

Calculating the ROI on Your Communications

Melcrum CommsNetwork London Communicators Group

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Link communication objectives to behaviors supporting revenue or cost reduction

1. Start with organizational **goals** having a bottom-line impact
2. Identify which changes in stakeholder **actions/behaviors** will lead to a particular goal
3. Identify the **knowledge** and **attitudes** that will influence the needed behavior change
4. Develop your communication plan of activities:
 - Messages you will send, on knowledge and attitudes that will support behavior changes
 - Processes or channels you will use

This process will prove the chain of evidence that your activities led, step by step, to achieving the organizational goals

ROI is the financial value of changed audience behaviors vs. cost of communication

- Start with the total financial value of new sales, increase in share price, improved productivity, reduced accidents, etc.
- Take credit for a percentage of the financial value based on the impact your audience attributes to the communication
- Divide by the cost of communication
- Result is a rough estimate of your ROI
- Work with Finance Dept. to see how they calculate ROI



Formula for calculating communication ROI

- Money generated from communication $\$300,000$
- Cost of communication $\underline{-\$100,000}$
- Net money generated $\$200,000$
- Cost of communication $\underline{\div \$100,000}$
- **Annual ROI** $= 200\%$

Taking appropriate credit for change: Isolate the role communication played in improved results

- **Pilot** the change in only some locations; track the change in outcomes at your pilot locations against closely matched pairs at control group locations
 - Ask other managers involved in the issue to not do anything differently at only some locations

OR

- Measure levels or outcomes **before and after** your communication intervention
 - Try to correct for any other major changes at the same time
 - Ask the people making the change to what extent the communication affected their behaviors

Examples of calculating ROI

Pilot studies

Calculating impact of communication on outcomes—pilot/control group approach

- Pilot the change in only some locations; track the change in outcomes at your pilot locations against closely matched pairs at control group locations
 - Example: Share new information only in certain locations, and track differences in audience behaviors and business results. Work with operational and sales management to make sure other factors are the same in pilot and control locations during the test period.
 - Use different response phone numbers, URLs or addresses in different channels to track response from each.
 - Some pilots happen accidentally when you plan a unified campaign, but it is executed differently in different groups. When that happens, track the differences in outcomes where different approaches were used.



Purposeful pilot program to test effectiveness of ads, PR or combination

- Metro Waste Authority wants people to bring used engine oil to hazardous waste dump
 - At the dump, addresses with postal codes are already tracked when waste is delivered
 - They place an ad on the topic in 1/2 of the local community newspapers
 - They send a news release to all the papers and track which ones publish related stories
 - Communicators calculate the percentages of each community's population bringing oil to the dump compared to which groups were exposed to:
 - Just the ad, just a news story, both or neither



Examples of calculating ROI

Before/after studies

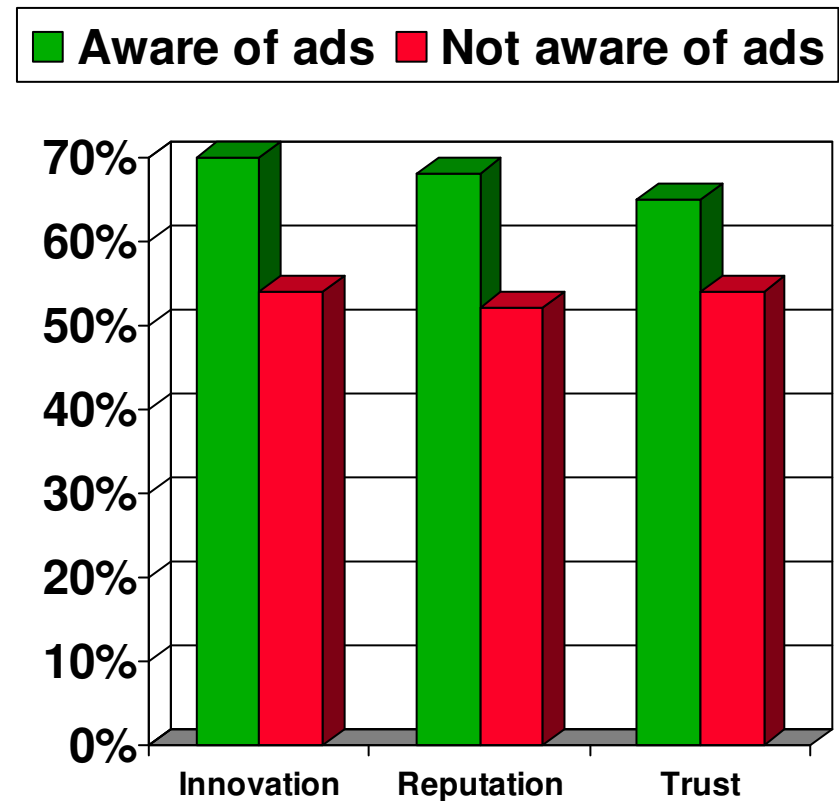
Calculating impact of communication on outcomes—before/after approach

