

pr reporter

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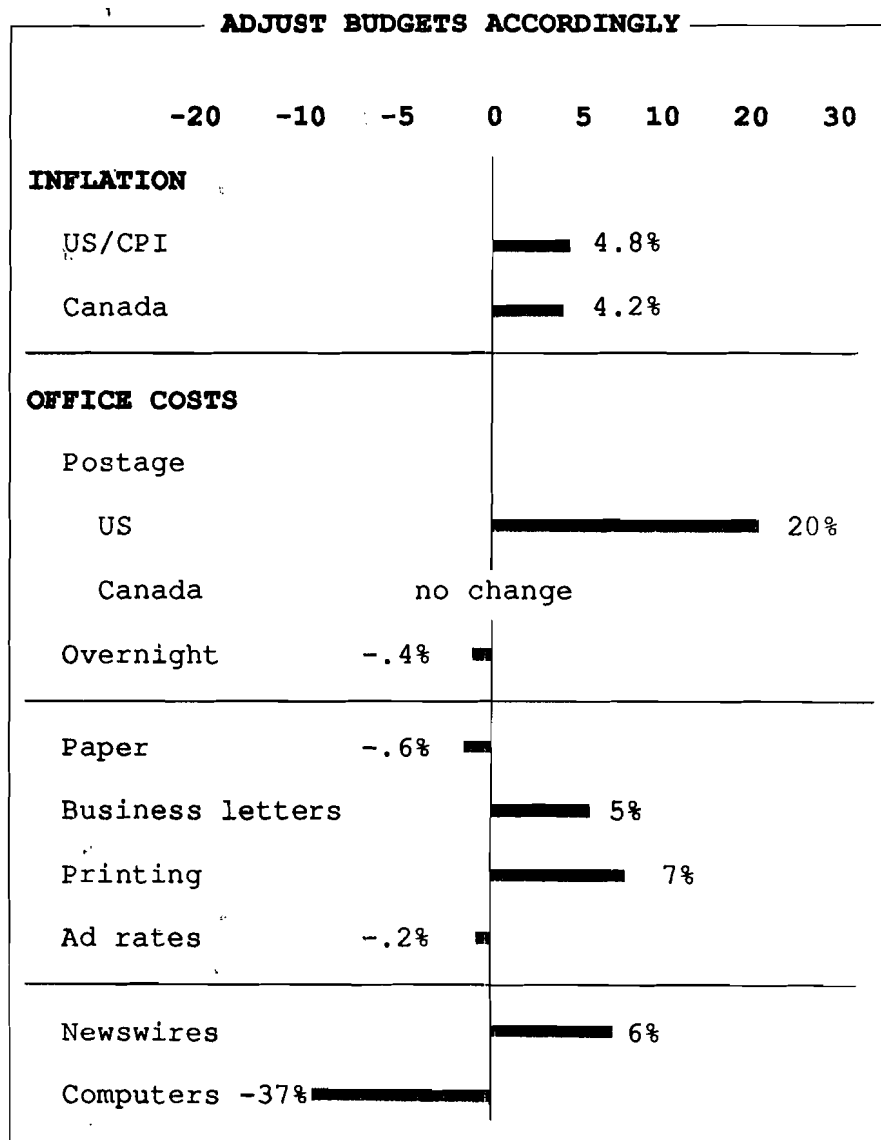
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ANNUAL BUDGETEER ISSUE SCOPES IMPACT OF A WEAKENED ECONOMY: SOME COSTS ARE DOWN, OTHERS ARE HIGHER -- AND STILL CLIMBING

As if the economy weren't unstable enough! Now events overseas are holding the future of oil hostage, and that -- as any first semester economics student knows -- impacts organizations across the board. US inflation rate is 4.8%,¹ surpassing Canada's 4.2%.² Astute budgeteers will remember that last year, Canada's was higher at 5.4% compared to 4.2% for the US.

