

Laboratoire d'analyse de presse
Caisse Chartier

The impact of public relations on organizations' sales

Literature Review

Study conducted by

**Lise Chartier
Christian Leray**

**In collaboration with
Karine Casault
Research Assistant**

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Introduction

A wealth of studies have underscored the effects of marketing and advertising on companies' sales volumes. But few of them deal with the potential impact of a public relations campaign—especially one that focuses on media relations—on organizations' sales.

Even though more and more voices are proclaiming that marketing, by playing only the brand awareness card, has now reached its limits, and even though researchers and professionals agree that while public relations plays an essential role, especially where a company's reputation is concerned, it seems to have been overlooked as a field of study. In fact, even though public relations is an extremely vast field, few studies have been conducted on the subject, and the few studies that do exist focus essentially on media relations, risk communication, organizations' reputations, best practices, measurement and evaluation.

Consequently, marketing and public relations are often at variance with each other. The first, since it is considered an effective way to launch a brand or product, focuses on short-term action, while the second, which deals essentially with a firm's reputation, is concerned solely with long-term action. But could public relations also have a short-term impact?

This paper looks into this issue by presenting a literature review on the impact that public relations can have on organizations' sales.

1/ Studies and Observations

We were able to review several studies that found that public relations, especially media relations, had a pronounced impact on sales. Here are a few examples.

Skyy Vodka

In their book *La Pub est morte, vive les RP* (Pearson Education, France, Paris, 2003) Al and Laura Ries argue that advertising reaches limits that only public relations can surpass, mainly because public relations is “credible,” unlike marketing, which they claim is no longer enough to create a strong brand. They provide several examples, including Skyy Vodka. Because this brand introduced the concept of the “hangover-free” vodka, it was the subject of a front-page article in the *Wall Street Journal*. According to the authors, after the article appeared, Skyy became the second biggest-selling vodka in the United States, and the company was basically built through public relations.

Quebec Examples

We found further examples in Quebec. In their book *Relations publiques: une nouvelle force de l'entreprise moderne* (Les Éditions de l'Homme, 1986), Richard Doin and Daniel Lamarre cite several studies that demonstrate the impact of public relations on companies' sales, including:

- Evian Spray: the authors argue that Evian, by calling on experts who spoke to the press and by providing them with serious, accurate information, succeeded in convincing the media of the usefulness of its

product and in creating a brand-name image for itself, thereby enabling the company to achieve significant sales growth.

- Knox Gelatine: the authors' strategy is more or less the same for all types of situations even if they contend that it is always necessary to adapt because "situations vary enormously from one product to another." They cite the case of Knox Gelatine, which proved to have stimulating properties for green plants. Supported by the results of an independent study and by experts in the field, campaign organizers noted that sales rose by 50%.

They point out that public relations cannot save outdated products, but it *can* help change public perceptions by enhancing a firm's reputation. They cite the example of U.S. car sales in the face of Japanese competition in the 1980s and explain that American automobile manufacturers had to wait until the quality of their cars was brought close enough to the level of Japanese cars that they could launch public relations campaigns that had some chance of succeeding.

Sauvagnat Umbrellas (France)

Sales of Sauvagnat umbrellas were stagnant when the company decided to conduct a survey to better understand its customers and discovered that 80% of the umbrellas were purchased by women. Price and fashion were not big factors in the purchase decision; only the beauty of the handle was taken into consideration. Sauvagnat created a collection with delicate hues and original, finely crafted handles and tackled the Parisian high fashion industry. The new product line was presented to all the fashion editors. A wide selection of umbrellas was placed at the disposal of women's magazines, which were able to accessorize the models shown in their pages with Sauvagnat umbrellas. The

operation was a resounding success: Sauvagnat actually managed to double its sales.¹

The World of Publishing

Another interesting case is found once again in France, where book sales shot up after a writer appeared on Bernard Pivot's program:

