# PUBLIC RELATIONS PERFORMANCE IN THE CONTEXT OF FORMING OF POSITIVE BANK'S REPUTATION

**Rozkoshnaya H., Ph. D.**

**Dubovyk, S., graduate student**

**Bondarenko A., Ph. D.**

**Ukrainian Academy of Banking of NBU**

*В статті висвітлюються питання стосовно актуальності проведення оцінки стану забезпечення зв`язків з громадськістю у банківській сфері. Представлені основні методи та інструменти щодо здійснення вищезазначеної оцінки. Досліджувалася можливість вдосконалення методики обчислення та використання Українського національного індексу ефективності комунікації для банків.*

***Ключові слова:*** *PR-діяльність, зв`язки з громадськістю, діяльність ЗМІ, інформаційне значення, PR-технологія, RC-індекс, група посередників.*

*This paper considers the actuality of implementation of the public relations performance evaluation in banking. The list of basic methods and instruments for estimation of results of PR-activity and directions of their development is investigated. The key features of PR, which must be taken into account at the estimation of his efficiency, are determined. The author examines the scope of the Ukrainian National index of communication effectiveness (RC-Index) and proposes measures of improving the methodology for its calculating.*

***Keywords:*** *PR-activity, PR-value, media-activity, target group, information value, PR-technology, RC-Index, stakeholders' group.*

Reputation of the bank is a positive or negative impression, opinion of society or separate market segment about the bank. For today, in the conditions of crisis and liquidity deficit of financial institutions, question of correct construction of PR-strategy acquires a major importance because "classic" advertising activities cease to be a sufficient motivator for buyers and can't return the lost loyalty on a previous level. However, an urgent need in creating modern scientifically based methods of analysis for banks own reputation and performance study of communicative activity is quite reasonable.

In 2008 Ukrainian Association of Public Relations (UAPR) announced the results of research on the topic: "The practice of public relations of the leading companies in Ukraine", conducted in cooperation with GfK Ukraine. Judging from the results of the study, PR in companies moves away from marketing: separate structural units are created, most of which reports directly to CEO. From

unsystematic approach and sporadic activity companies are moving to the formation of PR-strategy for realization of which separate budgets are creating [1].

However, according to the results of investigation, today's professionals have a lack of knowledge and understanding of methods for measuring their effectiveness. Most measurements are related to short-term marketing indicators. Companies also pay much attention to assessing the communication process, such as media coverage, and less – the results of their activity. Thus, a question of estimation of PR-activity efficiency is extremely actual and causes the wide personal interest among the specialists in this field.

The purpose of the following paper consists in determination and justifying the role and place of conception of efficiency in banking PR in the system of forming of positive reputation for financial institutions, determination of key approaches to assess the effectiveness of marketing public relations.

A large body of literature has evolved on strategic responses to the assessment of marketing and advertising efficiency. But the issue of PR performance evaluation has, on the other hand, received relatively limited attention. The results of PR campaign it is difficult to estimate, because public relations are used in combination with other facilities (as a rule, advertising), and its influence has often indirect character. If such instruments of promotion are used before all other means, to assess their impact will be easier (Kotler, Armstrong, Saunders, Wong 1998) [2].

At development of the system of PR the question of choice of the most effective media-carrier stands sharply, so in the choice of means of informing the relevant departments of communications and corporate identity of financial institutions should review already gained experience with different types of media resources and determine media-strategies that proved their effectiveness.

In practice there are three levels of indexes (results) which allow estimating PR-activity of the bank. The followings criteria belong to the base level (estimations of quantitative indexes):