- Measure levels of outcomes before and after your communication intervention and have your audience identify the connection between your communication and their behavior
 - Example: Audience survey identifying people who have and haven't taken some action you want them to, with questions asking:
 - Which of them remember seeing different communications on the topic
 - To what extent these messages influenced their decision to take those actions, versus a range of other factors



Tracking impact of advertising with more favorable perceptions of a company

- Study conducted by Delahaye Medialink (now Cision) in 1999 found consumers who were aware of the company's advertising had more favorable perceptions of many aspects of AT&T's reputation



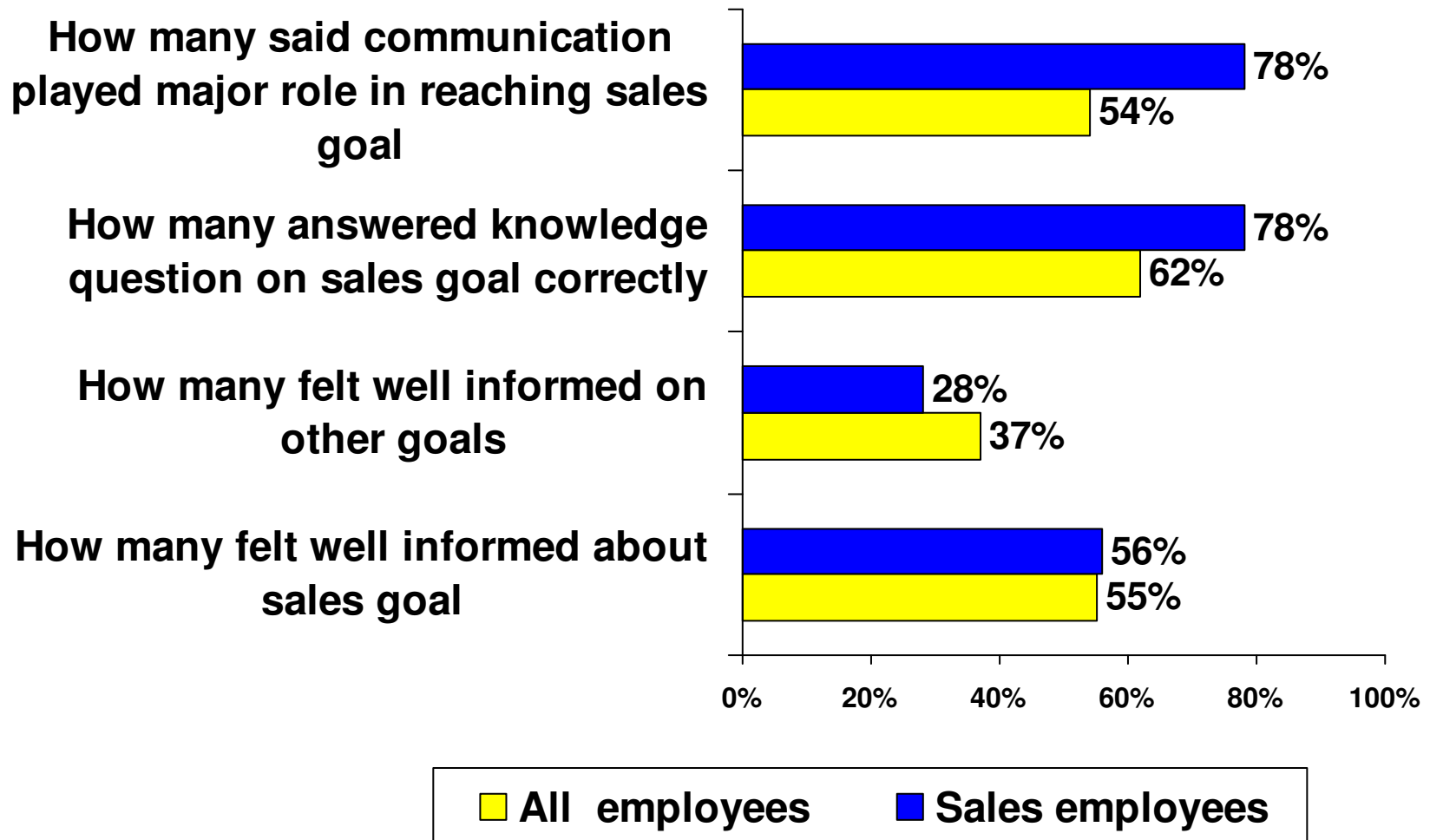
Have your audience connect your communication with their actions

