

## **New Opportunities for Marketing and Public Relations**

In recent years, more companies in industries ranging from auto manufacturing to financial services and from consumer packaged goods to entertainment have reached the same unexpected conclusion: PR works. And at times, PR works 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 handful of leading professionals are now scientifically proving how they are generating measurable benefits from their public relations activities. The progress that this change represents is significant: rather than relying on subjective perceptions of what represents value, they are applying the concept of "return on investment" (ROI—a term that has long been used by financial professionals) and objectively measuring the economic benefits of public relations activity against its associated costs. When someone asks about the ROI of an investment, he or she is really asking, "How much money did I make (or lose) in relation to what I spent?" And the answer to this question is conveyed in the language of business, not that of perceptions.

One element of PR-ROI is to scientifically show a contribution to sales. The first documented case of this form of PR-ROI analysis came during the course of an extensive and sophisticated statistical analysis of marketing performance in 1999, when telecommunications giant AT&T discovered an amazing fact: public relations, in the form of media relations, generated just as many new long-distance customers as advertising, even though the company invested substantially more resources in advertising than in PR. What's more, the

analysis showed that public relations regularly provided a boost to other forms of marketing: when news about AT&T was positive, prominent, and highly visible, advertising was more successful, outbound telemarketing was more productive, and inbound telemarketing was more effective. The discovery changed the way AT&T marketers worked with PR professionals to plan for and evaluate overall marketing effectiveness.

In more recent years (prior to the company's acquisition by and absorption into SBC to become "the new AT&T"), AT&T's position as one of the world's dominant companies was in decline. The example of AT&T offers two important lessons: the first is that public relations is a greatly undervalued resource that not only performs well in its own right but also adds value to other forms of marketing communication. The second is that while public relations opens the doors to a great many forms of opportunity, no amount of positive PR can overcome the harmful effects of deregulation, flawed business strategy, and intense—and even unscrupulous—competition. Nevertheless, like so many "firsts" uncovered throughout its history, AT&T was the first company to accurately measure the interaction and effect of public relations within the marketing mix. As a result of AT&T's work, it could never again be said that PR is "soft" when it comes to making a measurable contribution toward an organization's achievement of meaningful business outcomes.

As explored in greater detail in later chapters, research proving the surprising power of public relations is being replicated at other companies and is creating new opportunities for PR in corporate communication and brand marketing. Public relations is unique within the marketing and communications mix, and it is my aim to show how PR can take a more central role in the way companies and brands evoke meaningful business outcomes through marketing and communication. In this chapter, I outline seven elements of change that have altered the landscape of corporate and marketing communication. These elements set the stage for public relations to achieve a special degree of primacy:

- Transformations in the media business
- Declining impact of traditional mass marketing
- Changing media consumption habits
- Access, abundance, and speed of information
- Decreasing brand loyalty
- Increasing distrust of large corporations
- Increasing levels of accountability

These factors create new opportunities for public relations that are now being found in the quickly shifting landscape in which marketers and communicators must operate.

## **Transformations in the Media Business**

Throughout the history of American marketing and communication, traditional media have played a central role of delivering information, whether it was paid for or not. Whether the medium was an eighteenth-century newspaper, a nineteenth-century magazine, twentieth-century radio and television, or twenty-first-century Internet, the symbiosis between media and marketing is inextricable. But the media environment is in a state of constant change, and with this change comes opportunity.

Fierce competition, the rise of the Internet and other forms of new media, lower advertising revenues, and other pressures are leaving many media companies on the run. These companies are cutting costs and cutting staff in editorial departments and newsrooms in broadcast and print media. Like employees at many organizations, journalists and editors are asked to deliver more with less and for less. Many have turned to using nationally syndicated columnists and news services rather than staff writers and editors. Since syndicated material and news services cost money, many editors look to public relations departments and agencies as a

source of news and feature material, creating new opportunities from the emerging synergies between the journalist and the PR professional.

A related trend also presents opportunities. While many journalistically driven media (think *New York Times* and *CBS Network News*) have clear separation between advertising and editorial, others do not. This provides for new opportunities for marketers. For example, a Delahaye survey among editors at women's beauty magazines in eleven countries in North America, South America, Western Europe, and Asia indicated that when it comes to writing a feature on a particular beauty-care category, lipstick, for example, the first phone calls for background information are to the magazine's biggest advertisers.

