



Return on Investment (ROI) of PR & Corporate Communication

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In well-managed companies and organizations accountable to their shareholders, members or taxpayers as the case may be, expenditure on marketing and corporate communication, as with all other significant expenditure such as R&D, human resources, etc, is seen as an *investment*.

As such, marketing and corporate communication activity is expected to yield a Return on Investment (ROI).

In earlier management systems, Return on Investment was a loose concept and some disciplines such as PR sought to position themselves as 'intangible' and, therefore, not subject to ROI expectations. However, with increased accountability now part of modern management, manifested in systems such as Key Performance Indicators (KPIs) or Key Results Areas (KRAs), benchmarking and Balanced Score Card, ROI is increasingly a mandatory requirement for sustainability in all management practices.

But what is the return from public relations and corporate communication, and how can it be measured?

Contributing to the 'Bottom Line'

The most desired and attractive form of ROI from the perspective of senior management and shareholders is a direct monetary return in dollars/pounds/Euro, etc. A financial ROI may be achieved and demonstrated through:

- Increased sales;
- Increased share price and, therefore, capital value in public companies;
- Increased membership in organizations;
- Increased sponsorship, funding or other similar financial criteria.

However, it is narrow and unproductive to view ROI of PR and corporate communication only in terms of a direct monetary return for the following reasons:

1. **Public sector organizations** (government) and most associations, councils, commissions and such like do not have share value or sales objectives;
2. Many marketing and corporate communication activities have **specific campaign objectives not directly linked to sales or share value** even though they may contribute to these ultimately (*eg. to increase brand awareness, improve reputation, motivate employees, etc*);

3. PR and corporate communication **campaigns are often long-term and integrated with other forms of communication so that ultimate financial impacts are difficult or impossible to specifically attribute to any one form of communication.**

The ‘Triple Bottom Line’ & Beyond

Even in public companies and market-driven organizations, the importance of criteria beyond sales and share price (‘*the* bottom line’) has been established by new thinking based on research by Charles Fombrun and others, which proposes a ‘Triple Bottom Line’. In simple terms, this suggests that to succeed long-term companies and organizations need to have good:

- Financial performance;
- Community performance; and
- Environmental performance.

Being seen as a good corporate citizen and as environmentally responsible are now recognized as vital elements in a company gaining and maintaining ‘permission to operate’ in modern pluralist societies.

Clearly then, the objectives of strategic PR and corporate communication can and should extend beyond achieving immediate financial targets. Accordingly, many PR and corporate communication campaigns are focused on objectives such as building good community relations and improving the organization’s environmental image.

‘Triple Bottom Line’ thinking has led a shift away from viewing Brand as the ultimate marketing and corporate asset to recognizing **Reputation** as a wider concept influenced by factors beyond product and image issues.

Building on ‘Triple Bottom Line’ thinking, research by The MASS Communication Group suggests that companies and organizations in future will be judged against a ‘Quintessential Bottom Line’ which together forms Reputation, made up of:

- **Financial perceptions** (*ie. by shareholders, analysts, etc*);
- **Customer perceptions** (*including potential customers*);
- **Internal perceptions** (*ie. by employees, business partners, suppliers, channel, etc*);
- **Community perceptions** (*including government, regulators; NGOs such as consumer groups, environmentalists, etc as well as local communities*); and
- **Media perceptions** (*which reflect and influence other perceptions*).

PR and corporate communication is called upon to influence all of these areas important to long-term sustainable success. Accordingly, its contribution must be measured in more than direct monetary returns even in financially -orientated public and private companies. Improvements in analysts’ views, media reporting, internal support, and community attitudes are all important Returns on Investment.

Public Sector Accountability

In Public Sector organizations, NGOs and the not-for-profit sector, PR and corporate communication make a valuable contribution, but rarely in financial terms. Examples of Public Sector and non-business PR and corporate communication objectives are:

- To increase awareness of policies, initiatives and actions;
- To increase participation in programs (eg. get fit or stop smoking);
- To stop travelers carrying contraband goods in breach of quarantine regulations;
- To motivate constituents to vote on an issue.

How to Measure ROI

Because return on communication investment can be in multiple forms, methods of measuring ROI are also myriad. This does not mean that measuring ROI is vague or that any measure will do. And certainly presumption of results is not in line with accountable management. A range of appropriate measurement tools are available.

The starting point and key determinant in measuring ROI is the **objective**. What is the company or organization seeking to do? The degree to which communication can be shown to have made a contribution to achieving its objectives is its ROI. This highlights the need for specific PR and corporate communication objectives. These must complement and contribute to overall objectives, but should be sufficiently different and discreet so as to be 'traceable' to PR and corporate communication. If PR and corporate communication shares broad objectives with advertising, direct marketing or other strategies, its specific ROI will not be able to be identified as it will be diffused within overall outcomes.¹

The second key determinant in how to measure ROI is the type of communication activity involved. In measurement, like many fields, it is a case of 'horses for courses'. Appropriate measurement methodology needs to be applied – eg. media analysis can evaluate media publicity, but not events or publications; surveys can be used to measure audience awareness and attitudes but do not yield in-depth qualitative information which is better gained through focus groups.

