

LINES OF COMMUNICATION HAVE BECOME NETWORKS

MARKETING AND COMMUNICATIONS PROFESSIONALS STRUGGLE WITH THE NEW MODELS OF INFORMATION FLOW

The Internet has radically altered the nature of communications, with important consequences for the way companies share and distribute information with customers, key constituencies and the general public. Where information flows were once mostly linear, hierarchical and easy for organizations to influence or control – via public relations and mass media advertising – the open, interconnected nature of the Internet has replaced information “supply chains” with a peer-to-peer communication model that lacks clear locus points.

- **MOST COMMUNICATIONS SPECIALISTS ARE REACTING** to, not embracing these changes in communications flows. Industry growth fueled by technology and dot-com companies’ demands (32% in 1999, according to the Council for Public Relations Firms), has masked the need for PR firms to update their strategic approach and value propositions.
- **COMPANIES WANT COMMUNICATIONS TO BE MORE CONSULTATIVE** and less focused on distributing information. Most communications specialists, however, are using technology only to automate routine functions.
- **IN THE SHORT TERM**, communications specialists must catalogue and master new skills set that amplifies their traditional value propositions and expertise online in new ways.
- **IN THE LONG TERM**, agencies and in-house PR must transform their roles from gatekeepers to gateways. In the next 18 months, best-in-class communications specialists will automate information dissemination, focus instead on stimulating dialogue among constituents and advise senior management on communications strategy.

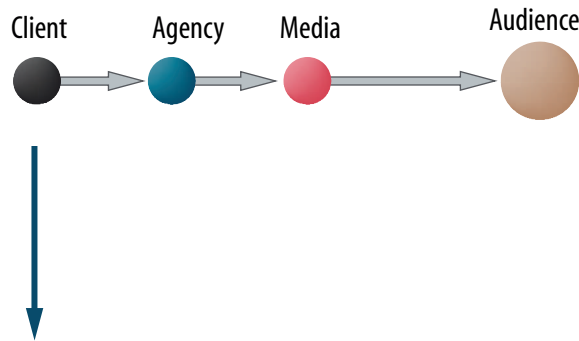
WHAT THIS MEANS TO YOU

This is important to marketing professionals because it requires them to think of marketing communications in a whole new way. Public Relations is set to evolve from a tactical information outlet to the strategic moderator of public dialogue.

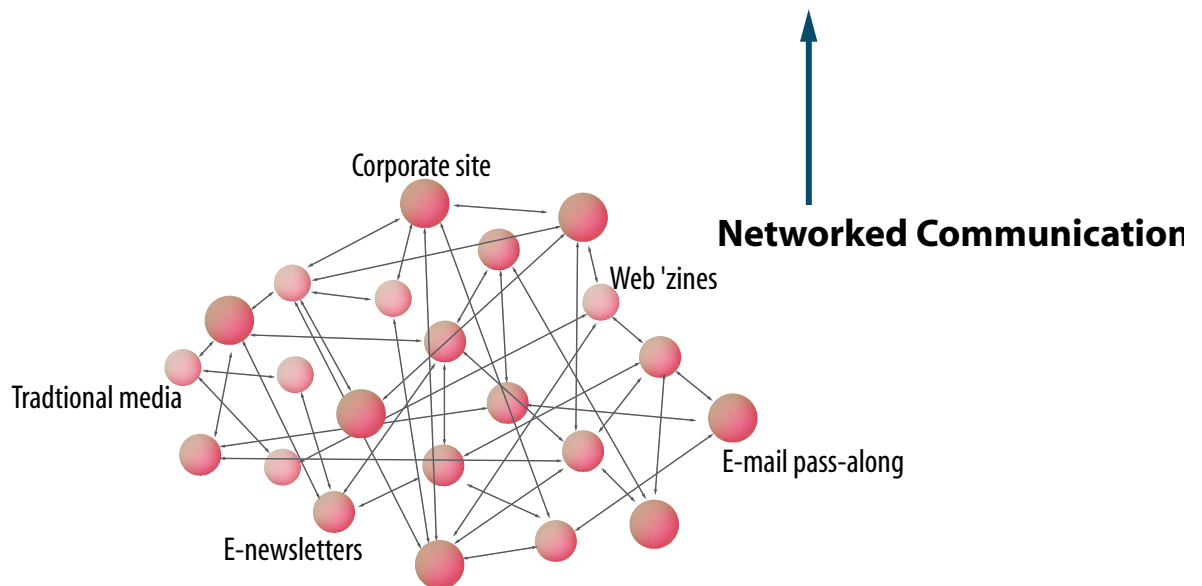
This shifting role of marketing communications relates to IMT Strategies’ research into **customer-centric organizations, online customer intelligence and outsourcing sales and marketing functions**. Our research about customer-centric organizations foretells that companies must re-organize operations to deliver more personalized products and services for customers. Our recent research into online customer intelligence argues that e-businesses must measure trends in customer behavior and attitudes online better. Our ongoing research about outsourcing sales and marketing functions shows that marketing leaders must master the assembly, management and integration of external agencies and solutions providers for new, specialized (often technical) sales and marketing skills.

