
INTERACTION OF MEDIA RELATIONS & ADVERTISING FOR EFFICIENT MARKETING COMMUNICATIONS

SPACE STUNT GETS NEWS COVERAGE

Pizza Hut recently served "oven-fresh" pizza to the Russian cosmonauts on board the International Space Station as a publicity stunt. The six-inch pizza was vacuum-sealed and sent to space in March aboard a Russian rocket assigned to resupply the space station. A tape showing Yuri Usachov, commander of the station, eating the pizza, was shipped back to earth by rocket and delivered to news outlets by Pizza Hut's PR representatives. The company reportedly paid about \$1 million for the stunt and to emblazon a 30-foot tall Pizza Hut logo on a Russian proton rocket in July 2000.

Assessment of the impact of news coverage and advertising on consumer perceptions is typically managed by different organizations within large companies, or by different advertising and media relations agencies. Consequently, very little work has been done to understand whether and how these two forms of communication interact. If we can understand how news coverage interacts with other forms of marketing communications we will be in a position to develop even more effective and efficient communications plans. The studies reported here have taken some first steps toward understanding the conditions under which news coverage interacts with advertising to impact marketplace attitudes and perceptions.

Introduction

Most large companies are covered by the news media every day. These same companies very often also have advertising in the marketplace. Each of these two forms of mass communications has been studied extensively. Numerous studies from 1992-2000 have demonstrated that news portrayal of organizations and groups influence readers' and viewers' perceptions of the groups being covered. Advertising research from 1992-1993 similarly has demonstrated its ability to influence consumers' perceptions and attitudes.

There are many important differences between news and advertising, including the extent to which messages are company-controllable, the extent to which the same message will be repeated, relative credibility, etc.; and there are many theories about how each of these forms of mass communications influences readers and viewers. At the same time, little attention has been given to how these forms of communication interact to influence people's perceptions, attitudes and behaviours. There are several reasons:

Lack of contact between organizations. Media relations and advertising, as corporate functions, usually are managed by different organizations. These organizations typically have little contact with one another, let alone share joint planning or research.

Use of outside agencies. Many companies hire specialized agencies to create their advertisements and manage media relations. These companies are highly motivated to please their direct clients and have no incentive to look across disciplines.

Advertising dominates current discussions. The status quo--that advertising dominates discussions of marketing communications--is supported both by advertising and, inadvertently, by public relations organizations. Advertising has a vested interest in maintaining the status quo because they typically command the largest share of communications dollars. There is nothing to gain from looking for viable alternatives to advertising. Further, there is an entire supporting industry of advertising research, which similarly has a vested interest in keeping the spotlight on advertising vs. other forms of communication.

Public Relations practitioners too contribute to maintaining the status quo, although inadvertently. For decades PR practitioners have concentrated on their craft as if it were the only form of communications used by companies. They paid little attention to the concept of evaluation until increasing calls for accountability sparked greater interest in tools for measuring the effectiveness of media relations and of PR's contribution to achieving corporate goals. Most companies are still developing these tools and have not yet gotten to the question of how news might interact with advertising.

Understanding how news and advertising interact is important, from two perspectives. From a business management perspective, this understanding would enable a company to develop optimally effective integrated communications plans and to allocate resources appropriately.

This paper is based upon research conducted in the late 1990's by AT&T's Public Relations research department. In the late 1990's AT&T conducted a series of two increasingly sophisticated studies to understand how news coverage and advertising contribute to consumers' attitudes and perceptions:

1. Linking media coverage to brand loyalty.
2. Linking news consumption and advertising awareness to attitude change.

Study #1

Linking media coverage to brand loyalty

Background

This initial study used data collected for other purposes—i.e., media tracking data to understand how AT&T is portrayed in the news and survey research data to understand the effectiveness of the advertising—to look at how news and advertising interact. The objective was to explore the possibility that news has a measurable effect on desired outcomes over and above advertising.

Basically, two events were selected--one very positive for AT&T, the other very negative—the reason being to look at correlations between level of

news coverage and measures of consumer loyalty and brand perceptions. The hypothesis was that the heavy news coverage of the positive event would “boost” outcome measures over levels otherwise expected, while heavy news coverage of the negative event would “depress” outcome measures.

