

## CHAPTER 9

### BUDGETING

Any PR plan must involve expenditure. To raise funds for the poor by a company as its PR activity will require a budget. The budget provides the company's Directors the following information:

- The cost of the PR activity.
- The kind of programme that could be conducted with the given budget.
- The budget will also outline the activities that need to be done systematically (provides a checklist)
- To ensure money spent does not exceed the budget
- To be able to calculate the success of the programme based on the money spent

#### **The Four Areas of a PR expenditure**

- a) Manpower – this includes payment/salary of PR department's staff at all levels handling the project. The calculation is based on an average hourly – rate.
- b) Office Overheads – these refer to fixed cost like insurance, air-conditioning, lighting, telephone, rent, transport etc.
- c) Materials – these include visual-aids, paper, stationery, postage etc.
- d) Expenses – these refer to related expenses like client entertainment cost, hire of hall, microphone, projectors, gifts, hotel bills and catering of food, etc.

## Computing charges: An Example

A PR consultancy has succeeded in obtaining a fast-food chain account. The first thing they have to do would be to work out the expenses for the various areas of expenditure. From there, they would arrive at the hourly or daily rate the client has to pay. Usually, the rate incorporates salaries with overheads and profits as well as materials and expenses required. Unlike advertising agencies, PR consultancies do not usually add on the costs of materials and expenses. The principle in PR budgeting is that the income should not come from surcharges made to materials and expenses but the fees based on time and skill. The fees based on time and skill can be seen in the salaries that have to be recovered. Some consultancies have hourly rates directly related to the salary of the individual account executive so that the client pays according to the rate of the PR personnel.

Below is one possible form of budget:

### **Budget for a fast food chain**

10 progress meetings	10 X y hours X \$ y	\$ yy,yyy.yy
10 news releases	10 X y hours X \$ y	\$ y,yyy.yy
Official launch of product	y hours X \$ y	\$ y,yyy.yy
Preparing annual report and accounts	y hours X \$ y	\$ y,yyy.yy
Producing monthly house journal	12 X y hours X \$ y	\$ yy,yyy.yy
5 feature articles	5 X y hours X \$ y	\$ y,yyy.yy
Radio interview	1 X y hours X \$ y	\$ y,yyy.yy
Contingency – 10 per cent	y hours X \$ y	\$ yyy,yyy.yy

Estimated material costs:

News releases	\$y,yyy.yy
Printing of annual report	\$yy,yyy.yy
Printing house journal	\$yy,yyy.yy
Communication	\$y,yyy.yy
Radio interview tapes	\$yyy.yy
Expenses	\$yyy,yyy.yy
Contingency funds, say 10 per cent	\$yy,yyy.yy

**Total** \$ yyy,yyy.yy

## Analysis:

- (a) Progress meetings are meetings held between the clients and the consultancy firm. The regularity of the meeting depends a great deal on the nature of the project carried out or the service rendered. For instance, for long-term public relations programme, the meeting may be regular and held monthly. But this may not be the case for ad-hoc programmes, for instance the launch of a national courtesy campaign. Meetings may be as often as once a week when it comes closer to the campaign date.
- (b)  $10 \times y \text{ hours} \times \$y$  means 10 meetings multiplied by the estimated number of hours involved multiplied by the hourly rate. Which means, a meeting which lasts three hours and the hourly rate is \$30, the item would read  $10 \times 3 \times \$30$  which makes an annual total of \$900 for meetings. The hourly rate would vary from company to company and from country to country.
- (c) When we talk about workload, we are referring to several things – publication of news releases at regular interval of perhaps monthly; organising an official opening of a building; writing, editing and producing an annual report and accounts; researching, writing and publishing four feature articles in the local media or magazines; as well as setting up two tape interviews for distribution to local radio stations.
- (d) To make budgeting in a PR consultancy a little easier to understand is by totalling up the number of working hours, and in this case it might be 500 hours. If the hourly rate was \$50 per hour, this could amount to \$25,000. The rate may be higher for a consultancy firm operating in London compared to the outskirts of England. In other parts of Europe, in Paris for instance, the rate may be higher. However the rate may be much lower in Africa or in some countries in Asia. The amount of \$25,000 is not inclusive of costs of materials and expenses, major items being printing as well as the reception held to inaugurate an official opening. A conservative estimate of the total cost would be \$50,000 that will include all the other components. Normally, without such an expensive item, working hours would comprise the bulk of the total cost.
- (e) A contingency fund is a sum of money that has not been allocated for a particular use. It may, however, be used when required, for instance in the event that price increases. It is really a safeguard against unforeseen costs and it need not be spent.
- (f) The client confronted with the estimate of the total cost can then decide whether he or she is prepared to accept the budget, or cut down on certain areas or carry out the proposal as stipulated. Both the PR consultancy and the client are in a better position to determine the next step given the various areas contributing to the cost.