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13-15 June 2012, **Dublin**



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Vice President Corporate Communications
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Analytics and ROI: Why They are Business Critical

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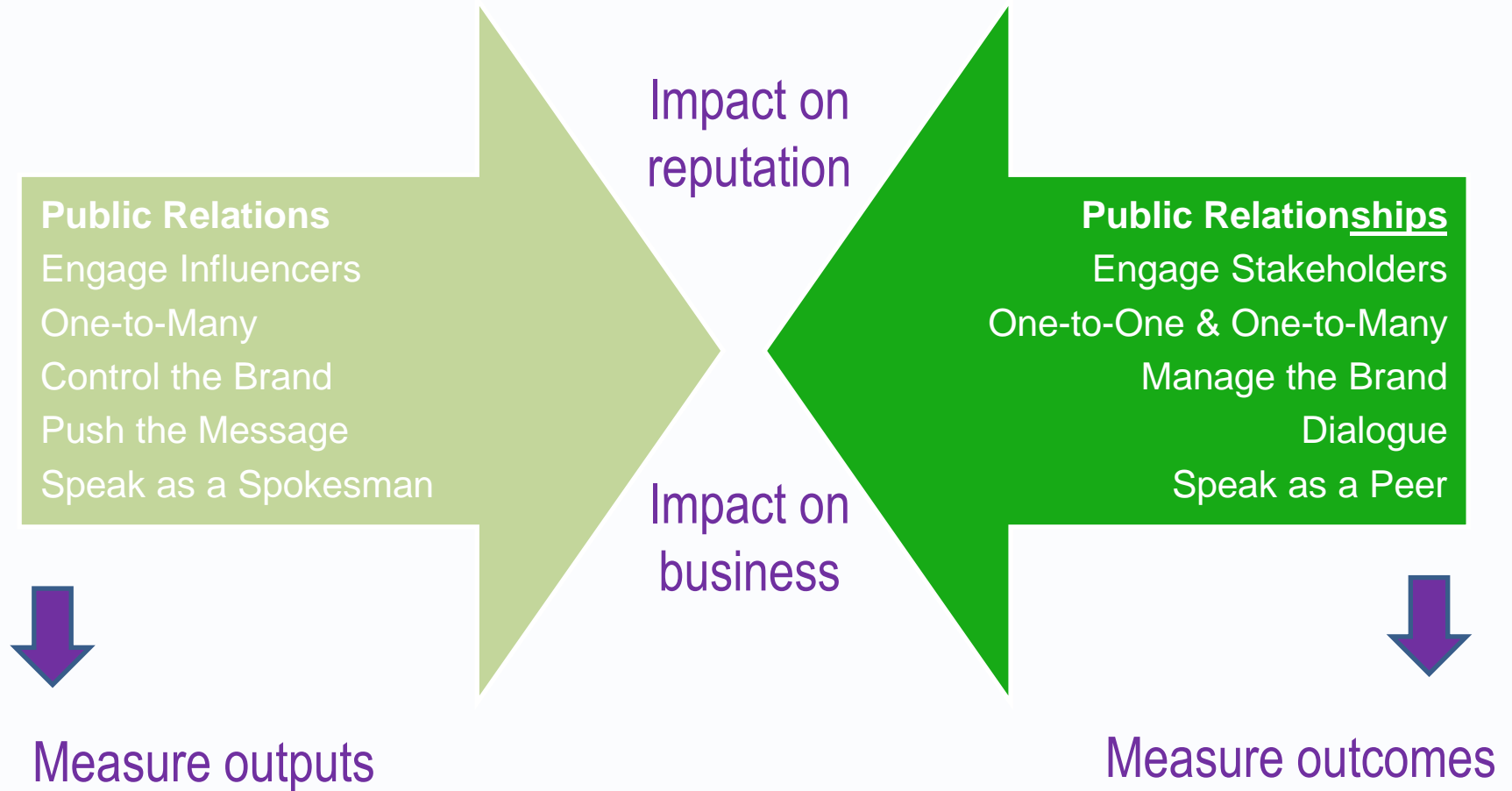
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We've All Gone through a Mindset Shift



