



DYNAMIC MARKETS

***Public
Relations
in a
Dynamic
Era***

Independent Market Research

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Executive Summary:

- Experimentation with digital media has been commonplace for PR consultants (59%) and clients (69%).
- Changes have taken place and some have been substantial: just under 1 in 10 agencies has created a specialist digital PR company; 1 in 5 has created a specialist division; and 1 in 3 has incorporated facilities to develop video etc; only 1 in 3 clients, however, has a new media strategy agreed at Board level.
- Such changes have not been painless and the learning curve has been steep, with the biggest challenge for consultants being to educate their clients (81%); despite this increased education, 62% of clients have found it challenging to persuade their upper management about new media's potential.
- Half of all PR consultants (51%) have had a client who has experienced a crisis in the last 12 months that involved activity on social media; and clients with a strong digital presence may be more exposed.
- Measurement and evaluation is varied across the industry, but clipping files look set to stay, while time-consuming activity reports and timesheets may be on the way out.
- Paying for measurement and evaluation is varied across the industry, yet clients and consultants look unlikely to agree on a way forward in the near future.
- The industry is moving towards selling value, not time, but clients will need to allow consultants greater access to their business strategies for this to work.

Background:

The concept for this research came about following consultation with a number of Dynamic Markets' clients. Two separate round-table debates acted as a forum for attendees to exchange thoughts on what they considered to be the key business issues to them and the PR industry. The most popular and interesting of the subjects were subsequently researched by Dynamic Markets, drawing opinion from the wider PR community. The findings from this research are presented here.

The digital makeover:

There can be little doubt that the media and PR industries are in the midst of one of the most dynamic periods of change, ever. However, this research suggests that adaptation is well underway with almost all clients (94%) and PR consultants (95%) having done something to embrace new media channels. However, experimentation is high up on the list for both groups, with 59% of PR consultants having experimented with this way of working through project work for clients; and 69% of clients have also experimented with certain aspects of it. Indeed, 33% of clients have created a working committee to look into the potential of new media for their company, but only 31% have agreed a new media strategy at Board level.

16% of clients have specifically changed their PR agency to one more skilled in new media

For clients, about half have created a company Twitter account (51%), a Facebook page (47% - especially B2C companies) and / or a company blog (47%). Up-skilling staff has been important for in-house (49%) and agency teams (66%), but this has also been a challenge for 42% of clients and 43% of agencies alike. For clients, only 14% have appointed a specialist new media agency, but 16% have specifically changed their PR agency to one that is more skilled in new media. Indeed, finding new



staff with relevant new media skills has been a challenge for 1 in 5 agencies (22%) and 1 in 4 (24%) clients.

Some of the changes have been quite substantial, with just under 1 in 10 agencies (7%) having created a separate, specialist digital PR agency. Another 1 in 5 (21%) has created a specialist division within the same company, and a massive 34% have incorporated facilities to develop video etc. This last figure seems very high, given that PR professionals are more usually associated with building relationships, dealing with people and communicating content.

Aspects of this adjustment have been challenging for the industry. Indeed, the most common challenge for clients is reported to be finding the time to deal with new media on top of traditional media outlets (71%), and 54% of PR consultants agree [Chart 1]. For PR consultants, the biggest challenge to date has been educating clients about the potential of new media (81%), but 62% of clients say it is a challenge to educate their own upper management about the potential of digital PR. Indeed, 78% of clients expect agency staff to be more knowledgeable than they are about new media, its uses and its potential – and this applies equally to marketing and PR professionals in the sample, and to client companies of all sizes. Another significant challenge for PR consultants (50%) has been setting an example to clients by the way they and their agencies use the various types of new media.



43% of PR consultants have been busy trying to build relationships with bloggers

Some companies have issues over ownership of new media, with 1 in 5 (18%) saying it is a challenge to know which parts of the business, department or even which country owns it. More (41%) have given new media a specific budget, but only 13% say budget is shifting from traditional to new media, suggesting new budget is being created from somewhere else in most cases.

