

# Media Prominence: A Leading Indicator of Brand Value

How Effective Public Relations Contributes to Brand

global public relations  
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## Introduction:

John Grebe, who established Dow's Physical Research Lab, once said "If you cannot measure it, you cannot control it." The words ring especially true for marketers, who often struggle to show the direct value and impact of their programs on an organization's bottom line or their contribution to a brand.

The question of "Am I getting a good return on my marketing spend?," has been at the forefront of marketers minds since clever people started coming up with, and spending money on, creative ways to sell products. Demonstrating a good return has been easier for some forms of marketing than others. Showing the financial impact of online marketing, for example, is relatively easy. Online marketing allows marketers to see direct connections between ad placements and consumer behavior. It has been significantly more difficult to measure the value of PR, however, since the effects of media coverage on behavior has to be measured indirectly. While more difficult, it is not impossible to draw connections between how much a company spends on PR and how much value the company is creating. Our research firm Context Analytics has demonstrated that statistical analysis can be used to overcome the barriers and find the connections, using techniques that have solved similar problems in other marketing disciplines.

The current economic crisis has once again thrust the marketing ROI issue into the spotlight. When the US automaker CEOs are taking nine hour car rides to prove their devotion to frugality, can a hard look at marketing budgets be far behind? This past fall as I reviewed the Interbrand Best Global Brands report and things were starting to get wild, I decided that it was an extremely relevant time to take a close look at the brands in that report and understand better how much of a role advertising and public relations played in differentiating them. I'm obviously biased given my role. I fully expected that public relations would prove to play a crucial role in the marketing mix. I'd be in the wrong business if I felt otherwise, but in the end even I was impressed with the findings. Cynics will likely question the report because it is being distributed by a public relations company, but I strongly encourage you to review it and keep an open mind.

I hope that it comes at fortunate time and helps marketers and professionals as they may be struggling to show the value in disciplines that are notoriously tough to measure.

Aedhmar Hynes

CEO, Text 100

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## Executive Summary:

While debates may rage over exactly *how* to assess the value of brands, virtually everyone agrees that brands represent real and significant financial value to their owners. Managing a brand therefore requires careful and strategic investment and stewardship.

But what are the drivers of brand value? Product quality, customer services, and in particular advertising, are some of drivers most commonly cited and studied.

Until now, however, there has been relatively little research into the contribution of public relations to brand value. In this study, we assessed the statistical correlation between a brand's media prominence (a weighted composite of headline, lead paragraph and text mentions in independent media coverage that is not paid for by the brand owner), and brand value across the world's 100 most valuable brands, as measured by Interbrand in its 2008 Best Global Brands report.

Key findings included the following:

- Media prominence accounted for 27 percent of differences between the brand values of Interbrand's Best Global Brands.
- The relationship between media prominence and brand value depends on "product involvement" – i.e., the degree to which customers research a given product or solution prior to purchase. Media prominence was more associated with brand value for "high involvement" products compared to "low involvement" products. Advertising expenditures, however, were a leading indicator only for "low involvement" products, and accounted for very little brand value among "high involvement" products.
- Media prominence was a particularly important component of brand value for computer-related industries, such as software and hardware manufacturers, as well as computer and Internet service companies, accounting for 48 percent of differences between companies' brand values.
- The results suggest that, in general, media prominence accounts for approximately one quarter of brand value, although this value is often higher for high-involvement brands, and particularly so in technology. This underscores the importance of managing and growing brand value through public relations efforts.

## Introduction:

Interbrand's Best Global Brands study tends to provoke debate upon its annual release. There are certain limitations to this study—for example, it excludes private companies, and Interbrand shrouds much of the detail of its methodology in order to protect its "secret sauce." Nonetheless, it is a valuable benchmark in that it assigns a financial value to a brand, and can provide a basis for study in how various marketing activities impact this value. The specific question we set out to answer was: *how does communications affect a brand's financial value?* Specifically, we focused on the amount of media coverage that each of these brands attain. Further, we wanted to know how this varies by industry and product type.

## Results:

### Media Prominence Accounts for 27 percent of Brand Value Among Interbrand's Best Global Brands

To assess the degree to which media coverage is associated with brand value, we correlated the brand value of all of the brands in Interbrand's 2008 Best Global Brands report with a measure of media coverage, called Media Prominence. We selected Interbrand's brand valuation as our measure of brand value for two reasons. First, the Interbrand report is widely-read, respected, and recognizable to most marketing professionals. Second, Interbrand's brand value is based on financial metrics, in addition to consumer surveys and related measures of brand-awareness. Therefore, the results of this study can be interpreted as showing how media coverage relates to, not just a company's reputation, but the actual financial value of a brand—which is likely to be of greater interest, particularly in the current economic conditions.