Brand and Reputation Together

- Can result in supportive stakeholder *outcomes*

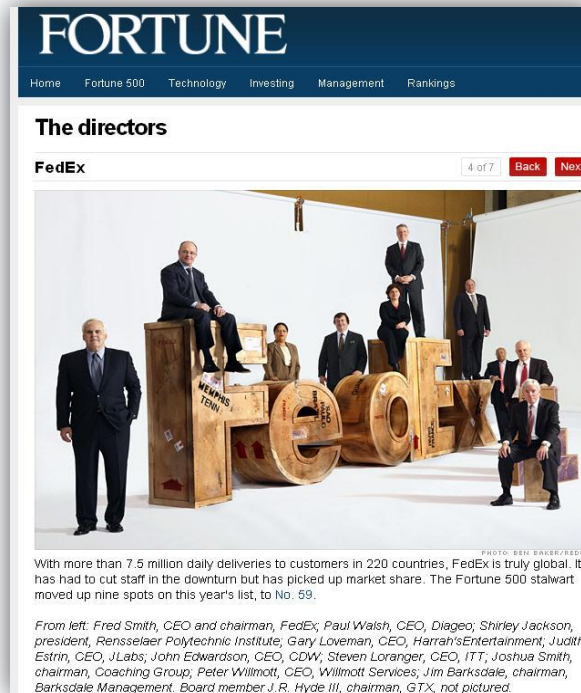
Brand

What a Company
Sells



Reputation

What a Company
Stands For



- Purchase
- Invest
- Loyal
- Recommend

Analytics and ROI: The Shared Language Between Reputation & Brand

Chief Communication Officer

Manage the communications risks and opportunities of a business, both internally and externally



Corporate Reputation **Brand Performance**

Chief Marketing Officer

Responsible for marketing communications activities, including sales management, product development, distribution channel management, advertising, promotions, pricing, market research, and customer service

PR Analytics Defined



PR an•a•lyt•ics

\ 'pē-'är\ \, a-nə-'li-tiks\

1. The application of advanced analytic models to public relations
2. PR Professional's use of the same statistical methods used by CMOs, advertisers and brand strategists
3. Provides the following:
 - A. Proof of the impact of earned media through statistical analysis
 - B. Ability to quantify the return on investment (ROI) of PR Activities
4. Methods that can be used to answer clients' toughest business questions

ROI of Corporate Communication Challenges We Face

- Brand equity is comprised of intangible parts
- Indirect association between PR and sales
- Understanding base vs. incremental results
- Industry is overall overwhelmed by ROI metrics while clients are demanding them
- Need to show ROI across a range of financial and non-financial indicators



Possible Non-Financial ROI Metrics

- Employee retention
- Calls to customer service line
- Loyalty behavior / Scope of purchases
 - Recommending brand
 - Repeat purchases
 - Customer retention
- Number of influencers advocating your message
- Online engagement with consumer base
- Community support for company initiatives
- Customer satisfaction
- Message recall



Measurement: Past, Present, and Future

2000

2012

2015

Clip Books...

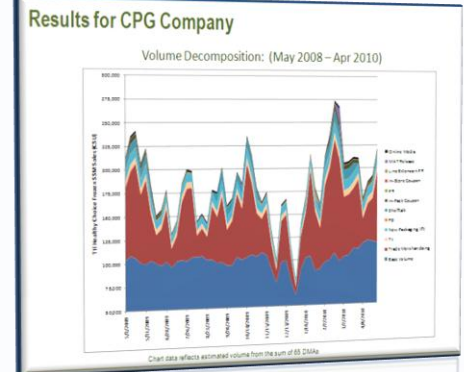
- Messy
- Cumbersome
- Time Consuming

Online Portals...

