*An **Agency***

Billing Module

White Paper

from MediaMap

MediaMap

Billing for Technology Investments: Creating New Value and Profits

How PR agencies can use their technology investments to create new revenue streams and greater value for their clients.

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The accelerating pace of change in technology today brings to mind the saying New Englanders use to describe their unpredictable weather: “If you don’t like it, wait five minutes.”

Public relations professionals are embracing new technology and the Internet enthusiastically. In a recent survey of practitioners, virtually all said they use their computers and the World Wide Web. More than a third said they expect to learn how to use databases and create and edit web pages. E-mail is making the telephone and fax seem old-fashioned.

PR pros are enthusiastic about new technology because it’s unlocking new opportunities to serve clients. Computers and databases free them from administrative tasks to focus on strategy and message, and the Internet and e-mail open new avenues for influencing audiences. Shared networks with clients’ organizations facilitate collaboration, empowering practitioners to act as efficiently as possible in the marketplace.

In short, new technology enables PR practitioners to add more value to their services to clients. But the need to recoup technology investments and costs inevitably focuses attention on billing. Which billing practices can best capture the value technology is creating for agencies and their clients? How can agencies use their technology investments to create new revenue streams?

Proliferating Media Market

PR pros face a media market that has grown exponentially in the past few years. The era of three television networks, a handful of major daily newspapers and a dozen or so trade publications is long gone. Cable television and the Internet have exploded the number of media outlets practitioners must track and provide access to in order to serve their clients. And the number keeps growing. New tools are needed to operate successfully in this fragmented media environment, and investment in new technology is providing them.

Pressures on other fronts are also driving the need for PR firms to acquire the new tools of technology. Acceptance of the value of public relations services has grown —especially in the business world. Non-PR practitioners are adding “strategic communications services” to their practices as a result, and this is especially true of attorneys and management consultants. But they lack the tactical experience and expertise to provide successful access to the media. Crafting the right message is nothing if you lack the tools to deliver it to key contacts in the media.

Technology protects the PR practitioners’ position in the marketplace as the pre-eminent provider of both strategic and tactical message development and delivery. It empowers them to continue to provide their tactical advantage to their clients. PR practitioners also need technology to keep up with the productivity gains and value enhancements that clients expect in an age of technological advancement.

Turning Technology into Profit

Investments in new technology, however, are challenging the billing practices PR practitioners traditionally follow. Agency executives naturally wonder how technology investments will be paid for if the efficiency created reduces billable hours. In fact, technology hasn't reduced billable hours. It's increased them in two primary ways: computers have reduced the time it takes to perform the same tasks freeing up agencies to take on more clients; and the information technology revolution — especially the Internet — has provided many more opportunities to serve clients. But the challenge to traditional billing models remains: how is the value delivered by new technology to be captured in agency billings?

From our extensive experience working with hundreds of agencies worldwide, the billing practices employed to pay for technology can be broadly summarized into three categories, and without compromising or revealing the specific practices of any one agency.

Account Surcharge Billing Model

COMPUTING MONTHLY FEE PER CLIENT

Step 1: Add up all technology investments for the month:

Software
Hardware
Information services

Total Investment for the Month (TIFM)

Step 2: Divide TIFM by the number of clients:

TIFM/number of clients =
Baseline Monthly Fee Per Client

Step 3: Add the appropriate mark-up:

Baseline Monthly Fee Per Client + Mark-Up =
Monthly Fee Per Client

The simplest and most prevalent billing practice for billing and recovery of technology investments is an account surcharge, a fee for services tied to technology enhancements is added to clients' monthly invoices. An example of how this might work is shown on the left:

In certain agencies, the total investment for the month (TIFM) is partitioned by client type and then divided by the number of clients in a client type category. In its simplest form, this approach includes categories such as, "Large Clients" and "Small Clients" or "Conglomeration/F1000s" and "Growth Companies."

The advantage of the Account Surcharge Billing is that it is cost neutral. It avoids the need to increase existing hourly or retainer fees while ensuring a positive cash flow on technology investments.

