

# Calculating the Cost to Meet

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In our zeal to maximize bottom line profit, we sometimes overlook the cost of meeting with prospects and clients. In many organizations, the meeting process is inefficient at best. Organizers often don't know how to plan and conduct these events. Therefore attendees can place meetings at low priority. They arrive late, ramble on during discussions, step out for “quick” telephone calls, or leave early. Such meetings are frustrating and costly to the company.

Yet, meetings (especially with customers or potential customers) can have a major direct impact on net profit. Several years ago, a printer asked me to joint venture with her to help a prospective customer understand the book design and publishing process. The “customer” was planning to publish a compendium of articles that had been written by a well-known columnist for the local newspaper.

I was led (by both the printer and the prospective customer) that my company would be doing the book design and layout—that we would be providing camera ready art to the printer who would manufacture the book.

I participated in three meetings over a two-week period. Each meeting lasted one to three hours. Each meeting required over an hour of travel time. Throughout the experience, the prospective customer expressed his intent to work with both the printer and my company to complete the project. The printer and I educated the man on the publishing process.

During the last meeting, the prospect's closing remarks were that he would send us an invitation to bid the lowest price on the job. The printer and I looked at each other in disbelief. We treated the prospect as a customer. We shared valuable information with him. Now after six hours of consulting and three hours of travel time, I was asked to bid on the job without opportunity to incorporate the time I had already invested in meeting with and educating this person. The printer faced a similar fate. We were snookered by a cutthroat, lowest-cost buyer who had led us down a path. Since the printer and I needed to cover our costs, our bids were above the bottom line price that the prospect was dredging for. Ethics aside, neither of us got the job. But we learned a valuable lesson.

When you agree to meet with a prospective customer, remember that this could be an intelligence gatherer who has no intent of giving you the job unless you can meet or come under any and all competitor quotes. Cheap, unethical or uneducated sharks infest the business waters all around you.

The point is that every action related to winning a job has an associated cost. And meetings are often the hidden profit cruncher that make some jobs just not worth doing. Little wonder that some successful shops have two prices—one for the experienced, knowledgeable buyer, and a second, higher price for the complete novice. Time is money (into or out of your pocket). You must cover all your costs. Then price to cover costs and earn an acceptable profit.

Agree to meet prospects carefully. If you can, find the least expensive way to meet. Do a cost-benefit analysis. Do you know what the actual costs are for each meeting that you attend? And do you have an idea of the costs for each form of meeting that you can have—their site, your site, teleconference, videoconference, online instant message, etc.? Are your meetings adding to the profitability of your business? Or are they a cost drain?

Here's a step-by-step approach for estimating the costs to meet. Put this analysis into a spreadsheet and use it to plan for and track the cost of any meeting that you're considering.

Table 1 shows the factors to consider: wages or salaries of each person attending, fringe benefits, planning costs, meeting costs, desired profit and return on investment—even for a single meeting. In a moment, you'll see why it's important to track every meeting.

First, estimate the costs of each person in your company who will attend the meeting. A \$10-an-hour computer operator who sits in on a one-hour meeting costs \$10 in labor. By listing all the attendees and their corresponding pay or salaries, you can have the computer calculate the total

pay/salary cost per hour. If one makes \$10 an hour, another \$25 an hour and a third \$30 an hour, your total payroll cost for the meeting is \$65 an hour.

Now add in the cost of fringe benefits—vacation pay, sick leave, dental and vision care, group health plans, retirement/pension plans and other added benefits that your company provides. Some costs such as payroll taxes, FICA, and SDI are not choices that you can make. They nevertheless must be included in your calculation. One rule of thumb is to assume that your business has required deductions and fringe benefits that add about 38% to each person's hourly rate to form the total cost per employee. Thus, an employee earning \$10 an hour actually costs your company \$13.80 for each hour paid.

Program the spreadsheet to multiply the Salary Costs Per Hour by the percentage increase allocated for required deductions and benefits (in our case 38%). This results in a total pay and benefits cost of \$89.70 for each hour of this meeting.

Next address the overhead costs associated with planning the meeting. How much time and materials does it take to get ready? This includes time spent discussing strategy, writing and designing the presentation, support by others, creating visuals, adjusting work schedules, and "invisible" expenses incurred by those who attend (e.g., interruptions away from another project).

Two hours of prep time for a one-hour meeting yields a planning overhead of 200%. If every person attending the meeting takes two hours to prepare, multiply the Hourly Pay & Benefits figure by two to get \$179.40 as the preparation cost. If only one person must prepare, a major percentage is allocated to this person, and a minor percent (say 5%) can be allocated to each other attending staff member. For our example, we'll assume that all three people must prepare equally (hence \$179.40).

