

BUDGETING



What you put in...and what you get out

We recently had an interesting question put to us on the Surgery at www.rainmakerlive.com.

"I run a small-ish PR consultancy that wants to get bigger! We currently have PR sales of just over £1m. How much do you think I would have to spend to raise it up to £2m in three years?"

We're sure most new business departments and/or agency owners face this issue every year and when budgets are tight, although there can be no formula that suits all, any benchmark to help answer questions like these is of value. This is even more the case, if you are investing in, or thinking of investing in an external partner to help.

Before attempting an answer, we need to ask some basic questions, such as: -

- What is your average income per client per year? Does £1m come from 10 clients or just 1?
- What have you converted as new business in the last 12 months and where did this come from? Was it from cold or warm sources?
- What dedicated new business personnel do you have in place? Or do you assign quotas to your account directors?

We then felt we could provide ballpark figures providing our questioner has in place: -

- (1) A compelling message (e.g. a client of ours is a youth specialist with a particularly sexy proposition in this niche – it seems to win briefs effortlessly).
- (2) A commitment to continue to target their core audience. (Many set targets but then reassign them to e.g. unrealistic sectors where they have little or no experience. This is fine but should be seen as a separate business development project, even NPD, outside the primary new business task.

- (3) Sufficient resources of marketing tools and collateral (we all know it's not simply a case of picking up the phone or whacking out a load of spam-type emails).

- (4) A good conversion rate (1:5 or better) of cold-prospected, as distinct to networked or referred opportunities. Your business must be used to converting from the slightest kernel of an opportunity, rather than having it always laid on a plate.

So, with all the pieces confirmed to be in play, we then knew we should add £20K a year on top of the £330K he'd need each year for 3 years. We looked for a very similar client business, again with all the pieces in play, and found one on an average of £350K a year from cold-prospected new business. The costs for this were £42K a year (Rainmaker) plus £10K a year for ad hoc marketing support e.g. print, digital, seminar, post and dispatch etc. And so we answered the question for our questioner: to achieve an additional £1m in income will require outlay of £126K plus £30K for marketing to support = £156K.

And so for a business in roughly the position of our questioner (there are many hundreds), if you require £1m in new business over 3 years from cold sources, you should expect to invest around £150K. Having said that, it doesn't always work out that well – luck plays a hand - but on balance, with the majority of components in place discussed in our *Dimensions*, there's no reason why this isn't a useful model to work to. £1m costs £150K (plus of course a share of internal HR costs attending meetings, proposal writing and managing processes (myriad solutions here!)).

Where even ballpark estimates are challenging to determine, we hope this example might help you work out what x you might need to put in for what y in return. If you'd like to view more new business surgery questions and answers, please visit www.rainmakerlive.com.