

***SOURAV DE'S VIEWS ON MEASURING PR OUTCOMES  
- WHAT IMPACT IS THE COMMUNICATION HAVING? -***

First Union with \$246 billion in assets and stockholders' equity of \$16 billion is a leading provider of financial services to 15 million retail and corporate customers. Wachovia is a major interstate financial holding company with assets of over \$74.8 billion. Wachovia offers banking and financial services to individuals, corporations and institutions.

*SunTrust vs. First  
Union merger  
battle over  
Wachovia...*

In December 2000, Wachovia and SunTrust nearly concluded a merger deal, but Wachovia's chief executive, Leslie M. Baker, backed away and began negotiating with First Union. In April 2001, Wachovia's board of directors approved an offer from First Union, but SunTrust countered with a hostile bid.

At the time of SunTrust's counter offer, value of First Union's offer declined along with its stock price. The bid was worth only about \$12.5 billion. Analysts were unanimous that SunTrust's was a better offer. SunTrust also had a better track record in acquisitions and First Union goofed up their last two acquisitions.

Media questioned Wachovia's Board's intention to go for a 'surprisingly mild premium'. Under tremendous pressure Wachovia Board asked its shareholders to decide. Institutional investors who owned majority equity of Wachovia asked for professional advice of Institutional Shareholder Services, Inc. or ISS. ISS is the world's largest provider of proxy voting and corporate governance services. It serves more than 700 institutional and corporate clients throughout North America and Europe. ISS analyses proxy proposals and issues vote recommendations for more than 10,000 U.S. and 10,000 non-U.S. shareholder meetings each year.

While the professionals were evaluating the option, SunTrust continued to slam the Wachovia Board. There was an air of revenge on what SunTrust termed as betrayal by the Baker and Co. There were a flurry of open letters and advertisements asking shareholders to throw away the present Board and benefit from the premium offered.

SunTrust Chief Executive Phillip Humann continued to issue statements asking Wachovia shareholders to act in their own economic best interests and sent a strong message to the Wachovia Board "to take an essential step to securing the benefits of the superior SunTrust proposal." The rhetoric went up as the day for ISS recommendation drew closer.

On their part both Wachovia and First Union continued to politely discard SunTrust's rhetoric as 'characteristic' and 'typical'. They emphasised on the message that, "The merger of equals is on track as planned to create the new Wachovia."

In the meantime, prices of both First Union and SunTrust shares

continued to decline. Just before the ISS recommendations were out SunTrust's bid for Wachovia was worth \$73.40 a share or about \$14.9 billion. That is \$796 million more than First Union's offer, worth \$69.48 a share at the close.

Finally ISS recommendations were out and it recommended that Wachovia shareholders approve the First Union proposal. Wachovia shareholders (Read Institutional investors) approved the First Union deal and rejected SunTrust's attempts to elect a new Board for Wachovia.

***What made SunTrust's bid a worse deal for Wachovia shareholders than the subsequent, lower bid from First Union?***

The ISS report read:

"It appears fair to conclude that Wachovia has all along sought something more along the lines of a "strategic partnership" ... and thereby generate long-range shareholder value - than a one-time sale designed to maximize immediate shareholder returns."

"At the risk of appearing glib, perhaps the two companies' [Wachovia and SunTrust] opposing views as to whether they got along or not is symptomatic of the issues Wachovia is raising. We would agree that, in looking to combine two companies of some size, management "buy in" of the deal is critical; everyone, at all levels of the organisation, needs to be on the same page or the deal will face hurdles out at the starting gate."

...Marni Pont O'Doherty of Keefe, Bruyette & Woods, Inc.

Why I favour First Union/Wachovia . . .