Now consider the overhead issues related directly to meeting. Meeting overhead can be defined as those expenses that everyone "sees" — transportation, equipment used, food and beverages, paper, transparencies, and other materials used at the meeting. One vehicle driven 30 miles, one hour of travel, five cups of coffee, 25 sheets of inkjet printer paper, and six overhead transparencies add to your meeting costs.

In the example, a one-hour meeting with a prospective customer can cost over \$400 (Table 1). This means that you must do all you can to make each meeting worthwhile. You can change the meeting length, use a different form of interface (e.g., teleconference), make planning less time-consuming, and have fewer people prepare for and attend.

It's sometimes tough to estimate the financial benefit of a meeting. What opportunity did you gain or lose by planning for and attending? Did the meeting actually produce a profit? Did the prospective customer return later and ask you to do a job that they felt you were best suited for because of what they learned at an earlier meeting? Was time saved because a face-to-face meeting clarified a misunderstanding by one or both parties? Did you obtain good market intelligence that helped you develop a successful strategy for penetrating a new area? Did the customer refer you to others who also benefited from your services?

To estimate the financial benefit, assign a value to each goal that you hope to achieve. If the meeting is to promote sales, did you indeed realize increased sales? By how much must you increase sales to make the meeting worthwhile? A sale of \$325 after a meeting that cost \$424.08 is hardly worth the effort—unless you also gained follow-on sales that let you amortize the meeting costs over more sales events.

If you met to market your products and services, did you get their business? Since results from marketing can take weeks or months to materialize, you need a meeting model to help you track the final outcome of each event. When you integrate intelligence snippets and referrals into your meeting tracker, your model can get complicated. And given the chaotic business lives that most of us face, your meeting model can be difficult to maintain. It's usually easier to take a macro view of the meeting process. Look at the big picture. Do you get the financial return from the time and effort spent? The analysis alone will show you how costly these events can be. If you can relate sales to a particular meeting or series of meetings, this is good.

Several years ago, Bernard DeKoven, director of the Institute for Better Meetings in Palo Alto, California developed a Meeting Meter program to display dynamically how much a meeting costs. The software is activated when the meeting begins and tallies up costs as the meeting progresses. It shows the destructive effects of arriving late and easily getting sidetracked during a meeting. Whether

customer or colleague, measuring your meetings can show the cost of interruptions, delays, and rambling.

And money is just one part of the cost. A discouraging meeting, where frustration boils over into angry outbursts, takes a toll on the attitudes and morale of those attending. Poor, useless meetings punish the participants. They bore and discourage people and make them so frustrated that it can take an hour to again become focused and productive.

Plan better, make meetings effective, and you can significantly improve morale, mutual respect, and overall productivity. There's much that you can do to conduct effective meetings.

If your customer is willing, start your meeting on time. Each meeting minute has an associated cost to both companies.

After the meeting, critique with your team. Discuss what you did right and where you can improve. Evaluate the potential success from the experience. Did you achieve your goals and objectives? Do both you and the customer feel good about the meeting?

On the day after the meeting, call the customer and thank them for their time. Discuss follow-up actions that you collectively should take. Go after their business while the opportunity is hot. Following-up a week later may be too late to lock in the job.

Get on your computer and input information into your spreadsheet. A cost-benefit analysis is well worth the effort. If you can rank your meetings in terms of financial payoff, you can link your meeting time and effort directly to the bottom line. Perhaps then you'll consider other meeting options such as online videoconferencing.

Table 1. Costs associated with a one-hour meeting at a customer's site.

EMPLOYEE	HOURLY PAY	
Computer Operator	\$10.00	
Designer	25.00	
Project Manager	30.00	
	=====	
TOTAL	\$65.00	
SALARY COSTS PER HOUR		\$65.00
FRINGE BENEFITS (@38%)		24.70
		=====
HOURLY PAY & BENEFITS:		\$89.70
PLANNING OVERHEAD		
Two hours prep for each person (200%)		
PLANNING OVERHEAD COST		\$179.40
MEETING OVERHEAD		
Travel (30 miles @ 31¢/mile)	= \$9.30	
Travel time (1 hour)	= \$65.00	
Coffee (5 @ 90¢ ea)	= \$4.50	
Inkjet prints (25 @ 10¢ ea)	= \$2.50	
Overheads (6 @ 50¢ ea)	= \$3.00	
MEETING OVERHEAD COST:		\$84.30
		=====
PAY, BENEFITS AND OVERHEAD:		\$353.40
PROFIT (planned at 10%)		\$35.34
EXPECTED ROI (10%)		\$35.34
		=====
TOTAL COSTS FOR ONE HOUR MEETING:		<b><u>\$424.08</u></b>