The result of this fuzziness is that marketers now seek to combine PR's ability for engaging storytelling with advertising's power to control frequency and timing. Savvy marketers work with broadcast PR consultants like Medialink, which produces video news releases and other video assets used by TV news programs, to counter the threat of TiVo by producing thirty-second spots delivered in the form of clearly identifiable programming content (as opposed to "news" content). For example, a movie channel may be showing *Rain Man*, which features a classic 1949 Buick Roadmaster convertible being driven across America by Tom Cruise and Dustin Hoffman. Prior to running more easily conventional (and TiVo-able) advertising spots, Buick may run a thirty-second "Did You Know?" featurette spotlighting Buick's rich legacy in film. The content is engaging and informational, it's relevant to those who have just been watching the movie's lead characters race across the country in the classic car, and it keeps viewers glued to the set rather than fast-forwarding ads or running to the refrigerator. This marketing form delivers the involvement and credibility that advertisers envy and public relations regularly provides. In fact, most of the advertising of this type is created and procured by PR people as often as advertising departments and agencies.

## **The Decline of Traditional Mass Marketing**

According to the investment firm Veronis Suhler Stevenson Partners LLC (VSS) in their 2004 “Communications Industry Forecast,” the total U.S. expenditures on trade marketing and trade promotion, advertising, and consumer promotion are more than \$800 billion annually. From 1999 to 2004, spending grew at a rate of 5.2 percent per year. With forecast spending increasing to an annual compound rate of 6.7 percent, total marketing spending will exceed \$1 trillion by 2009.

With a trillion dollars at stake, two enormously compelling questions marketers now face are “What is the relative effectiveness of my spending?” and “What is the predictability and propriety of my allocation of spending across the marketing mix?” And with so much money on the table, it’s no wonder that marketers are under severe pressure to achieve the biggest impact for the lowest cost, an imperative that plays to the strengths of public relations.

Jim Stengel, marketing chief at Procter & Gamble, stated (in his address to attendees at the annual meeting of the American Association of Advertising Agencies in February 2004), “Today’s marketing model is broken. We’re applying antiquated thinking and work systems to a new world of possibilities.” But Stengel’s concerns are just the latest in a litany of doubt where marketing effectiveness is concerned. Commenting on the effectiveness of his advertising, early-twentieth-century retailer John Wanamaker is famously quoted as saying, “Half the money I spend on advertising is wasted. The trouble is, I don’t know which half.”

Board members, investors, and employees are looking for something better than “trust me,” and with the amounts of money being spent on uncertain returns, they deserve it. The challenge implicit in the concerns expressed by top executives is simple: “Get meaningful results for my marketing and communication investment.” PR can deliver such results in measurable ways, and can prove its value with ROI metrics powerful enough to satisfy the most demanding CFO.

Public relations helps in many ways. For example, studies have shown that a favorable brand environment shaped through positive, prominent, and highly visible news coverage provides a lift for price promotions and other forms of marketing. Post Cereal, a division of food giant Kraft Foods, provides a case in point. Post chose to lower the cost of its cereals significantly simply by eliminating expensive coupon promotions. At the time, increasing amounts of scrutiny were being brought to bear on the cereal manufacturers as the price of a box of cereal was steadily rising while the cost of its ingredients—primarily sugar, corn syrup, and grain—were either declining or flat. Congressional hearings were called.

Coincidentally, while the decision required serious marketing consideration, the announcement was made through Kraft's public relations department. The news appeared on the front page of many opinion-leading newspapers and received widespread coverage. In the absence of any advertising or in-store promotions, the brand's market share jumped by several points within weeks of the PR announcement. After early criticism of their leading-edge competitor, Kellogg's and General Mills soon followed Post's example by announcing reduced promotions within the year. Interestingly, just as soon as Kellogg's and General Mills announced their delayed initiatives (again using media relations-based PR), Post Cereal was given a supplementary shot in the arm as every news item covering the price reductions by its much larger competitors drew attention to the cereal price-promotion pioneer, and Post was a beneficiary. Post's elimination of price promotion at the time was considered to have provided an immediate sales boost; the cost of the media relations campaign was basically the cost of a press conference, a few press releases, and the PR agency, which could be estimated to be, at most, a tiny fraction of the multimillion-dollar lift in sales that it triggered.