1. Volume of information that involves counting the number of publications in the media for a certain period.

2. Prevalence of report. The technique of estimation of this category consists, at first, in measuring of frequency of appearance of certain materials, and secondly, in assessing the number of people familiar with the materials.
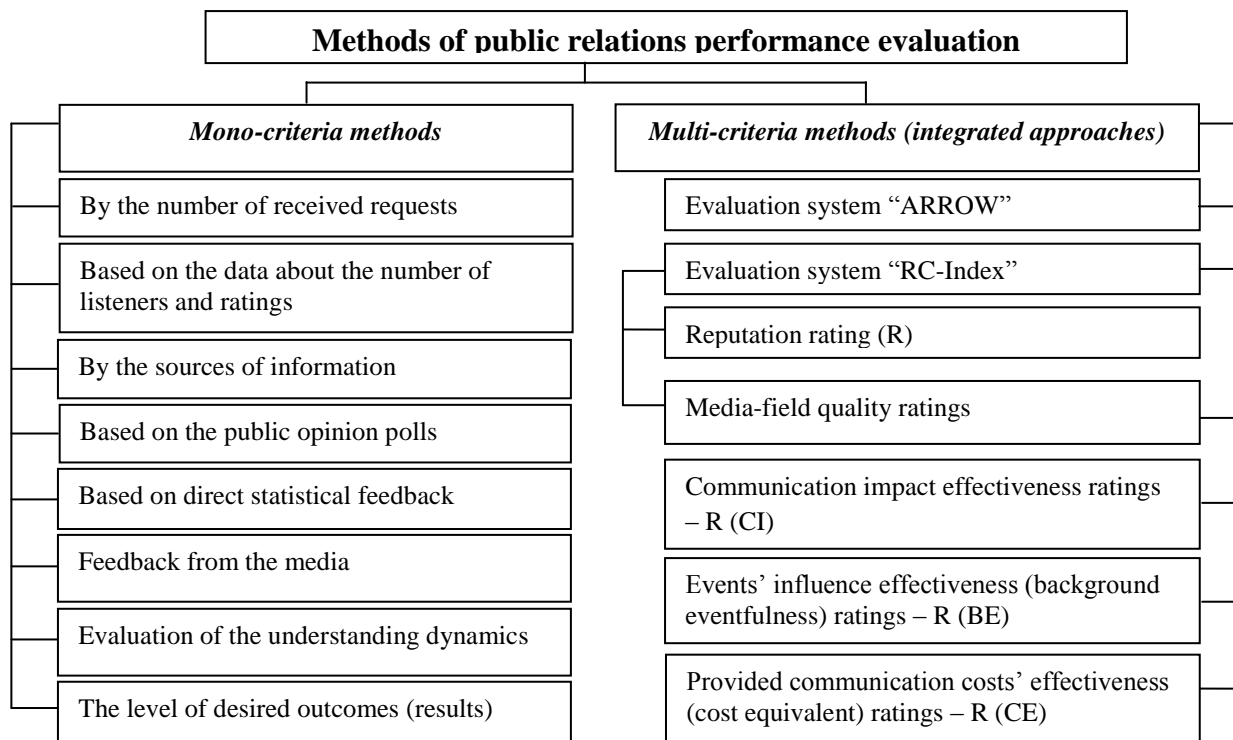
3. Advertising equivalent provides determining of the value of a published volume of messages according to promotional rates.

4. Price efficiency. Investigation of this category is aimed at analysis of the costs of contact with individual members from the audience.

The second level (estimation of quantitative indexes) includes measuring the effect of influence on the audience and level of awareness (estimation of knowledge, using of information, its understanding and usefulness).

The third level (complex qualitative analysis) involves measuring changes in thoughts and beliefs, and behavior. An estimation of behavior is the most difficult technique that is connected with the problem of establishing a large number of interrelated factors to consider in the analysis. For example, during realization of the media-programs a growth in the major media articles of key bank reports can be the index of effectiveness.

Thus, investigation of changes in the level of information activity of financial institutions gives an opportunity to make certain conclusions regarding their current state, but this doesn't allow evaluating the effectiveness of external communications completely. In connection with this problem we have attempted to classify the current approaches to the analysis of the effectiveness of PR, developed by foreign and national experts in the field (Figure 1):

**Methods of public relations performance evaluation**

*Mono-criteria methods*

By the number of received requests

Based on the data about the number of listeners and ratings

By the sources of information

Based on the public opinion polls

Based on direct statistical feedback

Feedback from the media

Evaluation of the understanding dynamics

The level of desired outcomes (results)

*Multi-criteria methods (integrated approaches)*

Evaluation system "ARROW"

Evaluation system "RC-Index"

Reputation rating (R)

Media-field quality ratings

Communication impact effectiveness ratings – R (CI)

Events' influence effectiveness (background eventfulness) ratings – R (BE)

Provided communication costs' effectiveness (cost equivalent) ratings – R (CE)

**Figure 1.** Methods of public relations performance evaluation in Ukrainian banks

The method of counting of advertizing equivalent so-called "PR-value" belongs to one of the simplest systems of estimation of PR efficiency: how many the bank was forced to spend money, if all publications, placed by public relations, were bought on the advertizing cost. The relevant volume of publication is taken into account during a calculation of index (for example, amount of lines, placement in the publication and the way of design etc.).

Many advertisings agencies use the special coefficient: the publicity equivalent of every PR-publication is multiplied on 1.5-3 (depending on an agreement with a client), because it is believed that trust and readability of PR-articles are much higher than similar parameters of advertisements. Along with this, other companies believe that PR-articles are cheaper by 15-30% on advertising, including so-called agency discount.

Accordingly, each organization can establish their own desired level of return on investment in PR – $ROI_{PR}$ (under ROI should be actually meant AVE – Advertising Value Equivalent):

$$ROI_{PR} = \frac{\text{Advertising expenses}}{\text{PR expenses} \cdot \text{t}} \cdot 100\% , \qquad (1)$$

where $t$ – special coefficient.

