

BUDGET FREEZES REPORTED IN ALMOST HALF OF ALL ORGANIZATIONS AS RECESSION RESULT

Almost half of all industry groups report budget freezes and about 17% face budget cuts. Only a fifth report budget

increases. On the whole, the recession's impact is being felt.

Budget cuts are greatest in government (31.6%) and banks (29.2%). Utilities and transportation have the highest percentage of budget freezes -- 65.9% & 61.5%. Best off are ad agencies (42% enjoy increases), nonprofits (except for hospitals), and public relations firms.

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SIXTEENTH ANNUAL SURVEY OF THE PROFESSION, PART I  
MAIN ISSUE OF YEAR: AN ECONOMY BESET BY  
INFLATION AND RECESSION

EFFECT OF CURRENT RECESSION ON PUBLIC RELATIONS BUDGETS

| Industry Group        | Total | Budget Cuts |      | Budget Freeze |       | Budget Increase |      | No Answer |      |
|-----------------------|-------|-------------|------|---------------|-------|-----------------|------|-----------|------|
|                       |       | No.         | %    | No.           | %     | No.             | %    | No.       | %    |
| PR Firms              | 107   | 18          | 16.8 | 35            | 32.7  | 27              | 25.2 | 27        | 25.2 |
| Ad Agencies           | 17    | 2           | 11.8 | 5             | 29.4  | 5               | 29.4 | 5         | 29.4 |
| Other Consulting      | 15    | 1           | 6.7  | 4             | 26.7  | 2               | 13.3 | 8         | 53.3 |
| Banks                 | 24    | 7           | 29.2 | 12            | 50.0  | 5               | 20.8 | 0         | 0    |
| Insurance Cos.        | 13    | 3           | 23.1 | 5             | 38.5  | 2               | 15.4 | 3         | 23.1 |
| Consumer Product Cos. | 41    | 9           | 22.0 | 19            | 46.3  | 7               | 17.1 | 6         | 14.6 |
| Industrial Cos.       | 92    | 15          | 16.3 | 52            | 56.5  | 18              | 19.6 | 7         | 7.6  |
| Conglomerates         | 30    | 6           | 20.0 | 17            | 56.7  | 7               | 23.3 | 0         | 0    |
| Transportation        | 13    | 1           | 7.7  | 8             | 61.5  | 2               | 15.4 | 2         | 15.4 |
| Utilities             | 41    | 5           | 12.2 | 27            | 65.9  | 7               | 17.1 | 2         | 4.9  |
| Hospitals             | 47    | 8           | 17.0 | 25            | 53.2  | 7               | 14.9 | 7         | 14.9 |
| Educational           | 50    | 11          | 22.0 | 22            | 44.0  | 13              | 26.0 | 4         | 8.0  |
| Trade or Prof'l Ass'n | 36    | 4           | 11.1 | 19            | 52.8  | 7               | 19.4 | 6         | 16.7 |
| Other Nonprofit       | 33    | 1           | 3.0  | 20            | 60.6  | 9               | 27.3 | 3         | 9.1  |
| Government            | 38    | 12          | 31.6 | 16            | 42.1  | 4               | 10.5 | 6         | 15.8 |
| Misc.                 | 2     | 0           | 0    | 2             | 100.0 | 0               | 0    | 0         | 0    |
| Total                 | 599   | 103         | 17.2 | 288           | 48.1  | 122             | 20.4 | 86        | 14.4 |

Concern over the economy, particularly the inflation-accompanied recession, has overtaken government regulation (No.1 last year) as the most important public issue facing public relations practitioners and their organizations. Over half (55%) of the 599 respondents listed the economy as one of the major issues compared with 42% who mentioned government regulation.

As shown on the summary table, these two dwarf all others. Ten percent or more of the respondents also mentioned issues and problems connected with consumerism/ environment/anti-business activism (18%), marketing/competition (15%), energy (14%) and public confidence in institutions (10%).