- **Employee survey** asks to what extent the intranet has saved them time; then calculate the financial value of that saved time
- **Customer magazine survey** asks which of a list of services readers purchased after first learning about the service's availability in the magazine
- **Bank of America media relations team** used to calculate drops in new account deposits per day of negative news coverage to encourage senior management to actively address bad news instead of waiting for it to stop by itself
- **Readers Digest PR** tracks immediate jumps on book sales through amazon.com after each author's appearance on local TV talk shows or local book reviews

Example 1: Ask employees about the impact of internal communication on revenue

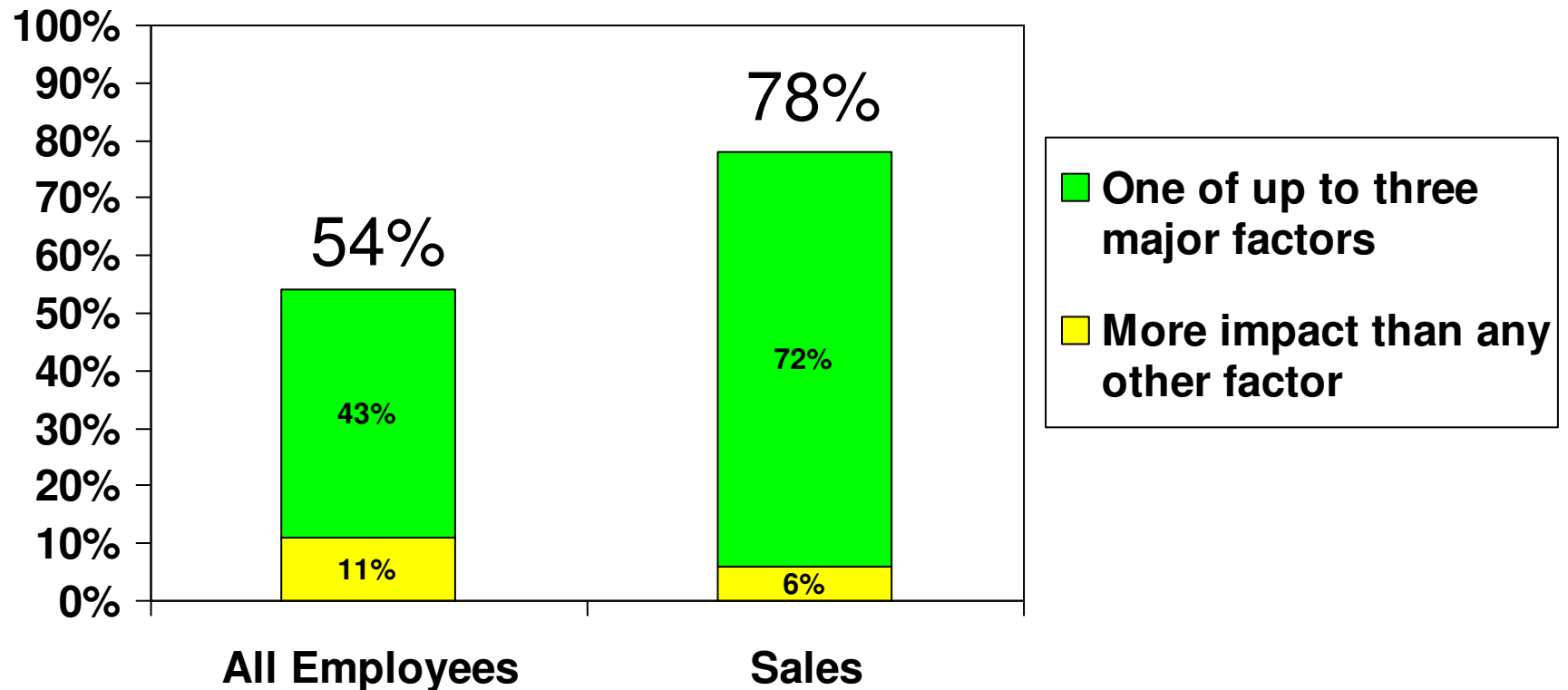
- Ask employees what percentage of revenue they generated in the last year was due to more or better communication they received from the company communications directed to them; e.g., communications about:
 - Changing customer needs
 - Competitor activities
 - Best practices for selling
 - Product/service changes