But a surcharge carries risks when not handled properly. To start with, clients may balk if they have not been informed about the improved service technology makes possible. Failure to educate clients about improvements made possible by technology creates a risk that the surcharge will be confused with a mark-up, and rightly so. Clients are rejecting agency mark-ups — in some cases up to 200 percent — on FedEx deliveries, phone calls, faxes and other ancillary services.

Implementing a surcharge for technology investments, however, need not be viewed as a mark-up. Technology investments provide an opportunity for agencies to repackage their services and provide new products. Agencies need to position themselves so clients can readily see the value of these new products with the understanding that they are backed by technology. When clients know this, they're more likely to view a surcharge for what it is: a fee for value delivered and not a mark-up.

Deliverable-Based Billing Model

Billing for specific deliverables has certain advantages. To start with, agencies using this billing model find it extremely rewarding, with as much as a 250 percent recovery on their technology investments when billing is tied to deliverables.

Deliverable-based billing also helps ensure that clients see exactly where and when technology is used to enhance services to them.

Agencies following this model generally use account-specific billing codes to keep track of deliverables. Tracking of deliverables also provides agencies with powerful insights into how technology benefits clients. Tracking which products are tied to technology allows the agency to emphasize its competitive technological position in the marketplace. Tracking can also be used to improve the assessment of return on investment.

Agencies using the deliverable-based billing model charge a fee for specific deliverables — such as contact lists, a briefing books, or editorial calendars to name a few examples. These fees can be assessed in a variety of ways. Generally, a monthly baseline for all technology expenditures is first established by amortizing the annual cost of technology investments over the year. Individual client usage patterns are then used with the baseline to set per-use charges for deliverables.

Agencies have found several ways of assessing deliverable-based fees, and actual practices vary. The deliverables-based billing model does require more up-front administrative organization and costs analysis to implement. What follows are examples of how some agencies operate under this model.

DELIVERABLE - BASED BILLING MODEL

1. Flat-Use Fee: A flat fee is charged the first time a specific product (i.e. contact list, briefing book) is delivered within a specific time period, say a month, a quarter or six months. Subsequent deliveries of the same product are free within that time period.

First-Time Use ($XX) = Total Deliverables-Based Charges

2. Monthly Charge + Per Item Fees: A monthly charge is levied for access to the agency's technology services. Separate fees are then assessed for each deliverable.

Monthly Charge + Per Item Fees = Total Deliverable-Based Charges

3. Multi-level Use Fees: Products are priced according to level of usage. The first X number of products in a specific time period (month, quarter, year) are provided at one charge. Subsequent products are priced individually or in groups.

First-Time Usage + Subsequent usage = Total Deliverable-Based Charges

Extranet-Based Value Proposition

All PR firms will eventually use networks to achieve new efficiencies. In some cases, far-flung offices and departments are connected through an extranet. In others, the Web is used as a virtual network for communicating internally and externally with clients and markets. Achieving new efficiencies with extranets and the Internet is inevitable in business, and the practice of public relations is no exception.

Networking provides an unprecedented opportunity for agencies and clients to form closer relationships and collaborate on PR deliverables. With shared networks or "extranets," clients have access to agency technology, data and tools, and can have immediate communication and information sharing with practitioners.

Consider the example of an executive attending a symposium in Hong Kong. She's approached by a Wall Street Journal reporter looking for comment on a breaking industry story. Extranet collaboration allows the executive and the PR agency to quickly craft a response, and moreover, to immediately distribute the response to everyone in the executive's organization in contact with the media. Message content, consistency, positioning and delivery are greatly enhanced.

Some PR practitioners fret at the increased visibility of sharing a network with clients. But when properly configured, the "extranet" should allow for controlled access. Many agencies are embracing the concept quickly because of the improvement in deliverables collaboration offers and because it provides the agency with added leverage for shaping and strengthening the client relationship.

The question is not which agencies will take advantage of extranets. It's who will bring this capability to the agency-client relationship: the client or the agency? Who will be first to recognize its value, and who will derive the most value from it?

From a billing perspective, agencies are using a combination of billing models to derive profit from extranet investments. In the case of some larger firms, the investment is made on behalf of the corporation and not explicitly passed on to the client. But the firm emphasizes the benefits of its extranet services to enhance its competitive position. The positioning attracts new clients resulting in increased billings.