*It's friendly . . . First Union would handle the integration of Wachovia better than SunTrust*

...Tom Brown, Bankstocks.com

***Why did SunTrust fail?***

- The whole effort lacked structured strategic analysis
- Media intelligence failed to recognise the negative impact their hostile rhetoric had on target audience
- SunTrust continued to convey the wrong message with greater intensity
- Lack of scientific media evaluation costed them the merger

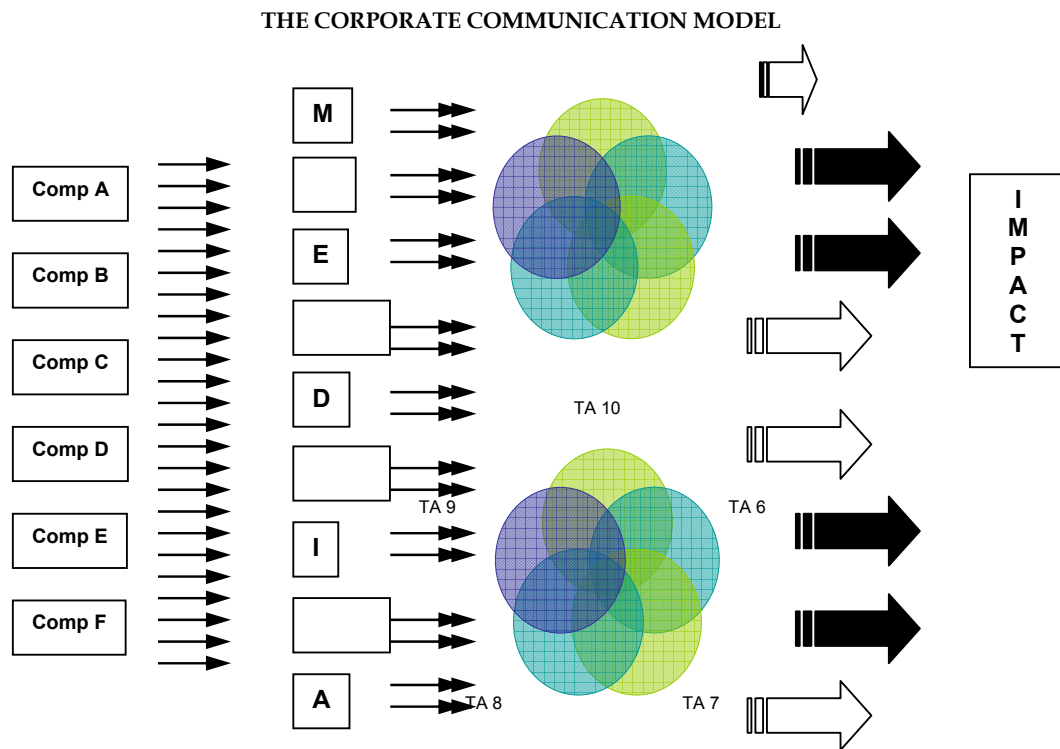
*Communication is not what we send out; it's what arrives...*

Measurement and communications...if we were to revisit the basic tenants of communication theory, we'll see that what we call public relations often focuses only on the first two steps in the process of communication. As such, it is not communication. It is information dissemination and possibly nothing more. We are simply measuring outputs. They are not outcomes. In life, there is a philosophical saying "It's not the destination; it's the journey that counts." In communication, it's not the journey that counts. It's the destination. Communication is not what we send out; it's what arrives. Research

gives us the tools to gain answers to these important questions about whether desired outcomes of our work are achieved.

*Measurement is not an optional add-on to communication. It is an integral and fundamental element....*

In dissecting the process of communication in this analytical way, it is clear that measurement is not an optional add-on to communication. It is an integral and fundamental element. Without measurement, we are technicians possibly achieving only two of the six steps in communication. We are one-third communicators! It suggests that we need to fundamentally rethink our approach to research and evaluation.



Target audiences have to **receive** our messages. Otherwise, all our efforts are fruitless.

Even if they receive them, do they **understand** them?

Even if they receive and understand our messages, do they **retain** them, or are they swept away under the information overload and seductive persuasion of other messages?

And, finally, even if they have received, understood and retained, do our messages have an **impact** in any way – attitudinally or behaviourally? Or are they parked somewhere in people’s psyche in that place where we store information that we don’t really want to deal with.

A survey by International Public Relations Association published in

1994 found that on average only 18.6 per cent of PR professionals did evaluation - and in some major markets as few as 14 per cent of PR programmes involved any objective evaluation.