□ **Positive event: President’s Summit on Volunteerism.** This Philadelphia conference promoting volunteerism garnered widespread media coverage. It featured several past U.S. presidents, luminaries such as Colin Powell and business leaders including AT&T CEO Robert Allen -- all on the podium simultaneously. Many public commitments were made concerning how business, government and community organizations were all going to work together to address key social issues through volunteerism. AT&T enjoyed considerable positive news coverage concerning its role in the summit, its track record on employee volunteerism, and its continuing commitment to this area.

□ **Negative event: “Dialing For Dollars.”** In late 1996, in response to customers’ desire for easier-to-understand rates, AT&T brought to market a simplified pricing plan: One rate for all calls at all times. However, in early 1997 many negative media stories appeared citing cases where individuals had called AT&T to discuss the plan and were quoted different prices. Some stories said that if consumers were persistent they could get even better rates out of AT&T. Many of the articles gave the impression that AT&T was less than forthright with consumers. One article summarized the whole affair as “Dialing for Dollars.”

Establishing the baseline. In order to identify any effects of news coverage over and above advertising a baseline was required. A regression analysis on 1997 survey data was conducted, using as the independent variable gross advertising points (GRPs, a measure of advertising weight—i.e., how much advertising is “out there”), and as dependent variables the outcome measures of loyalty and brand imagery (chip allocations and attribute ratings). This step confirmed that advertising weight has a significant effect on loyalty and brand perceptions, and yielded numerical relationships between amount of advertising and loyalty measures—i.e., for any level of advertising we can generate an expected level of chips or attribute ratings.

Methodology

Sample. A sample “high value customers”, was selected, a market segment that is heavier consumers of news, more attentive to media in general, more involved in the category (i.e., above-average spending on a mix of communications services), and more price-sensitive than other consumers.

Media tracking and analysis data. AT&T maintains an ongoing system of news coverage monitoring and analysis that covers a broad range of general and specialized news media, including print, broadcast, and the Internet. This system tracks several aspects of news coverage: content, favourability/unfavourability, story length, placement, size of headlines

and several other factors related to gaining and retaining attention. The system attaches to each story a circulation figure, roughly equivalent to the advertising world's "number of impressions".

The analyses reported here focused on general news print publications in 1997, a period for which both media and survey data was available and used two media variables:

favourability and impressions

Ad.Visor advertising effectiveness data. AT&T continuously monitors AT&T and competitive customer loyalty, brand imagery and advertising recognition. A proprietary customer "loyalty index" with two components, analyzed separately, was used in this study:

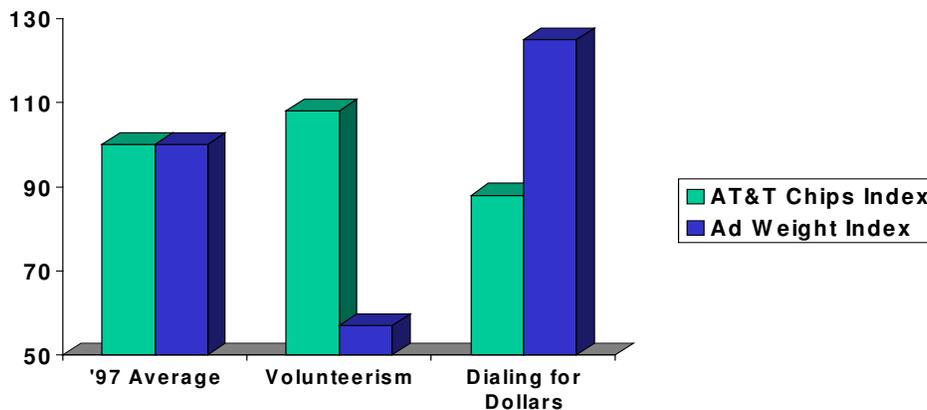
- *Chip allocation*--a question that asks respondents to allocate 10 points (chips) across providers to indicate how likely they would be to choose each as their long distance service, if they were to decide today; and
- *Attribute ratings*--a small number of questions shown in previous research to correlate with consumer behaviour and tap important attitudes and perceptions about AT&T and its services.

Findings

Chip allocations. The first analysis compared expected and observed chip allocation scores—a loyalty rating--for the two events, and found significant differences in the anticipated directions.

The first columns of Figure 1 show AT&T's average chip score during all of 1997, indexed to 100, and the average advertising weight for the year, also indexed to 100.

Figure 1: Comparison of Chip Allocation Loyalty Measure with Advertising Weight*



* N = 6,000 for total 1997; N = 500 for each incident studied.

