

## **Return on Investment for Political Marketing**

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### **Abstract**

The paper examines the marketing activities of the Australian political parties particularly related to campaign planning. The research was focused on what use was made historically within the parties of marketing metrics such as Return on Investment (ROI).

By answering the research question regarding the use of a ROI measure for the effective use of advertising campaigns the contribution to knowledge will take the form of advancement to the extant literature on political advertising.

### **Introduction**

This paper asks the question, ‘Do Australian political parties use Return on Investment (ROI) to measure the effective use of their electoral advertising campaigns?’ The question is important not just in an Australian context but has implications for political parties in liberal democracies all over the world. ‘Marketers will rarely apply themselves to a more serious topic than the way in which the political elites and their electorates communicate’ (Butler and Collins, 1994). A literature search examined four hundred scholarly references to political advertising, but fewer than thirty of those were Australian (Young, 2002). The majority of the literature has focused on countries such as the United States (US), the United Kingdom (UK) and other liberal democracies. Surprisingly this search did not find any reference to the standard marketing metrics such as the concept of ROI. This may be a result of political parties having their own internal measures of success that they are unwilling or unable to articulate publicly. This general lack of specific research on any facet of ROI for political marketing techniques is one of motivations for this study.

This paper is a work in progress and the data collected will form the subject of a long term program to help political parties in Australia to better plan and implement their short term communication campaigns prior to elections. By learning more about the way in which political parties in Australia communicate with their consumers (voters), and the application of marketing concept of ROI to politics we can use the results for other jurisdictions. It is believed that the contribution to knowledge will take the form of advancement to the extant literature on political advertising. A full discussion of political marketing however is very complex and is beyond the scope of this paper.

### **Australian Political Marketing**

The Australian political landscape is characterised by compulsory voting (95% compliance), a preferential voting system, and lower house/half senate elections every three years. There are two major parties: the Australian Labor party and the Coalition of Liberal and National parties. There are a number of minor parties (Greens, Democrats, Family First) and independents. This research focuses on the two parties that have a realistic chance of winning government.

Political advertising in Australia had its origins, as in other countries in the same era, in face-to-face communication between candidates and the citizens of their electorates. In the early 1900s it would not be unusual to see politicians and prospective politicians giving public speeches in a town square

or on a soap box. Nowadays, the focus of political advertising is on television and radio, direct-mail and as recent studies are determining, there is also an increasing use of the Internet for political advertising. As political communication techniques have changed, so too has the amount of money being spent on these techniques. It can be argued that this increase in campaign costs has been as a result of the high costs of television advertising, which comprises the most significant proportion of political campaign expenditure

In recent years, experts have recognised the growing importance of swinging and late-decider voters (Lock & Harris, 1996; Young, 2002). Consequently, it is increasingly important that political advertising is tailored to these individuals.

## **Methodology**

For this paper I conducted an examination of current marketing activities of both the major political parties in Australia. I held depth qualitative interviews with the Marketing Directors for the parties, and then had I further interviews with campaign members of both parties. I was given limited access to internal party documentation, data bases and research. As this was a preliminary process, I sought clarification on the information they had at their disposal for marketing decision making and performance review. I asked about the level of expected accountability and the usage of a range of commercial marketing metrics, their attitudes towards them, and perceived gaps and barriers in their application.

## **Findings**

Both parties claimed to use campaign metrics in some form. They acknowledged the need for tracking activities that would improve the effectiveness of both the permanent campaign and the election campaigns. Marketing efficiency was an item of concern to all party organisations. More specifically, I was interested in the response to the use of metrics in answering the question ‘which types of information would your party generally use in making marketing investment decisions, like launching a new candidate, a major communications campaign or defending against a major competitive move?’ The marketing campaign resources available to both parties are described below:

- Both parties retain agencies to conduct regular internal market polling
- Media polling (Newspoll etc.)
- Both parties’ have extensive networks of volunteers.
- Both parties have sophisticated voter database systems: Electrac (ALP) and Feedback (Coalition)
- Both parties have access to printing and postage allowances for all elected members (\$150000 per annum)
- A guarantee of taxpayer funding for every vote gained at the major election. (\$41.92 Million at the 2004 election)

It is also true however that even the most senior party officials sometimes question the role of advertising, and in fact, one of the Coalition’s own advertising team said ‘Advertising is only one tiny part of a campaign. Really, you know, it might be a 2 percent factor...’ However, in elections where seats can be won or lost on the basis of just a handful of votes, that two percent, even if an accurate assessment of the impact of advertising, might make the difference. In the 2001 federal election, if just two percent of voters were affected by political advertising, that equates to 241 087 voters (Australian Electoral Commission 2002), whereas significantly less than that number was

required to change government. If just 3622 voters that had voted for the Coalition in 1998, in the 8 most marginal seats held by the Coalition, had instead voted for the ALP in 2001, the ALP would have won the right to govern (Crosby, 2007). Consequently, the importance of political advertising in influencing the outcome of an election should not be underestimated.

### **Return on Investment (ROI)**

The issue of ROI for the measurement of the marketing activities of both business and not for profit organisation's, remains a hot topic (Morrison and Roberts, 2006; Bennett 2006). In 2004, the Australian Marketing Institute (AMI) defined a framework for aligning marketing performance measures with measures from board reporting - measures that link closely to company profitability and shareholder value. The AMI paper, "What Value Marketing?" (Australian Marketing Institute 2004), stated: 'It is important for the language and metrics of marketing to sit beside those of Finance when CEOs and Boards assess company performance'. The paper described a conceptual suite of measures to link closely to cash flow and shareholder value, and as a first step to a shared language and common understanding the paper provided an extensive glossary.