However, we note that when calculating the PR-value some factors practically are not taken or rarely taken into account. Among such factors are the following: tonality of publication, persuasiveness of key messages and status of edition. This means that the required level of PR-value in a short-term period lead to significant losses in the future (for example, as a result of confidence from the leading target segment due to incorrectly select of carriers PR appeals).

To avoid these shortcomings it can be applied "National index of reputational stability and communication effectiveness (RC-Index)" – innovative analytical product, developed by the national agencies "KomInform" and "PRT", which is the first attempt on the territory of Ukraine to establish clear evidence-based performance indicators of communication policy of domestic companies and the degree of interaction of mentioned rates with data indicators of reputational characteristics of investigated objects [3].

Technology of reputation index calculation provides a comprehensive multi-collection procedure and mathematical treatment of information that can not only measure the business reputation of the studied objects in form of numerical indicators, but also evaluate them it in terms of the effectiveness.

The main results of the full research include ratings of two types of data:

1. the first type of data – Reputation rating (R) of studied objects in terms of two dominants: knowledge ($\alpha$) and emotional perception ($\beta$) for each stakeholders' group and for all groups in general.

2. the second type of data – rankings that characterize the quality of the media field:

- Communication impact effectiveness rating – R (CI) shows the correlation between reputation indicators (R) and the sum of the characteristics of possible impact of all information drives in the media, connected with the object of study;

- Events' influence effectiveness (background eventfulness) rating – R (BE) shows a correlation between reputation indicators (R) and emotional characteristics of information drives of research object, addressed to different target groups;

- Provided communication costs' effectiveness (cost equivalent) rating – R (CE) shows a correlation between the reputational indices (R) and relative value, which reflects the approximate amount (UAH) required for existing information field by using "buying", or so-called direct placement.

Research methodology involves evaluation by experts (stock analysts) the reputation of banks and media field in terms of five factors (blocks):

- banking products and services (B2B, B2C);

- marketing, promotion of services (complex services, retail credits, retail deposits, retail payment systems – transfers and cards, corporate clients, SMBs);

- banking, bank liquidity (strategy, stock ratings, activity of public shareholders in relation to the bank, development of the assets, restructuring of a bank, regional network, financial account);

- external communications (government regulation, conflicts, social projects, sponsorship, indirect references to the bank as a brand, participation in industry associations, lobbying);

- internal communications (personnel rotation, image of the employer, HR-projects).

Ranking of reputation for each reputational block is separately carried out in accordance with a particular scheme (Figure 2). Value rating $R$ is the absolute value of vector with coordinates $\alpha^{\grave{}}$, $\beta^{\grave{}}$,

$$R = \sqrt{\alpha'^2 + \beta'^2} \ . \tag{2}$$

To identify the rating it's necessary to enter a variable called the "dominant vector" ($d$"), which will identify the rating by determining one characteristic, the slope of which on the graph is greater (in other words, which "dominates" during the formation of its size).
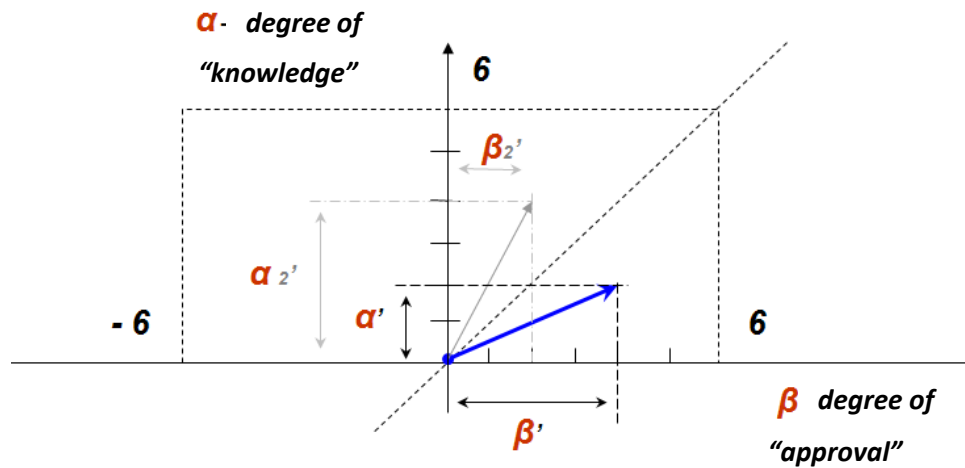
**Figure 2.** Identifying of the Reputation rating by a "dominant vector".

Thus, if $|\beta`|>|\alpha`|$, then $d''=|\beta`|-|\alpha`|$; if $|\alpha`|>|\beta`|$, then $d''= |\alpha`|-|\beta`|$.

After that the value of each of the ratings for individual reputational block is multiplied by the score ranging of reputation blocks' impact – $\varphi$ (it actually reflects the proportion of each of the blocks in general structure of impact on the parameter $R$), and then we get the required rating for a particular bank.

