

What Does It Cost? The Value of PR Services

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Not long ago, a researcher from the Department of the Army Corp of Engineers called to ask about the value of public relations. I thought he meant the value of media placements until I realized he was looking for a formula to determine how much it costs to write a press release, make a media call or produce an event.

I told him there is no way to calculate that absolutely and anyone who claims that he or she can misunderstands value and PR services. There is no absolute value formula for public relations, and there never will be because value is variable. It is derived from the buyer and seller, the business environment and service. The gentleman was relieved because he had been searching unsuccessfully for benchmarks to gauge PR proposals submitted to the Corps.

Some are likely to object and say large PR agencies can indeed arrive at statistical parameters for the value of specific PR services, simply through accumulation of time data from employees. But, they can't and here's why.

What is value?

The first problem with valuing PR services is defining value. The dictionary's first definition is "relative worth or importance." There's the rub. Relative to what? Value components consist of several elements that are all variable.

- Internal need of the buyer
- Internal desire of the seller
- Perceived need of the buyer

- Perceived desire of the seller.
- Perceived value of the service
- Perceived value of the service relative to similar services.
- Perceived value of the service delivery person.
- Perceived value of the client.

These eight elements are enough to make value variable but you can add such things as geographic effects as well. A PR program will have a different cost depending on where it is implemented – New York City; Boise, Idaho; or San Jose, California. Why? Because perceived value differs by region.

Services, not products

Even though PR practitioners produce a product like a press release or an event, what they really do is provide service. Press release production is more writing than manufacturing, except in instances where organizations use boilerplate, fill-in releases. The value of the product comes from the time spent in developing it, the importance of the information and the form of presentation. One writer might produce a compelling release: Another a piece of jargon. One release might be insignificant: Another might affect the fate of an organization. One release might take 15 minutes to write: Another might take days of negotiation and multiple revisions. Distribution, the mechanical part of press release production, is typically the lowest value. A PR firm uses a distribution service like PR Newswire or BusinessWire or a mailing house.

The same service/value trade-off exists with events. Time spent organizing an event usually outweighs the time of the event itself. Calculating the expenses of an event misses what PR does to choose, hone and present the message the event is transmitting. Or, to put it another way, an organization can spend a million dollars staging an event and gain little from it or spend far less and seize national attention. The variable – and value – is the creativity, intelligence and implementation the practitioner brought to the event.

This holds true as well for producing media such as brochures or Web sites. Writing and designing a brochure or Web site may cost less than producing it, but the success of the medium relies on how effectively it frames and delivers its message.

The difficulty with valuing services is that they have little relationship to physical action. Service value by definition is perceived. If one were to calculate the amount of energy expended in producing a service, a garbage collector would be better paid than a top-flight lawyer. Although garbage collection is an essential function to maintain sanitation, the amount of mental acumen required to do the job is not comparable to the top-flight lawyer. But, on the other hand, there is no objective way to rate the acumen of this top-flight lawyer with that one over there. So too, there is no good way to say that this PR practitioner is objectively better than that one in terms of rendering service.

That said, there are a number of law and PR consultants who establish differences among individuals and firms for clients. They research history of service to similar clients, check with present and previous clients, put firms through drills of making

and presenting plans and rate performance on scales. While their results appear to be an objective assessment of value, they are not. Consultants establish a probability of value. That is, this firm is more likely to produce the results you are looking for than that firm. But “more likely to produce” is not a guarantee that the individual or firm will produce. Hence, value is relative. Further, such objective scaling misses the fact that the intellectual and creative abilities of an individual or organization might allow it to take an assignment it has never confronted before and do a better job than practitioners who have worked on the issue for years. In fact, what scaling does is enforce the *status quo* of message development and delivery when developing new approaches may be more important.

Need

A first rule of salesmanship is to establish a need for a product or service. It's difficult to sell anything to someone who has no need for it. This is another barrier to valuing PR services. Even today, some executives have little use for PR. If they use it, they are not likely to want to pay much for it.

