

THE EFFECTS OF MEDIA-BASED PUBLIC RELATIONS ON SALES

Optimization through marketing mix modeling

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COMMUNICATION MANAGEMENT

> “Half the money I spend on advertising is wasted. The trouble is, I don’t know which half,” goes the adage attributed both to John Wanamaker, the turn-of-the century U.S. retailer, and William, Hesketh Leverhulme, the British industrialist and founder of Lever Brothers. Though they referred to “advertising,” Wanamaker and Leverhulme might have just as easily substituted the terms “public relations,” “promotions” or any other form of marketing communication. And from the time they made their statements until relatively recently, it was impossible to determine how – or even if – each element contributed to overall marketing success. With the benefit of advanced mathematical methods, today’s marketers are unraveling marketing’s mysteries to answer funda-

mental questions about marketing, business performance and sales. The discipline through which these answers are derived is known as “marketing mix modeling,” a technique that uses advanced statistical analysis to provide quantitative answers to marketing questions.

While marketing mix modeling has become more common and more reliable in the past decade, it still focuses mainly on those areas that command the highest levels of investment – e.g., promotions and mass-market advertising: relatively few cases integrate public relations. In this article, we are pleased to share a recent case study that reveals both the company and the brand.

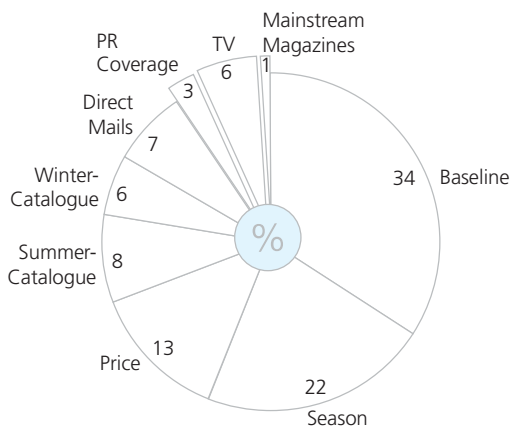
Our featured case study confirms what we PR professionals believe in our hearts to be true: PR is a most powerful marketing agent. What is more, public relations consistently surpasses the re-

turn on investment (ROI) and relative selling power of other MarCom activities within the marketing mix, including those that command much greater budgets.

We in public relations share a responsibility to explore, understand and leverage the impact of PR – the explicit impact as well as the implicit – as we strive to improve the overall business performance of our employers and our clients. And as we do so, we simultaneously elevate the esteem of our profession.

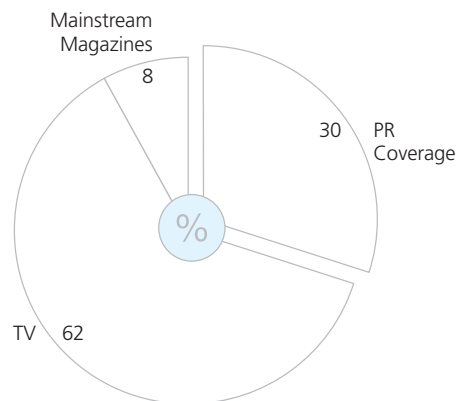
With this in mind and by applying the method of marketing mix modeling, here we present the latest thinking using a real-world example of this exciting development for demonstrating and generating meaningful and quantifiable business results through media-focused public relations.

Contribution of mass media to bookings in context of all factors



Source: Center Parcs/Pleon

Contribution of PR within mass media when isolated from other factors



Proving – and Improving – PR Value

Scientifically proven approaches to demonstrating PR effectiveness – especially quantifying the impact of PR expenditure on business outcomes – have always been a challenging proposition and cannot be answered easily when multiple sales-driving elements occur simultaneously. In this context, the essential questions are: (1) how does the interaction of different controlled (e.g., advertising, pricing), semi-controlled (e.g., PR, sponsorships) and uncontrolled external factors (e.g., seasonality, competitor activities) drive sales, and (2) how can we optimally leverage PR within the marketing mix to propel incremental sales?

Marketing mix modeling seeks to quantify the impact of individual and concurrent marketing activities on sales volume to provide insights into the efficiency and effectiveness of ongoing marketing programs. While the analytical technique (use of multivariate statistics and regression analysis) is most commonly applied to those marketing activities with the highest levels of expenditure – including television advertising, trade marketing, and price promotions, the technique qualifies very well for public relations tactics such as media relations, event sponsorships and social media.

Given an understanding of what drives sales using this analytical approach, it becomes possible to explain past results and influence future sales. Furthermore, by taking each marketing communications expenditure into account, brands can empirically determine the best budget allocation from among their different marketing investment options.