The Big Picture

Linear/Hierarchical Communication



One to Many	Change Agent	Many to Many
• MICROSOFT	<i>OPEN SOURCE</i>	LINUX
• TOWER RECORDS	<i>FILE SHARING</i>	NAPSTER
• DEAN WITTER	<i>TRUST COMMUNITIES</i>	MOTLEY FOOL
• LUNG CANCER (TOBACCO)	<i>GUERRILLA ACTIVIST NETWORKS</i>	GLOBALIZATION (SEATTLE WTO)
• JFK	<i>MATT DRUDGE</i>	BILL CLINTON
• GULF WAR	<i>UNFILTERED LIVE ACCOUNTS</i>	KOSOVO



VICTIMS OF SUCCESS

The new communications paradigm – the shift from linear to networked communications flows – is having a dramatic impact on marketing communications agencies (i.e., public relations, investor relations, public policy advisors). It is fair to say that PR agencies have rivaled traditional grocers and the music industry in their slowness to embrace new ways of doing business particularly as a result of the Internet. This is true in comparison to how

well other marketing disciplines – direct marketing, advertising and trade promotions – have capitalized on the Net, creating billions of dollars of new market opportunities online.

Like the cobbler’s children, who go unshod because their father is too busy making shoes for his customers, most communications agencies have been overwhelmed by new demand for their traditional services by the booming technology industry. Consequently, they have not turned serious attention towards understanding the long-term implications of the Internet on their business models.

In recent interviews IMT Strategies conducted with more than 100 PR professionals, marketing executives, journalists and consultants, members of this “communications value chain” overwhelmingly agreed that very few PR agencies were demonstrating much vision in the face of the information revolution (*see chart at left*). In naming the biggest impacts that the Internet has on the PR profession, most of the themes respondents cited were obstacles, not opportunities. These included faster work cycles, more media to cover, rising noise levels, lack of control over messages and unchecked rumors.

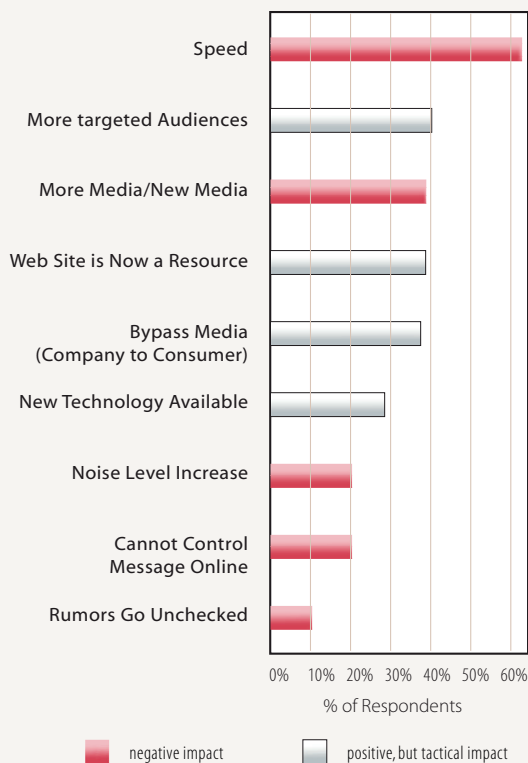
The few positive impacts they commonly cited – better targeting for media interests, web sites as self-service resources, reaching consumers with press releases directly on Yahoo! – spoke more of automating routine functions like paving cow paths, than reinventing the business model. Few respondents beside some book authors and specialized consultants spoke of strategic trend analysis, tapping into existing online discussions, fostering new public dialogues, viral communications strategies and the shift to networked information flows.

FROM MOUTHPIECE TO EYES & EARS

To be sure, the companies that employ PR agencies still see their foremost job to be media relations, and for good reason. In our survey, media relations easily ranked as the single most credible value proposition to drive business for PR agencies in the next three years (*see chart on page 4*). The explosion of new media outlets online has created more demand than ever for specialized services and resources to support online and off-line media.