Example 1: Communication's impact on a specific product's sales goal



Example 1: Employee communication's impact on a sales goal

Survey question: How much impact did employee communication have on exceeding our Product X sales goal?



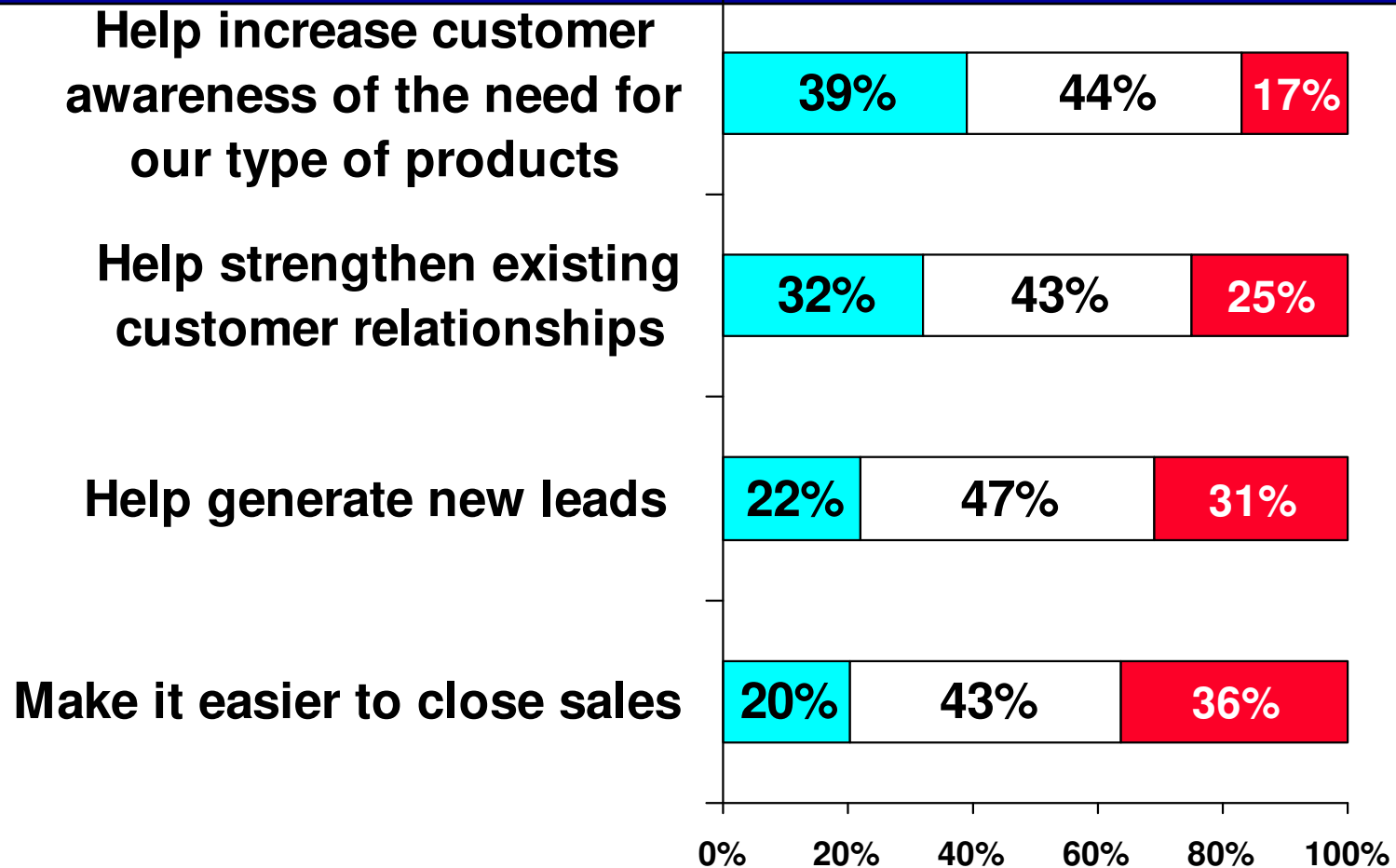
Example 1: Calculating communication's ROI

