



## Precise Thoughts #6: Latest Insights | Drivers of Value

Welcome to the latest in the new series of Precise newsletters. These seek to challenge traditional marketing and inspire a new era focused on value creation.

Challenges can often resolve into opportunities. And in this climate of cost reduction, marketing budget owners face a loaded challenge – the difference between cutting cost and finding value. The consequences of those decisions will eventually show up in customer value. But which way will that value move and how can we understand that in advance?

Turning challenges into opportunities requires a clear understanding of what drives value. That understanding is a tool to assist decision making and, over time, a competitive advantage. The value mechanism can be summarised by three steps:

### **Analysis creates understanding**

### **Understanding drives good planning**

### **Good planning drives growth**

So let's explore those themes across two key areas of our work.

As always, we value your input so please give us a call, drop us an email or leave a comment if you have any thoughts or questions.

**Michael Ziviani & the Precise Team**

### **In this edition**

1. Latest Cross-Client Insights
2. Drivers of Value – Building Brand AND Saving Budget

Followed by an update on recent Precise activities:

3. Precise Trip Report on the MOSS speaking engagement
4. Sydney Office

### **1. Latest Cross-Client Insights**

Precise regularly updates its cross-client database with newly assessed articles. From this broad base of media we extract analysis insights. In this edition we look at where Trust is generated and drilldown into CSR coverage.

[Previous newsletters](#) have highlighted the challenge many organisations face to build and keep Trust. The MOSS [Trip Report](#) reflects a deeper concern about Trust given recent events.

Precise has been collecting and scoring the Trustworthy theme in every article. Most recently, some 17,000 articles were analysed uncovering several insights:

- CSR was the highest contributor to Trust with negligible negative influence
- Environment was the next highest contributor to Trust
- Where Trust was present the average uplift in tone was +0.8 (on a +2 through -2 scale).





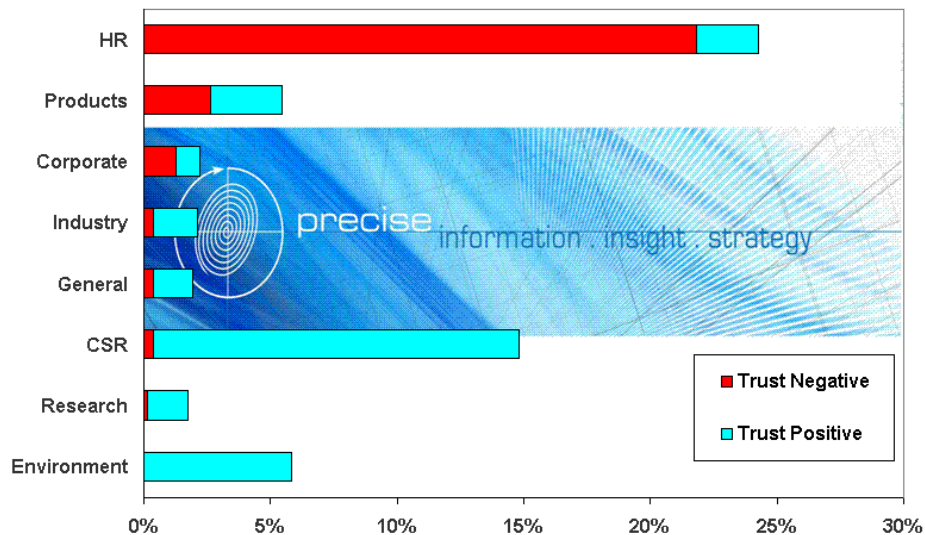
The chart below shows these results as a percentage of each topic where Trust was noted. The HR topic illustrates how business re-sizing through HR changes can heavily impact Trust. The importance of offsetting activity including CSR is therefore highlighted.

The chart also suggests environmental initiatives generated significant Trust. Further, these articles saw a very high tone score and were free of negatives. Whilst few in number, this insight suggests media are keenly interested in environmental communication. Of course this interest varies with the quality and authenticity of that communication.

Looking more deeply into just CSR articles, Precise also found that:

- Out of 750 CSR articles we assessed just 1% were negative.
- The average tone of CSR related articles was double that of other coverage for the same period.
- Some 85% of articles did not evoke a theme of Trust suggesting an opportunity to refine activity.

The analysis also produced a CSR Reference Portfolio. That is, a cross-section of articles which showcase various approaches to CSR and Sustainability activity. Precise has assessed and scored these articles and the learning from them is available for review. To organise a time please [contact us](#).