When it comes to bloggers, 43% of PR consultants have invested time into building relationships with bloggers, and 27% of clients have also done this. But 65% of

agencies admit it is a challenge to know which bloggers are worth bothering with and 53% of clients agree.

Crisis management in a digital era:

Adoption of digital media seems well underway among PR-savvy clients. PR consultants too have adapted quickly and are continuing to forge the way for their clients through this evolving landscape. But is there any backlash from such exposure?

Half of all PR consultants (51%) have had a client that has experienced a crisis management situation in the last 12 months that involved activity on social media. Such experience is more common among those who work within an agency, rather than amongst the freelance PR community.

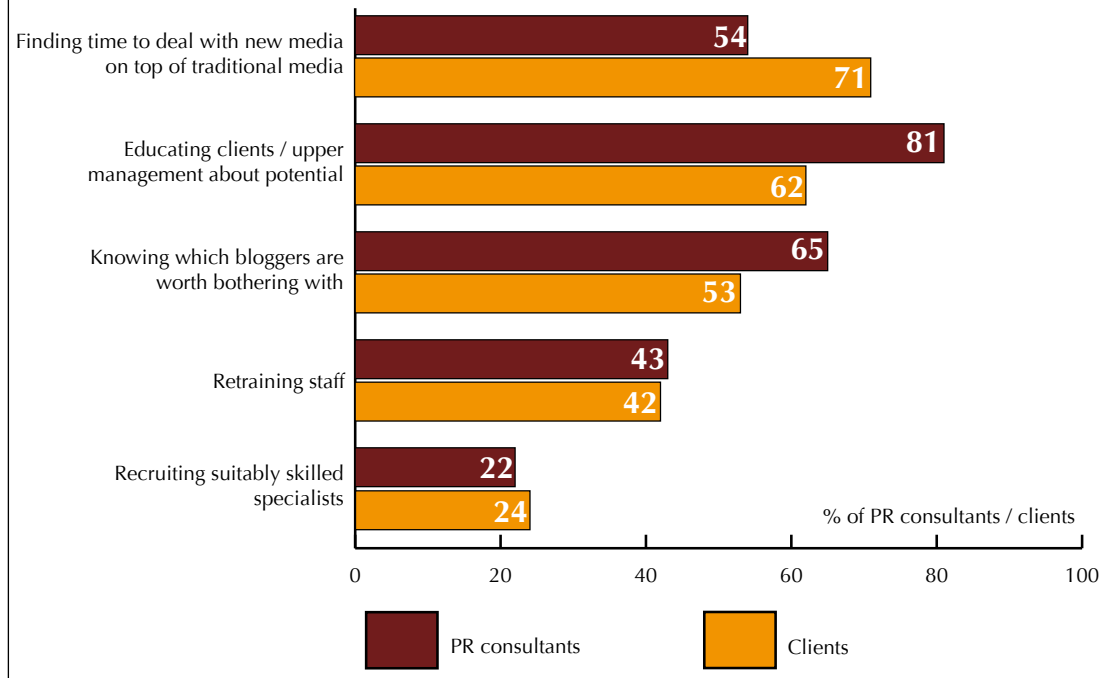


Furthermore, almost 1 in 3 clients concur that this has happened to them during the last 12 months, and contrary to what one might expect, this is irrespective of whether they are serving a B2B or B2C market; and nor is there any clear correlation according to company size with as many large and small companies affected. Interestingly, more of those companies who have experienced a crisis involving new media have a Facebook page, a Twitter account and / or a company blog, compared to those who have not had this negative experience. This may suggest that having a presence in the digital space is making companies more exposed and therefore, increasingly vulnerable.

In most cases, PR consultants say digital media of one sort or another played the key role in igniting these crises (71%), with bloggers being the most common cause (34%), followed by social networking sites (24%) and forums also played a role (8%). Indeed, the fact that 43% of PR consultants have been busy trying to build relationships with bloggers might mean they are trying to regain some degree of control in these situations.