The principle of *micro-measuring* and *macro-measuring* can and often needs to be applied in establishing ROI. Macro-measuring refers to the overall determination of Return on Investment for the company or organization. Micro-measuring refers to the determination of the results of specific activities such as events, product launches, media publicity, analyst briefings, etc. While ROI at the macro level is the desirable goal of evaluation, micro-measuring to establish the return from specific communication activities is important (a) in itself to determine their success or otherwise and whether they should be continued, and (b) as a step in identifying overall outcomes.

¹ A separate paper 'Setting Objectives for PR & Corporate Communication' is available from MASS Communication Group (info@masscom.com.au)

This leads to a further important point about measuring ROI of PR and corporate communication – or all ROI for that matter: often more than one measurement methodology is required to (a) show the outcome and (b) show causal link between the activity and the outcome. For example, if media publicity is used as a communication strategy to increase awareness of products or services, media analysis can be used to specifically evaluate the volume and favorability of publicity gained, but further research is required to identify what effect, if any, that publicity had on the target market (eg. a survey of consumers to identify their information sources in making buying decisions).

The following table gives some examples of measuring the Return on Investment ROI against objectives of PR and corporate communication at both macro and micro levels. (See Table 1)

Conclusions

1. A tangible Return on Investment (ROI) of public relations and corporate communication can be established.
2. While, on occasions, this may be a direct financial contribution through increased sales or share price increase, sales and share price are often (or usually) influenced by a range of factors and causal link (what caused them) can be difficult or impossible to identify. Furthermore, PR and corporate communication strategies are often employed to achieve non-financial objectives. Therefore, more than financial metrics need to be evaluated to determine ROI specifically attributable to PR and corporate communication.
3. If objectives are clearly established for PR and corporate communication (as they should be), ROI is best described as the achievement of those objectives, whatever they be. ROI may be a percentage increase in awareness, an increased level of support, a decline in complaints or criticism, improved comments and recommendations by analysts, or a more motivated workforce.
4. The methodologies for tracking and showing ROI are therefore myriad, involving research tools such as surveys, focus groups, interviews, media analysis, etc and gap analysis to compare pre- and post-campaign levels and conditions.

Table 1.

SAMPLE ROI MEASURES FOR PR & CORPORATE COMMUNICATION

OBJECTIVE	PR ACTIVITY	MEASURE 1	MEASURE 2	ROI
To increase brand awareness	Media publicity	Media analysis to track brand messages in key media	Survey to identify where consumers drew information from	% who read brand messages in media coverage vis a vis cost of gaining that coverage
To increase consumer awareness of a product/service	(1) Media publicity – product & reviews	Media analysis to track product publicity (<i>favorability & share of voice</i>)	Customer survey to identify where they drew information from & credibility/weighting of various sources	% of customers who read product reviews and used that information in making buying decisions
	(2) Trade shows/road show events	Survey of attendees to evaluate satisfaction & usefulness	Calculate cost of gaining prospects at events	Cost per prospect versus cost per prospect from advertising/ other methods
To motivate employees to deliver on company policies/vision	(1) Internal briefings	Survey/feedback form of attendees to evaluate message recall & acceptance	Employee survey of information needs & preferences on how to receive information	% increase in staff aware of and motivated to implement company policies/vision
	(2) Newsletter	Reader survey	Web survey / feedback form to evaluate usefulness of site to staff	Identification of most cost-effective communication & elimination of ineffective activities
	(3) Intranet	Web analysis of visits, pages accessed, downloads, etc		
Overall		Pre-campaign staff survey to identify awareness, support, etc	Post-campaign staff survey to identify awareness, support, etc & gap analysis compared to pre	% increase in support for company policies & vision
To maintain shareholder support & attract investors	(1) Analysts briefings	Track analysts' reports pre-briefings	Track analysts' reports post-briefings & compare	Increases in favorable reports & recommendations of influential analysts Favorability & share of voice in influential media
	(2) Financial media publicity	Media analysis in financial press	Survey of shareholders & investors to identify most influential media	
To build relationships with key environmental & consumer organizations	(1) Meetings with relevant groups	Feedback from meetings		% decline in criticisms or opposition
	(2) Establish an Advisory or Consultative Group	Attendance at meetings & participation in discussions		% support for initiatives

* *The activities and the measurement methodologies shown in the table above are indicative and not the only approaches .*