% Articles with Trust attribute assessed as positive vs. negative





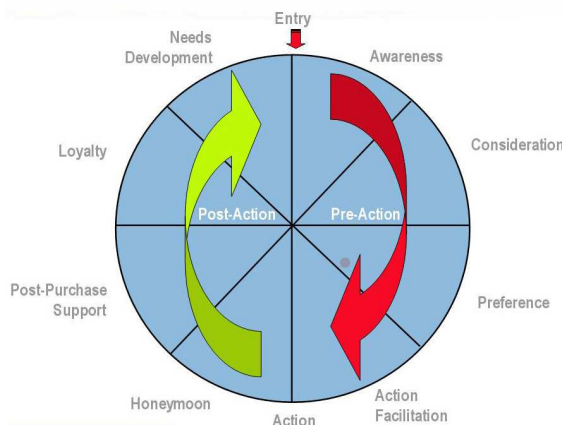
## 2. Drivers of Value:

### Building Brand AND Saving Budget

It is rare to hear discussions extend to the influence of PR activity on brand value. Perhaps a key reason is limited understanding of how to measure that relationship. Well it is doable, not simple, but doable.

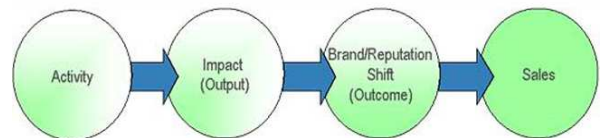
The essence of value creation in marketing starts with customer attitudes and moving these favourably towards purchase/ advocacy/ re-purchase. This movement is expressed through Brand equity and the several stages presented below in the marcomms cycle:

The Marcomms Cycle



The marcomms cycle fits neatly into the steps Precise calls a Value Creation Chain:

### Precise Value Creation Chain



The chain shows how marketing activity leads to business outcomes. Sales here is used to represent a direct, financial business benefit. Whilst some communications may never lead to that, Precise believe most will – sooner or later, via the Brand and Reputation.

Brand equity is like a bridge connecting marketing actions to customer buying behaviour. Its role as the pre-cursor of sales has been proven in key studies leading to these valuable insights:

When a product is associated with a high equity brand then customers...

- ...see it more favourably; as higher quality; as more reliable and they are more likely to buy it (Footnote/endnote source: Larouche, Kim & Zhou 1996)
- ...are less price sensitive and more responsive to marcomms (Footnote/endnote source: Simon 1979)

In fact, financial benefits also arise from brand equity with proof that it...

- ...reduces financial risk and is related to a lower cost of capital (Footnote/endnote source: Srivastava & colleagues 1997)
- ...can be tapped to reduce marketing expenditure in times of 'cashflow crunch' (Footnote/endnote source: Srivastava, Shervani & Fahey 1998).





The problem is that advertising often takes credit for all brand equity and ignores the contribution of PR. In turn, PR generally sees only a small fraction of available budgets and commensurate status in many organisations. We welcome your [comments](#).

PR and advertising are both communications. They interact and relate - whether or not integrated campaigns are used. They behave differently and need a delicate balance in order to achieve maximum potential business results. This balance is harder to find when each is managed separately or external agencies plan separately.

There seems a distinct lack of thought leadership on how to find the optimum balance of PR and advertising. So, what's the answer?

Well, we know analysis leads to understanding. Collecting the right information enables that analysis. Carefully structured capture helps give relevant answers that are often specific to an organisation. Over time this information builds to be an asset base with great potential to uncover value.

Linking all communications to brand equity is the next important step and this requires advanced statistics. If the information is well structured, then it can also distinguish PR effects from advertising effects over time. This enables more effective decisions about balancing PR and advertising which ultimately boost the role of PR in marketing.

For more on PR as the brand pacemaker see our [Precise paper](#) or [contact us](#).

## Precise Update

The recent MOSS Sustainability series was a chance to hear about an organisation's 'license to operate'. Our CEO, Michael Ziviani spoke in the second of the series and brought home key thoughts from major capitals across Australia. During the series, Michael was also [interviewed](#) by evoTV (dedicated online tv for finance encouraging thought and vision). He spoke about the Return on Investment of CSR within this piece.

Precise has expanded its Australian footprint with a new office in Sydney. The Sydney office brings us closer and more available to many clients and is headed up by Michael Ziviani.

If you would like to receive our newsletters as they are published please: [contact@precise-value.com.au](mailto:contact@precise-value.com.au)

## About Precise

Established in 1999, Precise specializes in premium quality communications analysis services for Blue Chip clients. We apply best-practice techniques to profile opportunities and quantify results in concrete business outcomes.