- Increase in sales profit \$4.8 million
- % employees saying comm. played major role in goal x 54%
- Reduction to account for comm. being one of 3 major factors x 33%
- Comm.'s "credit" for sales = \$855,360
- Cost of comm. + research - \$217,000
- Net increase after costs = \$638,360
- Cost of comm. + research ÷ \$217,000
- **ROI** **= 294%**

Example 2: Ask salespeople impact of PR/marketing communication on revenue

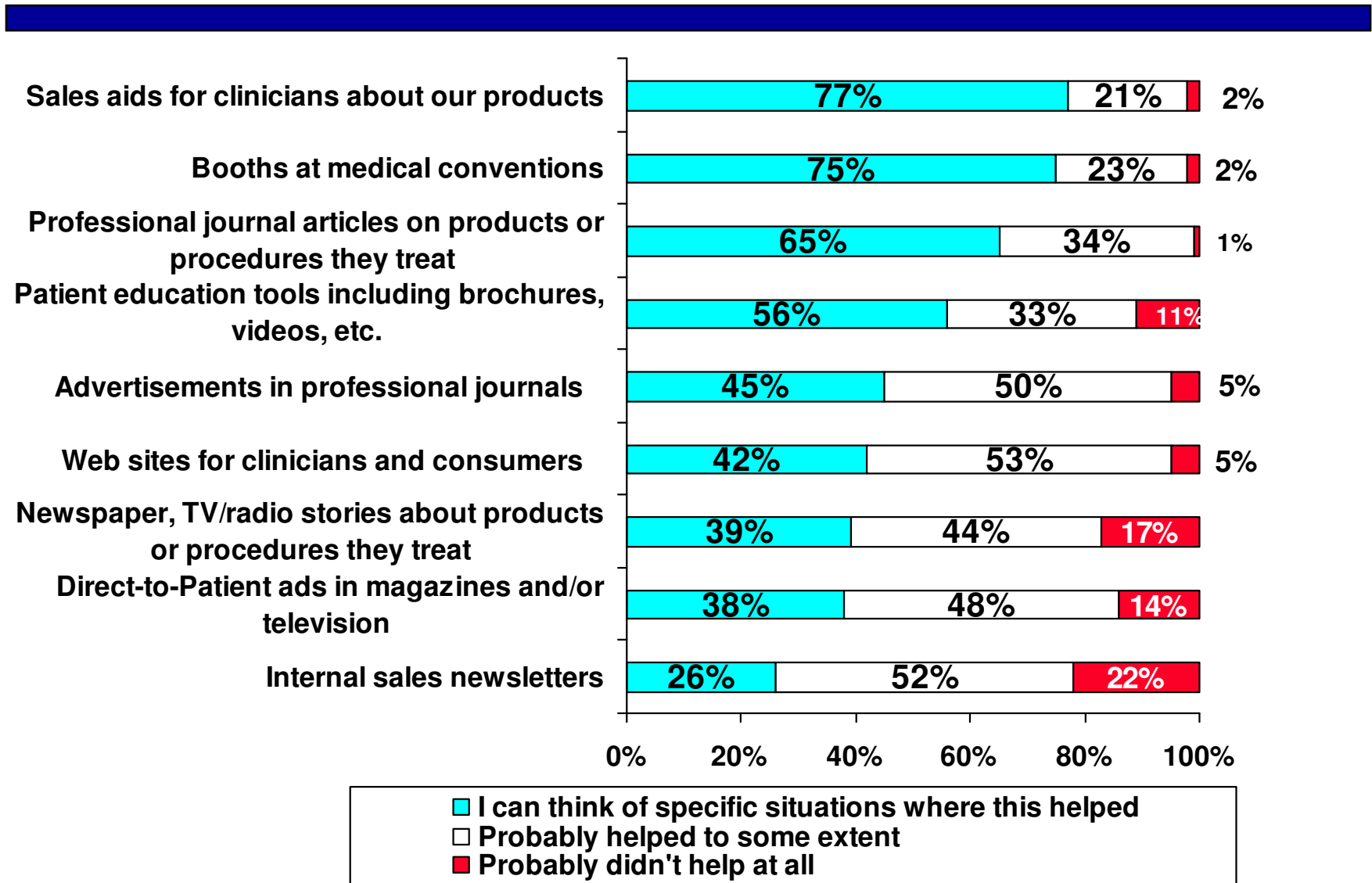
- Ask salespeople what percentage of the revenue they generated in the last year was due to more or better marketing communication directed primarily at prospects and customers; e.g.:
 - Consumer news stores
 - Trade press
 - Advertising
 - Events
 - Exhibit booths
 - Web sites