Apostrophes remains the reference, because it evoked the memory of a high point in literature at an important time in television history, because it reached an audience that no cultural program could reach, because it enabled a highly varied public, including "nonreaders," to make contact with the world of books and because it had a tremendous impact on book sales (which prompted publishers to adapt their commercial practices to the program schedule). When the program went off the air, viewers mourned its passing, and many still do.² [translation]

The same phenomenon occurred with the TV program *The Oprah Winfrey Show* when she began to promote books in 1996:

The first novels that Oprah featured on her show, Jacquelyn Mitchard's *The Deep End of the Ocean*, followed by other titles that were not on the bestseller list, such as *Song of Solomon* and *The Book of Ruth*, immediately became phenomenal literary successes. The show ran these segments without losing any viewers. On the contrary, Oprah's program seems to have made it fashionable to televise presentations of literary works. Guests on her show include not only authors of bestsellers, but also more literary authors such as Toni Morrison. The program has a considerable impact on sales, which are further boosted by an Oprah link on Amazon.com that viewers can use to order books they saw on her show.³ [translation]

¹ Composite work. (1963). *500 cas concrets de relations publiques*, Paris, Techniques relations.

² *Le livre à la télévision*, Report for Madame la Ministre de la Culture et de la Communication, Olivier Bourgois, France, March 16, 2000, page 24.

³ *Ibid.*, page 31.

Another example in the world of publishing that is worth noting is the guaranteed success authors enjoy when they win the Prix Goncourt (a prestigious French literary award), which ensures that hundreds of thousands of copies of their books will be sold, and in the case of a highly intensive campaign, even a million.

2/ Studies Conducted in the Health Field

Various studies have been conducted in the health field, notably in the area of clinical research.

EntreMed

At the forum held at the Université de Montréal on October 4, 1999, a hundred experts participating in a discussion on research dissemination talked about the case of EntreMed:

On May 3, 1998, the *New York Times* reported that an American researcher, John Folkman, had discovered a cure for cancer, anti-angiogenesis. A great deal remains to be done, however, since up to that point clinical studies had been limited to mice. Still, Folkman had reached his objective, because the value of shares in EntreMed, the company created to market angiostatin and endostatin, rose significantly overnight.⁴ [translation]

The results were so impressive that the company describes them in its 1998 annual report in the following way:

One year ago, EntreMed was a little known biotechnology company working on angiogenesis and cancer. On Sunday, May 3rd, our lives

⁴ Robert-Sauvé, M. “Quand faut-il annoncer une découverte en recherche clinique? », Université de Montréal Forum, October 4, 1999. <http://www.forum.umontreal.ca/numeros/1999-2000/Forum99-10-04/article05.html>

changed dramatically with a front-page article in the *New York Times*. Suddenly, everyone was talking about angiogenesis and EntreMed became a household name. As the news was breaking, we consistently told a conservative story: “This report is old news based upon earlier data published as the cover story of *Nature* in November 1997 – EntreMed had not issued new data; EntreMed will take Endostatin™ protein to the clinic in 12-18 months; and it’s a long way from mouse to man.”⁵

It would appear that public relations was responsible for the company’s sudden, dramatic growth since it was the publication of this front-page article that made EntreMed a household name, even though, as the company pointed out, news of this discovery had already been published a year earlier and EntreMed was still at the stage of conducting studies on mice. Prior to the front-page article, the discovery had almost escaped notice.

Close examination of the company’s financial data, particularly changes in its stock market price, reveals that the public virtually pounced on EntreMed shares, which jumped from \$12.06 on Friday to \$51.81 on Monday, more than quadrupling in value in three days.

Interestingly, the article was advantageous to several other companies operating in the same sector, even those most ignored by investors:

Immunogen closed at \$2.31, up 78 cents, or 51 percent; Boston Life Sciences finished at \$7.59, up \$5.47, or 257 percent; Repligen was at \$3, up \$1.53, or 104 percent; Sugen closed at \$16.44, up \$2.81, or 20 percent; Imclone Systems ended trading at \$10, up \$1.25, or 14 percent, and Magainin was at \$8.19, up \$2.25, or 38 percent⁶.

