

80% for advertising, 15% for sales promotion, including contests & sweepstakes, and 5% or less for public relations, says Bob Dilenschneider of H&K. This is likely to change as more realize the relative ineffectiveness of advertising & greater power of public relations to move consumer products.

Product or service quality is more important than price or market share in contributing to long-term growth & profitability, claims Tom Peters, author of In Search of Excellence. Supporting his belief are results of Profit Impact of Marketing Strategy (PIMS), covering operating, financial & competitive data on 2,800 companies. PIMS shows that the low value-added, low-service, low-cost producer can expect a 15% or less return on investment. That contrasts to a more consistent ROI of 25% or more for high value-added services. To assist organizations in improving innovation in customer service, Peters has developed a series of planning & action tools called The Excellence Network. (More from: Excel/Net, 1666 Massachusetts Ave, Lexington, Mass. 02173; 617/862-6551)

How expensive is consumer misrepresentation? Beech-Nut was recently fined \$2 million plus investigative costs as result of its guilty plea in selling phony 100% apple juice. The bogus juice was actually fabricated from beet sugar & other ingredients with little if any apple juice in the mixture. This is a company whose basic line is baby food: asking mothers to trust it with baby's health! Even touted Johnson & Johnson was cited by gov't agencies in 2 product safety incidents last year. It can happen anywhere. Challenge for practitioners: to gain monitoring role thruout organization to know when some unit isn't heeding the adopted values.

Another twist in annual reports: a computer disk. Along with its traditional AR, this year Apple Computer is distributing computerized info to securities analysts, shareholders, the press & others. In sync with its 10th anniversary, Apple's disc holds over a decade of product, financial & historical information about the company, including product photos, staff bios, historical stock quotes, a timeline, ad campaigns & financials. Importantly, new "HyperCard" technology also allows Macintosh personal computer users to electronically locate & review computer-stored info about Apple in ways not possible thru written publications: by selecting a word or picture on the screen, related info appears.

WHO'S WHO IN PUBLIC RELATIONS

ELECTED. PRSA Section chairpeople for 1988: Ass'n, Dennis Roberts (dir, labor, pub & ind rels, Associated Gen'l Contractors of America, Albuquerque); Corporate, Bruce MacDonald (vp comms, Saturn Corp, Troy, Mich); Counselors Academy, Terence McCarthy (Agnew, Carter, McCarthy, Boston); Educational & Cultural Org'ns, Patrick Hunt (ass't vp univ rels, State U of NY at Albany); Educators, Robert Rayfield (assoc prof, Calif State U, Fullerton); Fin'l Svcs, Michael Sullivan (Michael P. Sullivan Assocs, Charlotte, NC); Gov't, Gary Koch (admin ass't, ofc of state comptroller, State of Illinois, Springfield); Health

Kathleen Lewton (vp pr, St. Vincent Medical Center, Toledo); Hospital Academy, John Deats (dpi, NY Univ Medical Center, NYC); Investor Rels, Robert MacPherson (dir corp comms, NUI Corp, Bridgewater, NJ); Public Affairs, John Cook (sr vp, Insurance Institute for Highway Safety, DC); Social Svcs, Jerry Bergman (dir, mktg & comms svcs, Boys Clubs of America, NYC); Technology, William Savage (exec dir, pr, AT&T Bell Labs, Short Hills, NJ); Travel & Tourism, Richard Skinner (dpr, Holland America Line, Westours Inc, Seattle); Utilities, Alan Galletly (vp pa, GTE Corp, Stamford, Ct).

pr reporter

The Weekly Newsletter of Public Relations,
Public Affairs & Communication

603 / 778 - 0514

Vol.31 No.6
February 8, 1988

MOBIL'S SOON-TO-RETIRE HERB SCHMERTZ SHARES HIS VIEWS INCLUDING HIS RATIONALE FOR TACTICS THAT WERE USUALLY CONTROVERSIAL

The title of his book Goodbye to the Low Profile perhaps best summarizes the legacy of the labor lawyer turned chief public relations officer. As Mobil's feisty spokesman & strategist, he made his mark by speaking out against media coverage he felt unfairly maligned the oil companies. He also mushroomed business support of the arts with munificence to PBS -- which became known as Petroleum Broadcasting Corp. as a result -- for highly praised quality programs.