The final stage of research involves compiling pivot tables of each ratings of media-field performance evaluation. Particularly, the table with performance evaluation ratings of possible impact of all the information causes in media for the second quarter of 2010 includes five aggregates:

$R$ – reputation index of stakeholders' survey;

$\alpha$ – dominant of "degree of knowledge";

$\beta$ – dominant of "degree of emotional perception";

$CI$ – total value of possible impact of all the bank's information causes;

$R (CI)$ – Communication impact effectiveness rating.

In the research we propose the following assumption: by the growing of degree of approval for 1 point the degree of knowledge will increase by more than 1 point. Under our assumption the correlation dependence between dominants can acquire a nonlinear character. For example, if the dependence takes the form of the quadratic function (Figure 3), the length of R will be determined as follows:

$$R = \int_{0}^{A}\sqrt{1+[\alpha'(\beta)]^2}\,d\beta \tag{3}$$

For example, if the "coordinates" of Reputation rating are (2, 4), the difference in calculation results will be noticeable (Table 1).

**Table 1:** The author assumption for calculation of Reputation rating

| Methodology | Calculation | Value |
|---|---|---|
| Current method | $$R = \sqrt{\alpha^2 + \beta^2} = \sqrt{4^2 + 2^2} = \sqrt{20}$$ | 4.47 |
| The author assumption | $$R = \int_0^2 \sqrt{1 + 4\beta^2}\, d\beta = \left| t = 2\beta \right| = \frac{1}{2} \int_0^4 \sqrt{1 + t^2}\, dt =$$ $$= \frac{1}{2}\left[ \frac{t}{2}\sqrt{t^2 + 1} + \frac{1}{2}\ln\left| t + \sqrt{t^2 + 1} \right| \right]_0^4 = \frac{1}{4}\left( \sqrt{17} + \ln\left| 4 + \sqrt{17} \right| \right)$$ | 4.65 |
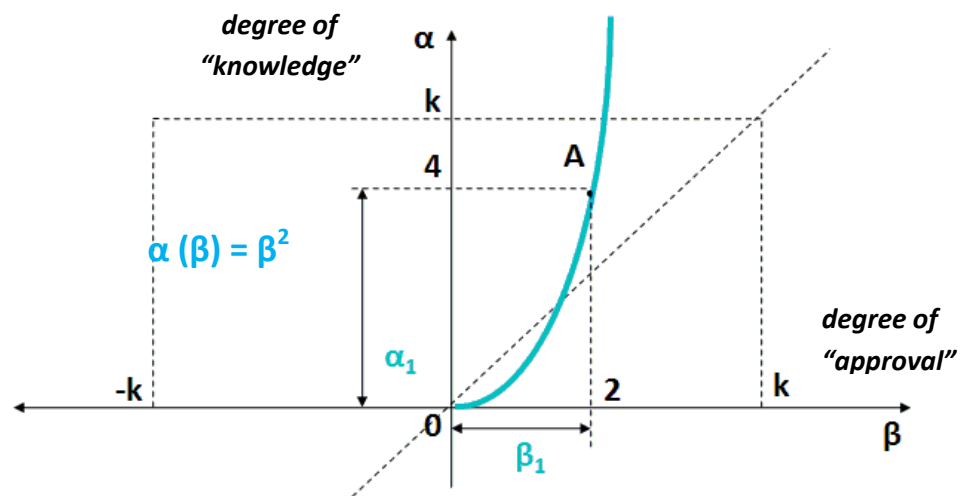


**Figure 3.** Nonlinear correlation between dominations: quadratic function

The new model of calculation is based on the assumption that individual members of stakeholders' group with generally positive attitude to the bank, probably is more interested in getting larger value of information. And conversely, ownership of a significant amount of relevant information doesn't guarantee the growth of loyalty, because the information can have a totally negative tone (as in the example of Ukrainian Nadrabank).

Thus, during crisis banking institutions should more actively use PR-technologies for the return of confidence in them, increasing of brand value, creating an atmosphere of openness and understanding. With the purpose of improving of its own PR-activity effectiveness bank must use clear and formalized system for determining of its effectiveness. The Ukrainian financial market feels urgent need in objective professional projects, with the help of which banking strategies of reputation formation can by systematically analyzed. In our opinion, the general-market communication efficiency assessment models of financial institutions within the framework of widespread attraction of stakeholders' groups should be applied.

As developers of methodology, investigated by us, don't provide a justification for choosing the type of correlation between dominants of Reputation rating ($R$), we can suggest that such dependence will take another character (non-vector, nonlinear). Therefore, proposal for improving of the model is a statistical research of respondents' opinions in the case of identifying the nature of the correlation interdependences between dominants of "knowledge" ($\alpha$) and "approval" ($\beta$).

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