Public relations practitioners are no different from other Americans in their expression of major concern over the economy, gov't regs and energy. Their views take on special importance when particularized to their industry groups -- which is the approach taken in this report. Pr people work for all kinds of organizations in virtually every segment of U.S. society. Thus they reflect the concerns of a cross section of the major institutions and industry groups of the country.

Our overall impression is that practitioners are becoming more proactive by seeking solutions rather than identifying troublemakers. Consumer, environmental and other anti-establishment interest groups are still referred to as irritants. But as the following discussion shows, an increasing number of issues mentioned imply remedies. References to cost containment, higher productivity, improved value in products & services and better marketing efforts to cope with competition indicate that organizations are attempting successfully to adapt to change. And the search for more constructive public policies reveals a desire to free Americans from the economic grip in which they are now caught.

AD AGENCIES, CONGLOMERATES, CONSUMER PRODUCT COS. AND PR FIRMS MOST CONCERNED ABOUT THE ECONOMY

Sixty-five percent of the comments of advertising agencies, 40% of conglomerates', 30% of consumer products', and 29% of pr firms' were about the economy.

Ad agencies stress the recession and inflation because, as a San Diego, Calif. dpr working for an agency put it: "These problems create general uncertainty about 'the future' resulting in individual apprehension, lack of ability to plan business, etc."

Pr firm principals and practitioners, although less concerned, recognize that a weak economy "hurts most businesses, which translates into difficulties for public relations."

-- continued on page 3



## 1980's MOST IMPORTANT PUBLIC ISSUES FACING BUSINESS, NONPROFITS &amp; GOVERNMENT

| Issues   | No. of Comments | Percent of Comments | Percent of Respondents (N=599) | Top Two Groups That State Issue as Key Problem | % of Mentions in Industry Group |
|--|-----------------|---------------------|--------------------------------|--|---------------------------------|
| Economy: inflation/recession                   | 330             | 28%                 | 55%                            | Ad agencies<br>Conglomerates                   | 65%<br>40                       |
| Government regulation                          | 252             | 21                  | 42                             | Banks<br>Ass'ns                                | 48<br>33                        |
| Consumerism/Environment/Anti-business activism | 106             | 9                   | 18                             | Utilities<br>Industrials                       | 16<br>13                        |
| Marketing/Competition                          | 91              | 8                   | 15                             | Hospitals<br>Insurance                         | 11<br>10                        |
| Energy   | 81              | 7                   | 14                             | Conglomerates<br>Consumer products             | 15<br>12                        |
| Public confidence in institutions              | 57              | 5                   | 10                             | Government<br>Education                        | 18<br>10                        |
| Employee relations/recruitment                 | 46              | 4                   | 8                              | Hospitals<br>Insurance                         | 11<br>10                        |
| Social responsibility                          | 45              | 4                   | 8                              | Insurance<br>Government                        | 10<br>9                         |
| Politics                                       | 40              | 3                   | 7                              | Government<br>Nonprofits-other                 | 20<br>15                        |
| Funding  | 30              | 3                   | 5                              | Education                                      | 26                              |
| Cost containment                               | 21              | 2                   | 4                              | Hospitals<br>Insurance                         | 12<br>10                        |
| Other  | 75              | 6                   | 13                             |  |                                 |
| Total  | 1174            | 100%                | *                              |  |                                 |

\* Adds up to more than 100% because respondents could mention up to three issues.

Note: Results based on mail survey conducted in June 1980 from a sample of pr reporter subscribers and accredited or active PRSA & CPRS members.

from a traditional 'repair' philosophy." A Phoenix, Ariz. dpr refers to a "wellness emphasis." And a Vancouver, B.C. dpr notes the "upsurge in interest/funding of preventive medicine at the expense of treatment medicine."

Despite greater emphasis on marketing, only 2 of the 47 hospital respondents had marketing in their titles. Practitioners in Florida and Illinois list their titles as director of public relations/marketing and director of marketing & community services. One dpr disagrees with this merging of functions. He says:

"There is a need to clarify (especially in health pr) the relationship with marketing. I sincerely believe pr should cooperate but not try to do both. They are separate functions."

