



Meltwater
Outside Insight

Estimating the Real Value of Public Relations



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Introduction

There are many great mysteries in life. Finding the lost City of Atlantis. Capturing Bigfoot. Proving the existence of UFOs. Donald Trump’s hair. And possibly the greatest enigma of all, determining the value of public relations.

There are approximately 220,000 employees working in public relations in the U.S. today (U.S. Bureau of Labor Statistics.) Globally, it is a \$13.5 billion business as reported by The Holmes Report. And yet no one can definitively pinpoint the overall or specific value of public relations in dollar terms, likes, shares, or other influence-related metrics.

Many have tried to quantify the value. Based on numerous studies, my experience as a journalist and PR practitioner, and my two decades in academia, the best, cleanest and simplest way to measure the value of PR is:

$$\frac{\text{AVE} \times \text{Multiplier of 5 (50\%)} + \text{Social Media Measurement (50\%)}}{\text{Public Relations Value}}$$

Let’s call this equation “The Manhattan Beach Principles” as an homage to the Barcelona Principles (and my offices in Manhattan Beach, CA).

During the course of this e-book, we’ll explore why AVE is currently our most tangible way of understanding PR’s value. We’ll take a look at the potential—and hurdles—involved in measuring social media. And after taking a detour through the Barcelona Principles, we should have a realistic sense of what’s possible, and what isn’t, when we make the case for PR.

About the Author

Robert Wynne is a communications executive with more than 20 years experience in public relations, marketing, and journalism. He writes a public relations column for Forbes.com, and he is a former writer for “Walker, Texas Ranger.” Wynne held positions of leadership for the Marshall School of Business at the University of Southern California and a major law firm. Wynne has provided public relations counsel for Cornell University’s Johnson School, Johns Hopkins Carey Business School, MIT, UCLA Law School, the law firm of Stroock & Stroock & Lavan, and many others. He worked as a reporter for Newsweek magazine and the Los Angeles Times. He is a graduate of Vanderbilt University and earned a master’s degree in communications from the University of Texas at Austin. Wynne hosts three separate networking events each year for Business, Medical, and Engineering Schools where they meet with the top media in the world.

Chapter 1

Why AVE?

There's a common perception that communications can be separated into three categories:

1. Traditional	2. Internet	3. Social Media
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But it's blending more and more every day, as many people read traditional news like the New York Times on the Internet and comment in social media. That's why I believe social media ROI should be 50% of the equation, however you define the metrics.

For the second question, why use AVE and assign five for the multiplier? It's an average based on academic and media studies.

According to the research study, "[Advertising value equivalence—PR's orphan metric](#)," by Tom Watson, Public Relations, The Media School, Bournemouth University, Poole, Dorset:

"Although the academic approach to measurement and evaluation has mostly favoured social science methodologies, there has been persistent and widespread use of advertising value equivalence (AVE) by practitioners to express the financial value of public relations activity. The value is often boosted by multipliers which can range from 2.5 to 8.0. ... The utility of AVE is that it is simple to calculate and suits the reporting demands of financially-driven managers and clients. Morris and Goldsworthy

(2012) explain the benefits: The advantages of AVE are that it is relatively easy to calculate. . . Indeed it represents the only cheap, quick, and easy way of putting a concrete monetary value on PR work."

The magazine PR week [notes that](#) "AVE allows clients to explain the value of PR to people who may not be familiar with marketing and media. When justifying investment in PR activity, financial directors may not be concerned with the number of magazines, newspapers and TV programmes in which their organisation has appeared. But if the comms department can say it is achieving a significant ROI, the finance director is going to be happy. 'Like it or not, if clients want to use AVE, you use it,' points out Emma Cohen, MD of Skywrite. 'Finance guys may not get marketing. They will get AVE.'"

Advertising is paid media, public relations is earned media. This means you convince reporters or editors to write a positive story about you or your client, your candidate, brand, or issue. It appears in the editorial section of the magazine, newspaper, TV station, or website, rather than the "paid media" section where advertising messages appear. So your story

*Finance
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has more credibility because it was independently verified by a trusted third party, rather than purchased.

“The idea is the believability of an article versus an advertisement,” says Michael Levine, a well-known publicist and author of the book, *Guerilla P.R.* “Depending on how you measure and monitor an article, it is between 10 times and 100 times more valuable than an advertisement.”

