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Public relations in the recession

Good news

Other firms' suffering has bolstered the public-relations business

Illustration by Claudio Munoz



THE past year or two has tested the idea that all publicity is good publicity, at least when it comes to business. Undeserved bonuses, plunging share prices and government bail-outs, among other ills, have elicited the ire of the media and public—and created a bonanza for public-relations firms. The recession has increased corporate demand for PR, analysts say, and enhanced the industry's status. "We used to be the tail on the dog," says Richard Edelman, the boss of Edelman, the world's biggest independent PR firm. But now, he continues, PR is "the organising principle" behind many business decisions.

According to data from **Veronis Suhler Stevenson (VSS)**, a private-equity firm, spending on public relations in America grew by more than 4% in 2008 and nearly 3% in 2009 to \$3.7 billion. That is remarkable when compared with other forms of marketing. Spending on advertising contracted by nearly 3% in 2008 and by 8% in the past year. PR's position looks even rosier when word-of-mouth marketing, which includes services that PR firms often manage, such as outreach to bloggers, is included. Spending on such things increased by more than 10% in 2009.

Not all PR firms did as well as IPREX, a global consortium whose revenues increased by 14% last year. Many had to shed jobs, and some estimates show the industry's overall revenues declining, although not nearly as sharply as those of most of the businesses it serves. According to a survey by StevensGouldPincus, a consulting firm for the communications industry, nearly 64% of participating firms saw revenues slide in 2009 and only 23% saw revenues increase, perhaps because businesses put their faith only in the biggest and most established firms.

PR has done well in part because it is often cheaper than mass advertising campaigns. Its impact, in the form of favourable coverage in the media or online, can also be more easily measured. Moreover, PR firms are beginning to encroach on territory that used to be the domain of advertising firms, a sign of their increasing clout. They used chiefly to pitch story ideas to media outlets and try to get their clients mentioned in newspapers. Now they also dream up and orchestrate live events, web launches and the like. "When you look at advertising versus public relations, it's not going to be those clearly defined silos," says Christopher Graves, the boss of Ogilvy Public Relations Worldwide. "It may be indistinguishable at some point where one ends and the other begins."

PR has also benefited from the changing media landscape. The withering of many traditional media outlets has left fewer journalists from fewer firms covering business. That makes PR doubly important, both for attracting journalists' attention, and for helping firms bypass old routes altogether and disseminate news by posting press releases on their websites, for example.

The rise of the internet and social media has given PR a big boost. Many big firms have a presence on social-networking sites, such as Facebook and Twitter, overseen by PR staff. PR firms are increasingly called on to track what consumers are saying about their clients online and to respond directly to any negative commentary. When two employees of Domino's, a pizza chain, uploaded a video of themselves apparently sticking ingredients for dishes they were preparing up their noses, the firm responded by posting a video of its own online, of a senior executive apologising for the incident.

Blow-dried blogs

That sort of content is proliferating. A PR firm called Ketchum helped IBM start a blog about sustainability, complete with posts written by the technology firm's executives. It also created cartoons on the subject that it uploaded to YouTube. Edelman recently worked with eBay on the launch of a web-only magazine, "The Inside Story", which provides articles on shopping and tells readers what is selling well on the online retail giant's website.

VSS forecasts that spending on PR in America will surpass \$8 billion by 2013, with much of the growth coming from online projects such as these. According to Miles Nadal, chief executive of MDC Partners, a media holding company, investment in digital PR accelerated during the recession "and will go forward in perpetuity" because clients became more focused on measuring the impact of their efforts. The internet offers various yardsticks, from traffic to cheerleading websites to numbers of Facebook fans, whereas the number of people who see a conventional advertisement is much harder to gauge.

Perhaps the best indication of PR's growing importance is the attention it is attracting from regulators. They are worried that PR firms do not make it clear enough that they are behind much seemingly independent commentary on blogs and social networks. In October America's Federal Trade Commission published new guidelines for bloggers, requiring them to disclose whether they had been paid by companies or received free merchandise. Further regulation is likely. But that will not hamper PR's growth, says **Jim Rutherford of VSS**. After all, companies that fall foul of the rules will need the help of a PR firm.