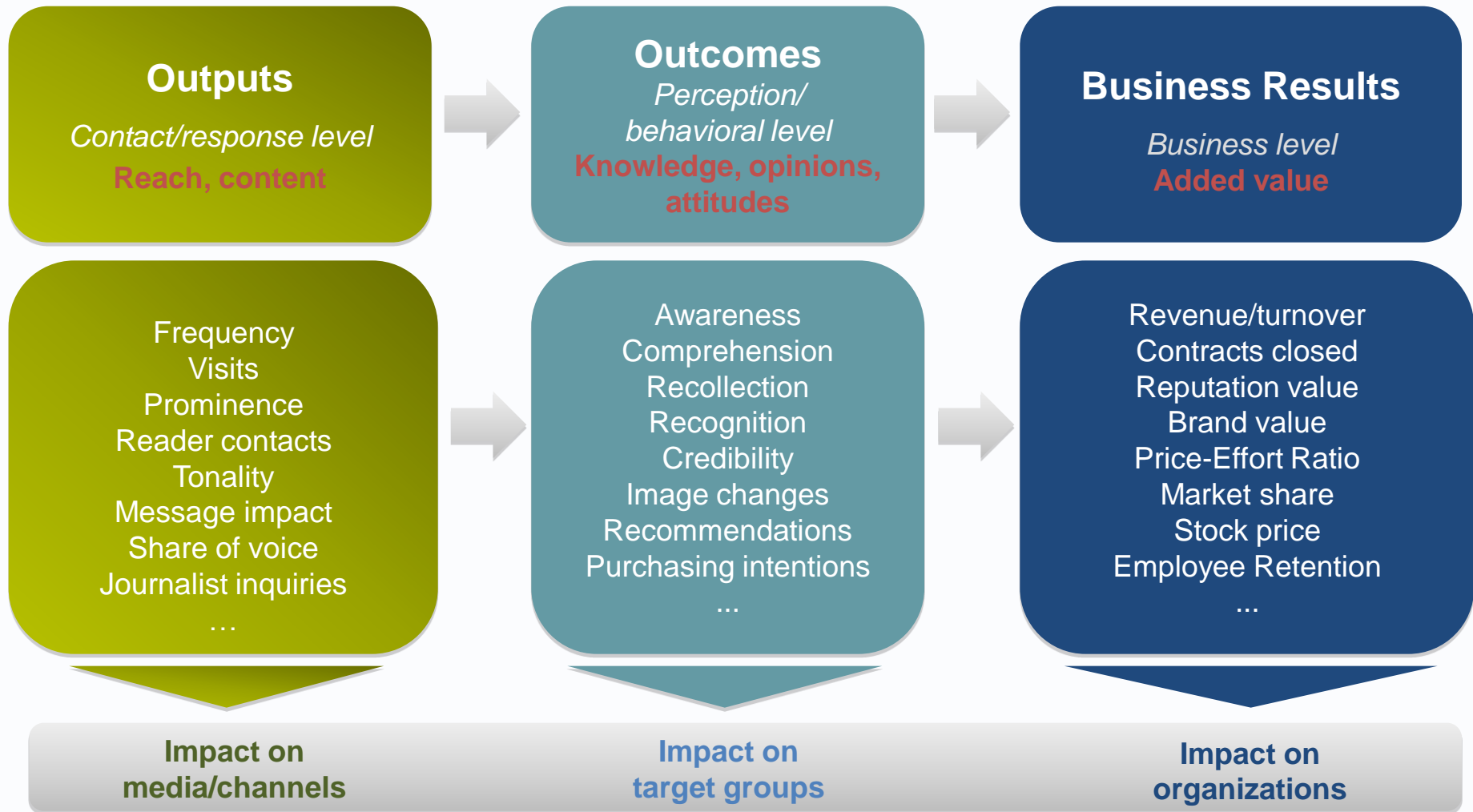
- Sleek
- User Friendly
- Data at the Click of a Button