In contrast, 1 in 4 agencies (24%) says traditional media ignited the crisis situation. But even when this has happened, 61% of PR consultants say digital media exacerbated the story and 71% of clients agree, and 50% of the clients say it prolonged the story for them. 45% of consultants say social media networks gave journalists quick and easy access to disgruntled people, and 36% of clients agree. In fact, 29% of clients revised their crisis management plans after their experience.

Chart 1: Significant challenges faced when incorporating digital PR into the way they work





Measurement and evaluation gone digital?

A 2010 snapshot:

With the increased use of digital media, is the PR industry finally going to have all its measurement and evaluation problems solved? The research suggests that, while measurement of digital campaigns may be easier to some degree, it is certainly not clear-cut.

Taking a step back and looking at what PR consultants and clients are doing in terms of measurement and evaluation, the research shows that all agencies and almost all clients engage in some form of monitoring. But even in today's digital era, the clippings file dominates the scene, with 73% of clients having positive things to say about them. Indeed, 61% of clients say they use the volume of coverage as a way of measuring performance, with a similar amount (59%) using the quality of coverage [Table 1]. Also, 89% of PR consultants use the quality of coverage, and almost as many (84%) use the volume. This applies as much to freelancers as it does to those employed by agencies, and to those serving clients in either the B2B or B2C sectors.



But 38% of PR consultants and 30% of clients see clipping files as a necessary evil, which is probably because 77% of consultants and 32% of clients agree they impress clients / prospects, and indeed, 55% of clients say the upper management of their company values them. Also on the positive side, 49% of consultants and 36% of clients think they are good for team morale. Almost 1 in 2 (47%) consultants think they help justify fees, although only 20% of clients feel this way.

20% of clients that receive activity reports don't take much notice of them

After coverage, activity reports are the next most common form of monitoring. 82% of PR consultants use them, as do 57% of clients. Activity reports are just as commonly used by freelancers as they are within agencies, and also across the board in terms of whether PR consultants are serving B2B or B2C clients.

Among clients who do use them, 80% think they are a valuable way to demonstrate what's been achieved and 32% say they are required by other parts of the company to justify PR spend. In contrast, 20% of clients that receive activity reports say they don't take much notice

of them and almost 1 in 10 (8%) says they often remain unopened in their in-boxes. Another 12% say they only get read if the agency is under-performing.

Other ways of measuring performance include Advertising Value Equivalent (AVE), Share of Voice (SOV), Cost per Impact (CPI) and Cost per Engagement (CPE). For clients, SOV is more commonly used among PR professionals, rather than by their colleagues in marketing; however, CPE and CPI are more commonly used among marketing professionals, but AVE is equally common among these two groups, as is the use of coverage, activity reports and timesheets. Interestingly, fewer freelance consultants (35%) use SOV with their clients, compared to those working in agencies (60%), and AVE is more commonly used by consultants that work with B2C clients.

Is the industry finally seeing the death of the timesheet?

Just 42% of PR consultants use timesheets now and only 11% of clients pay heed to them; despite this, the agencies that do use them remain positive about them. 68% see them as an invaluable management tool, and 45% say they can be used to help resolve fee disputes – but only 11% of clients agree, and fewer of the more senior agency staff and freelancers agree on this issue.

64% of consultants who use timesheets say they are useful to demonstrate activity to clients, but again,

Table 1: Measurement and evaluation techniques

Technique	PR consultants using	Clients using	What clients would like
Quality of coverage	89%	59%	45%
Volume of coverage	84%	61%	5%
Activity reports	82%	57%	2%
AVE	68%	36%	5%
SOV	54%	41%	27%
CPI	18%	18%	2%
CPE	20%	16%	2%
Timesheets	42%	11%	zero



fewer agency heads agree with this, and only 39% of clients agree. On the other hand, 24% of agency heads think they are useful for checking up on staff. 37% of consultants think filling out timesheets is a time-consuming task, and 11% think they are a waste of time – especially freelancers (18%) and agency heads (16%). 27% of clients also feel this way.