Referring again to the Veronis Suhler analysis, public relations (at between \$3 and \$4 billion annually) represents a barely noticeable part of marketing expenditure. (See Table 1.1.) But with its unique ability to tell an organization's story credibly and engagingly

**Table 1.1. Communications Industry  
Segments Ranked by Five-Year Growth.**

<i>Segment</i>	<i>1999–2004</i>		<i>2004–2009</i>	
	<i>CAGR (percent)*</i>	<i>Rank</i>	<i>CAGR (percent)*</i>	<i>Rank</i>
Consumer Internet	24.6	1	14.5	1
Custom Publishing	13.6	2	12.1	2
Cable and Satellite Television	9.9	3	7.5	6
Public Relations	7.8	4	8.9	3
Branded Entertainment	7.0	5	8.2	4
Entertainment Media	5.8	6	7.0	7
Professional and Business Information Services	5.4	7	7.8	5
Direct Marketing	4.8	8	6.0	9
Out-of-Home Advertising	3.8	9	5.5	12
Yellow Pages	3.8	10	4.6	15
Educational and Training Media	3.4	11	5.2	13
Broadcast and Satellite Radio	2.8	12	6.2	8
Broadcast Television	2.7	13	4.3	17
Business-to-Business Promotion	2.6	14	5.7	11
Consumer Promotion	2.5	15	4.9	14
Consumer Books	1.8	16	2.1	19
Consumer Magazines	1.0	17	4.5	16
Newspapers	0.6	18	2.8	18
Business-to-Business Media	−0.1	19	5.8	10

\*Compound annual growth rate.

Source: Veronis Suhler Stevenson Partners LLC

at very low cost, media relations–based PR is getting more and more attention within the marketing and communication mix, with forecast spending on the increase. (See Table 1.2.)

And sophisticated statistical analysis is demonstrating PR's value. *Marketing mix modeling* is an analytical approach that identifies and quantifies the marketing elements that impact behavior in the short term. These models are built using multiple regression analysis, a statistical procedure that relates changes in marketing mix and base factors to weekly changes in sales. In dozens of cases across a dozen industries using this technique, media relations–based PR has demonstrated a quantifiable ability to deliver incremental revenue on a par with advertising but at a cost that is far lower than that of advertising and promotions.

### **Changing Media Consumption Habits**

One challenge facing traditional marketers is how people get their information. As noted, the media and advertising businesses are feeling the pinch of these phenomena. The Simultaneous Media Usage Study conducted by BIGresearch evaluated media usage among the U.S. population through 2003. The methodology was very thorough, including three waves of interviewing through which more than thirty thousand responses were analyzed. The study revealed that media usage includes little discrete viewing, reading, or listening. In other words, very few people are paying full attention to any particular medium at any given time. What was more, *individuals* engage with the media rather than *households*: generally speaking, everyone in the household is a media user but they are all doing it on their own, in their own way, and typically using more than one form of media at a time—whether it is reading a magazine while watching TV or talking on the phone while listening to the radio. In this context, attention is a form of currency, and those forms of communication that command attention drive the value equation.



**Table 1.2. Communications Industry Segments Ranked by Size.**

<i>Segment</i>	2004		2009	
	<i>\$ Millions</i>	<i>Rank</i>	<i>\$ Millions</i>	<i>Rank</i>
Direct Marketing	135,367	1	180,978	1
Professional and Business Information Services	97,822	2	142,325	2
Cable and Satellite Television	93,376	3	134,220	3
Entertainment Media	88,564	4	124,349	4
Newspapers	63,527	5	72,926	6
Broadcast Television	43,176	6	53,251	8
Business-to-Business Promotion	41,658	7	54,957	7
Consumer Internet	37,552	8	74,038	5
Consumer Promotion	31,639	9	40,206	9
Consumer Magazines	22,452	10	27,936	12
Custom Publishing	22,009	11	38,881	10
Business-to-Business Media	20,911	12	27,684	13
Branded Entertainment	20,729	13	30,724	11
Broadcast and Satellite Radio	20,306	14	27,449	14
Consumer Books	19,761	15	21,903	16
Educational and Training Media	18,694	16	24,037	15
Yellow Pages	15,928	17	19,973	17
Out-of-Home Advertising	5,834	18	7,623	18
Public Relations	3,410	19	5,212	19