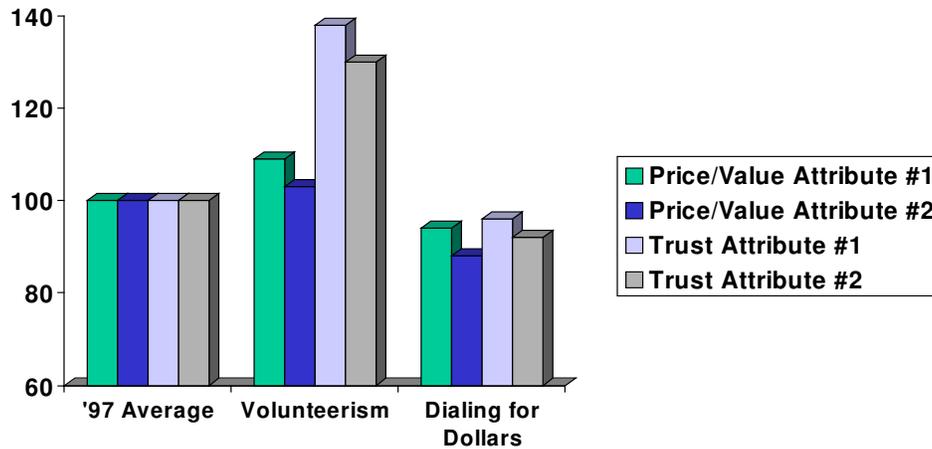
Looking at the positive event, Volunteerism, the advertising weight was well below average. Therefore, similarly below-average level of chip allocations was expected. This was not the case. In fact, chip allocations were above average, suggesting that there was something else going on in the marketplace driving the chip allocations. The hypothesis was that this "something else" was the extended very positive news coverage. Looking at the negative event, Dialing for Dollars, advertising weight was higher than average, leading to higher than average expectation on chip allocations. They were below average, again suggesting that something else was driving the chip allocations—presumably the extended very negative news coverage.

These correlations do not prove that the news coverage caused the observed loyalty ratings; but they are consistent with the hypothesis that news coverage does have an impact over and above advertising. These patterns suggest the intriguing possibility that in a period of lighter advertising, PR can compensate to support loyalty; or to venture even farther, in periods of heavy positive news coverage less advertising may be needed. The "negative" possibilities are equally provocative: First, that heavy advertising cannot compensate for bad news coverage, and so is wasted; and that heavy advertising during a time of negative publicity could make matters worse by focusing consumers' attention on the company.

Attribute ratings. The next analysis looked at the relationship between news coverage and key attribute ratings associated with brand loyalty, adjusted for advertising weight. Two of the variables represent a price/value dimension and two cover aspects of trust.

Figure 2 shows that both trust and price/value attributes moved up significantly during the positive Volunteerism coverage, and turned down during the negative Dialing For Dollars coverage. This is consistent with the hypothesis that news has an impact independent of advertising.

Figure 2: Comparison of Attribute Ratings*: Average 1997 vs. During Two Specific Time Periods



*The precise wording of attributes is highly proprietary. N = 12,000 for total 1997; N = 1000 for each incident studied.

Study #2

Linking news consumption and advertising awareness to attitude change.

Background

The second study focused on the possible effects of extensive positive news coverage, as experienced by AT&T in the fall of 1998. At that time, the new Chairman was making deals that the Press and Wall Street found innovative and highly encouraging. The stock price was soaring, nearly doubling over the last two quarters of 1998. Those who followed the news received an extremely positive portrayal of the company.

The basic approach was to compare ratings on ten important attitudinal dimensions for heavier and lighter consumers of news. It was agreed that people who were more exposed to this very positive news coverage would be more positive in their attitudes about AT&T than those who had less exposure.

Methodology

Sample. Once again, the sample selected for the survey was "high value customers", a segment more exposed to news than other consumers.

Attitudinal and advertising awareness data. The attitudinal dimensions examined in this study were taken from the ongoing consumer tracking study, which includes a number of key attitude and perception

items known to correlate with consumer behavior. Advertising awareness was also taken from the same study.

News consumption data. In the spring of 1999 a sample of respondents whose attitude and perception data had been collected the previous fall, were re-contacted.