*Recognition of PR evaluation at the international level...*

Lets look at what the Harris Impulse Surveys over consecutive years revealed

Year	2001	2002	2003	2004
<b>Respondents say necessary</b>	35%	45%	62%	76%
<b>Rank</b>	25	24	24	10

Generally Accepted Practices (G.A.P) study conducted by the USC Annenberg Strategic Public Relations Centre, sponsored by the Council of Public Relations Firms reveals the following:

**Table II.2: 2004 Ratio of PR Budgets to Gross Revenues (PR/GR Ratios\*)**

Revenue Categories	Number of Respondents	Average Gross Revs (GR)	Average PR Budgets*
\$6 Billion+ [Fortune 500]	34	\$25,645,637,000	\$11,393,764
\$3.1-\$6 Billion [Fortune 501-1000]	20	\$4,331,812,000	\$4,524,450
\$1.6-\$3.1 Billion [Fortune 1001-2000]	20	\$2,174,118,000	\$2,090,300
\$580M-\$1.6 Billion [Fortune 2001-5000]	39	\$1,060,995,400	\$1,872,692
\$100M-\$580Million [Fortune 5001-20000]	45	\$293,290,000	\$1,976,466
Less than \$100 Million [Fortune 20000+]	44	\$35,296,400	\$550,301

Companies in the Fortune 1001-2000 category reported on average the size of their PR budgets was 16 per cent relative to their advertising budgets, the figure rose to 62 per cent in the Fortune 5001-20000 category. Incidentally, Fortune 500 companies were in the middle of the extremes, with the size of their PR budgets at 40 per cent relative to their advertising budgets.

**Table II.3: PR Budget Relative to Advertising**

Revenue Categories	Percent
<b>\$6 Billion + [Fortune 500]</b>	<b>40%</b>
<b>\$3.1-\$6 Billion [Fortune 501-1000]</b>	<b>42%</b>

	Av PR Budget (\$)	Av spend on eval %	Av Eval Budget (\$)	Av Eval Budget (Rs Cr)
<b>\$6 Billion+ [Fortune 500]</b>	11,393,764	4	455750.56	2.05
<b>\$3.1-\$6 Billion [Fortune 501-1000]</b>	4,524,450	4	180978	0.81
<b>\$1.6-\$3.1 Billion [Fortune 1001-2000]</b>	2,090,300	5	104515	0.47
<b>\$580M-\$1.6 Billion [Fortune 2001-5000]</b>	1,872,692	3	56180.76	0.25
<b>\$100M-\$580Million [Fortune 5001-20000]</b>	1,976,466	4	79058.64	0.36
<b>Less than \$100 Million</b>	550,301	10	55030.1	0.25

### Indian PR Budgets

While advertising budgets go as high as 14 per cent of revenue, PR budgets generally stay between 0.5 per cent - 0.25 of advertising budgets. Most of corporate India spend substantially on advertising. Even PSU's are spending big bucks to gain visibility.

Advertising spends in India are much higher than international

standards. The reason for not spending enough on PR is not lack of fund but lack of conviction in its effectiveness.

The GAP II 2005 study shows that PR now enjoys the reporting line it has long sought - directly to the "C suite" (CEO, COO, Chairman). Among all respondents 57 per cent report to either CEO or COO or Chairman while 26 per cent report to marketing, 12 per cent to Legal, nine per cent to HR, eight per cent to Finance, and seven per cent to Strategic Planning.

Even in India the PR department is getting closer to the C suite. The importance of PR is getting its due recognition.

*'A fundamental part of communication is listening. And research... is organisational listening to hear what stakeholders and communities think, feel, need and want. It is bringing their views and priorities into the organisation - not just presenting the organisation's views to its stakeholders. Therefore, without research in planning and for evaluation, we are not communicating'.*

Jim McNamara (Evaluation Guru)

#### **QUESTIONS AND ANSWERS**

*You talked about tracking and evaluating after the news has appeared. Why not consider evaluation before sending out the news, by determining the right messaging and desired target audience in advance?*

Sourav De replied that one can devise the inputs in terms of listing the desired publications and target audience n advanced. However, the success of the communication is dependent on whether the message was carried in the correct manner, reached the right audience and created the desired impact is what needs to be evaluated.

*(Excerpted from the presentation made by Sourav De, Head - CIRRU, at PR Pundit's workshop, held in Mumbai on November 30, 2005)*