In the political environment both major political parties have real data quality problems. However poor metrics may well be worse than no metrics. Despite these dangers, I believe that the current focus on evidence-based marketing in commercial organisations will lead to political parties to use ROI calculations to integrate their marketing activities, and this in turn will increase efficiency and provide better focusing of political party resources. Evaluating how they achieve such results will add much to the study of political communications campaigns.

If as mentioned above a political party already has 48% of the 2 party preferred votes and needs to gain only 1.9% increase in votes to gain the treasury benches then it is vital to determine the amount of money necessary to get the additional votes to win government.

If, for example, a political party's routine investment in communication was \$50 million then how could they use the efficiencies of commercial return on investment to gain the same result with less money? In commercial marketing we set our communication objectives to achieve a result in awareness attitude change and behavioural intention. We can set the same objectives for political communication. We have to be aware that shifting political attitudes is far more difficult than asking people to change their brand of toothpaste. This generic ROI calculation does not reveal very much to the political analysts to whom I talked. They simply wished to know the best mix of communication to minimise their expenditure for the maximum result.

### **Campaign Return on Communication Investment (ROCI)**

Given the appetite for the level of accountability that I found in discussions with both parties, I devised a modified version of Schultz's IMC campaign management process to estimate ROCI (Schultz, 2004). Schultz redefines the metric of ROI to that of Return on Communication Investment or ROCI. The data used in Table 1. is fictitious however it is based on close consultation with one of the national political advisors as being reasonably close to their actual allocations. This could be used to test a number of campaign scenarios and if implemented systematically can be used to give focus to the short term campaigns.

In future research it is intended to examine the utility of all communications efforts and the ROCI taxonomy will be the primary tool for future comparative data collection over time. Historical data will also be used to form a benchmark.

**Table 1. ROCI for Political Marketing**

<b>Voter Group</b>	<b>Loyals</b>	<b>Switchers</b>	<b>New voters</b>	<b>All voters</b>
Behavioural goal	retain	grow share	acquire	
IMC Scenario A				
TV advertising	\$0	5	4	9
Radio advertising	\$0	2	2	4
Direct mail	\$0	3	2	5
Public relations	\$4	1	2	7
Web advertising	\$0	1	2	3
Support media	\$2	1	3	6
Press	\$0	1	3	4
New media	\$0	2	1	3
Member/candidate contact	\$4	5	3	12
Total communication investment	\$10	21	22	53
Voter intention change.	+50	+50	+50	+150
Less communication costs	\$10	21	22	53
Incremental ROCI	40	29	28	97

### Changing Media Budgets

Eleven years ago the Australian Electoral Commission (AEC), reported the dominance of television advertising as the preferred media choice in Australian elections (Table 2). This reflected the media planning conventions of the time. It shows that over half of all campaign funding was spent on broadcasting (radio and television advertising). Although political parties are no longer required to report the size or break-up of their campaign expenditures, as was the case in 1996, media reports on the amount of expenditure on TV advertising by the major parties at the 2004 federal election suggest this amount has more than doubled since 1996 (Burbury and Shoebridge, 2004).

Recently the utility of the Internet as a marketing tool, especially sites such as You Tube has been explored by both political parties in Australia. In the United States a study of political television advertising in presidential campaigns found that television is more likely to stimulate voters to action than the Internet due to immediacy and effectiveness stimulating emotions (Kaid, 2002).

**Table 2. Political Party Electoral Expenditure in \$000's (AEC, 1996)**

Party	Broadcast	Publishing	Display	Other	Direct Mail	Research	Total
ALP	9,037	840,223	6,444	1,188	1,982	751	13,806
Coalition	6,652	2,723,	58,298	3,032	2,929	1,296	16,692
Total	15,690	3,563	54,742	4,220	4,911	2,047	30,498

Politics provides a complex and dynamic communications environment and therefore the discipline of examining the ROCI of various communication mix scenarios in the Australian context, will provide a rich source of research interest that should be of interest to political in many political jurisdictions.

### **Conclusions and Limitations**

Initially I assumed that in a political marketing environment commercial advertising and marketing techniques would be adopted unchanged. I found instead that Australian political parties use a mixture of a sophisticated commercial marketing techniques and consultants brought in at key times before an election. They also evinced well developed long term relationship management that most commercial organisations would love to have.

A weakness of this study is that it focuses on the measurement of instrumental short term national (party branding) campaigns rather than individual local electorate (candidate / product) campaigns. Additionally the ROCI model does not appear to have much utility for the long term or permanent communication activities of the parties. Another limitation is that the researcher had to rely on personal contacts to gain access to confidential information about campaign planning.

It is however concluded that because money for campaigns is limited, there is an appetite from both political parties for greater accountability, both externally and internally. Externally, the modern measurement mantra is "If you can't measure it, you can't manage it". Internally, many marketing directors for political parties are frustrated by what they see as the marginalisation of marketing. They see the natural answer to that problem as a scientific demonstration of marketing's effectiveness and efficiency.

Future research may involve examining the actual communication expenditure data from the 2007 Federal electoral campaign. Further research could involve developing a data base of ROCI for political marketing by examining campaign activities in by- elections.

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