After news stories accused them of purposely causing the shortage that drove prices up in the 70s, Schmertz fought back with paid ad-editorials stating the oil company point of view -- an ongoing program still visible in the Wall Street Journal, New York Times & other opinion-leading publications. His confrontational style included getting tough with opponents & editors. At one point he terminated relations with the Wall Street Journal.

In a conversation with prr, here's what he had to say about his 22 year tenure & his views on pr's future challenges (challenges he will share as an independent consultant as of May 1):

"I think my background in political campaigns has had a lot to do with what I've done at Mobil. I characterize what I do here as 'managing an on-going political campaign' in which there's never a final election, but it's a campaign of issues."

On the confrontational stance he advocated: "It has gained Mobil a certain amount of respect as a company that is not afraid to answer back, and as a company that has an intellectual base for its activities. We set out to gain respect & understanding rather than to simply have a happy, lovely image."

On the paid editorials Mobil has used since 1970: "We created a whole structure here at Mobil that involved speaking out in an intellectual, but straight-forward & tough way, on important public policy issues -- not only energy, but the economics of the country, trade, etc."

On key challenges for pr: Re-emergence of government regulations, trade protectionism, instability of our economy in terms of the deficit, foreign competition, etc. In noting the common economic theme of these challenges, "I don't see anything incompatible with the public relations person understanding economics...pr people ought to know the difference between profits & profitability, between return on equity and return on capital."

General word of advice: "PR people have to view all this as being a participant in a democratic system of government in which each institution & each individual should play a role in the marketplace of ideas. That's the way the American people decide issues. You can't run and hide, or your views won't be in the mix when decisions are made."



EDITOR, PATRICK JACKSON • PUBLISHER, OTTO LERBINGER • ASSOCIATE EDITOR, JUNE D. BARBER
READER SERVICE MANAGER, LAURIE ELDRIDGE • MARKETING DIRECTOR, ROBIN PETERS
A PUBLICATION OF PR PUBLISHING COMPANY, INC., DUDLEY HOUSE, P.O. 600, EXETER, N.H. 03833-0600
FOUNDED 1958 • \$145 YEARLY • ISSN 0048-2609 • COPYRIGHT 1988 • ALL RIGHTS RESERVED

CRISIS OF CONFIDENCE IN THE MEDIA
THREATENS PRESS FREEDOM, SAYS NEW BOOK

Commonwealth U) in his book Moscow Meets Main Street.

Those with positive feelings about the press are the poorly informed Apathetics. He attributes their feelings to a) "the generally optimistic outlook of American culture," b) "negative opinions require a justification," c) "they tend to be normative, closely aligned with conventional wisdom."

But 25-35% have negative feelings. They feel coverage is often inaccurate, serves to weaken the country's defenses & harm democracy. Tho a minority, Smith calls them a "grave concern" because they are drawn "primarily from the ranks of the Concerned (politically active & informed). Therein lies the real crisis of confidence in the press."

He argues there has been a change in journalistic values to: a) Perfectionistic nihilism where "all events are seen as to some degree unfortunate, all institutions flawed, all solutions problematic, and, ultimately, all problems insoluble." b) Cultural neutrality -- a more "subtle, complex & controversial" value. First evident in reports of the Vietnam conflict, he sees it now in the coverage of the Soviet Union. Consists of "granting Soviet propaganda an equal, even privileged, position in American discussions of foreign affairs."

Smith believes cultural relativism ("to the extent that cultures are different, they will necessarily produce different truths") is "a grossly flawed doctrine" that presents a new definition of propaganda: "Any conscious & open attempt to influence the beliefs of an individual or group, guided by a predetermined end and characterized by the systematic use of irrational & often unethical techniques of persuasion."