Unlike law or accounting, both of which are essential to organizational survival, PR is an elective because it is one of several media that firms can use to reach target audiences. Some firms prefer to advertise and use trade shows. Others prefer direct mail and face-to-face salesmanship. They don't use publicity techniques because they don't find them as effective, or they don't understand them. On the other hand, some executives value PR highly because they have witnessed its effectiveness for their organizations, or they are convinced that it can be effective. When

they have a need for PR, they are more likely to pay highly for it. This opens a vast range of relative value. In the former instance, a company might be perfectly satisfied with using a secretary as a part-time publicist. In the latter instance, a company may be willing to pay an individual a million dollars annually just to be available.

The PR provider

There are several unknowns that the practitioner who delivers PR service brings to value. One, as mentioned above, is the capability to provide service. The second is a desire to provide service.

There is an old trade-off in PR, for which there is no good answer. It goes like this. What is better? To have an experienced practitioner billed at \$200 an hour write a release in one hour or a junior practitioner billed at \$100 an hour write the same release in two hours. The implication is that it makes no difference, but in fact, it can. It is more likely that an experienced practitioner will write a better release more quickly than a junior. On the other hand, this isn't necessarily so and the senior practitioner represents greater overhead than the junior. When questions of salary and benefits arise, there is a temptation to get rid of the experienced practitioner in favor of the less-expensive junior.

Secondly, a PR provider's desire to win business or influence with a client has a direct effect on how the provider values services. The calculations are several – a desire to be involved in the main action, the wish to get into this market space, pressures to produce greater revenues and profits and the number of people not busy within the PR department or agency.

In boom times, practitioners, departments and agencies are more willing to turn away work than in lean times. In other words, the value they place on providing additional PR services are less than the value of services being delivered now even if the services are the same – e.g. producing a press kit. It is possible to produce two press kits containing the same elements and charge different prices for them based on a provider's circumstances. A "drop-everything rush job" may be valued much higher than a product produced in the normal course of service.

Perception

The way each party reads the other's desire to get or provide PR services also factors into valuing them. Call this body language. Clients will "beat down" an agency if they think they can get away with it. Service providers will add premiums to bids if they think a client is eager or under pressure. In fact, basic PR services during mergers and acquisitions battles have been outrageously priced and paid without complaint because the client knew the PR bill would always be less than the corporate lawyer's bill.

The point is perception of a circumstance has as much validity as the facts of the circumstance when it comes to value. A naïve client may blow a minor problem out of proportion and be ready to pay large sums to get a problem fixed. A practitioner might appear anxious to get a job and open the door for a client to negotiate fees down. Or, a client may perceive that its business is so important that practitioners will queue to serve the client no matter the price. (The author once worked with a major hotel chain that operated under that assumption – and got away with it.) A chance to get close to a CEO or to get into

the door of a company with large PR budgets skews values constantly. Firms have given away services for nothing just to participate. The value of the free service was the expectation work to come. On the other hand, a PR provider might perceive that the value of his service is worth more than what a client will pay. That is, the client is “too small” for us.

Worth of service

It has been a source of angst for PR counselors that they sometimes offer advice that is as good and as important to the welfare of an organization as well-known consulting firms provide. But, the PR provider rarely gets paid at the same rate as a consultant. Even lawyers who enter PR do not get paid as well as lawyers who work in large law firms. Further, an individual who goes under the title of lobbyist or public affairs specialist tends to get paid on a different scale than a PR practitioner.

On the relative value scale of business services, PR ranks below consulting, legal advice, advertising and marketing. To determine this for yourself, look at annual salary surveys for public relations. The field has never done well by comparison to other services. Why? I believe it has to do with embedded thinking about the perceived relationship of PR to the survival and success of the organization and perceived quality of service providers. Public relations has done little in its history to change that perception. There are certifications such as the APR exam offered by the Public Relations Society of America, but few take the exam, and it has little value. The entire time I have been in PR, I have heard calls to “professionalize” the field so counselors could charge more for services. To date, I have not seen any of

these attempts work across the board. Although average account fee sizes have risen over the years, they rarely approach the levels of what consultants, law firms or accountants charge.

