Client Management and Billing Practices in PR

An exploratory survey

Report delivered for:
Clare Public Relations Ltd
Ellesmere Park
Manchester

by:

Dr Lee Edwards
Institute of Communications Studies
University of Leeds

10 May 2014

Executive Summary

This report summarises the results of an exploratory survey of PR practitioners' client management and billing practices in the UK. It was carried out in March and April 2014, with the aim of establishing how consultancies conduct their account management and to explore whether measures are needed to make client management and billing more understandable and transparent across the industry.

The survey resulted in 101 responses from people who worked across the spectrum of PR services and frequently also provided non-PR services as part of their business. They were located across the UK, although a significant majority were based in London and the South East.

The results showed that respondents took client management needs seriously. They invariably tried to keep the client account team the same as the team that presented in a winning pitch, almost always provided regular senior level input on client accounts, and frequently provided a service level agreement. Fee calculations took account of client history and budgets, as well as other more predictable factors such as market norms or experience required.

However, the survey results suggested that there may be reason for concern about the degree to which agencies make themselves accountable for their work. Only one-fifth of the sample always provided an estimate of their clients' return on investment, only 40% always provided a service level agreement, and activities that are charged for are not always itemised in the billing process. Taken together, these results suggest that PR agencies could be much more up-front about what is included in the PR investment that their clients are making, and about the value they provide.

However, the idea of a best practice set of guidelines for both calculating and communicating fees did not receive universal support. Perhaps because rates are calculated in a variety of ways, incorporating a range of variables, only a minority of respondents thought that there was a need for guidelines.

The survey suggests important avenues for further quantitative and qualitative work. A similar, larger study could be conducted in order to explore differences in client management and billing between agency types (e.g. by size, sector – see note 1). Qualitative work would be suitable for exploring the rationales that practitioners use when deciding how to manage their clients and set up billing processes, and to better understand the choices made about issues such as charging for and itemizing activities.

CLARE
PUBLIC RELATIONS

Respondent Profile

101 people responded to the survey, with 92 completing it in full. Just over half the respondents (55%) were based in London and the South East of England, with the remainder distributed roughly evenly across the UK.

Most respondents ran independent agencies, with just 8 out of the 101 belonging to a network. 18% of respondents were sole operators, while an additional 42% worked in agencies with up to 10 employees. The majority of the sample, then, were responding as small businesses.

Agencies provided a wide range of specialist PR services. The most commonly cited were Business to business PR (73%); Digital PR services (58%); crisis management (54%); and consumer PR (50%). Forty-two percent of respondents cited internal communications as a service, while community PR, corporate PR and CSR were each cited by one-third of respondents. All respondents cited more than one type of specialism.

Eighty-four percent of respondents said they delivered non-PR services as part of their business. The most common were marketing consultancy (53% of the total sample), brochures and written collateral (51%), design services (48%) and branding services (46%). Online marketing and advertising were cited by 38% and 35% of respondents, respectively.

Perhaps surprisingly, respondents said they serviced a range of client types: SMEs, local and regional businesses, national and multinational companies and listed companies. While national, multinational and listed companies tended to comprise a slightly higher percentage of clients, no client type dominated across the sample.

Client management

Respondents were asked about how much senior input they provided for their clients each week, whether their 'pitch' teams remained on the client account once it was won, and whether they provided a service level agreement. Responses revealed a range of practices.

No clear pattern emerged regarding the level of senior input on client accounts. The two most common responses were that senior input was either 21-40% of billable activity (28% of respondents) or over 80% of billable activity (23%). Only 19 respondents said their senior level input was less than 20% of billable activity.

Almost 60% of respondents said they always kept their 'pitch' team as the team on the client account, and an additional 34% said they would do so if they could. Only two respondents said they allocated the client team after the account was won.

Forty-one percent of respondents said they always provided clients with a service level agreement, while 39% said they sometimes did. However, one-fifth of the sample said they never provided an agreement.

Fees and Billing

Respondents were asked how they calculated their fees, whether they provided evidence of time spent on a client's account as part of the billing process, whether they provided clients with an estimate of the return on their investment, and how their rates were calculated.