To show what could happen, Smith uses the illustration of Socrates. "Elite journalists have adopted a Socratic stance, not of the culture but somehow outside & above it. From this vantage they employ their power of selection to orchestrate a relentless critique of all cultural affirmations as embodied in American politics, leaders and institutions.

"Sensing the threat to culture this involves, and stung by a feeling of betrayal, the American public, like its Athenian forebears, has responded with censure and the beginnings of hatred... We face a profound dilemma. On one hand, if the press continues in its current practices, American culture could be destroyed, or gravely weakened. On the other hand, popular reaction in the defense of culture could destroy, or at least curtail, freedom of the press." He feels the more likely casualty would be freedom of the press.

Besides suppression of freedom of the press, it could lead to a weakening of American culture, writes Ted Smith (Va.

Tracing the growing minority, mostly opinion leaders, who seriously question media values:

- 55% In general, news org'ns get the facts straight
- 34% Stories & reports are often inaccurate
- 11% Can't say
- 51% Press criticism helps keep our nation militarily prepared
- 31% Press criticism weakens the country's defenses
- 18% Don't know
- 54% News org'ns generally protect democracy
- 23% News org'ns generally hurt democracy
- 23% Neither applies/Don't know

-- from The People and the Press, 1985

As a solution, he recommends a journalistic commitment to fairness. This requires: a) "constant & sympathetic consideration of the culture & individuals the press is presumed to serve;" b) "strict & unaccustomed limits on the content & methods of reporting;" c) asking journalists to "accept a rule at once more arduous & less powerful than the one they now enjoy." In sum, another plea for media self-restraint -- which journalists have consistently rejected. (\$12.95 + \$1 postage, from The Media Institute, 3017 M St. NW, Washington, DC 20007; 202/298-7512)

¶ The 3rd national First Amendment Congress will consider this topic -- and 9 others impacting practitioners, such as commercial free speech, freedom of information, threats to freedom of assembly, presentday effects of freedom of religion. Meeting in Denver March 13-15 will replicate debate of 200 years earlier, when states were deciding whether to ratify Constitution. \$100 registration includes meals. (Info from FAC, Box 287, U.Colorado, Boulder 80309)

HOW THE IRS IS USING PUBLIC RELATIONS STRATEGIES
TO MAKE PAYING/COLLECTING TAXES LESS "TAXING":

Added to the usual spotlight the IRS faces this time of year is confusion created by complex new

rules as a result of tax reform. Here are a few of the things the IRS is doing to improve the situation, according to Commissioner Lawrence Gibbs. They follow the classic formula, P+R=PR -- where P = performance & R = recognition. First, listening to taxpayers' needs & altering rules; then publicizing the changes:

1. Improving relationships with professional tax preparers. Having learned that professional tax preparers play a leadership role in shaping taxpayer perceptions about the tax system's fairness & responsiveness (hence voluntary compliance), IRS is making a major effort to improve relationship between the organization & preparers. Claims it wants to listen to (& presumably solve) problems tax practitioners encounter.

2. Installing quality improvement projects. E.g., beefing up customer service in automated collection sites, providing one-stop assistance to taxpayers & tax practitioners on account problems, extending telephone assistance hours, looking at the reasons for repeat correspondence with taxpayers responding to computer-generated notices, doing exit interviews about service quality, addressing tough employee recruiting & retention problems.

3. Market-testing new forms. Before making the new mortgage interest form public, IRS tested it with representative groups of taxpayers & tax professionals. Test results showed terms & instructions were confusing, so it went back to the drawing board for revisions. Then, on basis of other consumer surveys, IRS simplified entire strategy to require fewer people to file.

4. Distributing video & radio news releases on Tax Reform changes. A series of 15 VNRs covers such subjects as: new top rates, deductions & exemptions, mortgage & consumer interest deductions, IRS tax assistance, changes for older Americans & more.

ITEMS OF INTEREST TO PRACTITIONERS

¶ How big is PR's slice of the marketing budget? Conventional rule of thumb from marketing point of view has been to divide the advertising/promotional budget 3 ways: