

The public relations industry

Do we have a story for you!

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As advertising struggles, PR steps into the breach



“NEWS is what someone wants to suppress. Everything else is advertising,” said Reuven Frank, a former head of NBC news. So what sort of business is public relations (PR), which spends half its time huffing about bad news; and the rest puffing politicians, companies and celebrities?

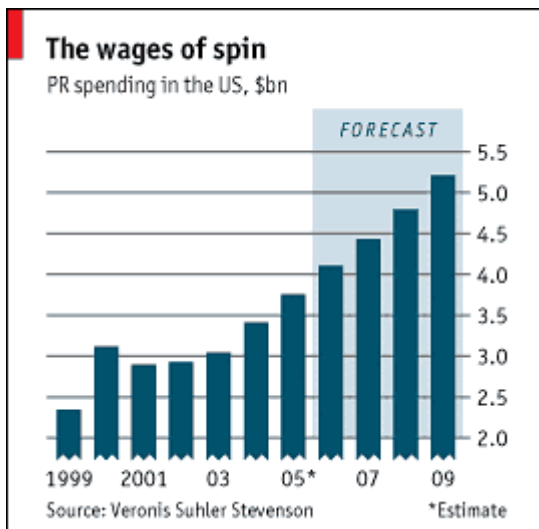
The answer is that, for business, PR is an increasingly vital marketing tool—especially as traditional forms of advertising struggle to catch consumers' attention. The goal of PR is usually to secure positive coverage in the media, and the well-worn tactics include calling a press conference, pitching stories directly to journalists, arranging eye-catching events, setting up interviews and handing out free samples. But as PR profits from advertising's difficulties, it is taking up a host of new stratagems—and seeking to move up the corporate pecking order.

Some journalists regard PR people as a nuisance, or worse. Even so, PR is surprisingly effective, at least according to a recent study by Procter & Gamble, the world's biggest consumer-products group. P&G is a firm that marketers pay a lot of attention to, not least because of its advertising budget of some \$4 billion. It has always been at the cutting-edge of marketing—

P&G is credited with inventing the television soap opera as a new way to sell goods. But with fewer people watching television and the circulation of many papers and magazines declining, the firm has become pickier about where it spends its advertising budget. Increasingly, it wants a measurable return on investment from its campaigns.

In a recent internal study, P&G concluded that the return was often better from a PR campaign than from traditional forms of advertising, according to Hans Bender, the firm's manager of external relations. One reason is that in comparison with many other types of marketing, PR is cheap. In P&G's case, it can represent as little as 1% of a brand's marketing budget. That proportion could now rise, says Mr Bender, although he hastens to add that other forms of advertising and marketing would remain important for the company.

If P&G starts to spend more on PR campaigns it will confirm a trend. Spending on PR in America has been growing strongly (see chart) and reached some \$3.7 billion last year, according to Veronis Suhler Stevenson, a New York investment bank that specialises in media. It forecasts PR spending will grow by almost 9% a year. This is faster than the overall market for advertising and marketing, now worth a colossal \$475 billion and growing at 6.7% a year.



Of course, not all PR people are selling products or services. Indeed, marketing PR—or “brand communications” as it is sometimes called—is still considered by some in the industry as something of a Cinderella business. A recent study in Britain by the Centre for Economics and

Business Research found the PR industry there employs 48,000 people. More than 80% were working “in-house”, for companies or other organisations. Just over half of Britain's in-house PRs work for the public sector, health organisations and charities. These organisations are also the biggest users of PR consultancies.

Many of the big PR firms have been consolidated into the giant groups that now dominate the advertising industry. Two of these are American: Interpublic owns GolinHarris and Weber Shandwick, and Omnicom owns Fleishman-Hillard and Ketchum. Britain's WPP owns Hill & Knowlton and Burson-Marsteller. The groups also own a range of specialised agencies. For instance, WPP's Finsbury concentrates on corporate and financial PR—and has just gained publicity by announcing that it is taking on Tony Blair's son, Euan, as an intern. Omnicom's Clark & Weinstock does reputation and crisis management, and Interpublic's PMK/HBH looks after the entertainment business, with celebrity clients such as Nicole Kidman, Russell Crowe and Jennifer Aniston.

Then there are the independent PR firms, the largest of which is family-owned Edelman. Richard Edelman, the company's president and chief executive, says that Edelman's own studies show the most credible form of communication now comes from “a person like yourself”, which suggests that PR firms have new opportunities to influence peer groups.

Edelman, for instance, recently worked on drumming up interest amongst hard-core computer-gamers ahead of the launch of Microsoft's new Xbox games console. It also worked for a group of former executives who last year succeeded in ousting Philip Purcell as chief executive of Morgan Stanley. One of the things the PR firm did was to set up a website where employees of the Wall Street investment bank could have their say in the controversy. Such work is very different from classic public relations. “Companies can try to serve up a tight, straight message through the media by issuing a one-way press release, but that's as flawed right now as a 15 or 30-second TV ad,” says Pam Talbot, Edelman's chief in America.

The fragmentation of media has seen an explosion in the number of ways people seek news and entertainment, with many turning to websites, cable TV, satellite radio and podcasts. Yet a consequence of the proliferation of media is that original content becomes even more sought after. Hence crisply written or well-produced PR material can more easily get an airing.

Media commentators have noted how PR material is now being published by some local newspapers virtually unedited and unchecked. Some branches of journalism have come to depend on a drip-feed of information and products from the PR industry. Journalists focusing on electronics, fashion, travel, beauty and food have a huge appetite for free samples. Gossip about celebrities is also largely mediated by the PR industry.

Never shy about accentuating the positive, the PR industry might be expected to be trumpeting its rise. And there is indeed some triumphalism (and spin) around. Al and Laura Ries, a father and daughter team of marketing consultants, have written a book entitled “The Fall of Advertising & the Rise of PR”. “PR has credibility,” they assert: “Advertising does not.” Their advice is that a marketing campaign should start with publicity and shift to advertising only after the PR objectives have been achieved. Some PR firms see an opportunity to move up their clients' hierarchy—becoming not just service providers, but also purveyors of strategic advice to senior management.

But even within the industry, there are sceptics. Dorothy Crenshaw, president of Stanton Crenshaw, an independent PR firm based in New York, says that many of her colleagues are suffering from “consultant envy”—but that PR remains a very inexact science. There are also limits to the miracles it can be expected to achieve. She claims to have turned down a \$1m commission from a client desperate to boost his business-to-business website in the midst of the dotcom boom because he had nothing much to tell the world. Sometimes a PR firm can indeed shape or create a buzz about a product, but not always. For PR to work, she says, “you have to have a legitimate story.”