45% of clients think quality of coverage is the most valuable measurement and evaluation technique

The fact that they are mainly valuable as an agency management tool is supported by the fact that fewer freelancers use timesheets (18%), compared to agencies (49%); timesheets are also less commonly used in agencies that serve B2B clients, rather than B2C ones.

In an ideal world...

In terms of what clients actually think is the most valuable measurement and evaluation technique, quality of coverage still counts for a lot (45%), but only 5% perceive much value in measuring the volume of clippings [Table 1]; this is followed by SOV (27%), and only 5% value AVE. Even fewer than this (2% or less) value CPE, CPI,



activity reports or timesheets as a valuable measurement and evaluation technique.

Returning to the key question of whether it is easier to measure digital campaigns, it seems the answer is not completely, and PR consultants and clients agree on this point: 48% of consultants and 50% of clients think that the intangible nature of PR is just as hard to measure online as off. Indeed, 38% of consultants and 43% of clients think it is hard to know if digital campaigns are making a real difference to the business. This may be due to the fact that 25% of clients think it is hard to know which aspects of a digital campaign to measure, and 21% of consultants agree. In contrast, 34% of consultants and 32% of clients think they are easier to measure.

Footing the bill:

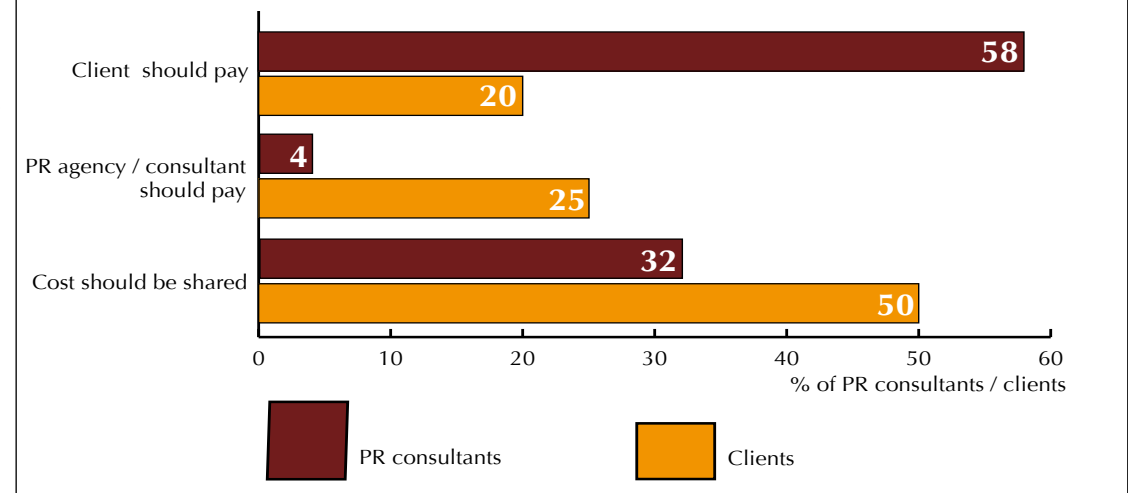
Paying for measurement and evaluation seems to be variable across the industry: 68% of consultants say they have some clients that pay for this, and on average, 50% of an agency's client roster pay. In contrast, 32% say none of their clients are willing to pay for this important aspect of PR.

41% of PR consultants do not charge for the time they spend on activity reports

Perhaps not surprisingly, there is differing opinion about who should pick up the potentially hefty tab for PR measurement and evaluation. Most PR consultants (58%) think the client should pay for this expense, and some clients agree (20%) [Chart 2]. In contrast, 4% of consultants and 25% of clients think the agency should pay. A more generous 32% of PR consultants and 50% of clients think the bill should be shared between both parties.

When it comes to individual elements of the measurement and evaluation process, 27% of clients think PR consultants should not charge them for the time they spend filling in timesheets. Similarly, when it comes to activity reports, the research shows that 59% of PR consultants do charge for the time they spend on at least some of the activity reports they produce for clients, but this means a significant 41% do not. This is a significant

Chart 2: Who should pay for measurement and evaluation





overhead to bear however as, amongst those PR consultants who use activity reports with their UK clients, on average they spend 8 hours a month per client working on them; but this can be as high as 72 hours per client per month for some agencies; freelancers spend less time on this (5 hours a month), compared to agency staff (9 hours). For those with global clients, the average per month per client is slightly higher at 10 hours a month per client working on activity reports, but again, freelancers spend relatively less time.