*Source:* Veronis Suhler Stevenson Partners LLC

When consumers were asked what *advertising-driven* communication influences their purchase decisions, Network Television finishes on top:

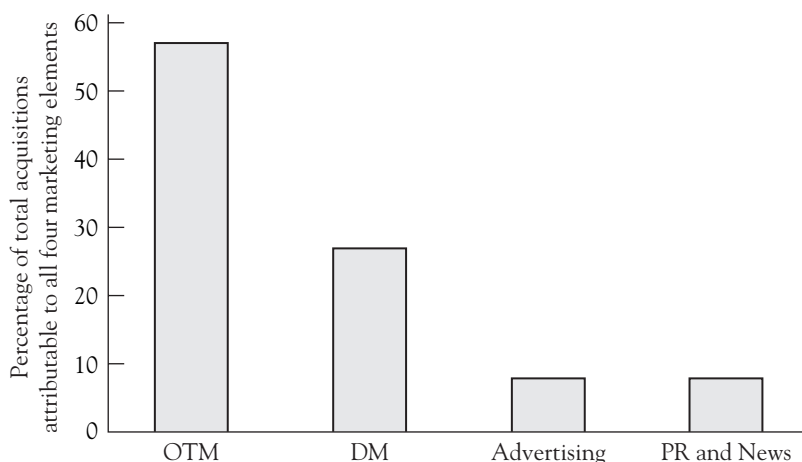
*What Influences Purchase Decisions?*

<i>Medium</i>	<i>Percent</i>
Network TV	15.3
Cable TV	12.4
Radio	9.3
Newspapers	8.2
Yellow pages	5.3
Magazines	5.1
E-mail	3.0
Outdoor	2.1
Word-of-mouth	30.8
Coupons	24
Read an article	17.7

However, the power of advertising is exceeded by “word of mouth” and “read an article,” and here is where public relations can shine. To illustrate the power of PR, consider again the example of AT&T in which sophisticated marketing mix analysis revealed that while most new customers came as a result of outbound telemarketing and direct marketing, public relations generated just as many new customers as did mass-market advertising (see Figure 1.1.). And public relations provided a lift to other forms of marketing that was not reciprocal: when the news about AT&T was positive, the advertising, direct marketing, and telemarketing were more effective as a result. But increased advertising or telemarketing provided no carryover benefit to the other marketing agents.

Even more startling was the ROI: when AT&T compared the cost-per-customer-won figures for telemarketing, direct marketing,

**Figure 1.1. Impact of Marketing on New Customer Acquisitions.**



advertising, and PR, PR was shown to deliver results at a small fraction of the cost of other marketing agents. The figures are striking:

*Cost per Acquisition by Channel*

Cost per acquisition via outbound telemarketing:	\$63
Cost per acquisition via targeted inbound telemarketing:	\$103
Cost per acquisition via nontargeted inbound telemarketing:	\$47
Cost per acquisition via advertising:	\$95
Cost per acquisition via PR and news:	\$15

While people may be on the phone when reading the newspaper, the news content in the paper commands a higher level of involvement than most advertising does. So in a time when companies of all stripes are starving for proven and viable marketing investments in the face of declining returns from mass-market advertising, PR has demonstrated that not only is it worthy of significant marketing dollars, it makes other marketing investments more viable, as well.

## **Access, Abundance, and Speed of Information**

Vast amounts of news and information are available to audiences today, and you can expect ever-increasing quantities of information at accelerated speeds in the future. What is more, this abundance presents an increased need for understanding and perspective as the Internet, for example, provides equal access to so many perspectives on a single subject: unmediated opposition and motivated enemies alike compete with bona fide sources of news as well as the organization's own Web site. Most consumers are not savvy enough to differentiate genuine news from rumor, propaganda, and oppositional agendas. With the need for constant vigilance, public relations serves most companies as their sword and their shield: PR departments around the globe monitor all forms of news and information for the emergence of relevant stories so that threats may be addressed and so that opportunities may be leveraged.

