

What does ROI mean to PR practitioners? A small-scale investigation on the use of ‘Return on Investment’ in the UK

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Introduction

Management literature defines ‘Return on Investment’ (ROI) as a measure of financial effectiveness that is concerned with the returns on capital employed in business (profit-making) activities (Drury 2007). In public relations practitioner parlance, however, ROI appears to be used in a much looser form to indicate the results of activity (Gregory & Watson 2008).

There have been reports into the role of ROI in PR measurement (IPR 2004) which disputed whether ROI had real meaning in the public relations context. Watson (2005) found that the term was not widely used or recognised in academic discourse. Professional literature and practitioner discourse (cf. European Measurement Summits and the IPR Summits on Measurement), however, clearly show that ROI is a term widely used, if not tightly defined. As well, Likely, Rockland & Weiner (2007) proposed alternatives to ROI with four models which each have a ‘Return on’ prefix.

Investigation

This mixed method research (Daymon & Holloway 2011) investigates the practitioner understanding of the term with the aim of bringing best practice in public relations measurement together with the language of public relations and corporate communications practice. The sample was taken from the UK. The data gained from the study will inform questions for large-scale research amongst European practitioners

Data Collection

Eight core questions were framed from earlier research and the survey was distributed online (SurveyMonkey) via the researcher’s email network and the UK PR e-newsletter www.prmoment.com in November/December 2010. 66 responses were received in a four-week period before the survey was closed.

Sample

The sample of respondents was 55% female and 45% male. Their workplaces were 44% in-house, 44% consultancy, 12% freelance or other and they mainly held management roles with 42% identifying as a director, 39% manager and only as 11% executive. The residue was freelance or did not identify a role title. The sectors in which they worked were diverse with a preponderance of corporate (39%) followed by 22% product, 19% services, 16% government with the residue in not-for-profit or giving no answer. As could be expected from the researcher’s UK base, 83% of the sample came from the UK of which 50% were from England (outside London), 27% London and 3% Scotland, with no responses from Northern Ireland or Wales. Some 17% of respondents identified themselves as coming from outside the UK, mainly Europe.

Results

Q1: Do you regularly use the term 'ROI' or 'Return on Investment' when planning and evaluating PR activity? If you answer NO, please go to Q5.

YES	66.7%	44
NO	33.3%	22

Q2: If YES, do you plan for a specific financial ROI outcome or is the ROI related to achievement of communication objectives? (Choose one)

Financial outcome	14.3%	6
Communication objectives	66.7%	28
Other (Please enter in Comment Box)	19.0%	8

“Other” Comments (12): “It depends on the campaign/client” (5), Combination of financial and communication objectives (4) “Mix of inputs and outcomes” (efforts and results)

Q3: If you work in a Consultancy or Freelance, do you offer clients an ROI formula or is it set by the client?

Offered by us	67.7%	21
Set by client	12.9%	4
Not offered	19.4%	6

Comments (16): AVE-based formula - “PR spend to AVE = ROI” (6); Negotiate measurements with client; flexible (6); Meet media volume targets / media ranking (3)
Relate press activity to outcomes, sales, enquiries (2)

Q4: If you work in-house, does your organisation have an ROI formula?

YES	21.7%	5
NO	78.3%	18

Comments (6): AVE-based formula (2); Tonality of media coverage; Sales link to PR activity; Media ranking system

Q5: Separately from any formula used, what does ROI mean to you in the public relations context?

Comments (58): Demonstrate outcomes; show value of PR (11); Return on expenditure/effort (9); Value of media coverage, divided by PR budget, e.g. AVE (6); Contribution to organisation’s success (5); Impossible to measure/ problematic (5); Sales generated, measurable financial gain (4)

Q6: Should there be a standard ROI adopted by the PR industry?

YES	33.9%	21
NO	64.5%	40
No answer	1.6%	1

Q7: If YES, what would your formula or parameters be??

Comments (18): Yes, but don't know/not sure (7); Broad or flexible parameters, coupled to best practice information (6); AVE / PR costs formula (3)

Q8: If NO, what are your reasons for opposing a standard ROI?

Comments (42): "One size does not fit all" (32); PR is different from business and finance (3), but this response often mentioned as a secondary comment in 'one size' comments; Others (6) – too much measured already; waste of time; ROI is not related to output.

Discussion and conclusions

It was evident in the data that despite avowed use of ROI (66.7%), practitioners have very vague notions of ROI. Although many say they use "ROI", few nominated a process or methodology which was either robust or appeared to be applied consistently. As Gregory (2001) has observed, the reality of the application of public relations measurement and evaluation does not match the rhetoric. Indeed, AVE was the single most frequently mentioned ROI metric (Wright *et al* 2009) which may not be surprising given its prevalence amongst practitioners who, on the evidence of this study, mostly apply publicity-oriented tactical actions. The main emphasis of practice, according to this study, is that PR = media relations and thus ROI is operated as a simplistic calculation of media coverage and online hits, although some corporate and governmental responses focused on organisational and non-financial objectives. The strongest response, other than the claimed use of ROI mainly in relation to communication objectives, was the rejection of a single formula for ROI in the public relations context which leads this researcher to consider further investigation into a set of ROI guidelines. These guidelines, supported by best practice models, may be a route forward that gains acceptance by practitioners.

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