



## Investment

# How PR can help



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**P**eople invest in companies with the ultimate goal of making a return on investment (ROI). Traditionally, responsibility for the company's ROI was the expressed mandate of sales and marketing. Today however, all the company's business units are being called to account for the company's profitability, whether in the form of budgetary control, research and development, public relations or some other strategy.

Since the marketers and the sales force focus on product development and sales, measuring their contribution to the company's success is a no brainer. We public relations practitioners might however argue that our contribution to the company's success is as much as that generated by sales, even if not as easily measurable. Nevertheless, there are at least four ways in which PR contributes to ROI.

### 1. Lower employee turnover

We take for granted the cost of a new hire. A number of thought leaders on this however suggest that the cost associated with recruitment should inspire companies to pay better and improve employee satisfaction. A good internal communications strategy points to staff issues not made obvious by any other function. These are issues which if left unnoticed could easily lead to employee dissatisfaction and departure. Consider something as simple as special parking for pregnant employees, for example. Okay it was **Facebook's** Sheryl Sandberg who gave me that idea but my communications teams within different organisations have been responsible for a radio being placed in nurse's quarters, coffee machines for visitors and staff, the introduction of gyms for staff and family and a host of other tactics that have contributed to staff satisfaction. These tactics are not linked directly to sales and maybe

seen as added expenses to most, but staff retention saves companies millions of dollars each year and hence helps to maintain a healthy bottom line.

### 2. Create a favourable environment to do business through CSR

One of public relation's most important functions is building relationships with stakeholders to facilitate smooth business transactions. Contrary to what we promote, companies engage in corporate social responsibility (CSR) initiatives not just because they are good corporate citizens but because these strategies create a favourable climate within which they can operate. Take Starbucks and their multi-million dollar ethical sourcing initiative. They promote that they can "have a positive impact on the communities they serve." Scotiabank declares that their "CSR strategy includes five priority areas: corporate governance, customers, employees, environment and community investment." Johnson and Johnson

says that their ongoing goal is for "increased transparency in communicating our sustainability efforts in areas such as climate change, human rights and our Healthy Future 2015 goals."

All these initiatives pave the way for companies to ply their trade in remote countries or in communities. These initiatives help them to make a favourable market entry and win hearts and therein overcome those obstacles that would likely make doing business difficult or impossible. The public relations function, a critical component of CSR, therefore shapes the operating environment for the company and easily can measure up with the sales strategy in credit for bringing in the money.

### 3. Advertise products directly

But public relations is also easily aligned with the advertising function. Public relations practitioners are the storytellers so marketers usually leave it up to them to tell the story of the products. Often during trade

shows and speaker engagement on products, this type of content heavy advertising is most times delegated to public relations. Public relations therefore is also a major driver of sales.

### 4. Managing reputation and averting crises

Then there is the reputation management function. Public relations practitioners do much to avert the cost of legal fees. An effective crisis communications strategy can smother a crisis before it happens and in the event that it does happen, the public relations team can do much to mitigate the cost of the damages. Most important is the cost of the company's good name. What is the cost of repairing a reputation? How can you win back customers after they have lost confidence in your brand?

I submit then that a robust public relations strategy is the best insurance for your investment. It not only gives you a return, but offers invaluable protection.



## US corporate profits under pressure

If the stock market rally is going to continue the next couple of months, it will have to do so against an aggressively worsening profit backdrop.

The corporate earnings picture is ugly and getting uglier in a hurry, with S&P 500 companies expected to post an 8.3 per cent decline in first-quarter profits from the same period a year ago.

While history suggests that earnings season always ends up

looking better at the end than it did at the beginning, if the current trend holds up it will be the worst period since the third quarter of 2009, according to **FactSet**.

At a time when the stock market has just recently erased its losses for the year and bounced out of correction mode, the worsening earnings picture presents a formidable headwind.

After all, analysts at the beginning of 2016 actually had been projecting

a modest 0.3 per cent earnings increase.

That outlook has changed rapidly, triggering concern that the recent market uptick, featuring a gain in the S&P of nearly seven per cent over the past month, could fade amid renewed concerns over corporate America.

"One thing that probably slows us down in this move is certainly the realization that we don't have robust earnings growth," said Art

Hogan, chief market strategist at Wunderlich Securities.

"At some point we will come to an inflection point where that starts growing again.

"But that's not happening in this quarter."

Unlike previous quarters where the damage was confined largely to energy and, to a lesser extent, materials, the profit declines are widespread. (cnbc.com)