

How to Calculate Return on Investment (ROI)

When business executives hear a phrase starting with “return on,” they expect the next word to be “investment”—not return on conversation, engagement, or other made-up measures some PR professionals have invented to sound more business-like.

ROI will be the result of a financial calculation based on real money the organization added to revenue because of a specific investment, or subtracted from its cost of doing business.

The same formula is used for calculating ROI throughout an organization, and in all organizations around the world.

1. Start with the financial gain attributable to a particular initiative. For PR, this means the incremental revenue increase or business cost decrease resulting from a particular campaign or an element of that campaign.
2. Subtract from this the money your initiative cost.

3. The result of this calculation is called the “net gain.”
4. Divide the net gain by the same cost you used in step 2.
5. Multiply the results of Step 4 times 100%. Voila, you have a real ROI to share with your CEO showing the incremental value PR added to achieving a business goal.

As a mathematical expression, this would be:

$$[(\text{Gain} - \text{Cost}) / \text{Cost}] \times 100\%$$

Even someone who hasn't taken a math course since high school can complete this calculation. The only difficult part is identifying a justifiable amount for Step 1, which requires breaking out the amount of credit your PR effort can take in helping to achieve a business goal that may have resulted from the efforts of multiple business functions in your organization, and even factors outside of it. The various ways of connecting PR to business results will help you do that: pilots, timing, survey questions, etc.

with the headlines that received a higher uptake.

Unique URLs, Addresses or Phone Numbers

When you have a multi-media campaign with a goal of spurring a specific behavior, try using different contact information for each communication channel so you can tell which are most effective. You can do this with slightly different URLs embedded in different communications that all take the reader to the same “take-action” web page (using something IT calls “parameters”), or different phone numbers or mailing addresses for other types of actions.

For example, if you're trying to drive people to a particular action page on your website, embed different versions of the URL into the email you send, your e-newsletter, your social media conversations, other pages

on your website, etc. The only place this might not work is in your pitches to the media since reporters generally will not include your URLs in their story. However, if you see a big uptick in website traffic on the date that story runs, you could infer much of that came from the earned media coverage instead of the other channels that included a built-in, unique link.

If you want to track just one communication channel's impact on driving visitors, use a free URL shortening website to create a unique path to the page that will provide you with usage updates in real time. All of these approaches cost nothing, but they need to be considered during the planning stage, not after the launch.

- **Requesting an energy audit:** A California utility needed to update a mailer to customers asking them to call the company to schedule a home visit so they