

Media Relations XXL

5 indicators for successful communication that can be controlled and measured



The rules of media coverage on companies have radically changed: In the past 10 years, more business journalists have been reporting on more industry sectors and markets in more business media outlets. In the early 90s there was hardly any business news on TV. But with the IPO of the Deutsche Telekom Share the evening newscasts did live relays to the stock market maybe once a quarter. Since the introduction of the T-share (Deutsche Telekom), however, the financial markets newstickers have begun even before the prime time newscasts air.

For years, there has been no weekday at the German nightly news programs Heute-Journal or Tages-themen without a live relay to stock market correspondents, no matter whether the markets have moved significantly or not. Editors seem to ignore the fact that the ratio of Germans who invest their assets among others in stocks, is actually shrinking. Of course, not all newly-established business media survived the burst of the New Economy bubble and the resulting decline in advertising revenue, but the share of coverage with a focus on the economy is much higher in 2007 than in 1997.

The tone, too, is a different one: Companies are attributed a more significant role, as a *Spiegel* edition from mid-July proves. The newspapers' business sections receive more attention than formerly, and the media's impact on share prices, CEOs' terms of office or product successes or failures cannot be denied.

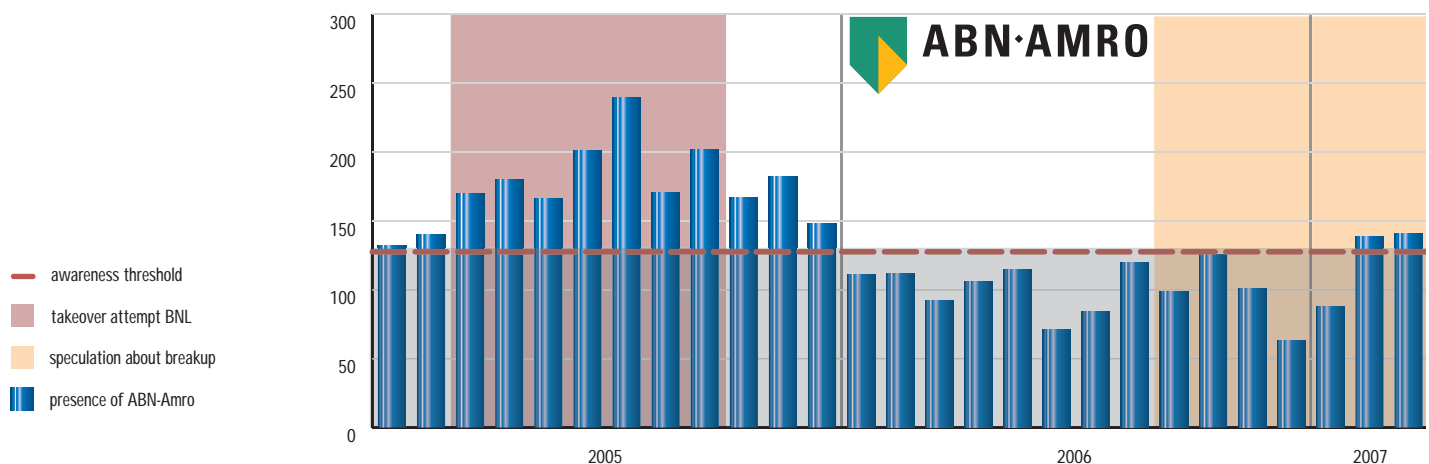
The examples of Apple, or even Harry Potter, illustrate how to target media presence in order to drive up the demand.

It is obvious that the media increasingly communicate beyond official occasions in their business sections. This change in the editorial rooms implies opportunities and risks. The analysis shows that the key to success lies in linking the interests of all those who depend on communication: On the one hand, journalists themselves have understood that news is a commodity that caters to their own journalistic interests and increases their publishers' circulation numbers. On the other hand, it is more important than ever for entrepreneurs to go beyond the semi-annual press conference and supply the different markets with target group-specific information. Now the question is how to reconcile those two interests with one another?