Here are the trends but anticipate possible fluctuation before yearend:

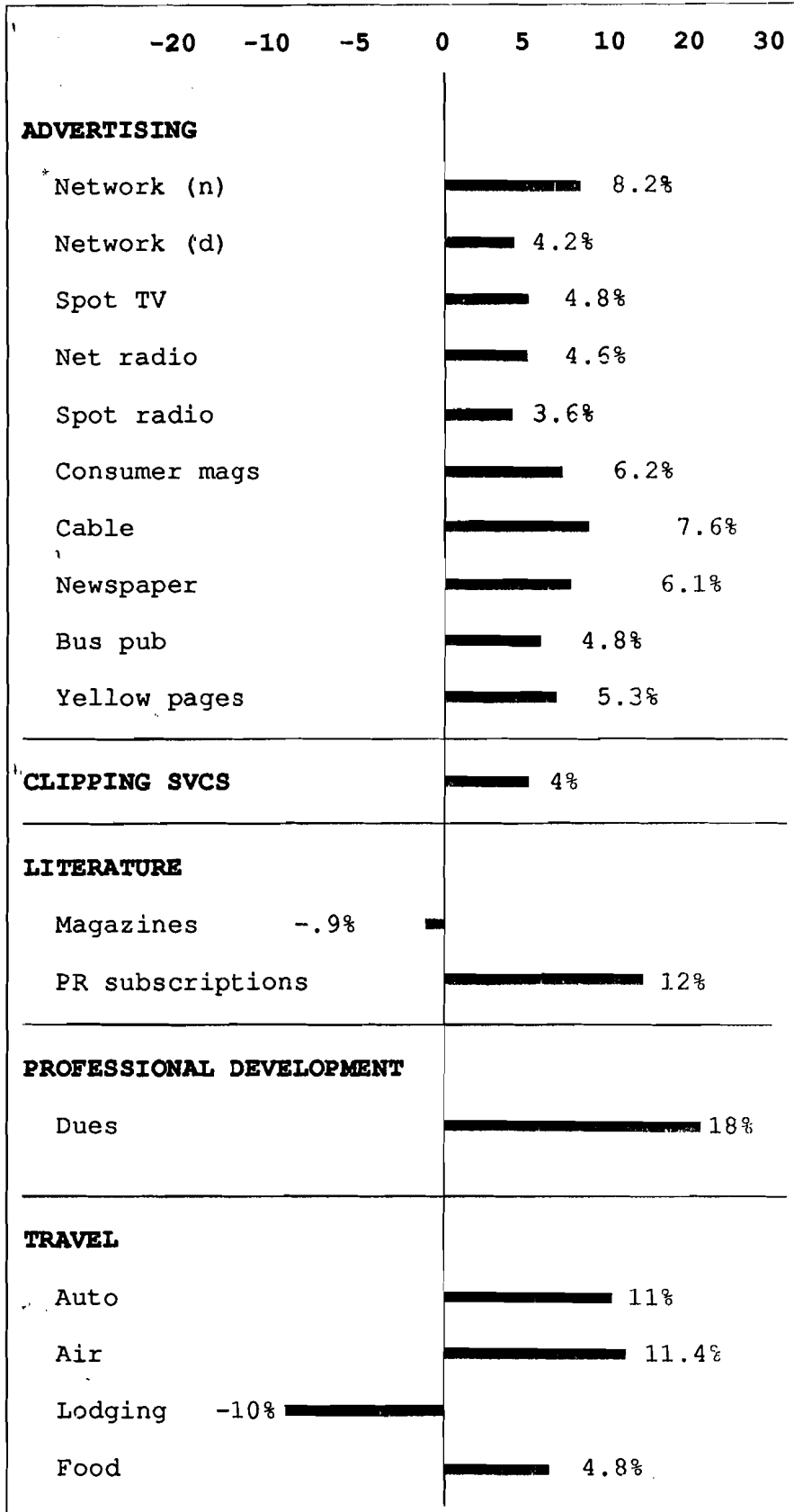


HARD COPY COSTS DOWN

Paper³ is down .6%, a slight but noteworthy shift since a dramatic leap of 11.3% in 88, followed by a 3.7% increase last year. Perhaps for this reason envelopes⁴ have remained steady, still costing \$11.84 for 1000 plain #10 in lots of 100,000. Postage⁵ remains steady but be aware -- cost of a standard letter will jump 5 cents in '91, perhaps as early as February. "We're having hearings on it, but you can count on price going up," a PO. spokesperson told prr. 3rd class & bulk rates will be 20% higher.