Analytics and ROI

- Linked to Sales
- Market Intelligence
- PR Measurement Consistent



Measurement: Best Practices

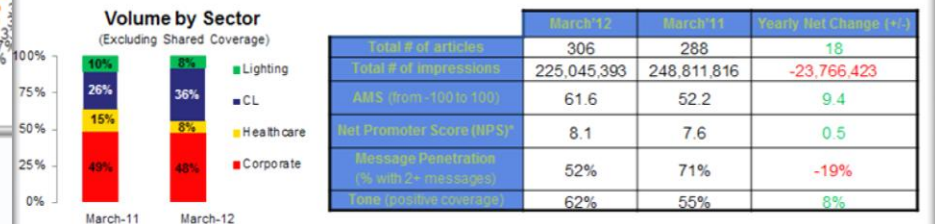
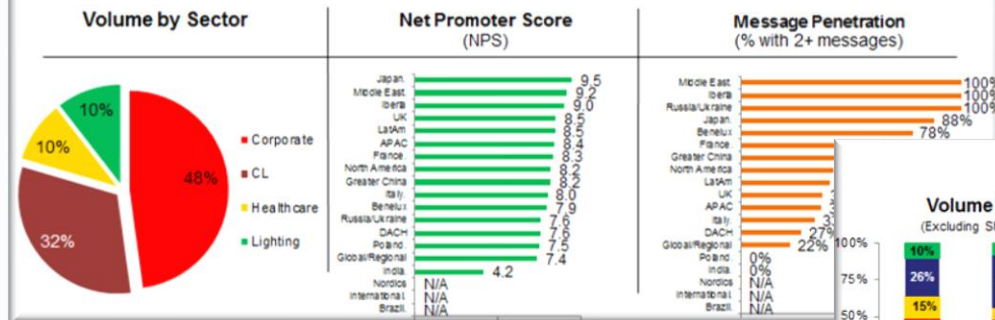


Making Media Results Intelligible to Marketers: the Role of NPS

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Sample Monthly Dashboard

	March '12	February '12	Monthly Net Change (+/-)
Total # of articles	306	356	-50
Total # of impressions	225,045,393	257,438,455	-32,393,062
AMS (from -100 to 100)	61.6	53.8	7.8
Net Promoter Score (NPS)*	8.1	7.7	0.4
Message Penetration (% with 2+ messages)	52%	49%	3%
Tone (positive coverage)	62%	51%	11%

