

CRISIS COMMUNICATION CAN BE HELPED BY RESEARCH

"How to Measure Your Results in a Crisis," a study published by the Institute for Public Relations, explains one way to do it. Its author, Katharine Paine of KD Paine & Partners, lists three elements that measure effectiveness:

1. **Process:** Involves hour-by-hour, or day-by-day, monitoring of the media – including Internet news groups and chat rooms – to determine if key messages are being communicated, and to whom. Find out how the organization is being positioned and what messages are being delivered. Also study the volume of coverage and how many days or weeks it lasts. "A well managed crisis gets all the bad news over with up front by aggressively dealing with a problem. A poorly handled one, can drag on for months," says Paine.

Odwalla, the natural juice company whose unpasteurized apple juice sickened some people and caused the death of a child, found coverage steadily dropping after about one week and trailing off after three weeks. Its crisis was well managed. In contrast, coverage of Intel's flawed Pentium chip lasted for months because its president, Andy Grove, belittled the early criticism on the Internet and failed to take quick corrective action. In another poorly handled crisis, stories about Columbia/HCA's financial misconduct dragged on for months – as is current coverage of the Enron and Anderson saga.

2. **Impact:** Are messages having the desired effect? Are they being believed? Are they swaying public opinion? This can be done through overnight polling, perhaps by adding a question to an omnibus poll. Despite a loud media outcry, one major high tech company learned that its customers were highly supportive of its actions.
3. **Outcomes:** Did the crisis affect your reputation, customers' intent to purchase, employee turnover, and shareholder confidence? A survey conducted for Habitat for Humanity found that its reputation was unaffected after a tv reporter in Chicago launched an "investigation" of its Chicago office. It credited this fortunate result to its consistent effort to provide facts and to its strong relationships with its constituencies. It proved once again that **maintenance of healthy relationships with key stakeholders helps withstand a crisis.**

"Measurement should always be ongoing and an integral part of your organizational strategy," emphasizes Paine. (Copy of study from www.kdpaine.com, choose information center & white papers)

ITEM OF INTEREST TO PROFESSIONALS

¶ **Sometimes It's The Very Basic Things That Can Affect Change.** Like the shrimp story (pr 5/20), key is to find what is working and apply it broadly to bring about change. "Today, 300 million schoolchildren receive no food during the day.... We can transform life on this planet with a simple yet powerful idea that has worked in our own country" – the school lunch program – believes George McGovern, UN's new Global Ambassador on Hunger. How many events have you sponsored that used food to encourage attendance? Excite people? Build relationships? It's basic and powerful. 12/16/01 Parade Mag article notes that a school lunch program can: 1) increase school enrollment – "No one has yet invented a more effective magnet for drawing children to school," notes the article; 2) improve academic performance sharply, along with physical and spiritual health of the child; 3) change the fate of girls in the 3rd World – "Girls drawn to school by a daily lunch program marry later, have an average of 3 children (compared to illiterate girls who marry at 11 and have 6 children) and are more aware of the personal opportunities life offers."

MARTHA STEWART – ANOTHER CASUALTY OF PLUMMETING PUBLIC TRUST IN BUSINESS

One single news item shattered the bond of trust between Martha Stewart and her admirers: that she may have engaged in insider trading of ImClone stock. She sold ImClone stocks on Dec. 27, just a day before the company released damaging information about the FDA's refusal to approve its top drug Erbotix. This news resulted in the sharp decline of ImClone's stock – from a high above \$75 on Dec. 6, 2001, to below \$7 last month.

Her explanation for the fortuitous sale was that she had previously arranged a "stop-loss order" with her broker. But when statements by her broker's sales assistant on June 24 cast doubt that such a stop-loss order ever existed, shares of her company, Martha Stewart Living Omnimedia Inc., dropped 21% to \$12.55, and to \$10.40 on June 26. **The lesson: when you build a reputation based on perfectionism – which presumably includes being truthful – you can't appear to be lying.** Trust, that *valuable intangible asset*, was compromised.

Martha Stewart has now hired a crisis-pr firm, Sitrick & Co. (L.A.). Its chairman, Michael Sitrick, has already identified one of Stewart's flaws: she's close-mouthed. She cancelled her scheduled appearance on "The Early Show" after she was told she would be asked questions about the insider trading probe. Anticipating the possible use of litigation-pr techniques, Sitrick said, "In a court of law you are innocent until proven guilty. **In the court of public opinion, people assume 'no comment' means 'guilty as charged.'**"

Trust means that we can rely on someone's word, promise, verbal or written statement. A number of scholars who have researched the subject of trust, such as Deborah Cai and Chun-ju Flora Hung of the University of Maryland, mention these additional meanings:

- **Integrity or honesty** – belief that someone's behavior is consistent with his or her words
- **Benevolence** – confidence that someone will take the public's interests into account in making decisions
- **Intimacy** – belief that the partner will not exploit it
- **Risk taking** – willingness to accept risks and be vulnerable to the other's action and behavior

The larger context in which Martha Stewart's crisis has occurred has compounded her problems. There's a **crisis of trust** that has enveloped the nation as the parade of errant companies grows longer: Enron, Arthur Andersen, Global Crossing, Tyco, and, most recently, WorldCom. As the basic truthfulness of companies or their corporate leaders is being questioned, trust has become undone. **The latest Gallup Poll reports that public confidence in big business is at its lowest since 1981.**