⁵ www.entremed.com/download/annual_reports/EntreMed_1998_Annual.pdf

⁶ Fisher, L. M. “THE MARKETS; Smaller Biotechnology Stocks Stage a Spirited Catch-Up Rally”, *New York Times*, May 5, 1998.

These share price increases seem to show that shareholders pay little heed to the fact that tests conducted on animals are rarely conclusive when applied to humans.

Cough Medicines: Impact of Negative Public Relations

The Institute for Public Relations⁷ in Florida published a report on the relationship between the amount of media coverage resulting from public relations and business outcomes⁸. These are defined as changes in behaviour, lower or higher sales, store traffic, intent to purchase, etc. Here, however, an inverse relationship can be seen: negative public relations can drive sales down (cases in which the press circulates negative information about a competing product or company, leading to lower sales).

On January 6, 2006, the American College of Chest Physicians⁹ published a report on the ineffectiveness of cough medicines:¹⁰ "There is no clinical evidence that over-the-counter cough expectorants or suppressants relieve cough."¹¹ The report did, however, state that anti-allergic drugs were effective, due to their drying effect. This news item was immediately picked up by all the major news programs (*World News Tonight, Today, The Early Show, Good Morning America*) and most of the dailies. It should be noted that no marketing effort was undertaken during the period, during which sales dropped considerably.

⁷ <http://www.instituteforpr.org/>

⁸ Outcomes are defined in *The Dictionary for Public Relations Measurement and Research* as "quantifiable changes in awareness, knowledge, attitude, opinion and behaviour levels that occur as the result of a PR program or campaign." "Business Outcomes" would refer to behaviour changes such as an increase or decrease in sales, store traffic, product queries, intent to purchase, etc.

⁹ <http://www.chestnet.org/>

¹⁰ Jeffrey, A., Michaelson D. and W. Stacks, *Exploring the Link Between Volume of Media Coverage and Business Outcomes*, Institute for Public Relations, November 2006.

http://www.instituteforpr.org/files/uploads/Media_Coverage_Business06.pdf

¹¹ http://www.chestjournal.org/cgi/content/full/129/1_suppl/1S

Chart 1: Number of editorials discussing the effectiveness of cough medicines and sales growth.

