CRISPIN MANNERS

HOW TO SELL VALUE DEMYSTIFIED

A PRACTICAL GUIDE FOR COMMUNICATIONS AGENCIES

Public Relations & Communications Association
PRCA
The Power of Communication

HOW TO SELL VALUE – DEMYSTIFIED

PRCA PROFESSIONAL

Series Editor

Nick Wallwork, Emerald Publishing

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Previously Published

The Art of Leadership through Public Relations by Patrik Schober

HOW TO SELL VALUE – DEMYSTIFIED

A Practical Guide for Communications Agencies

BY

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Onva Consulting, UK

emerald
PUBLISHING

United Kingdom – North America – Japan – India
Malaysia – China

Emerald Publishing Limited
Emerald Publishing, Floor 5, Northspring, 21-23 Wellington Street, Leeds LS1 4DL

First edition 2023

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Contact: www.copyright.com

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN: 978-1-83797-125-1 (Print)
ISBN: 978-1-83797-122-0 (Online)
ISBN: 978-1-83797-124-4 (Epub)

This book is dedicated to my beautiful granddaughter, Emily.

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LIST OF ABBREVIATIONS AND ACRONYMS

Introduction – PRCA	Public Relations and Communications Association
SCARF	A brain-based model for collaborating with and influencing others. The individual letters stand for:

S – Status
C – Certainty
A – Autonomy
R – Relatedness
F – Fairness

SEO	Search Engine Optimisation

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ACKNOWLEDGEMENTS

I would like to thank my wife Juliet for her daily support and encouragement, and my two sons, Matt and Philip for the inspiration they provide in the way they rise to life's challenges and opportunities. My colleague Marta needs a special mention, not just for her help with this book but also for making the work we do together so enjoyable.

I'm also very grateful to the PRCA, and the team at Emerald, for their support in making this book possible.

I'd like to thank the Partners of the Worldcom PR Group and in particular Todd Lynch for the willingness to embrace new ways of working.

Finally, I would like to thank all the owners of the agencies I have helped. By sharing your challenges with me, and being willing to explore new ways to achieve success, you have inspired me to capture what we have learnt together in this book. Special mention needs to go to my long-time friends and agency owners, Diego Biasi and Patrik Schober. I also would like to mention Leigh Greenwood, Henry Griffiths, Jonathan Andrews, Julie Moulsdale, Lesley Singleton and Martina Quinn for the way they have embraced the purpose-driven approach I believe is so pivotal to business success.

I hope it helps great agencies to earn the rewards they deserve by becoming more outcome and value focused.

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INTRODUCTION – THE BUSINESS CASE FOR SELLING VALUE, NOT TIME

I've written this book because I see wonderful PR people delivering miracles for their clients every day – and not getting the rewards they deserve.

The reason for this is simple. Over the last few decades, PR people have trained themselves, and their clients, to focus on activity over outcomes, and on time rather than value. In fact, while writing this book, the Public Relations and Communications Association (PRCA)[1] published research which shows that 83% of agencies do not sell by value.

Why does that matter? It matters because the PR sector is known for long hours, stressful work, insufficient time and money to invest in personal development and the treadmill of winning clients only to overservice them.

So this book is designed to help people chart a way out of this painful cycle, by adopting a change in behaviour that makes the work they do more intellectually, emotionally and financially rewarding.

While some chapters of the book may, at first, appear to be targeted at senior levels in an agency, my goal is to show everyone in an agency how they can get a greater sense of achievement and fulfilment by moving to a value-based model.

WHY CHANGE NOW?

The need to change behaviour now is more urgent because of the impact of three significant challenges:

- The global pandemic encouraged people of all ages to question why they do things, and to seek purpose in what they do. Without a focus on delivering value, it is very hard to feel that what you do is worth the effort, which is discouraging some people from pursuing or continuing a career in PR.

- The aftermath of the pandemic, exacerbated by the impact of the war in Ukraine, has created a period of high inflation and low growth – what was dubbed 'stagflation' in the 1970s. In a period of such economic uncertainty, organisations change the way they buy. The leaders of those organisations become much more focused on the value they will receive than they are in a buoyant market. In other words, they are only prepared to invest in things that will deliver a clear and **certain** return on investment.

Agency owners, and in-house teams, often misread this as a desire by an organisation's leadership to reduce costs. But the reason clients decide to reduce budgets, or dispense with agency, or in-house PR services completely, is because they cannot see, with **certainty,** what value they get from their investment.