A second way to value PR services is to compare them with similar services. This is the benchmarking approach discussed at the beginning of the article. Shrewd buyers of PR services tend to form estimates of program costs based on doing such programs in the past. However, any estimate is uncertain because if this program differs in scope from PR programs that went before it, the cost of the program will be different. Secondly, even if the program were identical, business and environmental conditions might make it more expensive to implement. For example, providing sex education information to college students in a liberal university is easier than providing it to students in a conservative one. About the only way one can value such programs is to run identical tests in identical circumstances, or to put programs out for bid to multiple vendors. But even in this instance, one can't be certain that Vendor A will do as good a job as Vendor B.

Perception and people

PR is a business that frequently uses “stars” to gain credibility and enhance the value of services. A common tactic is to hire individuals who have worked in senior government positions, such as at the White House or for a Senator or were well known in their industries. Why? Because they are known. They carry a personal “brand.” They are insiders who can get a Congressional or Senatorial staffer or CEO to return their calls when others must wait. Whether this is true or not, it is thought to be true.

Practitioners in Washington often have “trophy walls” of photos showing them with various Presidents, Senators and Congressmen. They work hard to project the perception that they are insiders because this leads directly to business. Of course, public relations is not alone in using this perceptual advantage in valuing its services. Law firms have made it an art, as well as consultants. In fact, law firms are the refuge of many a retired Senator or Congressman whose principal job is to be a nameplate.

“Name branding” like this is not the only method firms use to set apart individuals in terms of perception. Consultants hire expensive and highly educated talent from top business schools then push them to brand themselves through studies, papers and books that receive wide recognition. Accountants have to CPA certification and lawyers, law degrees and the bar exam as well as, in the case of tort lawyers, a record of wins and losses in the courtroom. While PR practitioners have yearned to gain similar recognition, as we noted above, they have not been successful. The principal reason is that public relations is a First Amendment business. It exists as a part of free speech and as such, it is difficult to bar “unworthies” from the field.

Pricing services

The first rule of valuing and pricing PR services is to cover service costs before considering profits. There are identifiable costs such as the time to render the service, salaries required to provide it and expenses for phones, transportation, lodging and meals. These costs are variable and should be estimated for each program. (Contrary to general thinking, there

are no fixed costs for services. Even rent depends on the space one needs to provide service as service firms discovered when they started “hot-desking” employees into shared offices.) Salaries depend on individual pay and benefit levels. Ancillary expenses depend on use. Well-planned program delivery can be low cost or high based on conception and implementation. Promoting the Olympic Torch run across the U.S. from town to town is a high-cost program. Promoting a new laptop in a press event at Comdex is a fraction of the expense.

Program costing requires good estimation, and here is where the experience of the service provider confers an advantage. An experienced PR provider should know how to implement programs more efficiently than an inexperienced one.

Once a program is “costed,” profit is the issue. Profit is a direct function of perceived value, and it can be explicit or implicit. That is, one can show the cost of a program and the profit for completing it (which few ever do) or one can bury profit in the markup of an individual’s hourly billing rate. Most service firms do the latter, and PR is no different.

Nominally, markups include overhead and profit, but with careful cost estimation one can move most of the markup to profit. For example, if an individual is paid \$25 an hour in salary and benefits and charged out at \$75 an hour to cover overhead and profit, one has \$50 an hour of variable cost and profit. If one can drive variable costs to \$10 an hour, one makes \$40 an hour of profit. If one lets variable cost balloon to \$40 an hour, one makes \$10 an hour profit. Either way, the client sees only the \$75 an hour charge, which might appear to be in line with similar

charges from competing agencies. Hence profit is as indefinite as value when pricing PR services.

Relativity

Because there is no absolute value for PR services, service deliverers have an option to value them through good salesmanship. That is, they can play with perceptions and build perceived need with clients to get them to pay more than the same client might pay another agency delivering the same service. On the other hand, where shrewd service buyers make the valuation, one may find there is little or no room for salesmanship. It becomes a matter of careful budgeting and execution against similar competitors. Price cutting is always a possibility and in some cases, the norm. What this means is that those who deliver PR services should know their costs well to give themselves the latitude of knowing how to value PR in a fluid situation.

In any event, attempts to assign absolute values to PR services are doomed and a waste of time.

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