While our case study explores how marketing public relations activities drive sales specifically, the modeling technique applies just as well to other business outcomes, including membership drives, customer contracts, enrollment, employee loyalty, awareness, reputation and other important measures of organizational performance.

Typically, marketing mix models answer such questions as:

- How much does each marketing activity add (or detract from) to sales?
- What is the ROI of each marketing driver?
- Which marketing tactics increase volume and profit?
- Does customer response vary over time?
- Are there synergistic effects across the marketing plan?
- How can ROI be sustained over the long term?
- How should marketing budgets be allocated?

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- How does the effectiveness of each marketing variable accelerate or diminish over time?
- What are the effects of competitive marketing activities and other “uncontrolled” factors on sales?

The models are typically applied in an interdisciplinary fashion to show overall effects. As such, the application of marketing mix modeling seeks not to promote the success of individual elements as much as to understand the interrelationship of a variety of elements and their ability to enhance or detract from one another.

Public Relations and Marketing Mix Modeling

For the development of a marketing mix model, historical time series data are required, ideally on a weekly basis. Such independent (predictor) variables as the number of television ads, two-for-one promotions or media coverage and the dependent target variable – normally sales data – are analyzed. The changes in the sales volume over the course of time should be predicted by regression mod-

eling as closely as possible in order to identify the variables that best explain the change and help predict future outcomes. Consequently, the relative ROI of PR's contribution on a campaign-by-campaign basis is determined.

In providing guidance for the allocation of resources within integrated marketing campaigns, each model must be developed individually and related to the specific situation, targets and industry of every company. Furthermore, marketing mix models tend to work best in categories where the volume of transactions is frequent and local, thus explaining the popularity of modeling in such

categories as consumer packaged goods, retail and services like tourism or telecommunications rather than business-to-business categories.

Marketing mix models enable marketing decision makers to better understand PR's contribution relative to other forms of marketing and to adjust spending among a variety of marketing options. For the PR professional, the analysis promotes a more focused approach to tactical planning and execution by applying resources against those elements most likely to generate the best results. In this way, marketing mix modeling goes beyond evaluation at the end of the campaign to encourage more intelligent planning and decision making going forward – i.e., “public relations optimization.”

Case Study: Center Parcs Europe Group

Ketchum Pleon, Europe's largest public relations agency, partnered in Germany with the brand and communication consultancy BrandScience for the Performedia project to develop a marketing mix model for Center Parcs, one

of Europe's leading providers of short family holidays. The aim of the project was to examine the extent to which revenues, in this case holiday bookings, are affected by public relations as measured against other means of integrated marketing communication activities.

Every year, more than 3 million visitors spend a short holiday at one of the 13 Center Parcs villages locations in Germany, the Netherlands, Belgium and France. The company's economic success depends on how well the company is known within the relevant target

number of bookings is a decisive measurement criterion for determining marketing communications – as well as overall business – success. Within the marketing mix, Center Parcs sought to uncover and quantify the contribution of public relations specifically by measuring the impact of media coverage on this important business outcome.

For the pilot test study, with results gathered from 2005 to 2007, weekly data representing market conditions, marketing results and competitor activities were gathered retrospectively, ag-

- Controllable marketing variables such as TV, print advertising, pricing, direct mailings and catalog distribution.
- Semi-controllable variables such as public relations and media coverage, including volume and reach of coverage.
- Uncontrollable market conditions such as weather, holiday times and competitor advertising.

The Performedia model revealed that the number of bookings strongly matched observed bookings with an R2 (a measure of goodness of fit) of 0.86, meaning that the model explains 86 percent of the variance. When examining controllable, semi-controllable and uncontrollable variables, 10 percent of bookings were attributed to the influence of messages in mass media: 7 percent from advertising in television and magazines and 3 percent from news coverage in all media.

Equally remarkable was the slow decay rate of media coverage: Whereas the impact of print advertising decreased after one week, the influence of public relations – in this case, editorial coverage – was shown to last for as long as 13 weeks.

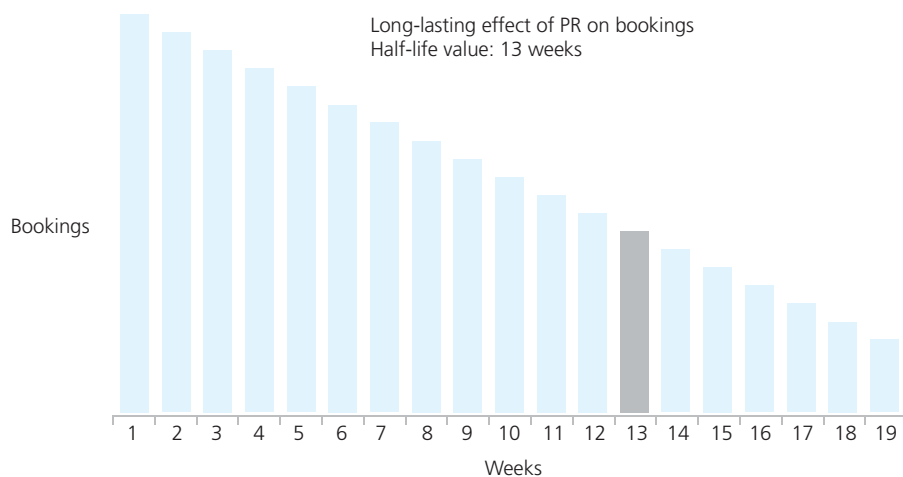
“Media-focused public relations delivered returns five times greater than television advertising and three times greater than print advertising.”