The re-contact survey included a series of news consumption questions. Adding these data to respondents' previous attitude and perception data yielded a set of data for the same individuals that included news consumption, advertising awareness, and key attitudes and perceptions.

From the news questions, a news consumption index was created, a score for each individual was computed, and the median for the entire sample was identified. Those above the median were classified as heavier news consumers and those below as lighter news consumers.

Findings

Heavier vs. lighter news consumers. As can be seen in Figure 3, heavier viewers gave higher ratings on all attributes than lighter viewers. In many cases these differences were significant at the 95% level. The analysis controlling for education and income was done again and a similar pattern of results was found.

Figure 3: AT&T Attribute ratings, by heavier and lighter news consumption.

	<u>Heavy</u> N=200	<u>Lighter</u> N=200
Value	<input type="checkbox"/> 59%	41%
Ubiquity	70	66
Prices	62	54
Innovation	65	57
Billing	48	42
Reputation	<input type="checkbox"/> 55	45
Trust	<input type="checkbox"/> 68	46
Service	54	47
Quality	<input type="checkbox"/> 75	64
Simplicity	<input type="checkbox"/> 49	36

Significantly different from "Lighter" news consumers.

These data suggest that exposure to prolonged and highly positive news coverage can positively impact consumers' attitudes toward the perceptions of a company. The fact that the findings held up when controlling for education and income is further encouragement that it is indeed the news coverage that accounts for the observed differences between groups.

Interaction of news and advertising. Returning to the question of how news coverage and advertising interact, the data was further segregated by those aware and unaware of the advertising. Figure 4 shows that among lighter news consumers, advertising had the expected effect; *i.e.*, those aware of the advertising gave higher ratings than those unaware of the advertising. However, this was generally not true among heavier news consumers for whom advertising seems to have contributed little or nothing above the impact of the news coverage.

Figure 4: Attribute ratings among heavier and lighter news consumers, by those aware and unaware of AT&T advertising.

	<u>Heavier News Consumers</u>		<u>Lighter News Consumers</u>	
	N=200*		N=200	
	<u>AT&T Ad Aware</u>	<u>Not AT&T Ad Aware</u>	<u>AT&T Ad Aware</u>	<u>Not AT&T Ad Aware</u>
Value	57%	63%	45%	38%
Ubiquity	71	74	71	64
Prices	61	60	62	48
Innovation	68	59	63	52
Billing	48	48	47	38
Reputation	49	63	49	45
Trust	67	69	58	41
Service	55	55	51	45
Quality	75	75	67	61
Simplicity	49	47	41	33

Significantly different from "Lighter News Consumers" and "Not Ad Aware" group.

* N's for ad aware and unawares cannot be provided for proprietary reasons.

Conclusions and Implications

These studies represent first steps toward understanding the conditions under which news coverage interacts with advertising to impact marketplace perceptions, attitudes and behaviours. The data available does not permit drawing conclusions as to causality; however, the overall pattern of the findings indicates that both advertising and news coverage are impacting consumers.

The conclusions are:

- Overall, advertising and news coverage each has its own impact on consumers, and these impacts interact to influence perceptions, attitudes and behaviours.
- The news environment modulates the impact of the advertising.
- In times of “normal” news coverage – *i.e.*, mostly positive with some negative-- news and advertising work together, and incremental advertising has a positive impact on attitudes.
- In times of widespread and extremely positive news coverage, the incremental positive impact of advertising is much less than in normal times.
- In times of widespread and extremely negative news coverage, incremental advertising does not have a positive incremental impact, and may even have a negative effect.
- News coverage can have a substantial impact on consumers, on a par with advertising.

If these conclusions are correct, they have two significant implications:

1. Management of both media relations and advertising would benefit from closer communication. Such communication would make it possible to turn up or down advertising, in relation to the current extent and quality of unpaid news coverage. This could save a company money and deliver more powerful marketing communications.
2. News coverage can substantially impact the huge investment a company makes in various forms of paid marketing communications. Therefore, expert management of media relations is of critical importance to protect and leverage this investment.

More work is needed to investigate the combined impact of news and advertising. There is a need to extend studies like this to other industries to see if the same relationships hold.

To have truly integrated marketing communications plans, it is necessary to bring together the worlds of public relations—particularly media relations-- and advertising. Messages from both worlds combine in the minds of consumers.

(Excerpted from the workbook of PR Pundit's workshop held in Mumbai on June 14, 2001)