Here’s another analogy: with advertising, you tell people how great you are, with publicity, others sing your praises. There’s an old saying: Advertising is what you pay for, publicity is what you pray for. More comparisons are listed below:

 Advertising is paid

 PR is earned

 Advertising builds exposure

 PR builds trust

 Advertising creates skepticism

 PR creates validation

 Advertising is very expensive

 PR is priced more moderately

Everyone knows what advertising is worth because TV networks, websites, magazines, and others put a price on it. And businesses pay for it. According to Tech Crunch \$79 billion was spent on TV advertising in 2014 in the U.S.

The sad truth about advertising is that much of it doesn’t work. [The Huffington Post reports](#):

“The ‘Got Milk?’ campaign was brilliantly creative and catchy. It became a darling in the marketing world, collecting the most prestigious awards available. It became a darling of the media that helped communicate the campaign to the world. It became a darling with celebrities who wanted to get in on the act. It

Got ROI?

became a darling with licensing partners that paid the California Milk Processor Board for the rights to use the ‘Got Milk?’ slogan. And it became a darling with consumers who loved the funny advertising. In very little time, 90 percent of adults were familiar with the ‘Got Milk?’ campaign.”

But popular darlings are not necessarily effective. How many times have you laughed at a commercial but it did not motivate you to buy the product again and again? Lots of times.

'Got Milk?' did not reverse the historical decline of milk consumption. On a national basis, data shows that the yearly consumption of milk has declined from 23.9 gallons per person in 1995 (the year 'Got Milk?' began nationally) to roughly 20 gallons per person in 2011. That's not good."

Edwin Batson served as Director of Marketing Research for the Los Angeles Times for 12 years. He spent 30 years in commercial survey research for marketing, advertising, and media clients. Batson does not have a multiplier for AVE, but he's one of the extremely credible researchers in advertising and marketing who believes editorial is more valuable than advertising in terms of influence and impact.

"During my tenure at the LAT (1994-2005) we conducted a large body of custom research in addition to the syndicated research that we, like most media companies, purchase," Batson says. "Custom research projects were done for all the major departments: editorial, circulation/consumer marketing, strategic planning, and advertising, I'm confident that the volume of custom research conducted by the LAT during this period was unusually large compared to the amount done by most newspapers and many media companies."

"Our largest single project was the Competitive Editorial Tracking Study (CETS) which was conducted from 1998 through the first quarter of 2005," says Batson. "CETS was a continuous survey designed to measure attitudes toward news and news sources, content interests, media use, newspaper readership, and section readership for the LAT. Quarterly reports of the results were given to LAT senior management. A key analytical feature of CETS was that the results were monitored with respect to the LAT's proprietary strategic segmentation model. The segmentation model was a typology of news consumers that was a more powerful predictor of readership of the LAT and evaluative perceptions of the LAT than were any demographic or geographic variables.

In general, CETS and other studies we conducted showed that **editorial content was a much more important driver of LAT readership and loyalty than was the display or classified advertising in the paper. People did of course look at the advertising in the LAT, but editorial content, not ads, drove frequent reading and subscriptions.**" (emphasis mine)

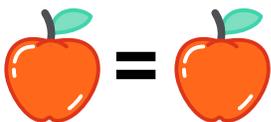
Conducting a Google search on AVE and PR measurement elicits the consensus thinking prevalent in our industry. “I’ve been in the business 20 years and I don’t like it!” Or “Me too, and I’ve been in the business 23 years!” And “I’m a professor at so-and-so college and I never teach it.”

Besides the research which contradicts those views, here are three reasons why this conventional wisdom is wrong and why AVE should always be used as at least part of the equation.

1. User experience. You cannot divorce ads from magazines, newspapers, online, and TV from the editorial content. Magazines, newspapers, TV, etc. try to make ads look like editorial because we have been conditioned to ignore and dismiss them. So it’s logical to compare them to one another, while assuming that true editorial content is more valuable than ads.

2. Buying experience. Every day companies, big and small, make decisions on how to transmit their messages. Do we spend our marketing budget on ads, PR, direct mail, events? We’re used to comparing these options based on our budget and perceived value. To pretend otherwise is simply wishful thinking.

3. Apples to Apples. What else do we use, olive oil? Tons of steel? Smoke particles? What else are we going to compare it to? The market says ads are worth X for Y space in Z publication. The market has already set the price and the commodity to be compared to.



For example. Earlier this year, we placed a [major two-minute sole source feature story on CNBC](#) for my client, Empire International Tailors of Hong Kong. For CNBC, ads cost about \$10,000 per minute when the market is open. The story ran for two-minutes, so the AVE is worth $\$20,000 \times 5 = \$100,000$. This does not include re-broadcasts or placement on the CNBC website.