Questions also addressed how transparent billing practices were about the types of charge being made. Again, responses to this section of the questionnaire demonstrated a wide range of practices.

The majority of respondents (68%) based their fees wholly on time spent, with only two respondents saying they charged based on results, and the remainder basing their fees on a mix of results and time spent. Retainer fees accounted for a higher percentage of billing (41-60%) than billing by the hour or by project (21-40%).

An important challenge to PR is its ability to demonstrate value, and respondents suggested that this was still a problem. Just 21% of the sample said they always provided an estimate of the return on investment to clients, with 37% never providing an estimate. The remaining 42% sometimes did so.

Respondents who did provide an ROI estimate did so in a variety of ways. While AVE and 'opportunities to see', or reach, did make an appearance, many said they developed tailored KPIs that progress and outcomes were measured against - for example, appearance of key messages, click-throughs, internet presence, length of a broadcast - and a few said they implemented pre-and post-campaign measures to assess the difference their work had made. However, most estimates still relied on measures of the visibility of PR outputs rather than of the actual behavioural change among the target audience. Many respondents commented on the difficulty of actually measuring the impact of ROI for PR and the unsatisfying nature of many of the measures available - even if they are proposed by or agreed by the client.

Calculating rates

Respondents incorporated a range of considerations when calculating client rates. Time was most frequently cited as a factor in the calculation (75%), but also important were the client's available budget (64%) and previous client history (55%). The level of experience required for the project was taken into account by 60% of respondents, and 58% took market norms into account. Less important were profit targets and the types of outputs required. In addition, 44% of respondents said that rates varied depending on whether the client was an SME, had a local / regional / national footprint, and whether they were listed or a multinational.

Table 1: Factors considered when calculating client rates (N=92)

Item	n
Time	69
Budgets	59
Required experience	55
Market norms	53
Client history	51
Required outputs	34
% profit after costs	29

However, client size and reach was not always important: over half of respondents (56%) said their rates did not vary based on these criteria, and only 16 respondents (17%) said their rates varied by sector. Of these, they were likely to charge the highest rates to clients from the financial sector, and the lowest to clients from the arts sector.

Transparency

Respondents were also asked about items they charged for and itemised as part of their billing practices.

The results revealed that overall, consultancies tend not to itemise all the costs incorporated into their charges. For the activities listed, in no case was the charge always itemised. In some cases, the difference between the number of respondents who would charge for the activity and the number who would itemise it, was considerable. Table 2 shows the levels of charging and itemising for each of the activities listed, ordered by the size of the difference between them.

Table 2: Difference between charged for and itemised activity (N = 92)

Activity	Charge (n)	Itemise (n)	Delta (n)
Attending events	47	18	29
Travel costs	41	16	25
Market research	41	20	21
Administration costs	27	7	20
Materials	60	41	19
Cutting services	54	35	19
Visiting clients	29	15	14
Subscriptions	25	13	12
Overheads	20	9	11
Evaluation	33	24	9
Project proposals	13	6	7
Clients visiting you	16	11	5

Best practice guidance

The last question of the survey asked respondents whether they felt there was a need for industry guidance about calculating and communicating fee structures and agency rates. Overall, the sample was split on this question. 42% felt there was a need for a guide to best practice in calculating rates but 24% disagreed and the remainder were undecided or did not answer. Similarly, 38% of respondents were in favour of a best practice guide for communicating fee structures and rates, but 28% did not agree, and the remainder were undecided or did not answer.

Notes

1. The results here are based on the whole sample. The relationships between different variables (e.g. agency size and senior level input) could not be calculated because the sub-group sizes were too small to provide a sound basis for the required statistical calculation.
2. Respondents were asked about their hourly and daily rates, but the answers given were so varied and based on different fundamentals, that it was impossible to calculate equivalence across the sample. Consequently, this question has been left out of the report.
3. The survey was carried out using SurveyMonkey and distributed via email to practitioners via two commercially-provided databases: one business and consumer. In addition, the survey was mailed to a listserv of practitioners in the construction industry in order to boost the sample size.