For this sample, the median number of clients a PR agency has is 40. If it is assumed for a moment that they are all UK clients, which is not the case, this means on average PR agencies spend 320 hours, or 42.7 consultancy days a month on activity reports for their client roster. For those who do not charge for this time, it must be a significant overhead to bear.

Moving away from time:

But maybe this overhead will not be around for too much longer. Activity reports and timesheets are all based on the fact that traditionally PR consultants have sold their services based on time, rather than on value. But this research confirms a shift is taking place with 62% of PR consultants saying they already sell on value, not time, for at least some of their clients. Indeed, 25% do this for all their clients (and this applies as much to freelancers as it does to agencies), and 30% of clients confirm they already buy PR in this way.

48% of clients see over-servicing as very much the agency's problem, not theirs

In an ideal world, 91% of clients say they would prefer an agency contract to be based on outcomes and deliverables, rather than on time spent working on the account. 25% go as far as saying this will be the norm in the agency of the future, but fewer PR consultants agreed (11%).

Indeed, very few people are negative about this type of contractual arrangement, but PR consultants are

generally more negative than clients. 15% of consultants think such a contract would not work, 18% say PR cannot be delivered in this way and 13% say it would be difficult for an agency to manage itself under such a scheme. Also, 11% of consultants think it would be too difficult to estimate the amount of work up front, and 9% of clients empathise with this dilemma.

Time's up:

One issue strongly associated with selling on time is over-servicing. 59% of clients think consultants should be able to estimate work ahead of time before the contract is agreed. In fact, 48% see over-servicing as very much the agency's problem and not theirs. 14% act on this opinion and refuse to pay for any over-servicing but a minority (<2%) is happy to pay it regardless. A similar proportion

say they would pay it the first time, but not a second.

Enabling consultants:

In general, the more a consultant knows about a client's strategy and business objectives, the better their specialist advice will be and the more they will be able to add the value that clients want. Indeed, the research shows that PR consultants are under the impression that they have a reasonable level of access to the strategic direction of their client's business. However, somewhat alarmingly, the findings suggest that clients are keeping PR consultants at arm's length when it comes to sharing their business strategies.

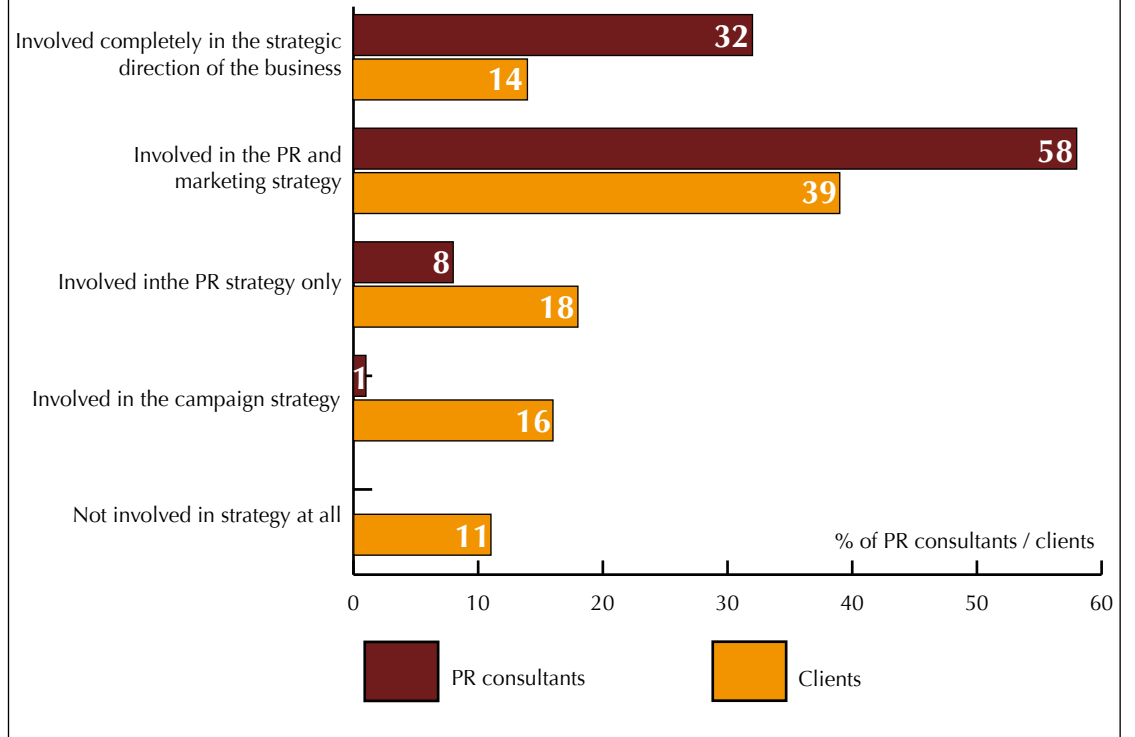
In detail, 32% of PR consultants say their clients get them involved in the strategic direction of the business [Chart