Ex. 2: Newspaper, TV/radio stories about products or procedures they treat



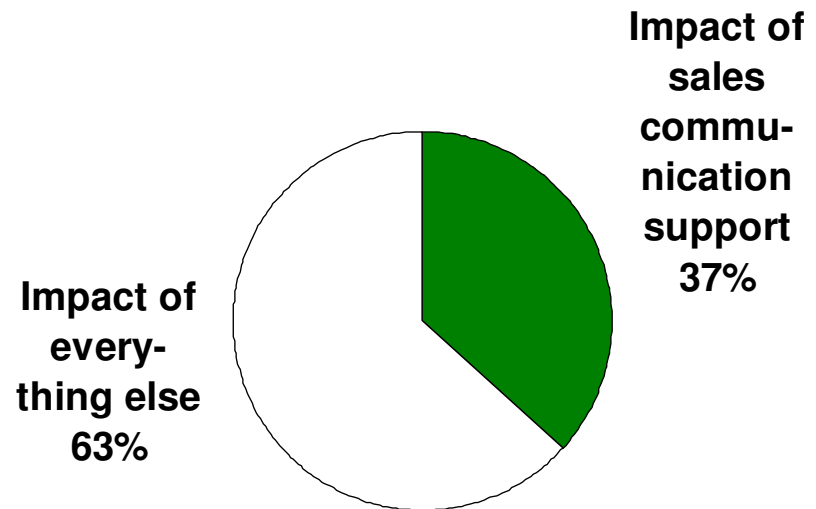
- I can think of specific situations where this helped
- Probably helped to some extent
- Probably didn't help at all

Ex. 2: How each tool helped increase customer awareness of the need for our type of products



Ex. 2: Sales reps' assessment of communication's ROI

- **Methodology:** 234 of about 500 invited XYZ sales reps and managers participated in an online survey to evaluate the effectiveness of sales communication support tools. This 47% response rate means that the following results are accurate at the 95% confidence level within a margin of $\pm 5\%$.
- Respondents attributed **37%** of the total revenue they generated to the sales communication support they receive, which results in an ROI of ___%.



Ex. 2: Calculating sales communication support's ROI on generating sales

- Total revenue generated \$
- % credit sales reps attribute to sales comm. tools x 32% to 42%
- Comm.'s "credit" for sales = \$
- Cost of comm. + research - \$ X
- Net return after costs = \$
- Cost of comm. + research ÷ \$ X
- **ROI** **= _____%**

Public sector examples of calculating ROI based on the cost to society of wrong behaviors

Wrong behaviors	Cost can be calculated as...
<p>Drinking while driving, not wearing life vests while boating, domestic violence</p>	<ul style="list-style-type: none"> • Cost of police and ambulance time to respond • Cost of disability benefits to survivors • Cost of un-reimbursed medical care
<p>High student drop-out rates</p>	<ul style="list-style-type: none"> • Loss in funding based on enrollment • Loss in future earning power and increase in likelihood of being unemployed and needing government benefits
<p>Visiting a govt. office for a transaction that can be done online</p>	<p>Greater amount of staff time needed for face-to-face transactions multiplied by average payroll cost per hour</p>
<p>Dumping toxic waste in sewers</p>	<ul style="list-style-type: none"> • Cost of environmental clean-up • Cost of potential lawsuits

Ultimate questions to ask:

- 1.** What impact on our business could this communication have?
- 2.** What would be the impact if we didn't communicate it?
- 3.** How can we quantify the impact financially?