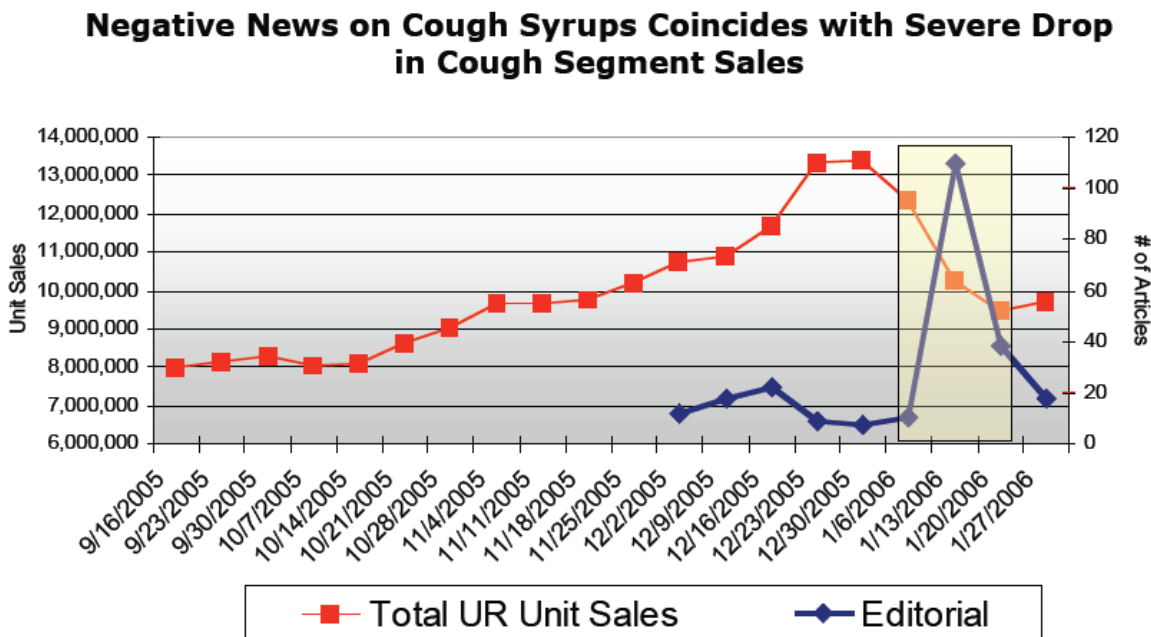


Chart 1 shows that the increase in the number of editorials (blue curve) corresponds to an appreciable decline in sales (red curve) over a very short period of time. It also shows a slight rebound in sales when the torrent of news coverage about the cough medicines abated.

Another noteworthy fact is that other sectors benefited from the bad news for these medicines. During the week of January 14, 2006, visits to the doctor for respiratory illnesses were up by 14%,; while allergy medication sales increased, reflecting the positive impact of the other news reported in the same article.

Tylenol

Johnson & Johnson's Tylenol brand faced a crisis¹² in which the services of public relations professionals were used to limit damage to sales: in 1982, in Chicago, 7 people died after an unknown person put cyanide in some Tylenol capsules.

Since then, everything about this subject has been said. The *New York Times* declared that Johnson & Johnson could never

sell another product under that name. There may be an advertising person who thinks he can solve this, and if they find him, I want to hire him, because then I want him to turn our water cooler into a wine cooler¹³.

At that time the company appeared to be in a catch-22 situation. News programs were advising listeners not to take Tylenol under any circumstances. The Chicago police were walking the streets yelling into megaphones, warning people not to use Tylenol.

Johnson & Johnson then launched a massive public relations campaign, including open houses for the press in its plants. On a made it clear that public safety was far more important than the company's profits; 31 million bottles of Tylenol with a retail value of more than \$100 million were pulled from the shelves. Production and advertising were halted. Prior to the events, Tylenol enjoyed a market share of 37% of over-the-counter anti-inflammatories. On December 24, 1982, in the same year as the cyanide deaths, Tylenol still accounted for a market share of 24% in its sector, an outstanding performance considering the tragedy that had occurred not long before.¹⁴

¹² <http://www.personal.psu.edu/users/w/x/wxk116/tylenol/crisis.html>, Tamara Kaplan, The Pennsylvania State University.

¹³ Levine, M. (2003) *A branded World*, John Wiley & sons, inc., Hoboken.

¹⁴ *Ibid.*

3/ Public Relations Versus Advertising

More and more communications specialists say that advertising has saturated the market and that public relations is an inexpensive, effective way to reach the population. However, while many studies focus on marketing and its impact on sales, the situation is very different with studies on how public relations impact on sales. Very few studies deal with this subject, and the same is true of studies that compare advertising and media relations. We present two of these here.

Zip Chips

Two of the researchers who participated in the cough medicine study conducted an experimental study to compare the differences in effectiveness between advertising and public relations.¹⁵ They conducted a survey on about 300 participants by promoting a test product they invented, a potato chip with no fat or salt, which they called the Zip Chip. They wrote an editorial on Zip Chips and created an ad for the product, then attempted to determine the difference in impact between the two.