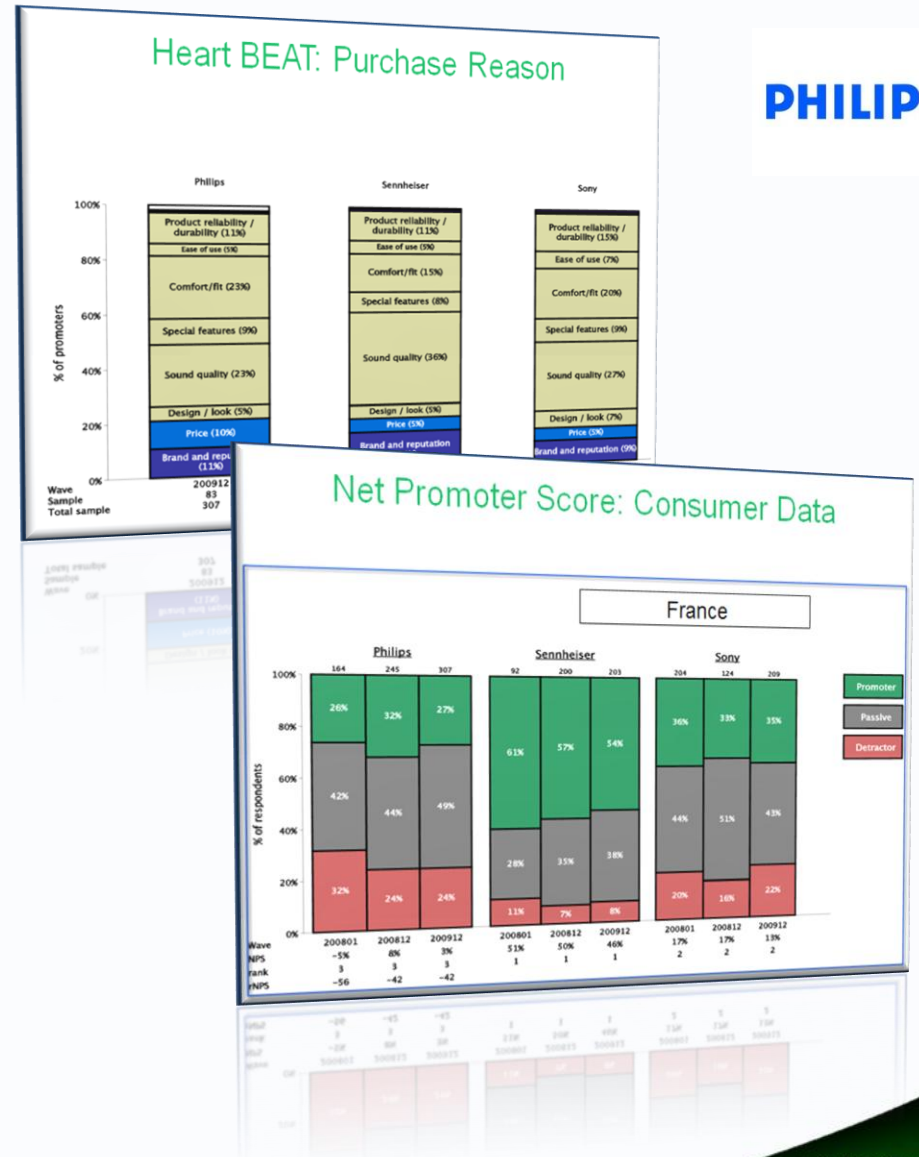


Compared with March 2011, most quality metrics improved while impressions and message penetration decreased.

- Year-over-year impressions declined. This was due in part to the large volume of somewhat negative business coverage focused on projected Q1 financial earnings in March of last year. There was no such negative financial coverage in March 2012. Coverage in 2012 focused instead on Eric Rondolat as the new Lighting CEO and product reviews.
- Quality scores (AMS, NPS, tone) increased year-on-year, helped by strong Corporate and Healthcare coverage. Nearly one-third of coverage in March of 2012 was neutral (32%) with the remaining (6%) negative in tone. Negative coverage mentioned the Rosendaal plant closing.
- Message penetration decreased from 2011 due to fewer stories in 2012 with negative financial and long-term strategy value messages from 2011. The most prominent messages in March of 2012 were financial strength and innovation. These messages were positive in tone, whereas in 2011 financial strength messaging was most prominent but more negative in tone.
- Year-over-year, volume of individual sector coverage increased for CL, while Corporate remained stable.
 - Corporate improved in quality year-over-year. March 2012 coverage focused on leadership and company growth, whereas 2011 coverage mentioned profit warning and financials. The presence of fewer financial stories contributed to dips in volume and message penetration.
 - CL decreased in reach (volume and impressions) and message penetration in 2012. AVM and Personal Care were the most prominent business units in 2012. Coverage was more positive in 2012 focusing on product reviews and innovation.
 - Healthcare saw a decrease across quality metrics year-over-year, but saw an increase in reach due to articles around new products. Positive coverage in 2012 mentioned Philips' presence at the European Congress of Radiology.
 - Quality metrics declined year-over-year for Lighting, while volume and reach increased. In March 2012, new product announcements, public lighting displays, and LEDs were featured in coverage. Coverage of the Rosendaal plant impacted quality metrics as well as neutral coverage of the announcement of new Lighting CEO, Eric Rondolat. This coverage often included quotation that delivered key messages around sustainability and energy efficiency.
 - Overlapping sector coverage decreased from 2011, with 15% of March 2011 coverage discussing multiple sectors, compared to 10% in March 2012.

Using Surveys to Measure Outcomes

- Adding Questions to existing tracking surveys
- Discrete Choice Analysis to measure how corporate reputation affects brand purchase decisions
- At Philips, this is a growing area of focus, but we have not fully cracked the code as of yet



Making Connections

- The key next step is to connect media measurement and standardize metrics utilizing existing research within corporations.
- Philips already has large quantity of data and information that can incorporate PR measurement.

**Influencers:
Philips Globescan**

**NPS & Employee
Engagement:
Philips Employee
Engagement Study**

**Brand Equity:
Philips Heartbeat**



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Monitoring Employee Engagement in 2010

The Employee Engagement Index

	Index based on: 1. SATISFACTION: Overall, I am extremely satisfied with Philips as a place to work. 2. COMMITMENT: I rarely think about looking for a new job with another company. 3. ADVOCACY: I would gladly refer a friend or family member to Philips for employment.
2010 EEI	
	Index based on above three survey questions PLUS:
2011 EEI	4. PRIDE: I feel proud to work for Philips.

Employee Engagement Universal Drivers

Ten survey questions around four key drivers

Confidence and Trust
Growth and Development
Recognition and Respect
Work/Life Balance

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sense and simplicity

Heart BEAT 2011: Philips' Corporate brand status in US

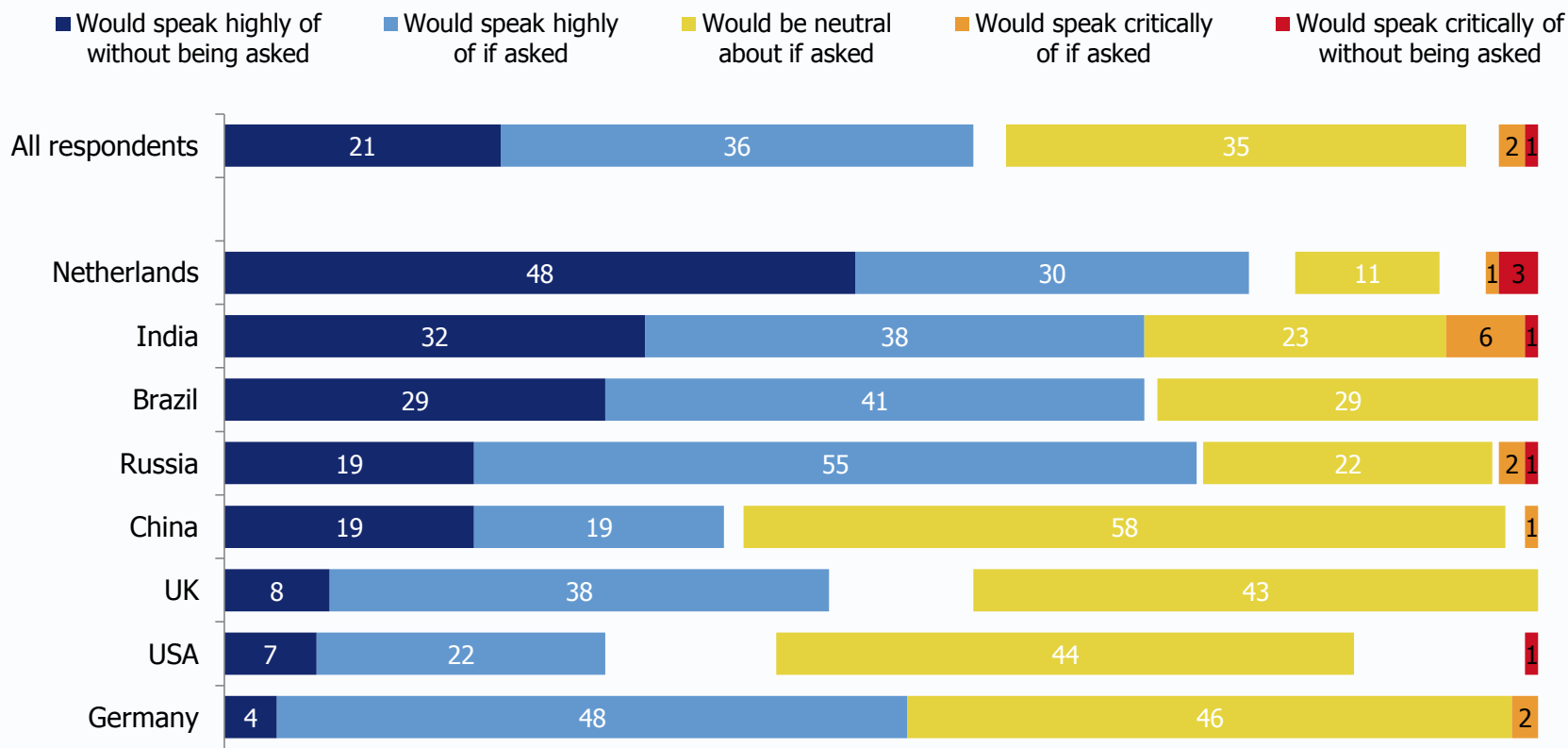
GM&C Market Intelligence

Produced by trommsdorff+drüner
INNOVATION • MARKETING CONSULTANTS

May 27th, 2011

Globescan: Advocates by Country

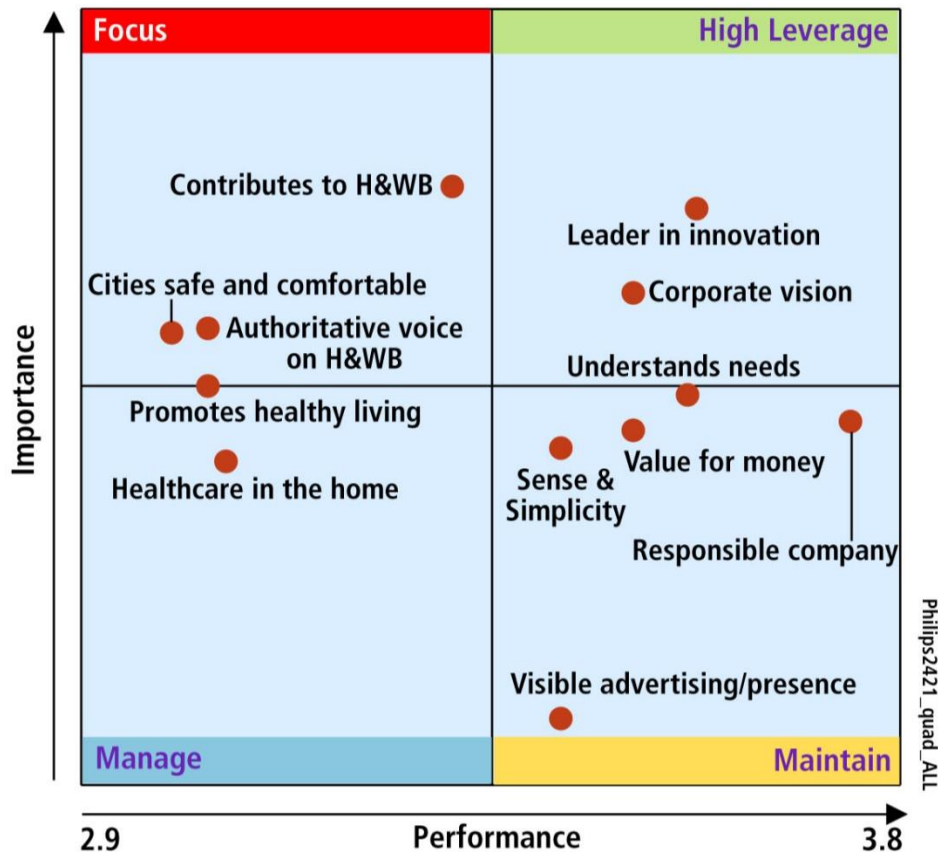
- Prompted, by Market, All ReActive advocates prominent in Netherlands, India, Brazil; few in Germany, US, UK respondents, 2011



- Q9. I'd like you to imagine you were talking about each of these companies and the way they operate in the area of health and wellbeing (health and wellbeing can mean whatever you consider it to mean). Bearing this in mind, which of the following statements best reflects the way you would talk about each of the companies I am going to read out.

Globescan: Insights about Competitors

Performance vs Importance, All Respondents, 2011



Philips performing better than GE/Siemens*

Healthcare in the home

Value for money

Visible advertising and presence

Responsible company

Stands for Sense & Simplicity

*Average of Siemens and GE mean performance scores

Philips performing better than Siemens

Healthcare in the home

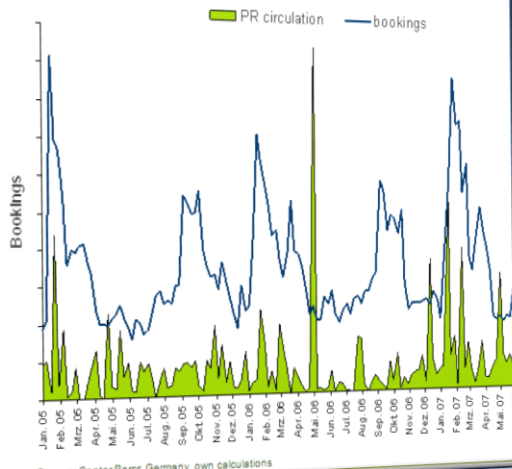
Visible advertising and presence

Q11. I would now like to ask you about different aspects of some of the companies we have been talking about. I will read out a series of descriptions: please tell me to what extent you think each description applies to each of the companies, using the following scale: *Entirely* / *very much* / *to a fair extent* / *not very much* / *not at all*

Business Results Focus Often Uses Market Mix Modeling

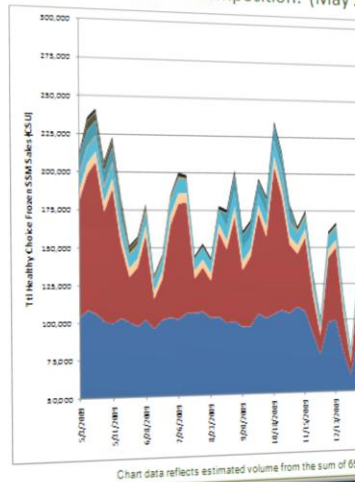
Money Matters.

Modeling for Center Parcs – Bookings vs. PR circulation



Results for CPG Company

Volume Decomposition: (May 2008 – Apr 2010)



Non-Profit: Optimal Marketing Mix for Leads

- Comparing the effectiveness of direct mail, radio advertising, online activity, and two forms of Point of Purchase materials

Channel	Dollars Spent Total (Annual)	Leads* Generated Per \$1,000	Total Leads Generated (Annual)
Direct Mail	\$8.5 mi	7	59,747
Radio	\$930K	5	4,645
Online	\$189K	33	6,249
PoP H	\$ 227K	10	2,270
PoP P	\$472K	23	11,126

$R^2 = .668$

Model 1: $Leads = 96.51 + 0.007(Direct\ Mail) + 0.005(Radio) + 0.033(Online) + .010(PoP\ H) + .023(PoP\ P) + 136(If\ summer) + 168(If\ fall)$

What is Market Mix Modeling?

Modeling Objective: To determine the impact marketing spend has on business results, taking into account all tools for communication

- What is the impact on company results generated by specific communications measures?
- What is the optimal communications budget (ROI) in order to achieve the company's target?
- What media mix has the greatest effect on brand awareness?
- Which products in the portfolio drive sales best?
- Shall communication activities be planned parallel to competition or alternate?
- Which communications strategy is most successful?

Optimal Marketing Mix for Lead Generation

- Comparing the effectiveness of direct mail, radio advertising, online activity, and two forms of Point of Purchase materials

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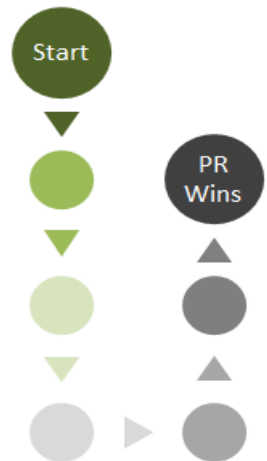
Model 1: Leads[§] = 96.51 + 0.007(Direct Mail)+ 0.005(Radio) + 0.033(Online) + .010(PoP H) + .023(PoP P)
+ 136(If summer) +168(If fall)

[§]Significant at p > 0.05 (2-sided)

Standardizing PR Data to fit into Market Mix Models

MMM Basic Data Requirements:

- 2-3 years of PR coverage
- Budgetary data
- The right output metrics
- The right format



Date (weekly)	Region	Impressions	Tone	Media channel	Initiative	Messages	Algorithm score*	Sales (weekly)
3.5.12	Oklahoma	23,233	Neutral	Print	Launch A	X, Y	32	\$50,233
3.12.12	Detroit	150,920	Negative	Broadcast	Launch A	X, Z	2	\$90,698
3.19.12	Detroit	39,321	Neutral	Print	Goodwill	X	51	\$239,112
3.26.12	Miami	N/A	Positive	Print	Launch A	-	88	\$82,658
4.2.12	Oklahoma	15,663	Positive	Online	Goodwill	Z	92	\$23,665
4.9.12	Miami	252,332	Positive	Online	Goodwill	-	79	\$1,325,125

So, in Conclusion...

- Analytics offers a viable language for the CCO and CMO to converse and jointly build a company's business
- To date, PR has not consistently brought this skill set or lexicon to the conversation
- It begins with putting media results in a language understood by both marketers and communicators
- It continues with adding questions to the many surveys that most companies do that identify earned media effects, and the subsequent statistical analysis of that data
- And, for consumer-facing companies it also includes bringing PR output data into market mix and other analytical models through data normalization
- But all of this means that the communicator, the marketer and the research/analytics expert have to learn to sit in a room together