At the heart of this change in leadership behaviour is one question: '*Why does that matter?*' It's a question that will feature throughout this book, as it is a question that PR people, at all levels, should make the foundation for their journey towards being value-driven. It's a question that seeks proof of business/organisational value, something that demonstrably helps an organisation to achieve its priority objectives or outcomes.

But the 'proof' provided by most PR people today is activity based rather than outcome based. An answer by an in-house PR manager that says, '*we got some brilliant press coverage*', just won't cut it with leadership. It will be met by the same question. *Why does that matter?* And without compelling proof of a return on investment, leaders will simply decide not to risk wasting their money.

If PR people don't start proving the business value of what they do, the consequences (based on previous recessions) are likely to be loss of income and talent, and a significant impact on the future potential of the agency.

- Challenging times also drive innovation. In recent months, the Worldcom Confidence Index[2] https://worldcomgroup.com/confidence-index/has shown that business leaders are planning to invest in technology – particularly Artificial Intelligence (AI) – to solve the current economic challenges with disruptive solutions. One of the clients of an agency I advise recently sent through a draft release created by ChatGPT (an AI tool). It was a perfectly adequate release, and the covering email from the client said: '*It took just 15 seconds*'. If PR people define their value by WHAT they do – write a press release – rather than WHY they do it – achieve a business outcome – then they will have little defence against clients replacing them with tools like ChatGPT. Of course, agencies could use this technology to streamline more routine tasks, so they can focus on providing expert advice instead. After all, experts are valued more than practitioners.

The three challenges above create the need for PR people to adopt a disruptive approach to proving their value.

This book demystifies how to become more value-driven and to charge according to the value delivered. It offers PR people a choice of whether to adopt a new approach or to stick to what they know. If you choose to change your behaviour, then I hope you find this book a helpful guide for you and your colleagues on that journey. I believe it will make your agency, or in-house department, more resilient, flexible and successful.

THE NEED FOR A FUNDAMENTAL CHANGE IN BEHAVIOUR

Many of the people I talk to about selling value are looking for me to give them a simple-to-follow pricing algorithm that treats pricing value in the same way as pricing time. Pricing time is easy. You know how many people you have. You know how many hours they have to deliver work. You know your other costs. And you know how much profit you'd like to make. Then all you need to do is estimate how long something will take to deliver, and by whom, and you have a price.

But the cosy certainty this simple maths produces is fundamentally flawed for several reasons, including:

- The estimate of how much time something will take is often inaccurate (and frequently adjusted to create a price that will fit a client's budget).
- The work undertaken often doesn't reflect the proposal on which the price was based.
- Clients often ask for 'extra' activity that is delivered free of charge. The average overservicing rate for the sector is often quoted as being 20%. If that's correct, it means that one day in every individual's working week is given away free!
- The processes behind the way the work is delivered – such as the approach to calls and meetings – are inefficient. And often the time associated with these activities is not included in the pricing estimate.

But the biggest flaw in time-based pricing is its relationship to the value delivered.

If a 15-minute call opens an opportunity that converts to $1 million of value for a client, does it make sense to charge for 15 minutes? Conversely, if it takes eight hours to write a dull press release, that won't get picked up, is it worth eight hours of fee?

BEING SCARED OF COMMITTING TO RESULTS

So what is behind the unwillingness to price according to value? The answer is complex, but includes the following oft quoted phrases:

- *'We cannot guarantee results.'*
- *'We aren't the only contributor to an outcome.'*

If you are a leader who is seeking certainty of value, it's easy to see why these phrases won't persuade you to spend money. You will most likely compare the intangible effect PR agencies promise with the tangible effect of other marketing disciplines, such as pay per click advertising.

In reality, the word **guarantee** means being able to show a cause and effect in advance. Pay per click guarantees a click through and makes clear its role in a process. What it doesn't guarantee is the quality of the click or what happens after the click through. But in the absence of PR guaranteeing anything, or demonstrating what role it has in the journey to an important outcome, it's easy to see why budgets may be diverted towards something that appears more *certain*.

So charging for the value you deliver must start with the business or organisational outcome your work helps to deliver. And many clients make that hard to do, because the creators of a budget do not write the PR brief for the people within their own organisation who spend it.

WHY NOT JUST WEATHER THE STORM?

There have been plenty of recessions over the last 50 years and yet the PR market has grown. So why is a change in behaviour needed now? Why can't we just weather the current storm and carry on as normal?

The answer is, of course, that you can. But is that the best strategy?

