



Metric name	Return on Investment (ROI)
Standards area	Business results
Metric description and application	<p>Organizations investing in public relations programs want to understand what they are getting for their money—and legitimately so. Yet hard financial numbers are usually not so easy to come by. When public relations professionals speak of ROI, or the “return on investment” of a program, they often refer to non-financial measures like mindshare, traffic, message penetration, or the number of fans or followers a company earns via social channels.</p> <p>ROI is fundamental to the rhythm and flow of business investment decisions, and our industry can't afford fuzzy math or vague definitions. Given PR's powerful impact in a networked communications environment, we risk budgets and credibility if we don't help create clearer business metrics.</p> <p>ROI is a financial measure that should only be used in cases where both money invested (the “I” of ROI) and money earned or saved (the “R” of ROI) can both be measured in financial terms. ROI should not be used when referring to results of non-financial measures.</p>
Status	Proposed interim standard. This standard is ready for publication for comment by the industry. Subsequently, this standard will be revised, submitted to the Coalition <a href="#">customer panel</a> for review, and then for adoption as an interim standard.
Version, date, and author	Version 1.0 Last updated by David Geddes on Nov. 2, 2012
Standard or guideline	Standard
Metric type	Business outcome
Detailed description. <i>This is the actual standard, and must include full description of how to use this metrics</i>	$\text{ROI} = \frac{\text{(Total \$ Earned, Saved or Avoided)} - \text{MINUS (Total \$ Invested)}}{\text{(Total \$ Invested)}} \times 100\%$
Source documents	Money Matters: Re-thinking ROI and “Total Value” for Public Relations. E-book published by the Council of Public Relations Firms, [DATE]

Academic research supporting this standard.

For related discussion of where to use measures such as ROI, consult the following papers:

**Fraser Likely. (In press). "Principles of the use of return on investment (ROI), benefit-cost ratio (BCR), and cost-effectiveness analysis (CEA) financial metrics in a public relations/communication department."** The author contends that financial ROI is only applicable at the organizational level (e.g., business unit or corporation), not at the level of the program. In its place, he advocates using other measures such as benefit-cost ratio (BCR) and cost-effectiveness analysis (CEA)

**Tom Watson and Ansgar Zerfass. (2011). Return on investment in public relations: A critique of concepts used by practitioners from communication and management sciences perspectives. *PRism* 8(1).** Available at

[http://www.prismjournal.org/fileadmin/8\\_1/Watson\\_Zerfass.pdf](http://www.prismjournal.org/fileadmin/8_1/Watson_Zerfass.pdf)

In this paper, "applied theory and parameters for the development of measurement and evaluation techniques are proposed. The paper concludes that the use of the term ROI in public relations needs a proper foundation in overriding management theory; otherwise public relations theory and practice will discredit themselves."

The authors advocate, in line with the previous papers, that it is time to create PR's own language and create advantage. First, we should report financial results and true ROI where possible (i.e. short-time campaigns driving sales). Second, the public relations practice should develop other "total value" metrics that link communication goals to measurable business goals. These goals are not always financial, but also reputational, relational etc.

#### **What is the common ground?**

- ROI should be calculated using the standard financial accounting formula.
- There is some debate about whether ROI can be calculated on a program, which would be treated as an expense in accounting, or should be restricted to the organization overall.
- "Results" does not equal "ROI." We need to use additional measures such as "total value," as advocated by all authors above.

Validity and reliability of the standard.

As a purely financial calculation, testing is not required.

Team leads and contact information

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