3], and more agency MDs (40%) say this is the case, compared to account directors (13%). However, fewer clients (14%) say this is the case. However, the majority of PR consultants (58%) say they are not involved to this degree and only get involved in the PR and marketing strategy; but again, fewer clients (39%) think this is the reality; and another 8% of consultants admit they are only permitted involvement in the PR strategy of their clients' businesses; this time more clients agree (18%). In fact, 16% of clients say they only involve their PR agency at a campaign strategy level, and worse than this, 11% say they do not involve them in the strategy at all.

Chart 3: Strategic access to client's business strategy





Research Methodology

The research was carried out by Dynamic Markets Limited via an online survey. Fieldwork took place between 27th January and 12th February 2010.

For the PR consultant sample, 100 people responded and all have their main place of work in the UK. 77% work in an agency, whereas 23% describe themselves as freelancers. 56% have London-based offices, whereas 59% have offices outside London (14% have both), and 18% have international offices. The average number of employees is 61, but it is much higher for the larger agencies (150). Using the 2009 PRWeek league tables, 20% of the Top 50 PR agencies are represented in the sample, as are almost all the major PR groups.

58% of consultants who completed the survey are at CEO / MD level, and another 30% are at Associate Director level, whereas just 12% are Account Directors. Anyone less senior than this was excluded from the sample. 61% say most of their clients work in the B2B sector, whereas 15% say most are in the B2C sector; another 23% have an equal mix of clients in the B2B and B2C sectors. The average number of clients per agency is 116, but this figure is higher for agencies (127) than for freelancers (6), and can be as high as 345 on average for the largest agencies in the sample. The median figure however is 40 clients.

For the client sample, 108 people responded and all have their main place of work in the UK. Only companies that use a PR agency / freelancer were included in the sample. Companies are mostly large ones with 250+ employees, but almost all SMEs in the sample operate within the B2B sectors, whereas all the B2C clients are large companies with 250+ employees. 47% of people are in marketing roles and 48% are in PR roles, with the remainder at CEO / MD level. In terms of seniority, 55% are at director level or above.

59% of clients say their company operates primarily in the B2B sector, whereas 10% operate in the B2C sector; another 27% say their customer base is an equal mix of both consumers and businesses. In more detail, sectors covered are varied and include retail & wholesale, manufacturing, hospitality & leisure, business & professional services, property & construction, health,

technology & telecoms, energy & utilities and the public sector. Within the B2C sector, PR roles dominate over marketing ones, whereas this is mixed for the B2B sector.

Dynamic Markets is a research consultancy in its 12th year of trading. It serves a wide variety of blue-chip B2B and B2C clients across a wide variety of industry sectors. It strictly adheres to the UK MRS Code of Conduct.

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