In 2010, the *Harvard Business Review* published an article entitled 'Roaring out of Recession'.[3] The article reviewed how organisations responded to previous recessions and the impact this had on their performance after the recession was over.

This extract demonstrates why it is so important to make the right choice now. '*Seventeen percent of the companies in our study didn't survive a recession. The survivors were painfully slow to recover from the battering. About 80% of them had not yet regained their pre-recession growth rates for* *sales and profits three years after a recession. Only a small number of companies – approximately 9% of our sample – flourished after a slowdown, doing better on key financial parameters than they had before it and outperforming rivals in their industry by at least 10% in terms of sales and profits growth*.'

The researchers who wrote the article identified four basic behaviours: prevention, promotion, pragmatic and progressive. The *prevention* focused companies tried to cut their way out of trouble by reducing expenditure and investment. These companies performed the worst after the recession, with only half the sales growth, and a third of the profit growth, of *progressive* companies.

So what defines the approach of the *progressive* organisations?

They combine a focus on operational efficiency, i.e. eliminating waste from the way things are done, rather than cutting people, with investment in new ways to satisfy customer needs. Their post-recession growth in sales and earnings is the best among the groups in the study. In short, they changed the way the business operated to be more compelling to their customers. They were the ones that came '*roaring out of recession*'.

So that is the opportunity facing you. The chance to take a progressive approach to secure your future, by eliminating waste from the way you operate, and presenting and pricing your services according to how they deliver greater certainty of value to clients.

If you want to transform the performance of your agency by becoming more outcome and value focused, then read on.

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1

THE EIGHT DEADLY SINS OF TIME-BASED PRICING

To call the actions below a sin is obviously over the top. Nobody is going to punish you for choosing to continue to 'sell time'.

What this chapter aims to do is to challenge the accepted wisdom that 'selling time' is the most effective way to achieve success for your agency. It's not.

Obviously, there are thousands of agencies around the world that are successful and use the time-based model. But they could be even more successful if they adopted a value-based approach.

The problem with 'selling time' is that it leaves significant value 'on the table', value that your agency will have created for the client, and for which you should be rewarded.

There are lots of flaws in a time-based approach. Some are explored below.

SIN #1 – THINKING THAT TIME IS, BY DEFINITION, VALUABLE

The interesting thing about the time-based model is that it implies that time is, in and of itself, valuable. This is not the case. What is valuable is how an individual uses that time to achieve something of value.

What is perhaps more important is whether clients demonstrate that they value time more than the value of what the time produces. In most cases they do not.

Imagine your agency estimated that it will take 30 hours to attract 15 journalists to a launch press event. But it took your team 60 hours to do so because they found it much harder to secure attendance by the required number of journalists. How many clients will pay you for the extra 30 hours? Probably none. Their attitude will be that how long it takes to deliver the 15 journalists is your problem. Imagine if your team were super successful and secured the required attendance in just 10 hours. Will your client care and audit the time taken? No – because as far as they are concerned, you delivered what you promised.

Once you recognise that time has no intrinsic value, but the outcome from the time spent does, you are already on the path to pricing according to the value you deliver, rather than the time you expend.

SIN #2 – FAILING TO LINK WHAT YOU DO TO AN OUTCOME THE CLIENT VALUES

I recently saw a statement of work (SOW) produced by a very good agency as part of a proposal. The SOW had a long list of actions but no mention of the outcome the client wanted to achieve. It had hours allocated per month to different people in the team – effectively a bucket of time to be used to deliver the actions. This then translated to a pricing page which was called a budget. The budget identified a number of outputs from the budget, e.g. number of cuttings and guidance on messaging.

Nowhere was the 'budget' connected to the client's reason to invest – to break into a new market and succeed on arrival. And nowhere were the various campaigns that were part of the proposal referred to in the SOW. So the prospective client would be left to assume that they were buying time and cuttings. What if the prospect looked at the SOW and asked: *'Why do those cuttings matter?'* There was no explicit answer in the SOW.

The weakness of this approach was further compounded by the agency adopting a gold, silver, bronze approach to the pricing. This is used by lots of agencies to show how more time buys more services. Seems reasonable, until you ask why the extra time matters. If the prospect thinks the proposal is designed to help them succeed on arrival in a new market, then the bronze budget should achieve that outcome. What then would the silver and gold budgets achieve?

When you go into a car showroom, you aren't going to buy the time of someone to put your car together; you are going to buy the outcome of that process, a car. The dealer doesn't have a sign on the car saying 'Budget £35,000'. It's the price.