Canadian postal rates² remain at status quo with no increase in sight, according to a spokeswoman.





OVERNIGHT MAIL STABLE

Express service from USPS remains at \$8.75 for a letter, \$10.75 for a package. Rates may remain steady, despite anticipated blanket increases. Federal Express charges \$11.50 full rate for a standard overnight letter, \$22.50 for a 1-pound package. Emery charges \$15 for a letter, \$24 for a package. Discounts are available depending on volume, level of patronage.⁵

IT IS USUALLY CHEAPER TO PHONE THAN WRITE

Business correspondence is more expensive to dictate & transcribe. Personally dictated letters rose from \$10.26 to \$10.85. Machine dictated, from \$7.97 to \$8.41.⁶

FAX COSTS TRICKY

Prices of fax machines are polarizing with the cheap getting cheaper (starting around \$300) and the expensive becoming more sophisticated (to about \$4,000).⁷ "Some of the more expensive machines use a thermal ribbon to print on plain paper. This costs up to 40 cents a page," Ken Bosomworth, pres, International Resources Development

(New Canaan) told pr. "People who buy them often trade them in for one that uses thermal-coated paper." Others that use plain paper require toner, and that can get to be expensive. Bosomworth warns that cheap machines may wind up being more costly in the long run. "If you feel you don't need 9600 bytes per second, you could get one that uses 4800. But it takes twice as long, so telephone bills are twice as expensive."

According to AT&T, costs for **fax transmissions** correspond directly with telephone rates. **Fax paper** is still about 7 cents per page, but Bosomworth notes that some stationery stores mark it up. "You can find it for 5-6 cents if you look in the right places, 12 cents if you go to the wrong people."

PRINTING COSTS UP

Despite the dip in paper costs, printing costs have risen about 7%.⁸ And printers claim that despite what the US Consumer Price Index quotes for paper (see p.1), it has become more expensive. This indicates it's being marked up for some other reason along the distribution chain.

PHONE DOWN

Aggressive, competitive marketing is stabilizing the cost of **long distance calling**.⁹ Last year a 10-minute coast-to-coast call during business hours thru AT&T cost \$2.50 -- now the same call is a few cents less. Such a call would have cost \$2.45 thru MCI last year, is now \$2.39. Uniquely, Sprint bases its costs on a sliding scale. Your business pays according to the volume of LD calls made. For heavy-traffic companies, coast-to-coast cost may be \$1.93. Very little LD usage would bump the charge up to \$2.65 for 10 minutes. But for all 3, prices are down somewhat.

Remember when math calculators debuted in the early 70s? Big, bulky, costing around \$200, they could add, subtract, divide & multiply. Now, blade thin calculators hang by drugstore cash registers and cost about \$1. They do cosigns & tangents, even square roots. **Cellular phones** are undergoing a similar phenomenon.¹⁰ "It's a matter of supply & demand," Allison Clark of Cellular One told pr. "Three years ago, they were about \$2,000 installed. Now \$399 is the standard for state of the art equipment and installation." Clark says a monthly subscription costs about \$19/month, calls about 44 cents a minute. "You can call anywhere in the world if you're in a service area licensed by the FCC." Service is available along the East Coast from Bangor to Miami, for instance.

WIRES UP

Newswire services have increased prices.¹¹ PR Newswire's US2 service went from \$250 to \$265 per release up to 400 words. "But our US1 service, which is more broad, didn't change at all," says sr vp John Williams. Pending recession compounded by changing needs of customers will restructure prices in '91.