Here’s another example. For our client Menlo College, we placed [a half-page story](#) on the front section of the San Francisco Chronicle. A half-page ad costs about \$20,000. The PR Value equals at least \$100,000, not including placement on the website.

“Expert content is almost 90% more effective than advertising.”

[A recent study from 2014 by Nielsen](#) commissioned by inPowered on the role of content in the consumer decision-making process concluded that “expert content” is almost 90% more effective than advertising.

“On average, expert content lifted familiarity 88 percent more than branded content...” From the Nielsen study: “900 respondents were recruited off casino floors in Las Vegas, NV to participate in the experimental design at the Nielsen MediaLabs. Each respondent was identified to be in the target audience for the products in the content they would be exposed to.

Respondents answered an online survey before and after the experience in order to measure the impact of the content on their familiarity, perceptions, and purchase consideration of the products.”

The Nielsen study also noted, “Consumers rely on trusted content to make purchase decisions five times more today than they did five years ago.” The reasons reported are:

There appear to be two key differentiators that help to explain why expert content was the only type that exhibited this strong lift across all three areas of the purchase funnel. The perceived partiality of the source was especially critical in setting expert content and branded content apart. The third-party element was important to consumers: 50 percent indicated that they wouldn’t trust a product’s branded website for an unbiased assessment of a product, and 61 percent were less likely to trust product reviews paid for by the company selling the product. Expert content can provide an unbiased and honest assessment of a product, which is particularly important during the final stage of purchase consideration.

So it’s clear that advertising, at least in newspapers and from the shorter study from InPowered/Nielsen, is not as effective as editorial. But the Internet changed everything. Advertising is actually much more successful today, right?

Actually, no. It’s less effective. A recent study measuring Google ads in 2014 from Google and Doubleclick showed a click through rate of .04%. The odds of being struck by lightning are .03%. This means you are about as likely to be struck by lightning than to open a banner ad according to [Mashable](#) .

The [Digiday website notes that](#) “The banner ad is now 18 years old. It has become a symbol of all that’s wrong with online advertising. It

*You are about
as likely to
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than to open
a banner ad
according to
Mashable.*



is more often than not devoid of creativity; it stands out as an intruder on webpages; and it is mostly ignored by readers.” They also report that 8.8 percent of Internet users account for 85 percent of clicks and up to 50 percent of clicks on mobile banner ads are accidental.

Chapter 2

What About Social Media?

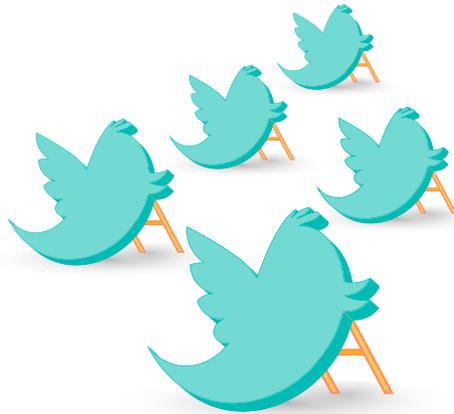
Because banner ads are not effective, this does not mean PR cannot be useful on the Internet. Far from it. Many professionals excel at driving content and messaging via social media. Of course there is a huge difference between writing a post on Facebook, sending a Tweet, and being profiled on CNN or Forbes. Reaching the influencers on social media who can discuss, promote, and defend brands, organizations, people, and causes is vitally important to the PR profession.

Researchers must determine how to measure the impact of social media and determine the value of various social metrics. For example, how important and valuable are Facebook likes? Fans? Twitter followers? Retweets? Reasonable people can agree that more fans and followers are better, but what are they truly worth?

Here's an anecdote from a speaker who worked at one of the biggest advertising agencies in the world. He spoke at one of my networking conferences in New York. For a large automobile company, the agency's job was to increase the social media presence of a new, lower-priced car among younger buyers. The auto-

maker defined the success measurement of the campaign, attracting 30,000 Twitter followers. How did the ad agency accomplish this goal? By purchasing 30,000 Twitter followers online.

This is not to say everyone does this. But it can happen. In a column for Forbes I wrote in 2014 titled, "[Twitter for Public Relations: Fact and Fantasy](#)," author Andreas Ramos ("How to Use Twitter,") discussed the practice of purchasing Twitter followers.



"Ramos cautions that many followers on Twitter, especially for celebrities or politicians, are not real. Ramos ran the statistics through StatusPeople.com for the 18.4 million users for Kim Kardashian. The site showed seven million or 38% of her followers were fake, and another six million were inactive accounts. Only 5.3 million, or 29%, were authentic."

