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P&G data could spur firms to mark their own PR value

Craig McGuire - 28 Nov 2005 00:00

As Procter & Gamble reveals the positive effect of PR on its brands, many wonder if other companies will now scramble to measure PR's benefit to them.

Procter & Gamble spends billions of dollars promoting its stable of brands throughout the world. And when this consumer-goods giant makes a marketing move, companies everywhere take note.

It was no small ripple in the pond, then, when P&G revealed that it experienced a greater ROI from PR than any other marketing discipline in four of six brands tested with its internal measurement tool.

The announcement spurred speculation that the marketing powerhouse - which became the world's largest consumer goods maker with its January acquisition of Gillette - would increase its PR spending and prompt other companies to do the same.

P&G applied its PREvaluate tool during 18 months of research into brands where marketing mix modeling could be applied.

A marketing mix model analyzes sales data against the media tools behind it and can be used to forecast future sales. P&G's research team looked at information on cost, scope, target audience, geographic markets, and possible synergy with other marketing tactics. It compared PR with other marketing efforts, such as advertising and direct marketing.

But has P&G solved the Gordian Knot of what to buy, where to buy, and why to buy when it comes to marketing expenditures? Not really.

PR, long considered the stepchild of traditional marketing and advertising programs, certainly got a shot in the arm. Still many marketing experts caution that it is probably premature to crown PR the new king.

P&G has been reluctant to conclude that the results will spur the company to increase PR spending, which currently comprises just 1% of the total marketing mix. Others in the industry have also been reluctant to discuss what impact P&G's announcement will have on their own expenditures.

While anecdotal evidence suggests that PR pros have been able to capture a greater share of the marketing budget for some time, it is difficult to quantify that growth because companies rarely reveal what they are paying. Even publicly traded companies often do not break out PR expenses as separate line items from marketing budgets.

If anything, marketing experts suggest that P&G's findings would more likely spur greater demand for measurement and impact how corporate America makes its marketing decisions.

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"This is part of an ongoing trend to hold marketing more accountable," says Dominique Hanssens, professor of marketing at the University of Southern California and executive director of the nonprofit Marketing Science Institute. "Marketing has traditionally been difficult to quantify because of the big creative aspect to it. This has enabled it to fly under the radar screen of accountability at most companies for many decades. But no longer."

New measurement methods

The trend toward accountability has also coincided with the greater number of tools available to measure different marketing disciplines.

Academicians have been tinkering with marketing mix models and other types of ROI strategies for decades. In the past, though, those techniques have proven extremely time consuming and expensive to apply, and were used only by the biggest companies and those in industries like financial services, where the data could be used to make business decisions.

Over time, however, companies have developed more exacting strategies and techniques for gathering better, cleaner, and more insightful data. Technology has also caught up with aspiration as analytical tools for processing that data become more sophisticated.

And internet search engines have also made data more readily available than ever before.

In addition, there is also more pressure on business leaders to collect and produce quality data that could be used to justify spending to stakeholders such as investors, analysts, or regulators.

P&G is one of the largest spenders on marketing to promote brands like Gillette, Oral-B, Pampers, Scope, and Tampax.

And it has also been one of the drivers of the call for more precise data on how the money it spends on marketing impacts its bottom line.

"P&G has been doing this type of analysis for quite some time, is very well managed, and tends to be quite scientific," Hanssens says. "One of the reasons for its success is that P&G tends to look very carefully where [it is] spending marketing dollars."

In a July presentation, "From ROI Tools to an ROI Mindset: P&G's ROI Journey," Joseph Auriemma, director of global business analysis solutions, told employees that marketing vehicles "face significant challenges."

"Marketing budget is not an entitlement," he said. "Marketing must be transformed from a 'cost of doing business' to true investment."

Even organizations outside corporate America are feeling pressure to demonstrate ROI. "Today we absolutely need to measure to give us a sense of how we are doing, as compared to competing institutions, and set benchmarks based on that data," says Ken Torisky, senior PR representative at the University of Akron. "For us, success does not translate into profits, but rather into students' applications and reputation. In terms of higher education in general, there is a great desire for more information that will only grow."

More affordable measurement tools have also fueled the demand for marketing mix modeling. Companies that don't have the deep pockets of P&G can now find less expensive alternatives that still generate meaningful ROI statistics.

Vendors catering to marketing and communications pros are releasing and enhancing ROI measurement services with a range of price points.

PR Newswire (PRN) in July debuted MediaSense, a subscription-based service positioned to appeal to companies that previously would not have been able to afford sophisticated media analysis tools. MediaSense offers quantitative and qualitative reports of print and online media coverage.

While PRN declined to provide sales figures on the service, Susan McPherson, the PRN VP overseeing MediaSense, notes that, unlike most products the company has released in recent years that have had limited penetration in certain verticals, virtually every industry it services has embraced MediaSense.

These new technologies, in fact, have made the impact of PR even more measurable as a discipline than in-store promotions, direct mail, and advertising. In addition to tallying media impressions, measurement tools can now monitor the tone of the coverage, which messages were relayed, what third parties said, and how bloggers reacted.

Meanwhile, on the front lines in the internet space where ROI is in real time, the trends are that much more dramatic.

Damian Bazadona, president of Situation Marketing, has launched more than 150 web efforts for clients including Disney/Buena Vista, Clear Channel Communications, Columbia University, YMCA, and others.

"Just look at message boards, chat rooms, Google listings," says Bazadona. "People are talking, good or bad, and you have to know what they're saying and have the strategies and technical expertise to measure it and address it.

"Information is power, and the demand for data that matters is great," he adds. "As a result, we are working more closely with PR teams, with PR building the buzz and marketing converting the opportunities. It's that interplay, that cross-collaboration, that is escalating."

Long-term effects

It remains to be seen whether the greater ability to measure PR will translate into larger budgets. Inevitably, measuring ROI, especially when it comes to comparing disciplines, is certainly now less art, more science; but, in many respects, it's not yet an exact science.

For starters, some marketing experts argue that comparing PR to advertising is like comparing apples to oranges.

The objective of marketing and advertising campaigns, for instance, is more closely tied to driving revenue through sales, while PR is more frequently positioned for such purposes as increasing brand awareness and enhancing reputation.

"In PR, the general premise is that, when somebody praises your product, that praise is coming from the outside, whereas with marketing and advertising, that praise comes from the company," Hanssens says. "So PR has an automatic advantage because it is perceived as more persuasive, more objective."

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