COMPUTING COSTS MIXED

Like the math calculator, **computers** started high and have dropped in price.¹² For example, in '88 the unit cost of a micro computer was \$3,745, is now \$2,356. Software is impossible to gauge due to ever-changing developments in the industry.

ADVERTISING UP BEYOND EXPECTED INCREASES

Most costs are higher than last year -- and higher than anticipated. Nighttime network tv, for example, slated to rise 6%, is actually up 8.2%. Daytime network, forecast to rise .6%, went up 4.2%. Spot tv is up 4.8%. Network radio rose 4.6%, spot radio 3.6%. Consumer magazines rose a significant 6.2%, cable tv is up 7.6%. Newspaper advertising is up 6.1%, business publications are up 4.8%, yellow pages 5.3%.¹³

The cost of **producing a network tv commercial** increased 9%, but that's slight compared to last year.¹⁴ "Apparently, the days of excessive tv production cost increases are over," says George Bragg, chr AAAA Broadcast Production Committee. **Talent prices**, which leaped 27% last year, stayed the same. **Production facility costs** rose 7% compared to 12% in the preceding year.

Again, most expensive commercials to make industry-wide were for automobiles, averaging \$236,000. Packaged goods commercials rose 13% to an average of \$143,000 (What would these bucks do for a pr budget?!). Two product categories lowered costs -- beauty & fashion (8%), fast food/soft drinks (3%). Other highlights:

1. Beer/wine commercials are most expensive in national category, averaging \$299,000;
2. Corporate averaged \$274,000; financial, \$250,000; travel, \$242,000;
3. 37% of tv directors' fees for national advertisers ranged from \$7000 - \$10,000 per day. Another 11% range from \$10,000 to \$34,000 a day. Even world-class pr counselors don't charge that.

RESEARCH & MONITORING

Clipping services are pricier than last year. 1990 prices are \$199/mo plus \$1.07 per clip. Broadcast monitoring is \$45/mo, and \$1.07 for 12 words.¹⁵

More & more, practitioners are discovering **research**.¹⁶ Mark Maynard, sr research librarian, Roper Center (NYC) says if you're cash-limited, his organization is a good place to start. "We're like a clearinghouse on data," he told pr. For example, if you want to find out if Richard Nixon is returning to favor in the eyes of the American public, RC will pull together data from already-done studies. "You ask us, 'Has anyone asked this question already?' Why pay to have it done if it has been done already?" Charge is about \$200 -- \$75/hr plus developmental fee.

Specific research carries a higher price, of course. We asked one vendor, Roper Organization (NYC), unrelated to the Center, about the options.

A question, e.g. "How do you feel about Richard Nixon?" can be inserted into an **omnibus questionnaire**, given in-person to about 2,000 selected adults. "One question on one survey costs about \$1850," project dir Brad Fay told pr. Omnibus surveys are conducted 10 times thruout the year, so clients can track an issue for a sliding fee. A nationwide **custom study** can be made up for \$80,000 - \$150,000. "Of course, there are many variables that would determine price." Most customers find that unless they have 50+ questions to explore, the omnibus is the most cost effective. One disadvantage: an answer may color the next answer -- e.g., a person may not want to seem too far to the right or to the left, will alter normal responses accordingly.

Other research firms charge similarly. Local, regional & target group research in any detail starts at about \$15,000, tho costs are more difficult to track. **Focus groups** average between \$2500 - \$3000 which usually includes recruitment, moderator & reportage. Prices for **phone interviews** vary considerably. "It really depends on the length of the interview, who you're interviewing, etc." Joan Greene, pres New England Interviewing (Nashua) told pr. "It costs less to interview consumers, more to interview business people because they often require call backs. We have WATS lines, some firms don't." Greene offer a ballpark figure -- \$25 to \$35 per hour. Customers can opt for videotaping, other tools which pad the price.

NEWS & INFORMATION

The stagnant price of paper is reflected in the cost of business books.¹⁷ The average **hardcover** even dropped a few pennies, from \$37.51 to \$37.47.