Around the world and around the clock, millions of people feel the need to keep abreast of events as they happen. The ever-quickenning pace of life has already drawn audiences from traditional media to the continuity of twenty-four-hour cable news networks and the accessibility of the Web. As issues arise, the production cycles of most advertising and mass marketing prohibit timely participation in the debate. Even many traditional news sources find it difficult to engage. Of all forms of corporate and marketing communication, public relations stands alone in its ability to quickly frame issues through dialogue, thus providing a degree of responsiveness and context that most examples of paid media cannot (but that consumers need).

While most of this chapter is devoted to external audiences, an interesting aspect of these heightened levels of information access is the impact on employees. In their efforts to attract and retain quality staff members, companies invest in employee relations and employee communications initiatives. Most commonly, employee communications departments rely on the monthly or quarterly employee newsletter, the company closed-circuit television, and

e-mail updates. But employee communications surveys we've conducted indicate a growing sense of mistrust toward employers, especially big companies, and so company-controlled communication vehicles are not seen as the most credible sources for understanding. People's search for contextual information about their employer (and sometimes their own security for future employment with that employer) depends heavily on the grapevine. After word of mouth, employees often look to the Internet and other sources where a wide variety of viewpoints are found but where journalistic standards for balanced reporting may be lost.

This is also true for journalists, who have a professional responsibility for fair, unbiased reporting. Toward that goal, journalists often feature third-party commentary and opposing viewpoints. Easy access is afforded through the Web, not just for sources and opinion makers but also for new story ideas and for historical news coverage.

As the public liaison for most organizations, PR stands to gain in the new atmosphere of access, abundance, and velocity by being a reliable and proactive source from the start. When PR has arranged for an abundance of positive or at least balanced information in the bank in the form of third-party news coverage, employees and journalists are much more likely to find balanced, contextual reporting by which they can make sense of the questions they have in a way that house-organs and advertising cannot replicate.

### **Decreasing Brand Loyalty**

Throughout my life, I have known my mother to eat only Kellogg's Rice Krispies, and to drink only Chase & Sanborn coffee. I, on the other hand, will buy whichever cereal is on sale and sweet enough for my kids to want to eat, and whatever coffee is being brewed at local gas-station convenience stores. The different levels of brand loyalty represented by Mother's preferences and my own are being played out in millions of transactions every day. The economic impact is extraordinary. As consumers, we've been trained by marketers to follow

incentives, wait for the sale, and use coupons . . . *just show us the money*. But this is not to say that brand loyalty is impossible to achieve; it just needs to be created in new ways using all the tools available, particularly public relations. Unlike promotions and advertising, PR is a very powerful agent for engendering loyalty by shaping a brand as more than a product—as something that reflects one’s beliefs and life priorities.

One form of loyalty building is known as “cause-related marketing,” which can be defined as the public involvement of a for-profit company with a nonprofit organization with the dual purpose of promoting the company’s product or service and providing financial support for the nonprofit.

Popular brands often pursue this strategy. Avon supports finding a cure for breast cancer, Liz Claiborne supports ending violence against women, Staples supports assisting needy children with school supplies. Each of these campaigns relies heavily on public relations as a key vehicle for promoting the brand, but more important, for communicating with target audiences as to what the brand *represents*. Because these are sensitive messages that can be difficult to communicate genuinely through mass-market advertising or cents-off coupons, organizations look to the media, with their third-party imprimatur, to convey a greater trust and understanding of the issues and the brands with which they are tied. In addition to building loyalty among customers, cause-related marketing programs also build loyalty among employees and other constituencies.

The phrase “cause-related marketing” was first used by American Express in 1983 to describe its campaign to raise money for the restoration of the Statue of Liberty. American Express made a one-cent donation to the restoration of the Statue of Liberty every time someone used its charge card. According to onPhilanthropy.com, a global resource for nonprofit and philanthropy professionals, the number of new users soon grew by 17 percent. Public relations was a primary vehicle during the campaign.

The May 11, 2005, issue of *Retail Merchandiser* tells how Staples, the office supplies superstore, in addition to providing generous

financial support, donated nearly \$100,000 worth of school supplies to the Kids in Need program. Tom Nutile, VP of public relations for Staples, said, “Our mission at Staples is to serve our customers. We like to support those causes that not only do great things in our community but also assist us in branding our company and aligning the good works that we do every day—helping businesses to grow, helping teachers, helping students—and through the Kids in Need Foundation, we have found a real philanthropic partner. Together, we can make a positive impact in our communities.”