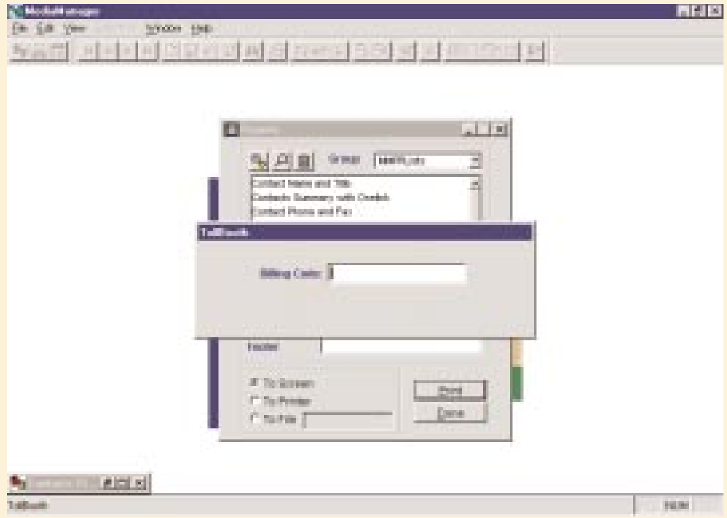
In other cases, system fees are passed on explicitly as a discreet monthly value proposition. As with the account surcharge billing model, this works best when the agency proactively educates clients about "extranet" benefits. Marking up the surcharge or combining it with per-use fees ensures a positive cash flow and creates a new profit center for the agency.

Finally, sharing technology on an extranet opens the door to even more creative financing. Initial investment costs (and risk) could be shared between client and agency whereby the client would pay for a share of hardware, licensing and software fees. This arrangement affords both the agency and clients the opportunity to purchase technology that might not otherwise fit their individual budgets.

Another Way to Maximize Billing Efficiency: MediaMap's Agency Billing Module

MediaMap's Agency Billing Module is the only tool available that gives public relations agencies the capacity to easily and accurately capture their investments in technology. The billing module ensures that users of MediaMap's leading suite of tools and technology can turn their investment into a profit center.

The module tracks each time that MediaMap tools are used to generate specific products for clients. MediaMap's software and automation tools produce a wide diversity of reports, including briefing books, reports of editorial opportunities, media lists and key contact lists. These reports are generated using MediaMap's definitive profiles of editors and story opportunities in the U.S. and Europe. They include WebMedia, the first and only guide for influencing content on the Web.



The Agency Billing Module is a powerful tool that enables PR practitioners to track how their technology investments are used for each client through detailed on-screen and print reports.

Each time MediaMap's software and information products are used to print a report for a client, the Billing Module asks for a client billing code. The module also records when the report was created, the account name, where the report was generated, the business unit, and the name of the person generating the report. An available comment field can be used to add even more specific details to the tracking record. The Billing Module generates a spreadsheet for each month detailing all of the reports produced for each client so the agency can bill the client accordingly.

The information captured by the Agency Billing Module provides PR practitioners with a powerful window on the pattern of technology use by clients that can be used for strategic positioning and planning for future technology investments.

For a free demo of the Agency Billing Module, contact MediaMap at 617.374.9300, via e-mail at info@mediamap.com, or on the World Wide Web at www.mediamap.com

Conclusions

Public relations practitioners are rapidly adopting today's many technology advances. The Internet and e-mail are among the powerful tools that are unlocking new value and opening new avenues for influencing constituencies and delivering new benefits to clients. Technology continues to advance, reshaping the way PR is practiced. With it comes the potential for agencies to repackage their services, create new revenue streams and capture the full value of what new technology can provide. Networking provided by the Internet and extranets makes it possible for PR practitioners to deliver messages and influence client constituencies faster. These networking tools are changing the relationship of agencies to their clients, bringing them into closer collaboration than ever before.

The pace of technological change and the benefits it offers demand a continuing investment in these and the new tools yet to come. PR practitioners need to be able to track how technology is used to enhance deliverables. With adequate tracking and appropriate billing practices, they will be best positioned to turn technology into new profit centers that can finance continuing investment in technology for delivery of improved services to clients.