Magazine subscriptions are down slightly. The average last year was \$26.21, now that's \$25.96.¹⁸

The cost of **pr literature** is up considerably -- but don't blame us. pr has maintained its \$165/yr charge implemented in '88 while PR News went up \$40 to \$277, Ragan Report \$30 to \$169, O'Dwyer's \$25 to \$175. Ass'n Trends & PR Quarterly have both remained the same, at \$65 and \$25 respectively. PR Review, from Communications Research Assocs (Silver Spring) is \$29 a year for individuals, \$33 for institutions. PR Journal is available to non-members of PRSA for \$40. IABC's Communication World is unavailable to non-members.

PROFESSIONAL DEVELOPMENT

Dues are up for prof'l ass'ns. CPRS tops the list at \$315 from \$255 in '89. IABC was \$140, is now \$185. PRSA is the lowest, remaining at \$175. Don't forget to figure in chapter and section dues. Conference costs vary. CPRS last June in Regina was \$450. IABC was less, \$425 in Vancouver. PRSA is \$450, scheduled for November in NYC.

TRAVEL UP -- & RISING

Triple A's Geoff Lundstrom says data isn't in yet following Persian Gulf crisis, but as of the first week of August, the **cost of driving a mid-size sedan** per mile, based on 15,000 miles, was 34.2 cents, up from 30.6 cents

in '89.¹⁹ **Airline travel** has jumped 11.4%, with more increases pending. Runzheimer Research (Northbrook, Ill) says coach airfares have increased 96% from 1980, and that 58% of business travelers list high fares as a problem.²⁰

Lodging,¹⁹ however, has dipped slightly. Last year, an average double occupancy room cost \$78 -- now that's down to \$70. "Expect those prices to stay the same," says Lundstrom. "People don't travel as much when the economy is slow. If we have a recession, people won't vacation -- then prices may come down even more." **Restaurants** are more expensive by about 4.8%. Business travelers must consider that as well as car rentals, which in NYC are about \$74.39 a day -- more than twice the cost in parts of the West.

**Average Daily Tab
of top 10
100 most expensive cities** ²¹
(includes room, meals, car rental)

1.	New York City	\$312.01
2.	Chicago	\$255.77
3.	Boston	\$251.87
4.	Washington	\$226.16
5.	Newark, NJ	\$218.39
6.	San Fran	\$207.22
7.	Los Angeles	\$192.42
8.	Dallas	\$190.91
9.	Baltimore	\$185.84
10.	Detroit	\$185.40

Cheapest of the top 100...

Tallahassee, Fla. \$115.56

PRACTITIONERS ARE TIGHTENING BELTS

Early data from our soon-to-be-published Annual Survey of the Profession reveal that many (44%) have had budgets cut in the past year, and will have to perform the same feats with less money. A significant portion (33%), however, have been given greater allowances -- a finding to be probed in a later issue. But as the pr profession strives to develop amid rapid global changes and a slow economy, it's more important than ever to keep heads up on budgets, plan accordingly, and maintain flexibility.

Sources: 1) Bureau of Labor Statistics; 2) Canadian Embassy Information Office; 3) US Producer Price Index; 4) Massachusetts Envelope Company; 5) USPS, Federal Express, & Emery Worldwide; 6) Dartnell Business Institute; 7) International Resources Development; 8) Cadorette Printing; 9) AT&T, MCI, Sprint; 10) Cellular One; 11) PR Newswire; 12) Computer & Big Business Manufacturing Ass'n; 13) Act III Publishing; 14) American Association of Advertising Agencies; 15) Burelle's Clipping Service; 16) Roper Center, Roper Org'n, New England Interviewing, Lou Harris; 17) Publisher's Weekly; 18) Magazine Publisher's Association; 19) American Automobile Association; 20) Runzheimer International; 21) Corporate Travel Magazine.

[What additional budget data would be helpful? Let us know and we'll track it down for Budgeteer 1991.]