



Short communication

An initial investigation on the use of ‘Return on Investment’ in public relations practice

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ABSTRACT

‘Return on Investment’ (ROI) is usually defined in management and marketing literature as a measure of financial effectiveness that is concerned with the returns on capital employed in business (profit-making) activities. In public relations practice, however, ROI appears to be used in a much looser form to indicate the results of activity. This quantitative research using an online survey instrument investigated practitioner understanding of the term, primarily in the UK, with the aim of preparing a benchmark on their understanding of the ROI concept and usage of ROI as a measurement of the effectiveness of public relations activity. These findings resulted: (1) two-thirds of PR practitioners regularly use the term ROI when planning and evaluating communication activity; (2) ROI is related mainly to communication objectives (66.7%) which are more widely used than financially related ROIs (12.8%); (3) there is a clear difference in ROI practices between consultants/freelancers and in-house colleagues. Nearly three-quarters of consultants and freelancers (73.1%) offered an ROI formula to clients but only 26.3% of in-house practitioners have one; and (4) on the oft-discussed question of an industry-wide ROI formula, only 35.6% supported the proposition with 64.4% opposed. The survey also found that practitioner concepts of ROI are very narrowly expressed, mainly in relation to media outputs.

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1. Introduction

Return on Investment (ROI) is defined in management and marketing literature as an outcome performance measure of financial effectiveness that is concerned with returns on capital employed in business (profit-making) activities (Drury, 2007; Moutinho & Southern, 2010). The Dictionary of Public Relations Measurement and Research places ROI as “an outcome variable that equates profit from investment” but does not attempt to classify a ‘public relations ROI’, other than as a “dependent variable” (Stacks, 2006, p. 24). The UK professional body, the (now) Chartered Institute of Public Relations defined it as “a ratio of how much profit or saving is realised from an activity, as against its actual cost which is often expressed as a percentage” (IPR/CDF, 2004, p. 15). In public relations practitioner practice, however, ROI appears to be used in a much looser form to indicate the results of activity.

The term has been in public relations discourse for at least 40 years. Black (1971) commented that it was “fashionable” to measure ROI in business, “but in the field of public relations it has little significance” (p. 100). In the late 1970s, ROI was sometimes expressed as equivalent to advertising value (Marker, 1977). Watson (2005) found that the term was not widely used or recognised in academic discourse. However, Gaunt and Wright (2004) found that 88% of a sample of international public relations practitioners was interested in an ROI tool and 65% considered that ROI could be applied to judgements

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on public relations effectiveness. Gregory and Watson (2008) also noted that use of the term ROI was extant in practice and called for greater academic engagement with practice issues such as the use of business language, including ROI, and communication scorecards.

Professional literature and practitioner discourse (cf. European Measurement Summits and the IPR Measurement Summits), however, clearly show that ROI is a term widely used, if not tightly defined. In 2004, the UK media analysis firm Metrica undertook a study for the (then) Institute of Public Relations which found that 34% of respondents considered public relations budgets in terms of ROI and 60% used a notion of ROI to measure public relations in some way. It summarised the responses as, “some inclination towards seeking a form of ROI that could be applied universally” (IPR/CDF, 2004, p. 6). As well, Likely, Rockland, and Weiner (2007) proposed alternatives to ROI with four models which each have a ‘Return on’ prefix.

2. Research method and instrument

To investigate the current state of attitudes amongst public relations practitioners about their notions of ROI, a scoping survey was undertaken mainly amongst UK practitioners. Quantitative research allows researchers to generate data on a problem or concept, from which insights and theory can be deduced (Bryman, 2008). Surveys provide data about the opinions and characteristics of a defined population (Chisnall, 2001; Oppenheim, 1992). The survey comprising 15 questions, framed from earlier research, was distributed in an online format (using SurveyMonkey) via email to the UK-based researcher’s email network and through an internet URL on the UK PR industry e-newsletter, PRmoment.com, in November and December 2010. This convenience sample was chosen as an aim of the study was to frame questions to be included in the annual European Communication Monitor (ECM) study. It comprised five closed questions and five open (write-in) questions, as well as questions on the demographics and work roles of the respondents. This research sought practitioner understanding of ROI with the aim of identifying current practices in public relations measurement of effectiveness, and insight into the language of public relations and corporate communications practice. As a snowball technique was applied through using the industry website, it is not possible to provide a level of response. The survey received 66 responses in a 4-week period before it was closed. Data were processed through SPSS for frequencies.

The initial closed question was “do you regularly use the term ‘ROI’ or ‘Return on Investment’ when planning and evaluating PR activity?” Those who answered Yes were then asked “do you plan for a specific financial ROI outcome or is the ROI expressed in achievement of communication objectives” and asked to choose one option from “financial outcome”, “communication outcome” and “other”. The latter was a write-in answer. Those who answered No, were directed to a later write-in question about the meaning of ROI. The following two questions asked for self-identification as “consultancy or freelance” or “in-house” and enquired separately about whom in their organisation either offered an ROI formula or applied it. Consultants and freelancers were asked whether they offered clients an ROI formula or it was set by the client, whilst in-house practitioners (corporate, governmental and not-for-profit) indicated whether their employing organisation “had an ROI formula”. These questions sought indications of the use of the ROI concept and formulae amongst practitioners before discussing the notions of ROI. The final closed question was “Should there be a standard ROI adopted by the PR industry?”

The open questions sought responses such as “please give a summary of the ROI formula(e) used by you or clients” (for both consultancy and in-house situations) and “what does ‘ROI’ mean to you in the public relations context?” After being asked in a closed question whether they supported the concept of a standard ROI, respondents were asked to explain why they supported or rejected the concept. They were also asked to describe the ROI methods that were applied in practice.

3. Sample

The sample 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 11% as 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. Despite being a convenience sample, it does have validity as 55% of respondents which female, which aligns with the trend of increased female employment in UK public relations (CIPR, 2009). It is also strongly (81%) weighted towards management roles which should have indicated knowledge and use of ROI and effectiveness measures. It also has a strong presence in corporate and governmental sectors (55%) where longer-term communication planning is more evident than in products or services.

4. Results

Asked whether they regularly used the term ‘ROI’ or ‘Return on Investment’ when planning and evaluating public relations activity, there was a strongly positive response. Two-thirds (66.7%) answered in the affirmative and 33.3% in the negative. Those who answered ‘yes’, again gave a decisive response when asked which form of ROI outcome was used for evaluation, with 66.7% identifying ‘communication objectives’, followed by 19.0% for ‘other’ and 14.3% for ‘financial outcome’. There

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