Not all PR-driven loyalty programs are built around charitable giving. A perfect example is Harley-Davidson, whose public relations is used to reinforce the brand and thus stimulate sales. Harley-Davidson enjoys an unrivaled level of connectedness with its motorcycle customers. It’s been said that if a true measure of brand loyalty is the number of customers with logo tattoos, Harley-Davidson would be a sure winner. The company has a legendary brand and, through applied public relations, generates ample volumes of press coverage. Recently, in the face of an aging customer base, the company used public relations as a means of reaching an adjacent target market—women—to expand its brand without diluting its image. It won’t be long before our moms and the girl next door will be brandishing the black-and-orange Harley-Davidson shield.

### **Increasing Distrust of Large Corporations**

Recent years have witnessed an unprecedented level of public scrutiny, which has led to an enormous backlash against large corporations. And it’s not just the most visible bad boys like Enron and WorldCom. Intense focus on these infamous companies shone the spotlight on their accounting firms as well as on some perfectly spotless companies that just happened to be within their sectors. The economic impact of corporate mistrust is incalculable. There are also political implications. The Sarbanes-Oxley Act legislates corporate oversight at the federal government level. And legal

implications and costs continue to rise in the form of class-action suits.

The opportunity for public relations is clear: in an environment where the stakes have never been higher in terms of criminalized CEOs, determined attorneys general, unparalleled levels of activism, and amplified liability, public relations is one corporate communication vehicle that, by definition, engages and promotes dialogue. The more a company can communicate openly, genuinely, consistently, and visibly, the greater its chances of weathering the storm, but more important, of avoiding the storm front altogether. As a result, public relations becomes a means of managing goodwill, an extremely valuable asset during times of intense scrutiny.

PR executives at top companies are much more than highly paid publicists; they are extremely important and trusted advisers. And because it is the role of public relations to represent the public's interests in corporate strategy and execution, PR execs are often the source of independent thinking toward corporate ethics and values. In this way, companies look to public relations departments to build trust and connectedness with their constituents.

### **Increasing Levels of Accountability**

While many opportunities originate outside the organization, the demand within corporations for every department to deliver a positive ROI presents interesting opportunities for PR. Given the issues that companies face now and detailed earlier in this chapter—a changing media environment, difficulties for mass marketers, and so on and on—and the high levels of expenditure, marketers are under intense pressure to deliver. In light of the challenge to deliver meaningful business outcomes like sales, PR holds promise for those who look to deliver more with less and for less, but with certainty. And while accountability for some highly funded marketing is challenging, PR is able to scientifically measure its impact and value in undeniable ways.



As explored in the second part of the book, public relations can be measured in ways that bring as high a level of accountability as any other form of marketing. Using available tools and methods, PR people are already in the position to set measurable goals and to report on their progress in meeting or exceeding these goals. Simple and accessible measures such as “volume of news coverage versus goal,” “percentage of all coverage coming from key markets,” and “percentage of coverage containing at least one key message” are practical and affordable, and even if they don’t make a strict connection to ROI, they do indicate to those in the C-suite that at least PR monies are being spent wisely.

## **Seizing the Opportunity**

This chapter makes the case for public relations and the many factors that now support PR within the marketing and communication mix. At the same time, these opportunities come with unique challenges, which are explored in Chapter Two. But even with challenges, some of which are significant, the changes now driving opportunity are happening with you or without you. Those who embrace these opportunities will thrive. And while those who adapt will survive, those who choose to ignore them will certainly fade away.

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

- Have we assessed the transformations currently under way in the media business? If so, how are we capitalizing on them?
- Are we generating an appropriate, measurable return on our investment in traditional mass marketing? How do we know?

*Continues*

- How are we taking advantage of the changing media consumption habits of our customers?
- Given the increased access, abundance, and speed of information in current society, how are we making the most of our opportunities?
- What is the extent of our customers' loyalty to our brand? What are we doing to improve it?
- Do our customers trust us? What do we need to do to earn even greater levels of trust?
- What is the reputation of our organization? What are we doing to improve our reputation among key constituencies?
- What controls do we have in place to ensure that our marketing initiatives can be measured and held accountable? How do we apply what we learn from the process to make even better decisions in the future?