The marketing orientation of hospitals is also reflected in their concern with consumerism and their public image. Quality of care gets the most mentions, followed by payment and reimbursement policies. A dpr from an L.A., Calif. suburb wants the public to have the right image of a medical center; another dpr speaks of the public perception of a multi-hospital corporation. A Woonsocket, R.I. comty rels dir wants to "update an aging building, with new funds, to meet public expectations."

DEMOGRAPHICS & "JARVIS SYNDROME"  
CATCH UP WITH EDUCATIONAL INSTITUTIONS

With funding their number one issue due to shrinking enrollments and budgets, educational institutions point to two causes.

One is demographics. The well-known fact, as reported by a Buffalo, N.Y. news bureau dir, is the "decreasing numbers of college-age and college-attending students." The other is a taxpayers' revolt -- called the "Jarvis Syndrome" by the vp of an Ann Arbor, Mich. educational institution. A few see an even larger cause in the questioning of the "usefulness of university education" and a "coalition opposed to the advance of science and technology." All these factors add up to declining financial support for education -- and, as a Toronto, Ont. dir of info svcs observes, will also affect the industries that supply educational institutions.

Next to government, the lack of "public confidence in institutions" affects educational institutions the most. Ten percent of the comments refer to this adverse public opinion. Educational institutions are worried about their public image, collectively and as separate entities, and seek to raise public confidence in the value of education.

State-supported colleges & universities complain the loudest about assaults on their budgets. A Seattle, Wash. educational director asks: "How can we continue to offer good education ... on a limited budget? Governor has drastically cut higher education funding in favor of other parts of budget." A Eugene, Ore. dir of college/comty rels speaks of "increasing hassle from federal and state bureaucracies." And an Ottawa, Ont. dir of info complains of "lack of support for research."

INSURANCE COS. ALSO  
AFFECTED BY DEMOGRAPHICS

Besides their main concerns about "Fedmed" and inflation, insurance companies are also facing problems stemming from demographic changes. A Phila., Pa. dpr refers to an "increasing recognition of an aging population and its impact on commercial/social progress." A Dallas, Tex. dir of comms sees an even worse problem of "senior citizen abuse." A more general implication of demographic and other factors is pressure for "product changes to meet changing needs." That's one of the reasons why insurance companies are second to hospitals in emphasizing the problem area of marketing/competition.

As stated by an Atlanta, Ga. pr firm head:

) "Clients appear to be alarmed by the economy, and want only programs which can directly relate to the bottom line. Often they perceive pr as a good-will, rather than a sales generator, and may cut back budgets until money flows a little more freely."

Also indicating awareness of the need to prove one's mettle, a Vancouver, B.C. dpr seeks to "maintain a leadership position in the industry by offering clients top-quality value at a fair price while coping with inflationary erosion of profits."

Conglomerates and consumer product companies worry generally about the ability to maintain profits in a declining economy, for the "economic status of the public" affects consumer sales. Other industry groups voice similar concerns. A Miami, Fla. bank complains about "rising cost of money vs. lending profitability." An insurance company is conscious of the rise in healthcare costs and a Glendale, Calif. hospital dpr talks about "helping the public understand reasons for high cost of healthcare."

GOV'T REGS CHIEF CONCERN OF BANKS,  
TRADE ASS'NS, INDUSTRIALS AND INSURANCE;  
INCREASED COMPETITION IN BANKING IS ONE RESULT

"Government meddling in running the business," "government intrusion and control" are some of the comments made by almost 50% of all

bank respondents -- a greater proportion of comments than from any other group.

For banks, regs are a bottom-line issue because they directly affect the degree of competition faced by them. For example, a sr vp complains about the "spread of services to non-bank institutions." Two other comments (by commercial banks) show deep concern:

"Increasing competition for share of market: S&L's, credit unions and savings institutions are being granted many of the functions hitherto reserved to commercial banks." (Syracuse, N.Y.)

"Competition from S&L's who are not covered by same operating restrictions as commercial banks." (Fort Worth, Tex.)