Indicator 1: Economy of attention - awareness decides everything

Both the financial press and the perceived importance of the economy as a whole have grown. Yet recent examples such as ABN-Amro, AIG or Avaja show that even listed companies fail to grasp the value of media relations beyond their own advertising volume. After all, the unfriendly takeovers of Aventis or Schering had made obvious that fancy full-page image ads cannot raise the share value when those purchased messages do not fall into a previously prepared reputation background.

1) Presence of ABN Amro



Presence (passages about the company or its management in the media analyzed)
Basis: 3,667 passages (at least 5 lines/seconds in daily newspapers, weekly media, TV news and financial press)
Time period: 01/01/2005 - 03/20/2007

Chart 1 clearly shows that the Dutch bankers only communicated above the awareness threshold in 2005, but remained below it throughout the attack in spring 2007. For banks in particular, it goes without saying that it is crucial to permanently contact their respective target groups via the media. The principle can be compared to the rules that apply to granting a loan. A client that requests a loan from ABN-Amro first has to deposit the corresponding “collateral”. When in spring 2007 ABN Amro demanded confidence for its own merger strategy from journalists, they had to remark with surprise that they had paid far too rarely into the “information flow” account. The same was true for AIG. The insurance company did not need the media’s support for communicating a merger, but for defending themselves against the media-orchestrated attack by former New York Attorney General Eliot Spitzer.



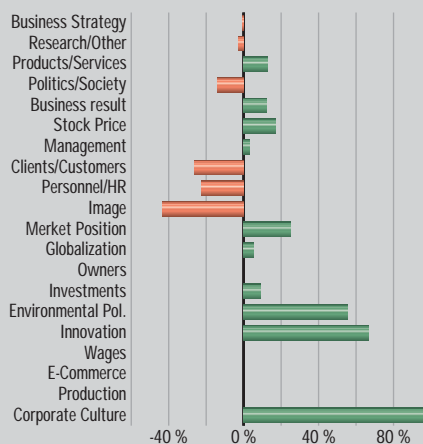
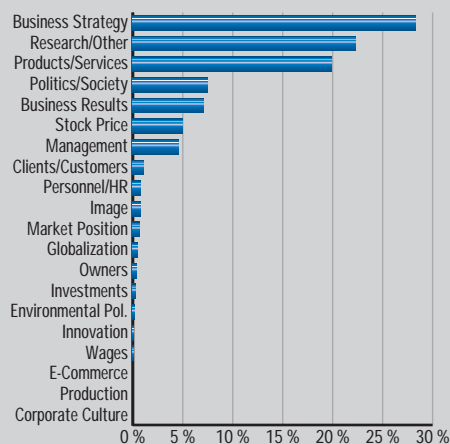
Indicator 2: Strategic issue management

Before a company invests into new markets, it performs intensive market research. Those who deal with information should also act with the same meticulousness: They have to compile media profiles, with which they can identify the editorial focus of each medium. Generalized press releases thus become obsolete. Instead, corporate communicators can prepare an informal background conversation with journalists of the medium A, because it has been

focussing for months on stories about logistics, while other editorial offices are more interested in environmental topics or employee stock option plans.

The analysis of ABN Amro’s positioning before the external attacks illustrates that both the quantity and the quality of coverage was below par. **Chart 2** shows on the left-hand side that value-driving topics such as market position, globalization, management, investments etc. were barely visible. Neither the journalists themselves, nor their readers and viewers had been informed on ABN Amro’s performance in those areas. It is extremely risky to try to catch up on this at

2) Presence and assessment of ABN Amro in the leading German and UK business press



Relevance= Share of the image factor in all news stories

Assessment= Balance of the +/- ratings in %: a positive image starts with an overhang of 10% positive ratings

Basis: 3,667 passages (at least 5 lines/seconds in daily newspapers, weekly media, TV news and financial press)

the time of an attack. Moreover, the right-hand graph clearly indicates that the media themselves portrayed the situation at ABN-Amro from a rather skeptical perspective. While the company was on the defensive, it was ever more difficult to regain the trust of journalists who, at the best of times, had not covered it very enthusiastically.