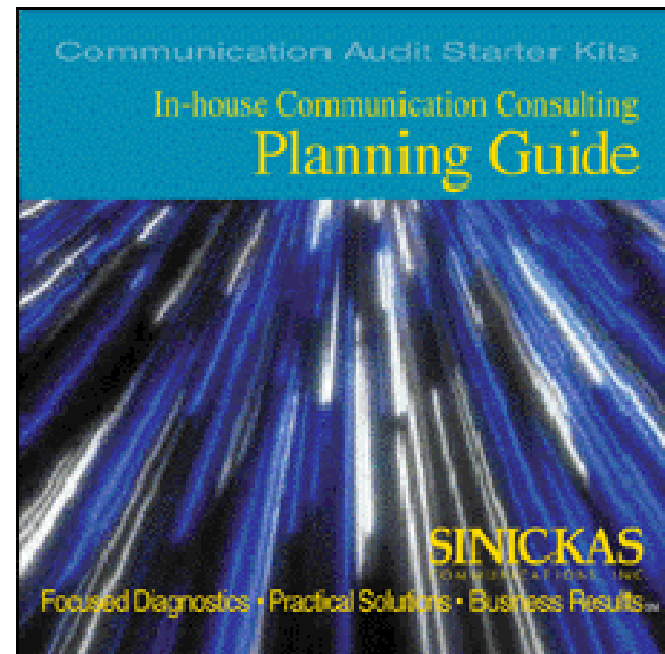
About Sinickas Communications, Inc.

- Sinickas Communications, Inc., is an international communication consultancy specializing in helping corporations achieve business results through focused diagnostics and practical solutions (www.sinicom.com)
- Audio training CD-ROMs on 40 measurement and planning topics, including supporting text documents, and a manual: *How to Measure Your Communication Programs*.

- Clients include:

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Amdocs (Israel)
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First Data
Hewlett-Packard

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Swarovski (Switzerland)
Telstra (Australia)
UK Works and Pension
Verizon
Wells Fargo
The World Bank



About Angela Sinickas

- A pioneer in the field of organizational communication measurement, Angela Sinickas has been measuring the effectiveness of communication since 1981. She has published over 100 articles in professional journals and has conducted over 300 workshops in 20 countries—Australia, Barbados, Brazil, Canada, Denmark, England, France, Germany, Hong Kong, India, Ireland, Italy, Malaysia, Mexico, New Zealand, Northern Ireland, Singapore, Spain, Switzerland and the U.S. She has also been a guest lecturer at USC, California State University, Loyola University, Pepperdine University, Ramon Llul University (Barcelona) and University of Ulster (Belfast).
- She is the author of the manual *How to Measure Your Communication Programs*, a regular columnist for the magazine *Strategic Communication Management* and on the editorial boards of two professional journals. She has written chapters on measurement in the textbook *Inside Organizational Communication* and the Ragan Communications manual *Employee Communication*.
- Angela is a former member of the Board of Directors for the Council of Communication Management, and was on the PRSA Communication Audit Task Force.
- Angela has been an organizational communicator since 1974:
 - Principal and Practice Leader, William M. Mercer, Incorporated
 - Vice President of Communication, Secomerica, Inc.
 - Communication Consultant and Unit Leader, Hewitt Associates
 - Manager of Internal Communication, Chicago Tribune Company
 - Editor, Information Officer, and Assistant Director, University of Illinois Medical Center
 - Managing Editor, Chicago Business Review; freelance 1977 to 1978
- Angela's work has been recognized with 15 international-level awards, five of them for measurement projects and two for her Website, www.sinicom.com.
- Angela received her BS degree in Journalism from the University of Illinois at Urbana-Champaign in 1975.
- Besides English, she is fluent in Spanish and Lithuanian, and is conversant in German.