Top Impacts of the Internet on Public Relations

IMT Strategies asked 100 communications professionals what were the most important impacts the internet was having on PR. Most of the commonly cited themes were obstacles (in red), not opportunities. The few opportunities cited (white) were about automating what PR already does, not using the Net to do new things



Source: IMT Strategies 2000

Media Relations and Strategy Top PR Industry's Priorities

IMT Strategies asked 100 communications marketing and media professionals to rank the #1 and #2 most important "value propositions for PR in the next 3 years. rank#1 was tallied with 1 point, #2 with a half point



At the same time, best-in-class companies are quickly learning that much of what were the key functions of traditional PR – distributing news announcements and fielding routine inquiries – can now be more efficiently syndicated to interested parties, hosted online for self-service and otherwise largely automated. In a matter of months, even the slowest companies to respond will

find that maintaining those traditional services as a core value proposition will no longer merit tens of thousands of dollars a month in PR agency fees.

Additionally, the second-highest priority for PR services that respondents selected were senior management strategic consulting. Specifically, management is seeking guidance in navigating the shift of communications paradigms and how the Internet can revolutionize marketing communications. The opportunity for PR is to take ownership of overall online corporate communications strategies, including interacting with new classes of online influencers, using new communications models; and, providing strategic consulting to senior management about customer and constituent trends.

If PR does not step up to the challenge to re-invent itself to this degree, according to IMT Strategies' research, there are several other alternative services eager for the opportunity that customers see as credible substitutes. In much higher numbers than the PR agencies themselves, their customers in our survey at Global 2000 and dot-com companies told us that they would consider seeking help with marketing communications from various types of non-traditional PR agencies, including cyber PR specialists, web development firms and direct marketing services.

NEW "IPR" SKILLS

The first priority for most communications agencies is to reassess the bundle of services that will represent their core value into the new century. Fast growing demand for traditional media relations with the boom of the "dot-conomy" has left most PR agencies in a hiring crunch. The result has been that even basic traditional PR skills, such as good writing, personal relationships with journalists and detailed knowledge of client issues are in short supply. But simply fixing what is now broken and mastering 20th Century-style public relations will not be enough to win in the 21st Century.

According to our research, communications agencies are dramatically out of alignment with many of the priorities of their customers and their constituents (e.g., the media) regarding the skills and technologies they should emphasize in the coming years. Marketing executives place a significantly higher priority than

agencies on skills such as content development (web site copy, e-mail newsletters) and direct interactions with key end-user constituents (e.g., customers, employees and consumers).

Media professionals, meanwhile, make no secret of their dissatisfaction with the status quo of their interactions with PR (typically characterized by a blizzard of e-mail press releases). Priorities they value much higher than agencies include opt-in-based e-mail relationships, participation in online discussions (where the media acknowledge they are currently getting many story leads under the radar of traditional PR) and PR sponsored online events that engage various parties of interest in dialogue.

BOTTOM LINE

Marketing communications agencies need to wake up to the fact that a window of opportunity is closing. Their traditional bundle of services, focused on manually disseminating information, is not a sustainable proposition for the long term, certainly not for high-margin growth. By comparison, U.S. marketers spend more than \$100 billion a year on each of the three industries – brand advertising direct marketing and trade promotions – while PR agencies build just under \$4 billion last year according to the CPRF.

Meanwhile, executive management clearly wants something more from PR, but it's not sure what. It is waiting for PR to tell it. PR must act boldly to demonstrate that it has the answers as to how to add value and take charge of communications in the new, networked information age. In particular, IMT Strategies believes that communications specialists should focus on four key new areas of expertise:

1. **Online Constituent Intelligence** – Key constituents of business – customers, media, analysts, critics, the public at large – are using the Internet to communicate publicly in new ways, and at the same time the new media makes it easier than ever to track those conversations. PR is the best position to tap into these communication flows and provide management the intelligence it needs on trends among these critical communities. PR must evolve from being the mouthpiece of the organization to also be its eyes and ears.

2. **Communications Architect & Editor** – At heart, the Internet is about communications. Yet, within the organization, no one is mapping out a clear strategy for how the company is using the Net for marketing communications the way teams are in charge of planning technology, commerce and promotional programs. PR must own the voice of the company online, its tone, forums and messaging strategies in a much more coherent fashion.

3. **Network Development and Dialogue Facilitation** – The conversation about your company is going to happen online with or without you. The days are gone where companies can "control" the conversation. Instead, they need to establish excellence at fostering and shaping it. PR must use its skills in building communities from its offline experience rallying coalitions and building bridges with constituents, to participate and host the dialogue in online forums, both where they're happening organically and under the wing of the company's online presence directly.

4. **iPR Guru** – A top priority for PR is to embrace and master a new set of skills, media types and technologies to define new service bundles and educate clients about the importance of their use. These services include engaging online discussion communities, data mining media for important trends, developing custom communications platforms, resources and events. If PR agencies are much slower to adopt these new strategies than they have been already, alternative service providers, such as cyber marketing specialists, web developers and direct marketing firms will certainly seize the opportunity instead.

For more information on this research please contact IMT Strategies toll-free at (877) 566-7744