Indicator 3: Third-party endorsement

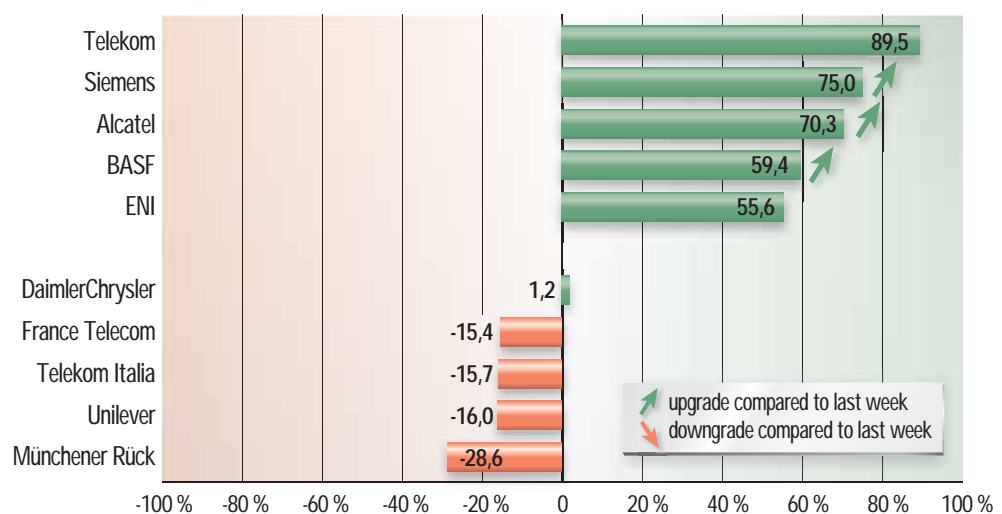
In such times, only external experts can offer protection through accompanying reputation-saving measures. Investor relations is more than a buzzword. Those who take it seriously have to monitor analysts on a daily basis, in order to prepare the road shows and parry attacks by their competitors: Each statement by the different investment banks on the company (and the industry sector) in the stock market-relevant media must be registered. Communicators thus realize at one glance which group has been speaking out critically for a long time, and which one has been offering support. The banks' connections to editorial offices are important too. Most journalists still do not choose the analysts they quote based on the renowned reliability ranking that is regularly published by the financial magazine AQ FTSE 100 in London. Instead, they follow long-established conventions and connections. Merck & Finck, for example, are frequently quoted by the newspaper *Welt*, but have difficulties to get their analyses published by the *Handelsblatt*. The *Handelsblatt*, on

the other hand, prefer the shortcut to the WGZ-Bank. The two charts on Eurostoxx exemplify the inclination of selected editorial offices to print positive quotes on shares. Moreover, they give an impression of the extent to which quoted analysts were able to push the share price of Deutsche Telekom: **Chart 3** illustrates how, at a selected time period (last week of May 2004), analyst quotes on Deutsche Telekom peaked compared to other EUROSTOXX shares, and the balance of statements was positive. **Chart 4** on the following page then shows the consequence: With 105 quotes that week, the awareness threshold of 60 was clearly surpassed and the T-share became the "talk of the day" for a sufficient number of investors. The positive signals from *Welt*, *Handelsblatt* and the *Wall Street Journal* were obviously strong enough to push up the share price.

For ABN-Amro it was too late to follow a similar strategy. Although there are still experts who attribute a good management to the company and predict a successful future, journalists, in the context of the overall negative portrayal, primarily quoted analysts that corresponded to the negative framing. **Chart 5** illustrates the clear downward trend long before the actual attack. In the end, ABN-Amro had not managed to achieve a positive rating via quoted analysts since the crisis in July 2005.