Ragan's PR newsletter agrees that measuring social media is important, but it's not an exact science. In its report on [trends in measurement and prediction](#), Ragan noted:

"Social media listening tools, media monitoring, and influence measurement must

dovetail. As the lines between traditional and social media continue to blur, social monitoring platforms are offering more and more traditional media integration into their packages. The problem is that the volume of social chatter overwhelms traditional news. When you try to figure out just who matters or what topic is trending with the people who matter, the data are meaningless.”

The website SEO Book [explains the situation beautifully](#).

“Does sending out weekly press releases result in more income? How about tweeting 20 times a day? How much are 5,000 followers on Facebook worth? Without a framework to measure performance, there’s no way of knowing.

“Furthermore, there’s no agreed industry standard. In direct marketing channels, such as SEO and PPC, measurement is fairly straightforward. We count cost per click, number of visitors, conversion rate, time on site, and so on. But how do we measure public relations? How do we measure influence and awareness?”

Most professionals agree the general method to measure social media ROI is a combination of:

- Audience Reach
- Engagement
- Sentiment

Meltwater has a more specific approach, which can be found on their blog, “[Social Media to Social Marketing ROI](#).”

The Meltwater formula includes:



Make sure that the social marketing effort is servicing a larger business goal



Use an action-based engagement metric for the 1st round of tracking



Follow those clicks



Prompt leads to the next step of engagement



Follow these leads through the funnel



Report up in a format that helps the boss understand success

None of the software solutions from Meltwater, or other sources free or paid, are 1-click 1-minute solutions. They provide deep analysis on many platforms. Starting to figure out what metrics matter – not the actual results – can be summarized below:



Vanity Metrics



Actionable Metrics

Facebook Fans/Reach	Likes, Shares, Overall, Engagement & Fan Growth rate
Traditional of Social Media Impressions	Message Amplification, Social Shares, Mentions, Syndication, Additional Coverage & Inbound Inquires
Site Traffic	Time on Page, Time on Site, Exit Rate & Bounce Rate
Twitter Followers	RT, @mention, Overall Engagement & Follower Growth Rate
Number of Journalists or Publications in a Rolodex	Press Placement

Social media also serve as an outstanding accelerator for traditional media placements. Social media is much more powerful in this method than as an originator. For example, post an opinion from yourself or your client on Twitter or Facebook. Now post an article from the Wall Street Journal or the Los Angeles Times or a CNN video where you or your client has been interviewed. Wild guess which one will establish you as an influencer. Media intelligence tools like Meltwater help you track and understand the reach of your traditional media on social as well as your own growing influence.



Chapter 3

The Barcelona Principles

For those who demand absolutes, many in the industry believe all the PR measurement questions can be answered by the “Barcelona Principles.”

From Wikipedia:

“The Barcelona Principles refers to the Barcelona Declaration of Research Principles, a set of seven voluntary guidelines established by the public relations (PR) industry to measure the efficacy of PR campaigns. The Barcelona Principles were agreed upon by PR practitioners from 33 countries who met in Barcelona, Spain in 2010 for a summit convened by the International Association for Measurement and Evaluation of Communication (AMEC). The Barcelona Principles identify the need for outcome, instead of output, based measurement of PR campaigns, call for the exclusion of ad value equivalency metrics, and recognize the communications value of social media.”

The following is a summary of the [Seven Principles](#). It includes a lot of goals and “shoulds.” While the intentions may be noble, these principles are guidelines and wish-lists, not actual equations that can help anyone measure the value of public relations today.

Principle 1: Importance of Goal Setting and Measurement

- Goal-setting and measurement are fundamental aspects of any public relations program
- Goals **should** be as quantitative as possible and address who, what, when and how much the PR program is intended to affect
- Measurement **should** take a holistic approach, including representative traditional and social media; changes in awareness among key stakeholders, comprehension, attitude, and behavior as applicable; and effect on business results.