¹⁵ http://www.instituteforpr.org/files/uploads/Michaelson_Stacks_SOM_06.pdf

Chart 2: Comparative impact of advertising and media relations for Zip Chips

What We Found

- No statistically significant difference in purchase interest between ad and editorial
- However, those reading editorial showed less variance in overall interest

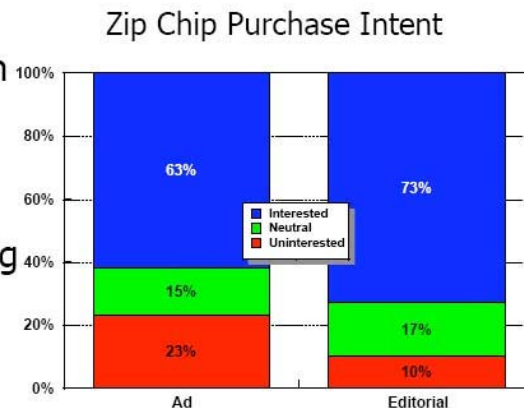


Chart 2 shows the difference in an audience's intent to purchase after seeing an ad and after reading an editorial. It appears that people who read the editorial show a greater intent to purchase the product than people who saw the ad. This study therefore confirms researchers' hypothesis that articles have a greater impact than advertising, since the public considers the first to be more credible.

Procter & Gamble

An internal study conducted by Procter & Gamble¹⁶ and reported by the Public Relations Institute of Australia¹⁷ demonstrates the essential contribution that public relations makes to organizations, especially in the area of sales. Hans Bender, the manager of external relations at Procter & Gamble, concludes that a public relations campaign has a much higher rate of return on sales than traditional forms of advertising. Indeed, unlike many other forms of marketing, public relations are inexpensive, often accounting for only 1% of a company's

¹⁶ <http://www.pria.com.au/news/id/78>

¹⁷ <http://www.pria.com.au/>

marketing budget. Its rate of return for the company is therefore in the order of 275% and has a ripple effect on other communication and marketing activities. The study concluded that public relations yields an optimal performance when it is combined effectively with advertising.¹⁸

Conclusion

We will conclude with a quote from Claire Spencer, a professional at Publicis who is responsible for measuring the impact of advertising and public relations:

Measurement has been siloed because of the way that companies are structured. They have separated marketing from communications. [...] In order to do good research we have to start with the receiver and we measure communications if we are asked to or not. Consumers can't divorce PR and advertising, they consume communication holistically.¹⁹

According to a report published by the ICCO (International Communications Consultancy Organisation), five out of 19 countries questioned for its biannual public relations industry survey, cite better recognition of the value of public relations as one of the main factors that can potentially affect a company's growth. This finding is consistent with previous studies conducted by the UQAM Public Relations Chair showing that in comparison to other, more traditional forms of marketing, public relations is extremely effective. The Public Relations Chair has in fact developed several tools to measure the effectiveness of public relations, such as its management chart and its media analysis software, which can be used to monitor sales trends resulting from public communication strategies.

¹⁸ <http://metricsman.wordpress.com/2006/06/15/roi-is-statistical-modeling-the-answer-depends-on-the-question/>

¹⁹ Dowdy, C. "How to measure the value of public relations", *Financial Times*, June 20, 2006 or <http://www.ft.com/cms/s/7571dd3e-fff8-11da-93a0-0000779e2340.html>

A study conducted for ABB (Public Relations Chair, 2002) shows that in the eyes of the public, the most credible means of communication that the organizations have at their disposal are public relations, i.e. letters, press releases, magazine articles, conferences, trade fairs, seminars, etc. The firm's institutional clients admitted that they are strongly influenced by the information disseminated by the firm's public relations department, whether through media or through direct, more personalized communication methods.

This study could be continued in collaboration with Merck Frosst to further demonstrate the impact of public relations and complement the existing studies that are presented in this report but are not numerous enough for firm conclusions to be drawn. Finally, the findings could be validated in the contexts of Canada and Quebec, which could help identify certain characteristics that are specific to our culture.

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