We found a positive correlation between Media Prominence and brand value ( $r = .52$ ). As Media Prominence increased, so did Brand Value. The  $R^2$  between Media Prominence and Brand Value was .27, meaning that 27 percent of differences between companies' Brand Value in the Interbrand report was accounted for by Media Prominence (note—as a validity check, we also correlated brand values with media prominence for 59 brands studied in both Milward Brown's 2008 brand value report and the Interbrand report; a similar correlation emerged:  $r = .49$ ). This finding is particularly important to communications professionals, because it suggests that as much as 27 percent of a company's brand value is tied to how often the brand name appears in the press.

We also conducted a regression analysis to assess how changes in media coverage might translate into changes in brand value, using headline mentions as our media coverage metric. According to the regression analysis, one would predict that for a company with average brand value (\$12.1 billion), an increase of 1000 headline articles would be associated with a seven percent increase in brand value. To illustrate: if SAP, a fairly representative company in the sample (brand value = \$12.3 billion, headline mentions = 6,400), had an increase of 1,000 headline articles in one year, the regression analysis predicts that SAP's brand value would increase to \$13 billion. Like correlational analyses, we cannot say for certain the exact patterns of causality between headline mentions and brand value. This data could, for example, also be interpreted as suggesting that a seven percent increase in brand value will lead to an additional 1,000 headline articles every year. As we discuss below, we believe that the actual relationship between media coverage and brand value is bi-directional, with each contributing to the other. To arrive at a more conclusive analysis of cause-and-effect, we normally look at a number of metrics over time for an individual company, but since this is outside the scope of this analysis we provide the above as an illustration.

## Media Coverage is Particularly Important for Industries Selling High Involvement Products

To further understand the circumstances under which Media Prominence plays an important role in brand value, we segmented our results by industries that were well-represented in the Interbrand 2008 Best Global Brands report. These industries included Food and Beverages, Apparel, Automotive, Computing, Consumer Electronics, Financial Services, Personal Care and Luxury Brands<sup>1</sup>. We found that industries that sell high involvement products (products where a buyer invests time and effort in deciding what to buy) registered higher correlations between Media Prominence and brand value than industries selling low involvement products (products that are more likely to be bought on impulse; see *Figure 1*).

### Advertising Is More Important for Low Involvement Brands

When assessing the effect of product involvement on the relationship between advertising expenditures and brand value, we observed a pattern opposite to the one we found with Media Prominence. Advertising expenditures had a much stronger association with brand value for low involvement products than for high involvement products. The correlation between advertising expenditures and brand value was  $r=.49$  or  $R^2=.24$  for low involvement products, while the correlation between two was only  $r=-.05$  or  $R^2=.002$  for high involvement products. This means that advertising accounts for nearly one quarter of brand value for low involvement products, while it accounts for less than 1% of brand value for high involvement products.

In the Computing industry, for example, Media Prominence accounted for nearly half, 48 percent, of brand value ( $r=.70$ ;  $R^2=.48$ ), or sixteen times that of the Personal Care industry. The relationship between Media Prominence and brand value was also strong in other high involvement industries, such as the Automotive, Consumer Electronics and Financial services.<sup>2</sup>

The effect of product involvement on the relationship between Media Prominence and brand value makes intuitive sense. The more complex a product is to a buyer, the more likely they are to research the product category and to look for information that they can trust. Much has been said of the increasing power of word-of-mouth and distrust in advertising in the past few years. If unpaid media placement, as opposed to paid media (or advertising), is more credible to buyers, then it too should play a key role in building brand value for high involvement brands.

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<sup>1</sup> See Table 2 for a breakdown of industry categorizations by company.

<sup>2</sup> One exception to the involvement pattern was food and beverages, a low involvement category (in terms of purchasing frequency) where media prominence had a large association with brand value. This high correlation is most likely a result of how food and beverages are represented in the Interbrand report, rather than an actual pattern that would be observed among all food and beverage brands. In the Interbrand report, there are two extremely high value food and beverage brands, Coca-Cola and McDonalds, and 14 brands with significantly lower brand value. Furthermore, media prominence mirrored brand value- with Coca-Cola and McDonalds producing significantly more media coverage than their peers. Consequently, the correlation between media prominence and brand value was quite high for this industry ( $r = .88$ ,  $R^2=.67$ ). When the highly valuable Coca-Cola and McDonald's brands were removed from the data, however, the correlation decreased significantly ( $r = .09$ ,  $R^2=.01$ ). This situation was unique to food and beverage brands, as brands within other industry categories were much closer together in terms of brand value.