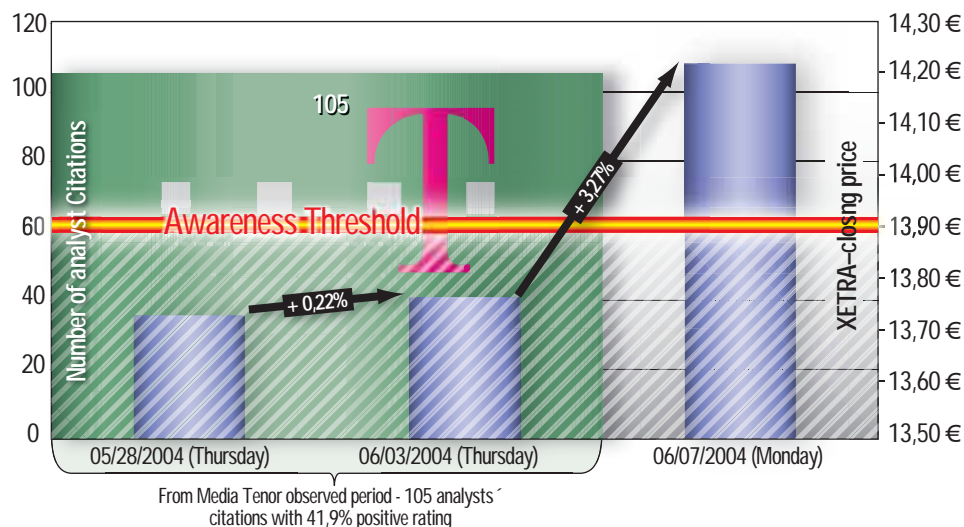
However, in times of crisis, there is no chance to swing around the media climate without this kind of third-party endorsement. Many more contribu-

3) Tops and flops of the Eurostoxx



Overhang of the +/- ratings
Basis: All statements on the Eurostoxx 50 in *Welt*, *FAZ*, *Handelsblatt*, *Wirtschaftswoche*, *Börsenzeitung* and *WSJ Europe*
Time period: 05/28 - 06/03/2004

4) Deutsche Telekom: Share price and presence of analyst quotes



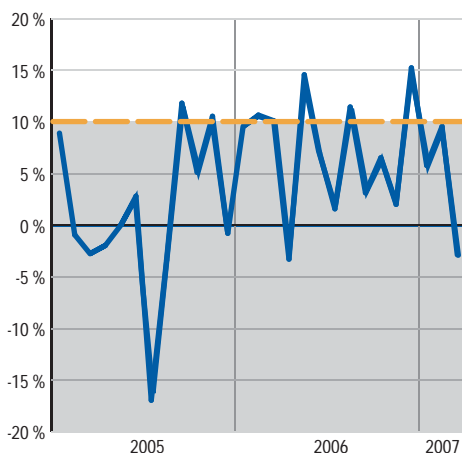
tions would have been necessary in the run-up to the attack, which could have clarified the position of ABN-Amro. **Chart 6** shows the same dynamic with the world's biggest insurance company **AIG**, which always seemed to be of the opinion that their reputation was spotless. Yet the same symptoms can be observed here: The presence in supposedly good times was too low in order to create a sufficient confidence base with the journalists, who could then back them in times of an external attack. In the context of the Spitzer investigations, AIG saw the amount of cover-

age go up, while the tone of reporting switched from major to minor, and the damage to their reputation was done.

Indicator 4: Personalization – people want to know those responsible

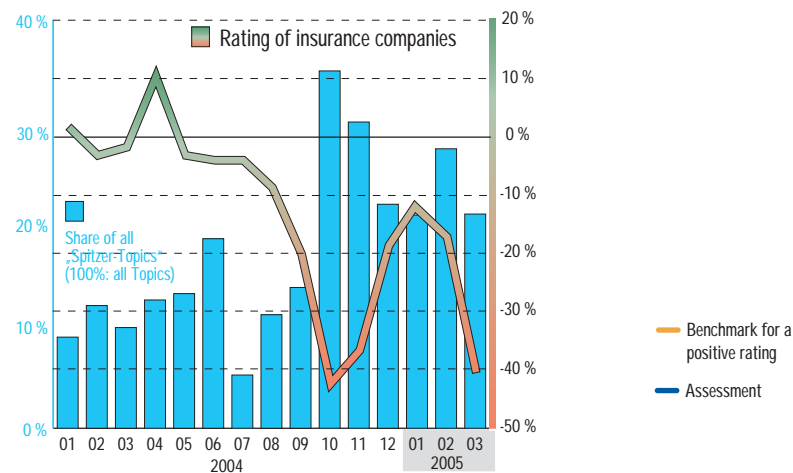
Every two years the same ritual repeats itself. Whenever the opinion survey data of the **Manager Magazin** or **Capital** regarding the image rankings of German companies are published, press relations managers are faced with the same disagreeable ques-

5) Presence and assessment of ABN Amro



Assessment = Balance of +/- ratings in %
Basis: 3,667 passages (at least 5 lines/5 seconds)
Time period: 01/01/2005 - 03/20/2007

6) Share of Spitzer-related topics and assessment of the insurance industry



Share of positive and negative assessments
Basis: 3 US und 36 German media outlets
Time period: 01 - 03/2005

tions: Why have we fallen back 3 points again, why has the competitor overtaken us?

CEOs rarely think of the obvious response: Those who do not prioritize the cultivation of contacts with journalists, thinking that two press conferences on business results could quench their thirst for information, should not be surprised when the company's commitment to research or the environment remains unknown to anyone other than its employees. A lack of continuous information on R&D or of life-long learning not only jeopardizes an improved position in the general image ranking. In times of ever-harder competition for qualified talent, it also means depriving university graduates of their chance to receive background information.

Chart 8 indicates the increasing trend in coverage on companies to focus more and more on the management. The requirements are not always as strict as with the newspaper **Welt am Sonntag** which, in effect, does not print a single article on a company without making its CEO visible. But the graph shows that almost one out of five news stories on companies includes the portrayal of the CEO or other top executives.

Indicator 5: Negativism – German financial journalists are rather critical of CEOs

This increase, however, is not accompanied with the glamour that is associated with coverage of executives in the US or Asia. In Germany, a critical stance on business executives is more the rule than the exception. Let us begin with the exceptions: Steve Jobs

can continue to do whatever he wants, German journalists, too, are at his feet – even if he does not refer to the origin of many of the components that make up Apple's products. **Chart 7** illustrates more of the rule in media coverage of CEOs: In principle, criticism dominates. Journalists would rather write the 75th story on the corruption scandal at Siemens than the second article on the turnaround at Infineon. In order to break this cycle, a new relationship between the CEO and media relations personnel is necessary. The changing business and media landscape is a real opportunity for external communication. But to grasp this opportunity, executives have to overhaul internal information flows in the same way as with regard to the challenges of the Internet. Communication only works when its experts get a fair chance to do their job. Yet, when media relations are considered as an also-ran, it should not be a surprise when opportunities turn into risks. In view of repeatedly failing mergers, some CEOs and CFOs should think about the question how well they would perform, if they were only informed about the new goal on the eve of its implementation. Executives should either trust their full-time communicators and fully integrate them into important strategic decision-making from the start, or they should do without them. In the best of cases, however, media relations personnel are only informed after all decisions have been taken. This in turn risks that all previous communication efforts were in vain. Not everything is self-explanatory, on the contrary. The outside world, whether the stock market, community, foreign offices or the press, is not

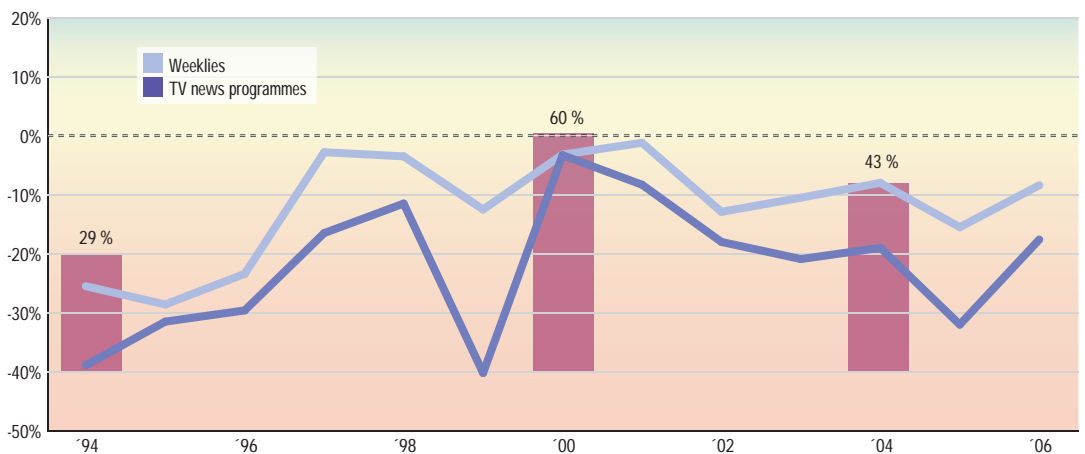
Opinion poll

"On this list you see different groups and institutions. Which ones do you think are most likely to advance our society, and which of them do you pin your greatest hopes on for future development?"

Entrepreneurs as beacons of hope: bars in the right-hand side diagram

Institut für Demoskopie Allensbach

7) Assessment of companies regarding their management 08/1994 to 12/2006, opinion poll



Media trend: Balance of the +/- ratings; Polling results Allensbach
Basis: all passages (at least 5 lines/seconds) on the management of companies in 4 weekly media and 3 (7) TV newscasts; IfD Allensbach

anchored in all business processes to such an extent that every one involved can immediately comprehend all corporate decisions. Translators, moderators and interpreters are needed. Those who know this art improve their image, create time for themselves, freedom for new ideas and, last but not least, sustainable value for the company. Trust is not on sale, but is the fruit of daily hard work. This is why the communication professionals' acting or failure to act has similar consequences to that of the CFOs. It is a bitter pill for all executives who have, at best, viewed their press officer as a useful idiot for getting rid of shady characters. But the world has changed. Journalists no longer write only when invited to. These days they prefer to write when they get the feeling that they are not informed properly. rs

Basis:

Media set Germany: Bild-Zeitung, FAZ, Frankfurter Rundschau, Süddeutsche Zeitung, Taz und Welt; Financial Times, Neue Zürcher Zeitung, Wall Street Journal Europe and Wirtschaftswoche; ARD Tagesschau/Tagesthemen, ZDF heute/heute journal, ProSieben Nachrichten, RTL Aktuell und Sat.1 18:30; Bild am Sonntag, FAZ Sonntagszeitung, Focus, Rheinischer Merkur, Spiegel, Stern, Welt am Sonntag and Zeit.

Time period: 08/1994 – 12/2006

Analysis: passages (at least 5 lines/seconds) or news stories on companies and managers.

Media set US: ABC World News Tonight, Atlanta Journal Con-

stitution, Barron's, Boston Globe, Business Week, CBS Evening News, Chicago Tribune, Financial Times, Forbes, Fortune, FOX: Special Report, Information Week (US), Institutional Investor, Los Angeles Times, Miami Herald, NBC Nightly News, New York Times, Newsweek, San Francisco Chronicle, Time, Toronto Globe & Mail, USA Today, US News & World Report, Wall Street Journal, Washington Post

Time period: 01.01 - 31.03.2007

Analysis: 2,636 passages (at least 5 lines/seconds) on insurance companies in 25 US media outlets

Bibliography:

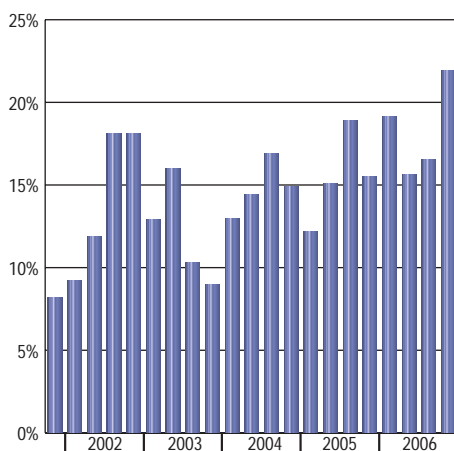
Robert G. Eccles and Matthias Vollbracht: Media Reputation of the Insurance Industry: An Urgent Call for Strategic Communication Management

The Geneva Papers (2006) 31, 395–408. doi:10.1057/palgrave.gpp.2510086

Roland Schatz: Fusionen – Gestalten und Kommunizieren, 3. Auflage; Fribourg 2000

Roland Schatz: Strategisches Informationsmanagement – Die Erfolgsfaktoren interne und externe Kommunikation

8) Share of management-related topics to the total coverage on companies



Share of the total coverage
Basis: 312,351 passages (at least 5 lines/seconds) on DAX 30 companies and their managers in 25 media outlets, Time period: 01/2002 - 12/2006