- **Competence** – that someone has the ability to perform his or her duties and obligations

Faith in Stewart's integrity and benevolence has been seriously damaged by the ImClone crisis, but some planks for rebuilding trust remain. These include: 1) the emotional sense of intimacy that viewers have come to share with her and 2) belief in her competency to carry out her obligations. Willingness to share risks with her and remain vulnerable to her actions, however, is doubtful. She must, as must we all, **face the realization that a crisis situation requires a) abandonment of "business as usual" posture and b) willingness to engage in "full disclosure."**

COLLEGE - AGE CONSUMERS COMBINE SPENDING POWER, LEISURE TIME, INTERNET ABILITY

A recent study by 360 Youth Inc. and Harris Interactive finds that although students spend much of their time studying, sleeping or working, they average 11 hours of "free" time per day and spend that time on a variety of activities and entertainment.

At the top of the list of activities is Internet usage with 98% of students reporting at least a few Internet sessions per week, and an average student spending almost 10 hours per week on the Net. Students also spend time daily, or at least a few times per week, on familiar activities such as listening to music (88%), talking on the phone (86%) and watching tv (85%). However, not all their free time is for relaxation; 75% say they run errands at least a few times per week.

Other activities indicate spending patterns:

1. 86% go to movies, spending a total of \$720 million per year.
2. 83% read non-school related material with purchases totaling more than \$1 billion annually.
3. Vacation travel, totaling over \$4 billion per year, represents a large portion of college student dollars spent on leisure activities.
4. At least 50% of students have participated in the past year in playing video games, swimming, attending music concerts, bowling, and going to amusement parks.

The study shows communicators where to target college age kids, says Derek White, spokesperson at 360 Youth. "Reaching students where they live, work and play can be a highly effective driver of brand awareness and purchase, and can connect brands with some very memorable moments in students' lives." The study was conducted online with 6,000 people in the 18-24 and 25-30 age groups. (More from www.360youth.com)

Other facts about college age students (ages 18-24): they spend over \$50 billion per year; work an average of 16.2 hours per week in a paid job; 7 of 10 have a car for their own personal use; 97% have access to the Internet; over half own a cell phone.

E-NEWSLETTERS: AN ESSENTIAL TOOL FOR B2B MARKETERS

"For B2B e-marketers, electronic newsletters are fast becoming critical revenue-driving initiatives," says Jeff Mesnik, co-founder of imakenews.com (Newton, MA), which helps organizations build

customer relationships over the Internet through permission-based e-newsletters. By 2005, Forrester Research projects that e-newsletters will account for 32% of B2B e-marketers' budgets. "A major reason is their high response rate. In combination with companion Web sites, e-newsletters can deliver a 30-50% response – dwarfing the average 10-15% rate of standalone text-based or HTML e-mails, and the 1-2% of traditional direct mail."

10 STEPS TOWARD A SUCCESSFUL E-NEWSLETTER EFFORT

1. **Become an advocate for your customers.** Put yourself in their shoes asking yourself, "What do they want to know about?" The rest will fall into place.
2. **Build respect and demonstrate leadership.** Provide sincere and helpful information. Through your content, become the expert your readers will respect. Associate yourself and your newsletter with major brands without being self-serving.
3. **Make it personal.** Once you've started to build a loyal readership, start getting personal. 63% of individuals are more likely to respond to communications that are specifically directed to them, according to the Personalization Consortium. A personal communication is more than just filling in a name; it's about delivering content a reader is most interested in. Targeted content will improve customer relationships.
4. **Do it regularly.** Customers are creatures of habit. By keeping your publication in front of your readers regularly, it becomes a part of their worklife and their expectations. But don't overdo it. Too much frequency and too much information can saturate the attention span of your readers.
5. **Make is accessible.** Like a magazine sitting in a doctor's office, let your e-newsletter be easily passed around, and give it a presence that extends beyond just e-mail. Keep an archive of past and current issues on the Web at an address that's easy to remember. This provides opportunities for you to track click-throughs in response to specific articles.
6. **Use the data.** Make sure you are using e-mail technology that helps you track the behavior of your readers including: articles read and by whom, the links clicked when leaving the newsletter, what was read and what wasn't, and answers to specific surveys. Use multiple calls to action in order to track which offers resonate best with which individuals, and to personalize newsletter content accordingly.
7. **Don't go overboard.** The number one mistake many companies make is that they try to do too much with the data. If you overexpose prospects to your products, your newsletter becomes a promotional piece in the minds of your readers and negatively impacts their trust and willingness to hear from you.
8. **Always ask permission.** Permission is critical. Be clear that you'll keep subscriber information private – and do so.
9. **Give subscribers a way to opt out.** Use opt in, not opt out, when asking if you can send future e-newsletter and e-mail promotions about "related" products or services.
10. **Extend your marketing mix...carefully.** Make your e-newsletter part of a sequence of online and offline communications. But tread lightly and carefully so you don't change the perception of your newsletter from a service to a sales piece. (More from Mesnik at www.imakenews.com)