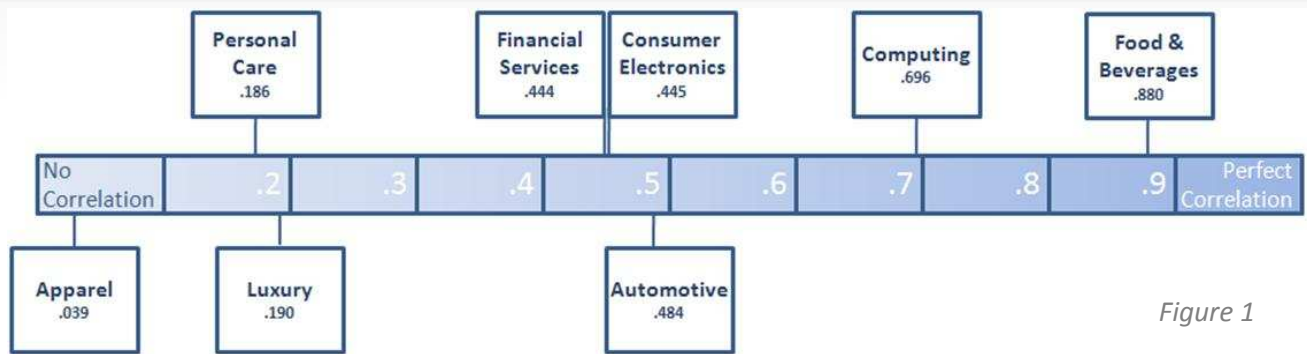


Figure 1

### Conclusions and Future Directions:

One of the most important things that one can learn from a statistics textbook is that correlation does not imply causation, and this lesson applies to this study as much as any other. We do not wish to make the claim that increases in media coverage cause brand value to increase. Most likely, there is a reciprocal relationship between media coverage and brand value, with each driving the other to some extent. For example, a new Apple product is likely to receive a great deal of attention in the media, largely because Apple already has an existing, strong brand value. However, this additional media coverage is likely to push the brand value even higher. The important take away message from this study is that, regardless of the direction of causation, a sizable amount of brand value, particularly for high involvement industries, is tied into media coverage. So, even if one interprets this study as showing that high brand value leads to more media coverage, it is still important for media coverage to be carefully managed since it is the window through which others will see your brand.

Although this study focused on how the volume of media coverage relates to brand value, reputation in the media is likely to be an even greater predictor of brand value than volume alone. Context Analytics and Text 100 are currently working on a second report, which will assess exactly how the tone of media coverage relates to brand value. We expect that, when tone is taken into consideration, the strength of the association between media coverage and brand value will be even higher. This next report will also assess how newer forms of media, such as consumer generated media, relate to brand value as well. Look for this report in early 2009.

### Methodology:

#### Sample of Brands

This study included the 99 of the 100 brands featured in the 2008 Best Global Brands report (one brand, Thomson-Reuters, was excluded because it is a media company, and the Reuters brand name appears in an extremely large number of articles). According to Interbrand, there are three criteria for inclusion in the 2008 Best Global Brands report:

- 1) One third of the brand's profits must come from outside the brand's home country
- 2) The brand must be recognizable by individuals who are not customers of the brand
- 3) The brand's financial and marketing data must be publicly available

## Data Sources

Media Prominence. Media prominence is a weighted composite of headline, lead paragraph, and article body mentions for each company. Data was collected from 2006 media coverage in Dow Jones' Factiva database of over 20,000 global print and online publications. We searched for mentions of each brand in English, Spanish, Japanese, German, French, Italian, and Chinese coverage.

Interbrand Brand Value. We used Interbrand's brand value from their 2008 Best Global Brands report as our measure of brand value. Although the specifics of Interbrand's valuation methodology are proprietary, Interbrand reports that the valuation is based upon current as well as five years of future revenue that are attributable to the brand.

