What Every CEO Wants to Hear from Communications: Objective Measures Essential to More Effective Communications Planning

By Tom Nicholson

Measurement is key to the success of any integrated marketing communications program. Tom Nicholson, director of retail public relations at Sears, Roebuck and Co., shares a case study from Sears to examine strategies and tactics for measuring and justifying the costs and overall success of communications programs.

Introduction

Wouldn t it be great if we as communicators could provide our CEO with a hard and fast analysis of the return on investment the corporation receives from the dollars invested in communications?

While there is still a considerable amount of judgement, emotion and art to the process of communication, we are also building a body of evidence that helps to quantify the bottom-line financial impact of what we do. When taking a hard look at the investment your company makes in communicating with its key stakeholders, it s reasonable to ask whether that investment is producing a measurable impact.

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When attempting to build stronger relationships with potential customers or building a brand, a CEO will hear from operations (better in-stock position will make a big difference in the numbers), customer service (our point of differentiation can be here), buyers (we need to offer newer, more innovative products), design teams (make it more appealing), human resources (a better incentive program will drive appropriate behaviors) and others, all promising that if funded adequately, this function can deliver.

Each will argue with reams of research, historical ratios, case studies of other successful organizations, prior experience and scientifically calculated projections designed to win funding for their function.

What will your CEO hear from the public relations or marketing communications department?

In too many cases, the answer is based only on experience or anecdotes. Objective research on the impact of public relations, marketing communications and advertising is not as abundant as one would hope. And, because the profession is as much an art as a science, applying the existing research must be done carefully.

For the past several years, Sears has attempted to measure the impact of public relations and advertising initiatives to identify which activities produce results, which have little impact and why some programs seem to work better than others. Our results may not have direct application for your company, but the approach to measurement is something that can be replicated elsewhere to gain a better understanding of what will or won t work in different industries and competitive situations.

In 1997 we began to evaluate the impact of joint public relations and advertising programs in the Sears Home Services business. At the time we were introducing a nationwide 800 number (1-800-4-MY-HOME) for all appliance repairs and home improvement projects. A new brand, Sears HomeCentral, also was being introduced. During the testing of the messages in four pilot markets, we had the opportunity to overlay a publicity program on top of the advertising in two markets, while relying on advertising alone in the other two markets. This simple test showed that a combination of advertising and public relations multiplied the effectiveness of the messaging. In the two markets relying on advertising alone, calls to our repair business increased by 14 percent and 18 percent following the launch of the ads. In the markets where we were able to generate significant news coverage for the services, along with the same advertising weights, we showed an increase in call volume of 32 percent and 38 percent. The additional cost for the publicity was less than an incremental 10 percent.

By 1999 we had formalized the approach to measurement to the point where an agency/client summit meeting brought together all of our communications agencies, representatives from the various businesses within Sears and senior management. That meeting produced three simple priorities: Focus, Simplify and Measure. We knew that some programs generated better results than others and wanted to find out more about why. We also made it clear that we were interested in measuring programs, not in measuring the effectiveness of individuals. A program could be implemented flawlessly, yet it could be the wrong thing to do. We were not interested in penalizing individuals who did a great job on a flawed strategy, but we were very interested in making sure we were working on programs that made a difference.

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Initial Measures Focus on Share of Voice

Advertising had established an ad effectiveness system for analyzing the performance of our newspaper pre-prints against the sales performance in each of our stores. Every line of merchandise was evaluated and compared to the advertising for the previous week to measure incremental sales increases compared to a baseline.

Initially, the bulk of the public relations measures focused on our competitive share of voice. Were we getting as much positive coverage as our competitors? Were the key messages coming through? Were we doing better than last year? Similarly, we also tracked negative coverage and several key issues that may affect how consumers view the company. An ongoing consumer attitude survey was instituted during a time when the company was being severely criticized in the media.

While this data was interesting and provided some goals to achieve, the real questions about the consumer impact remained unanswered. Did all the positive messages change attitudes? Did that lead to changed buying patterns? Was there a direct, measurable impact on brand image? Could we identify which activities provided the most significant return on investment?

Sears best customers are women. And, one woman who reaches others more effectively than most is Oprah Winfrey. Sears measured the impact of an episode on The Oprah Winfrey Show in which the television host proclaimed, We love Sears! Sears was asked to provide Christmas gifts for several needy families and quickly responded. Prior to the broadcast of the show, we conducted a baseline survey to measure consumer perceptions of Sears and two competitors. Immediately following the broadcast, the survey was repeated with dramatically different results (William T. Buchanen Marketing Research).

Questions focused on whether consumers believed a particular company did good things for the community, which stores consumers intended to shop during the holidays, and how much they estimated they would spend at either Sears or a competitor.

Measuring Consumer Impact of the Activity

As expected, there was a significant increase in the number of respondents who agreed with the statement that Sears does good things for the community following the broadcast. Prior to the broadcast the attitude toward Sears was almost a perfect bell-shaped curve, with the majority of respondents feeling neither negative nor positive toward Sears on this question. Following the show, the attitude toward Sears showed a five-fold positive increase (see Chart A Sears Does Good Things for the Community).

However, attitudes were not the only shift seen. Intent to purchase at Sears during the holiday period moved in a positive direction. The positive side of the intent to shop question

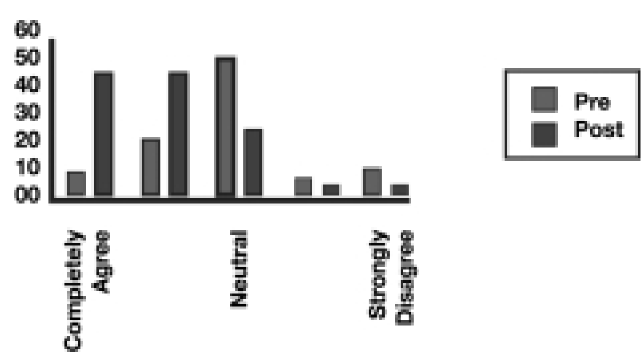


Chart A
Sears Does Good Things for the Community

increased by 11 percent (from 59 percent to 70 percent of respondents).

Further evidence that this shift in preference translated to revenue was provided by answers to the next question. The amount of money respondents estimated they would spend with Sears during the holiday period increased by 39 percent per shopper (see Chart B Planned Spending). For Sears, that increase translated to more than $40 million. Even if discounted by two-thirds to account for individuals who intended to shop at Sears but did not follow through, the benefit in top-line revenue increase as a result of this single placement is still in excess of $13 million.

The study showed a strong linkage between consumer attitudes about a store and their purchase decisions and also indicated that Oprah has a credibility factor with her audience that is extraordinary. The second point was demonstrated in a similar study of a similar public relations placement on a different syndicated national television program, Rosie O Donnell s show

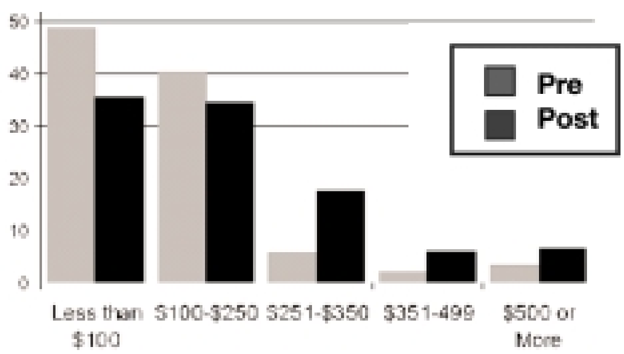


Chart B
Planned Spending

(Rosie) with similar audience numbers. It showed an 11.1 percent change in positive consumer attitudes, a 4.2 percent increase in intent to shop, resulting in a 25 percent increase in the number of respondents who indicated they will spend more than $100 with Sears in the next six months.

While both placements showed positive results, one provided more than twice the return on investment of the other. In evaluating different media, we learned it is important to look beyond the audience figures and GRPs. The emotional connection with viewers is extremely important, yet extremely difficult to measure.

Linking to Brand Building

The preceding examples measure consumer intent and are still a step or two removed from actual consumer behavior. To get closer to that question, Sears recently concluded a study of the impact of a new store-opening event on our brand equity (Passikoff).

Brand equity, for purposes of this study, is defined as the status of the brand as compared to actual category purchase drivers and real customer expectations of those drivers for the category ideal. The increase in brand equity, divided by the baseline brand equity, provides a number called the brand multiple. This measure is modeled after the traditional price/earnings ratio and shows how communications efforts are affecting brand equity. In some ways this measure also can be viewed as a leading indicator of brand loyalty.

The calculation of the brand multiple requires the identification of actual category purchase drivers (such as convenience, value and trust) and real customer expectations (how they define the ideal retailer and shopping experience) regarding those drivers. We were able to compare customer expectations on multiple drivers taken from a national customer loyalty index database for the retail category and compare how Sears and several competitors were perceived against those category ideals. This analysis was done before the opening of the new store and immediately following the opening to calculate the impact of this event and the attendant publicity and advertising on our brand equity.

While the details of the study are proprietary, the opening of our newest retail store showed a dramatic improvement in brand equity in the local market (where more than 20 stores already exist). Among our best customers (top 20 percent) the brand multiple increased by 11.7 percent and among non-customers the brand multiple increased by 6.7 percent.

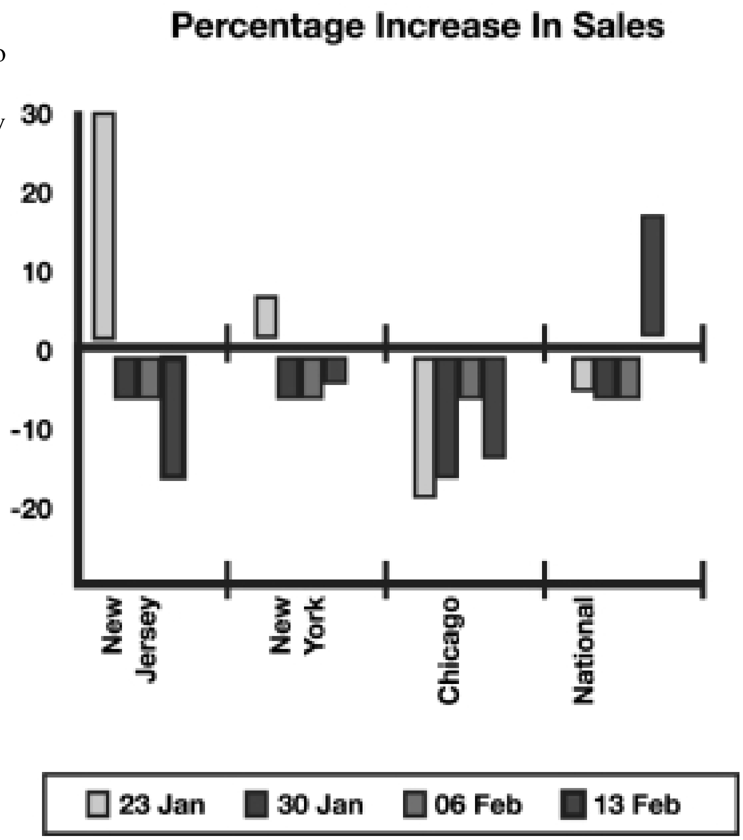
When asked how customers became aware of the new store, we also were able to identify the effectiveness of the different communication vehicles in the integrated campaign. Once again, we are incorporating this information into our budgeting process for the coming year and will be able to allocate more resources against the components that drove high positive awareness, while looking at scaling back on some of the less productive components.

Linking to Sales Data

When customers are aware of products and services, have indicated a preference for those brands and have the motivation to purchase, are able to easily find what they are looking for and are greeted by helpful sales people, the end result should be a sale. Therefore, we expect to see a correlation between the communication results and the business results.

We have accumulated a database of media placements over the past several years, capturing the content of each story, along with circulation or broadcast numbers, the outlet and location, and the prominence of the story (Delahaye/Medialink). Sears also has a detailed sales database of every line of merchandise sold by individual store location, district, region and nationally (Sears, Roebuck and Co.). By carefully analyzing the two databases and looking for correlation between positive coverage and positive sales (as well as negative coverage and negative sales), we hope to learn what types of stories, in which types of media, show the strongest likelihood of motivating consumers to shop with us.

Several anecdotal examples provide encouragement that we will be in a position to make some fact-based decisions about which public relations and communications programs are working best.



For example, an article on fashion footwear at Sears appeared on a front page in the New York and New Jersey editions of The New York Times. The sales impact in those two markets was dramatic and immediate. The article, headlined, The look says Blahnik, the label says Sears, included a photo of seven styles of women s shoes. In the week following the Sunday article, sales in New York and New Jersey districts outpaced both a control market and our national figures by more than 23 percent. While this was the result of a single article, rather than the accumulated impact of hundreds or thousands of articles, it does indicate the power of both this outlet and the credibility associated with editorial material.

Conclusion

So, what should your CEO hear from you regarding your communication programs? He or she will be most interested in knowing what type of return to expect from an integrated communications program and something about how to allocate resources particularly if your organizational structure includes separate support functions for advertising, public relations, sales promotion, community relations, on-line, employee communications, operations, etc. The best answer will be based on a combination of experience, case studies and objective data.

Where will you find fact-based information on the effectiveness of all of these tools? Much of it exists in your sales organization, market research group and in the clipping books you ve maintained. It will likely need to be supplemented by periodic surveys and studies to test how well communication programs work in your market, given your set of competitors. Ongoing tracking studies will provide information on shifts in both the communication environment and consumer attitudes, which are the leading indicators of consumer behavior.

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Sears, Roebuck and Co. proprietary database of sales.

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