A vp-pr of a southwest bank sounds this warning: "Banks had better be prepared for increased competition as differences between financial institutions become blurred in the consumer's mind. We should also begin preparing for interstate banking in 5 to 10 years."

Industrial company respondents made the widest range of comments about gov't regs because they are affected in so many ways. Environmental regs appear to be most bothersome. One dpr pleads that "jobs are first" when "fixing priorities in terms of air and water pollution abatement." Resource companies fix on land use regs. A dpr for a Tennessee paper manufacturer is concerned about "maintaining a forest productive base" and a dpr for a Virginia company is concerned about "locking up vast tracts of new land in 'wilderness' areas." A dpa of a Minnesota timber company complains about "land withdrawals from timber production for single use purposes, e.g., wilderness, urban development, highways, utility ways, etc." Another issue of concern is hazardous and toxic waste disposal.

) Insurance companies are watching two waves of legislation: federal intrusion into an industry primarily regulated by states, and a call by the Federal Trade Commission for states to require uniform cost disclosure. The FTC has been saying that consumers are losing money by keeping savings in insurance policies.

ANGER TOWARD GOV'T SWELLING;  
PUBLIC SEEN AS NEEDING ECON ED

The country's economic plight and misguided public policies are causing frustrations among some pr practitioners that are vented in strong criticism of politics and public attitudes. The head of a small pr firm protests "government's crazy economic viewpoint, i.e., to actually encourage unemployment as a viable solution to anything." He calls for "cutting loose our national energies."

Seeing fault in the public, one industrial company vp-comms from Arlington, Va. commented: "We must come to grips with the fact that society is being more motivated by superficial facts than by the reasoning process." A Vancouver, B.C. vp-pr asks for a "greater realization by members of the 'me generation' for economic reality." A Dallas, Tex. pr firm head refers to "the long-identified need to strengthen the public's understanding of the essential role of the American business system ('free enterprise') and to slow the encroachment of government which is killing American business."

CURES FOR ECONOMIC ILLS  
SOUGHT IN IMPROVED ENERGY POLICIES,  
HIGHER PRODUCTIVITY & CAPITAL FORMATION

Energy is listed as the fifth major issue facing organizations. It was ranked fourth last year. A N.Y. utility still seeks "public and gov't awareness of the true nature of the energy problem." Several industrials, particularly in Texas and the Northwest, speak of shortages of electric power. A Calif. supplier of oil & gas equipment decries the "lack of a viable nat'l energy policy."

Productivity (an issue related to the economy) is cited by industrials and consumer product companies as an area of special concern. One limit to productivity mentioned by two Canadian dpr's is a shortage of skilled trades. A Santa Ana, Calif. dpr also noted a shortage of competent employees. And a Houston, Tex. pr practitioner saw slippage in his company's ability to keep employees "after initial investment in training is made." Several pr firms also listed productivity as a problem, as did insurance companies.

Capital formation was not elaborated upon by any respondents. However, industrials, consumer product companies and utilities cited it as a problem and presumed cause of our economic plight. Necessary corporate tax reforms were mentioned by only two dpr's.

COST CONTAINMENT AND MARKETING PROBLEMS  
BESET HOSPITALS, EDUCATIONAL INSTITUTIONS  
AND INSURANCE COMPANIES

While 22% of hospitals listed cost containment as their top concern last year, only 12% list it as one of the top three concerns this year. One reason for this issue's lesser importance is last year's defeat of President Carter's cost containment bill. Because of intense lobbying by the healthcare industry this issue is partially subsumed under the category of gov't regs, which hospitals list as their 2nd greatest concern.

Another likely reason for the reduced importance of cost containment is a shift from the supply to the demand side of the market. Hospitals have become conscious of their markets. They speak, as does one Tulsa, Okla. comty rels dir, of the "need for more marketing research," and, in the words of an assistant hospital administrator, "the ability to change, [or] respond to new market conditions."

Part of the marketing thrust is a new strategy and philosophy. A Lynn, Mass. dir of comty rels & devel calls it a "shift in emphasis of the health system to 'prevention'