Advertising Expenditures. Advertising expenditures from 2006 for 49 of the 99 brands was collected from sources that are publicly available, including *Advertising Age's* 2007 Top 100 Global Marketer report, which contains 2006 ad expenditure data, and 2006 Annual SEC filings. Fifty of the 99 brand's advertising data was not publicly available for several reasons. Many companies report their marketing expenditures in aggregate (e.g., collapse sales and marketing data into a single value), while others aggregate expenditures across different brands (e.g., Yum! Brands, Inc does not report ad spending separately for KFC, Taco Bell, and Pizza Hut). For one brand, Rolex, advertising expenditures were unavailable because the company was privately held.

## Data Analysis

Pearson correlation coefficients were used to assess the associations between Media Prominence, advertising expenditures, and brand value. These correlation coefficients, which range from -1 to 1, indicate the strength of the relationship between two types of data as well as the direction of the relationship. Associative strength is indicated by the distance from 0 (-1 or 1 would indicate perfect correlations—as media prominence increases one unit, there is always a corresponding increase in brand value). The direction of the relationship is indicated by the positive or negative value of the correlation. Negative correlations indicate that increases in one measure correspond to decreases in another measures, while positive correlations indicate that the two measure increase together (e.g., a positive correlation between Media Prominence and brand value means that, as Media Prominence increases, brand value increases).

To assess the influence of one year's marketing activities on next year's brand value, we correlated 2006 Media Prominence with 2007 brand value (taken from Interbrand's 2008 Best Global Brands report). We tested for non-linearity in the correlations, since it was possible that we would observe diminishing returns in enhancing brand value through Media Prominence and advertising expenditures. The results, however, suggested linear relationships between brand value and Media Prominence and advertising expenditures.

In this report, we often report another metric,  $R^2$ , which is derived from the Pearson correlation coefficient. This metric reflects the percentage of variance in Brand Value that is accounted for by variance in either media prominence or advertising expenditure data.

The research team who conducted this study was led by Seth Duncan, Research Manager, Context Analytics.

### **About Context Analytics:**

Context Analytics is a strategic communications research and consulting company. Context provides customized, actionable analysis to help our clients understand and leverage public perceptions in order to better manage corporate reputation. Since 1992, Context has worked with some of the biggest names in technology, consumer electronics, and healthcare, helping our clients better understand the impact of the rapidly changing media environment on their corporate reputation.

As opposed to a one-size-fits-all approach to media research, Context's experienced analysts provide customized research and consulting services aimed at addressing client specific questions and business issues. Our services include global media research and measurement, social media research and influence mapping, primary survey research, consulting and research program management, competitive research, and business impact analysis.

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## Appendix:

### Table 1: Correlation Coefficients for Global Media Prominence and Brand Value

	Text Mentions	Lead Paragraph Mentions	Headline Mentions	Media Prominence	Ad Expenditures	Brand Value
Text Mentions	--	$r=.96$ (N=99)	$r=.92$ (N=99)	$r=.98$ (N=99)	$r=.31$ (N=49)	$r=.52$ (N=99)
Lead Paragraph Mentions	--	--	$r=.95$ (N=99)	$r=.99$ (N=99)	$r=.32$ (N=49)	$r=.53$ (N=99)
Headline Mentions	--	--	--	$r=.97$ (N=99)	$r=.23$ (N=49)	$r=.49$ (N=99)
Media Prominence	--	--	--	--	$r=.30$ (N=49)	$r=.52$ (N=99)
Ad Expenditures	--	--	--	--	--	$r=.15$ (N=49)

### Table 2: Industry Categorizations

Apparel	Automotive	Computing	Consumer Electronics	Financial Services	Food & Beverages	Luxury	Personal Care
Adidas	Audi	Accenture	Blackberry	AIG	Budweiser	Armani	Avon
GAP	BMW	Amazon	Duracell	Allianz	Danone	Cartier	Colgate
H&M	Ferrari	Apple	Motorola	American Express	Heinz	Chanel	Gillette
Nike	Ford	Canon	Nintendo	Axa	Hennessy	Gucci	Johnson & Johnson
Zara	Harley Davidson	Cisco	Nokia	Citi	Kellogg's	Hermès	Kleenex
	Honda	Dell	Panasonic	Goldman Sachs	KFC	Louis Vuitton	L'Oreal
	Hyundai	eBay	Samsung	HSBC	McDonald's	Prada	Nivea
	Lexus	Google	Sony	ING	Moet & Chandon	Rolex	
	Mercedes	HP		JP Morgan	Nescafe	Tiffany	
	Porsche	IBM		Merrill Lynch	Nestle		
	Toyota	Intel		Morgan Stanley	Pepsi		
	Volkswagen	Microsoft		UBS	Pizza Hut		
		Oracle		Visa	Smirnoff		
		SAP			Starbucks		
		Xerox			Wrigley		
		Yahoo					
5 Total	12 Total	16 Total	8 Total	13 Total	15 Total	9 Total	7 Total

