the Six Sigma process. The business objective was to develop a real-time strategy for consistently improving and controlling overall PR productivity, ROI, and effectiveness in reaching and influencing the company's target customer and investor audience segments.

The PR team determined that one measure of PR

effectiveness was “key message penetration.” Once the company identified its five most important messages, PR staff members could examine the degree to which messages succeeded in the media and where they missed. The process, using Six Sigma terminology, looked like this:

1. **Define:** Identify meaningful elements that can be measured consistently such as “key message delivery,” for example;
2. **Measure:** Apply metrics against the measurable variables such as “number of key messages per news item;”
3. **Analyze data for defects:** Isolate cases where, for example, stories appeared without key messages;
4. **Find root cause:** Look at how you communicate: do your press releases contain the key messages? Do they appear prominently?
5. **Put improvements in place:** Make sure that all communication contains the key message and that it is delivered in the way that journalists prefer;
6. **Institutionalize 100 percent:** Once you've undertaken the process, make the corrected process the standard.

The company's initial objectives were to identify and then control the independent variables influencing the quality and quantity of their news coverage. By understanding which factors they could control, PR staff were able to focus their efforts on driving these factors to ensure optimum media performance and PR productivity.

Research findings verified that the business impact was significant:

- A substantial improvement in overall PR productivity (activity performance per dollar spent)
- A 16 percent decrease in “cost per positive media impression” produced

- An 8 basis-point increase in the number of positive media impressions produced
- A 20 basis-point decrease in the number of negative media impressions produced

While the previous case was ambitious by most standards, consider the simpler example of a well-known logistics company that understood the importance of photographs in driving awareness and had a very visual story to tell. After studying their release distribution methods, the team realized that photos were rarely supplied and that the likelihood of visual coverage was naturally greater when visuals were supplied. The company introduced a policy that no story could be released without a visual. The quality of their media coverage improved as a result. In this case, the Six Sigma approach was applied simply, inexpensively and without special training...sometimes, it's common sense. (See sidebar, “Six Sigma Project Ideas for PR” on page 7.)

While Six Sigma and public relations are infrequent partners, the application of research and PR continues to grow as companies demand to know how their money is spent and how it can be spent more wisely. Put simply, the organizations that prevail will be those that gather the right data, analyze it accurately, and apply what they learn.

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# Protecting Against Threats and Avoiding Catastrophic Cost

In the case of making the PR-to-sales connection, returns can amount to hundreds of millions of dollars. The dollar impact of “doing more with less and for less” is capped by the PR budget, since savings can only amount to a fraction thereof. In dealing with the catastrophic costs associated with poor communications, the stakes are much, much higher, representing potential sums in the billions of dollars range. Consider these events:

- The Bridgestone/Firestone and Ford crisis caused stock market-value drops of more than 50 percent.
- Johnson & Johnson's Tylenol tampering caused a \$1 billion (14 percent) drop in stock market value for J&J.
- Intel's Pentium chip crisis caused a \$3 billion (12 percent) stock market value drop.

In the cases of Intel and Bridgestone/Firestone, the most damaging effects of these incidents may have been exacerbated by inadequate communications and execution. In the case of Johnson & Johnson, more costly damages were mitigated though the company's extraordinary communications preparedness. In cases like these, the importance of good communications counsel is validated and monetized at the same time that reputations are solidified.

It should come as no surprise that companies with a good reputation enjoy benefits over companies without. In 1992, Oxford University conducted studies to chart the effects of communications during man-made catastrophes on the market values of fifteen companies. Those companies with effective communications strategies in place saw their stock price sag only five percent during the first few weeks of the crisis while those with inadequate communications planning saw their stocks lose 11 percent. After ten weeks, the better communicating companies rose to a net gain of five percent, where they remained. The lesser communicators anguished (see figure 5).

Effective PR can protect companies even when the

Figure 5



*Within the first few weeks of the crisis, share prices of the affected companies declined but those with good reputations and effective crisis communication plans experienced a sustained rebound.*

bad news is relatively routine and unspectacular. When a leading Texas-based power utility became aware that it would fall short of its quarterly earnings estimates several years ago, its senior management weighed the pros and cons of the “proactive” versus “no-comment” approach. PR leadership urged their CEO to act on research that showed distinct media pat-

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terns: A proactive approach correlated positively with a shorter period of negative news coverage, whereas media coverage tended to be protracted when the organization was less forthcoming. Coincidentally, the news trends tracked consistently with share price: when companies were out in front of the issue, the stock price (like the tone of news coverage) took a short dip and then returned to normal. On the other hand, the ostrich approach tracked with a more severe and sustained stock-price decline. To his credit, the CEO took no chances and followed the advice of his PR team. As predicted, the company saw its news coverage and stock price take a negative hit on the first day and some residual interest for another day or two, but the story quickly died and news patterns and stock price returned to

normal. By year-end, the company's market capitalization rose 12%.

Communicators complain about the lack of interest in proper crisis communications planning. One of the most compelling cases to make is the one made by examining the aftereffects of other crisis-burdened companies. Rather than opening the money spigot after it's too late, companies can spend a small fraction of the potential costs by planning crisis communications scenarios. There may never be a crisis, but if there is, the savings can be monumental.

### **Questions Every PR Investment Decision Maker Should Ask**

- Does our organization measure the ROI of public relations and communications programs?
- Does our organization plan PR and communications programs with a measurable ROI as an objective?
- Does our PR and communications research reveal opportunities for improvement?
- To what extent does our PR efforts contribute to sales? Provide better results for less money? Avoid costs altogether?

### **About the author:**

Mark Weiner is the CEO-North America of PRIME Research, a global leader in research-based public relations consulting. He is the author of “Unleashing the Power of PR: A Contrarian's Guide to Marketing and Communication” published by John Wiley & Sons. Earlier in his career, Mark was the Global Director and SVP of Research at Ketchum before which he was the CEO of Delahaye. Mark can be reached at [weiner@prime-research.com](mailto:weiner@prime-research.com).

# Resources

Despite common perceptions to the contrary, public relations research and evaluation can be simple and inexpensive. The following resources are readily available, easily digestible and imminently affordable...many provide examples which are simple, free and do-it-yourself.

## Professional Associations

### Association of Cable Communicators

[www.cablecommunicators.org](http://www.cablecommunicators.org)

The Association of Cable Communicators (ACC) is the only national, professional organization specifically addressing the issues, needs and interests of the cable industry's communications and public affairs professionals. Its mission is to develop and promote cable communications excellence through professional development to help achieve industry and corporate goals. ACC works to enhance each member's status and influence through skill building and professional development utilizing an extensive amount of Web based resources as well as conducting conferences and educational opportunities.

### The Institute for Public Relations

[www.instituteforpr.org](http://www.instituteforpr.org)

The Institute for Public Relations, based at the University of Florida in Gainesville is, in their own words, "an independent nonprofit that bridges the academy and the profession, supporting PR research and mainstreaming this knowledge into practice through PR education." This may sound esoteric but The Institute's Web site provides free access to accessible thought-leading papers about PR research and evaluation written by some of the world's most prominent experts drawing from their corporate,

agency, academic and research consulting experiences. The site is updated often so visit frequently.

### The Public Relations Society of America

[www.prsa.org](http://www.prsa.org)

The PRSA is the world's largest professional association devoted to public relations. The PRSA's mission statement reads, "With the vision to unify, strengthen and advance the profession of public relations, the Public Relations Society of America (PRSA) has established itself as the pre-eminent organization that builds value, demand and global understanding for public relations." Towards that end, the PRSA emphasizes research and evaluation as a foundation of effective PR. The site contains useful information and, maybe even more importantly, the PRSA provides national and local forums that are accessible to members and non-members alike.

### The International Association of Business Communicators

[www.iabc.com](http://www.iabc.com)

The IABC provides a professional network of more than 15,000 business communication professionals in over 70 countries. In addition to public relations, the IABC's umbrella covers employee, marketing and corporate communications. The IABC sponsors excellent conferences at the international, regional and local levels, produces great publications and supports the IABC Research Foundation which funds and publishes useful information for communicators.

## Books

### Primer of Public Relations Research

by Dr. Don Stacks, PhD.

According to Midwest Book Review, "Primer Of Public Relations Research by Don W. Stacks (Professor and Director of the Program in Advertising and Public

Relations, University of Miami School of Communication) is a comprehensive survey of research methods used by Public Relations professionals in all walks of business. Individual chapters cover both formal and informal research methodology, from simple case studies to experiments, statistical reasoning, and computer analysis. Erudite, heavily researched, first rate reading.” Available on Amazon.com, etc.

**Media Relations Measurement: Determining The Value Of PR To Your Company's Success**

by Elena Balkaltseva and Ralf Leinemann

The book is written for corporate PR practitioners and marketing/communications specialists and describes many methods of measuring PR, press conferences, etc. Available on Amazon.com.

**Unleashing the Power of PR: A Contrarian's Guide to Marketing and Communication**

by Mark Weiner

According to the review in GetAbstracts.com: “Mark Weiner correctly identifies two problems common to public relations practitioners: They fail to set objectives, and then they fail to measure what they have accomplished. Weiner explains an uncomplicated way to correct these tendencies. He tells PR managers and their clients why taking a scientific approach can improve the professionalism of PR campaigns and gain respect for them in the marketing world. Available on Amazon.com, etc.

**Communication Research, Measurement and Evaluation: A Practical Guide for Communicators**

by Louis Williams, Jr.

A helpful, easily digestible workbook which is an excellent introduction to communication research. Available via The International Association of Business Communicators ([www.iabc.com](http://www.iabc.com)).



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