groups of loyal visitors and current and potential customers. Accordingly, the marketing communication activities of Center Parcs are regarded as highly significant.

All of Center Parcs' marketing communication activities are targeted to enhance brand awareness of its holiday parks to ultimately increase the number of bookings and the resulting revenues. As such,

gregated into consistent data streams and, in a final step, integrated into a multiple linear regression analysis. In theory, the model should replicate the actual history of the number of holiday bookings as closely as possible. From nearly 1,000 variables, the following factors were identified as contributing most significantly to the target variable of overall bookings:

Long-lasting impact of PR on bookings: where public relations retained half of its effectiveness after 13 weeks, advertising rapidly loses effectiveness within the first two weeks.



Source: Center Parcs/Pleon

Furthermore, by incorporating the respective budgets into the model, it was possible to determine the ROI for each marketing element within the mix. In comparing the individual marketing elements, public relations was the most cost effective. In terms of ROI, media-focused public relations delivered returns five times greater than television advertising and three times greater than print advertising.

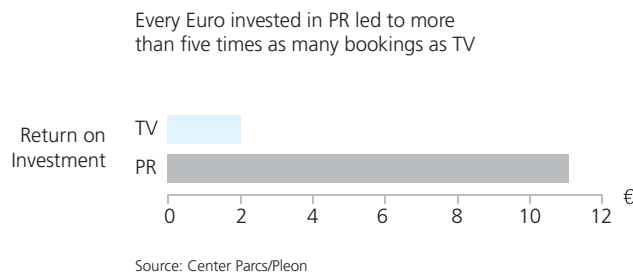
Among many possible applications, Center Parcs used the marketing mix model to forecast how the number of bookings would be affected by the adjustment of single marketing parameters, enabling the testing of multiple scenarios. For example, Center Parcs was able to determine that if it doubled its media impressions, the number of bookings would merely increase about 5 percent because of a marginal utility effect, which meant that PR activities are currently being implemented in a way that is close to ideal. On the other hand, however, without any editorial coverage, the number of bookings would decrease substantially by approximately 16 percent within the first year, resulting in a loss in sales in the tens of millions.

Finally, Center Parcs' analysis of the marketing mix model demonstrated that the most significant variable in determining booking volume is strong brand value, supported over the long term by strong brand image attributes such as sympathy, brand awareness and familiarity with Center Parcs' offerings, which drove a 34 percent share of bookings in the model. The company therefore decided to invest in the continuing reinforcement of its brand by strengthening these themes in its marketing and public relations initiatives.

Conclusion

As new approaches and more-powerful technologies become available, the marketer's ability to properly assess and accurately forecast business performance will continue to increase. In this new environment, marketing and

PR's return on investment compared to TV advertising



PR investment decision makers have the right, and a reasonable expectation to receive, proof of performance. And when such proof of performance is undertaken, PR is a big winner. But not only does the modeling deliver evidence of higher returns for public relations, it also quantifies public relations' unique ability to elevate the performance of other forms of marketing, including advertising and promotions. On the basis of relative spending, public relations may seem like a lower priority, but in terms of ROI, the example of Center Parcs Europe demonstrates PR's ability to deliver superior returns (on its own and in support of other forms of marketing).

Public relations has a great deal to gain in this new environment, but the opportunity comes with a demand for accountability: To achieve a higher level of acceptance, especially within the C-suite, PR departments must change the way they work. Marketing success will be contingent upon PR's willingness (as opposed to ability) to work in an integrated fashion with other marketing activities. Also, success will be contingent upon the use of proven PR research and measurement methods in conjunction with accepted statistical techniques to demonstrate a positive and meaningful ROI. In the new environment, funding and marketing decisions will focus on what drives business results rather than outmoded ideas and conventional wisdom. In this environment, each marketing communication function will be judged on its ability to deliver value, efficiency and

efficacy. And given the consistency with which PR delivers positive results on important business criteria, there has never been a better time for public relations. <

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