\*Note: Certain brands were not included in the above industry breakdown, due to the small size of their category or the brand's categorization on the Interbrand list as diversified (e.g., GE, Siemens, and Philips). These brands were included in all the other analyses.

**Table 3: List of Brands**

Brand	Country of Origin	Sector
Coca-Cola	United States	Beverages
IBM	United States	Computer Services
Microsoft	United States	Computer Software
GE	United States	Diversified
Nokia	Finland	Consumer Electronics
Toyota	Japan	Automotive
Intel	United States	Computer Hardware
McDonald's	United States	Restaurants
Disney	United States	Media
Google	United States	Internet Services
Mercedes	Germany	Automotive
Hewlett-Packard	United States	Computer Hardware
BMW	Germany	Automotive
Gillette	United States	Personal Care
American	United States	Financial Services
Louis	France	Luxury
Cisco	United States	Computer Services
Marlboro	United States	Tobacco
Citi	United States	Financial Services
Honda	Japan	Automotive
Samsung	Republic of Korea	Consumer Electronics
H&M	Sweden	Apparel
Oracle	United States	Computer Software
Apple	United States	Computer Hardware
Sony	Japan	Consumer Electronics
Pepsi	United States	Beverages
HSBC	United Kingdom	Financial Services
Nescafe	Switzerland	Beverages
Nike	United States	Sporting Goods
UPS	United States	Transportation
SAP	Germany	Computer Software
Dell	United States	Computer Hardware
Budweiser	United States	Alcohol

Merrill Lynch	United States	Financial Services
IKEA	Sweden	Home Furnishings
Canon	Japan	Computer Hardware
J.P. Morgan	United States	Financial Services
Goldman	United States	Financial Services
Kellogg's	United States	Food
Nintendo	Japan	Consumer Electronics
UBS	Switzerland	Financial Services
JP Morgan	United States	Financial Services
Philips	Netherlands	Diversified
Thomson	Canada	Media
Gucci	Italy	Luxury
eBay	United States	Internet Services
Accenture	United States	Computer Services
Siemens	Germany	Diversified
Ford	United States	Automotive
Harley-Davidson	United States	Automotive
L'Oreal	France	Personal Care
MTV	United States	Media
Volkswagen	Germany	Automotive
AIG	United States	Financial Services
AXA	France	Financial Services
Heinz	United States	Food
Colgate	United States	Personal Care
amazon.com	United States	Internet Services
Xerox	United States	Computer Hardware
Chanel	France	Luxury
Wrigley's	United States	Food
Zara	Spain	Apparel
Nestle	Switzerland	Food
KFC	United States	Restaurants
Yahoo!	United States	Internet Services
Danone	France	Food
Audi	Germany	Automotive
Caterpillar	United States	Diversified
Avon	United States	Personal Care
adidas	Germany	Sporting Goods
Rolex	Switzerland	Luxury
Hyundai	Republic of Korea	Automotive

BlackBerry	Canada	Consumer Electronics
Kleenex	United States	Personal Care
Porsche	Germany	Automotive
Hermes	France	Luxury
Gap	United States	Apparel
Panasonic	Japan	Consumer Electronics
Cartier	Switzerland	Luxury
Tiffany	United States	Luxury
Pizza Hut	United States	Restaurants
Allianz	Germany	Financial Services
Moet	France	Alcohol
BP	United Kingdom	Energy
Starbucks	United States	Restaurants
ING	Netherlands	Financial Services
Motorola	United States	Consumer Electronics
Duracell	United States	Consumer Electronics
Smirnoff	United Kingdom	Alcohol
Lexus	Japan	Automotive
Prada	Italy	Luxury
Johnson & Johnson	United States	Personal Care
Ferrari	Italy	Automotive
Armani	Italy	Luxury
Hennessy	France	Alcohol
Marriott	United States	Hospitality
Shell	Netherlands	Energy
Nivea	Germany	Personal Care
FedEx	United States	Transportation
Visa	United States	Financial Services