Principle 2: Measuring the Effect on Outcomes is Preferred to Measuring Outputs

- Outcomes include shifts in awareness, comprehension, attitude, and behavior related to purchase, donations, brand equity, corporate reputation, employee engagement, public policy, investment decisions, and other shifts in stakeholders regarding a company, NGO, government or entity, as well as the stakeholder's own beliefs and behaviors
- Practices for measuring the effect on outcomes **should** be tailored to the business objectives of the PR activities. Quantitative measures such as benchmark and tracking surveys, are often preferable. However, qualitative methods can be well suited or used to supplement quantitative measures
- Standard best practices in survey research including sample design, question wording and order, and statistical analysis **should** be applied in total transparency

Principle 3: The Effect on Business Results Can and Should Be Measured Where Possible

- To measure business results from consumer or brand marketing, models that determine the effects of the quantity and quality of PR outputs on sales or other business metrics, while accounting for other variables, are a preferred choice. Related points are:
 - Clients are creating demand for market mix models to evaluate the effect on consumer marketing
 - The PR industry needs to understand the value and implications of market mix models for accurate evaluation of consumer marketing PR, in contrast to other measurement approaches
 - The PR industry needs to develop PR measures that can provide reliable input into market mix models
 - Survey research can also be used to isolate the change in purchasing, purchase preference, or attitude shift resulting from exposure to PR initiatives

Principle 4: Media Measurement Requires Quantity and Quality

- Overall clip counts and general impressions are usually meaningless. Instead, media measurement, whether in traditional or online channels, **should** account for:
 - Impressions among the stakeholder or audience
 - Quality of the media coverage including:
 - Tone
 - Credibility and relevance of the medium to the stakeholder or audience
 - Message delivery
 - Inclusion of a 3rd party or company spokesperson
 - Prominence as relevant to the medium
 - Quality can be negative, positive, or neutral

Principle 5: AVEs are Not the Value of Public Relations

- Advertising Value Equivalents (AVEs) do not measure the value of public relations and do not inform future activity; they measure the cost of media space and are rejected as a concept to value public relations
- Where a comparison has to be made between the cost of space from earned versus paid media, validated metrics should be used, stated for what they are, and reflect:
 - Negotiated advertising rates relevant to the client, as available
 - Quality of the coverage (see Principle 2), including negative results
 - The PR industry needs to develop PR measures that can provide reliable input into market mix models
 - Physical space of the coverage, and the portion of the coverage that is relevant
- Multipliers intended to reflect a greater media cost for earned versus paid media should never be applied unless proven to exist in the specific case

(Author's note: I strongly disagree with Principle 5. See User Experience, Buying Experience and Apples to Apples comparisons for more on why I think that AVE offers a tangible and useful way to measure the value of certain PR activities.)

Principle 6: Social Media Can and Should Be Measured

- Social media measurement is a discipline, not a tool; but there is no "single metric"
- Organizations need clearly defined goals and outcomes for social media
- Media content analysis should be supplemented by web and search analytics, sales and CRM data, survey data, and other methods
- Evaluating quality and quantity is critical, just as it is with conventional media
- Measurement must focus on "conversation" and "communities" not just "coverage"
- Understanding reach and influence is important, but existing sources are not accessible, transparent or consistent enough to be reliable; experimentation and testing are key to success

Principle 7: Transparency and Replicability Are Paramount to Sound Measurement

PR measurement should be done in a manner that is transparent and replicable for all steps in the process, including specifying:

Media Measurement:

- Source of the content (print, broadcast, internet, consumer generated media) along with criteria used for collection
- Analysis methodology—for example, whether human or automated, tone scale, reach to target, content analysis parameters

Surveys:

- Methodology—sampling frame and size, margin of error, probability, or non-probability
- Questions—all should be released as asked (wording and order)
- Statistical methodology—how specific metrics are calculated

Why don't the Barcelona Principles work for measurement? Go to [the spreadsheets outlining the measurement principles](#) on pages 14-19. These may be nice guidelines and goals to shoot for, but referencing six pages of spreadsheets and cross-tabs will be an exhausting exercise that won't result in anything understandable or meaningful.



Conclusion

Advertising Equivalency (AVE) is useful as a valid comparison for three reasons: user experience, buyer experience, and the marketplace

The Barcelona Principles are guidelines, but contain very little actionable intelligence.

Let's go back to the original equation proposed earlier:

$$\begin{array}{r} \text{AVE} \times \text{Multiplier of 5 (50\%)} \\ + \text{Social Media Measurement (50\%)} \\ \hline \text{Public Relations Value} \end{array}$$

AVE can be quantified via dollar amounts of advertising along with the multiplier demonstrating the value of positive editorial coverage. Social media measurement, which many of us can agree is extremely useful, still does not have a universal measurement equation, leading to confusion. Most professionals can agree that audience reach, engagement, and sentiment are the main categories. How those categories are determined is the main challenge for PR professionals today.

Until the perfect social media measurement exists, we can estimate via best practices some of the specific parameters that matter to clients, audiences, influencers, and consumers.

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