



## E-LESSON #18: The Professional Mediator™

### GENERAL AGENDA

#### *THE Professional MEDIATOR™*

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The Professional Mediator™ is a media Return on Investment (ROI) calculator. The calculator does all of the math for you -- all you have to do is input a few simple pieces of data. The tool is designed to enable a media salesperson to quickly and easily determine a client's advertising budget and to help manage the client's expectations about his advertising campaign. To download The Professional Mediator™ onto your PC, go to [www.paulweyland.com](http://www.paulweyland.com), click on SOFTWARE and select the Professional Mediator™ software. You will be taken to our e-Commerce web store where you can then purchase the Professional Mediator™ software. You can also purchase a minimized version of the software for Windows-based Pocket PCs only. It will NOT work on PALM products.

There are now thousands of regular Mediator™ and Professional Mediator™ users. Although we no longer offer The Mediator™, once you familiarize yourself with the **Professional Mediator™** tool, you'll wonder how you ever did without it. I use it regularly when I'm working with local direct clients. Once the client sees how few new customers he really needs in order to break even on an advertising campaign, GAME OVER. Download and then start using the Professional Mediator™.

When you see the Professional Mediator™ screenshot on your computer, you'll notice that your RATE is never mentioned. It is designed that way to keep your client focused on his potential return on advertising investment on your station, instead of your rates.

### **ROI Strategy**

The point here is to try to come up with a calculated goal that both you and your client think is reasonable and attainable. Once you're armed with this ROI calculator, you will never feel the need to "wing it" again when helping a client determine how much he should be spending on your station. Educate and manage expectations by knowing your client's average sale and closing ratio. Then, use those numbers along with your station's CUME to show the client that advertising with you looks like a good, logical and calculated risk, instead of a crapshoot.

The Professional Mediator™ was carefully designed to help you to teach your client that a campaign with your company looks like a very good calculated

risk, whether you station is #1 or #20. The device is designed to help you to close and to keep more local direct business. It's very helpful for educating new clients and it will work wonders when you introduce it to existing clients. Use The Professional Mediator™ as an **interactive device with your client** to gather critical information and then instantly come up with convincing and logical ROI data that any businessperson can understand and relate to.

Using The Professional™ involves three steps:

- Setting Your Market Profile
- Entering a Client Profile
- Understanding and Communicating ROI

Before approaching your client to do an advertising ROI calculation, you need to **tell The Professional Mediator™ about your CUME audience** (how many 12+ listeners/viewers you reach in one week. If you are in an unrated market or if you are not subscribing to a ratings service, come up with a number that you and your client agree is fair, based on a reasonable percentage of the population within your coverage area).

Next, you must **give The Professional Mediator™ the cost of an average spot on your station**. From the main screen, select Tools --> Weekly CUME **OR** Tools --> Ad Cost.

The Professional Mediator™ will automatically save your “station profile” information. You will not have to re-enter that information *unless* your CUME and/or your ad rates change.

### ***Explaining Your CUME Number***

*Be sure you understand how to explain your CUME number to your client.*

Before you use The Professional Mediator™, explain to the client that that your company has "X" thousand of weekly listeners, viewers or readers. Include every single one of your weekly listeners, readers or viewers in that CUME number. If you work for a television station, use your CUME number, NOT households.

Explain that it is, of course, theoretically and physically impossible to reach every one of the people who use your medium. To do that you would have to run the same spot or ad every minute of every hour of every day of that week, or on every single page of your publication. Nobody, of course, would pay much attention to a publication or a radio or television station that did nothing but run the same spot or ad with no other content in between.

In other words, make it clear to your client that WE'RE NOT TRYING TO REACH EVERYBODY. Only a percentage of those people who will buy the client's product or service from somebody THIS WEEK.

### **Getting Client Information**

Clearly you will need your client's help to get some of the data that is necessary to calculate ROI with The Professional Mediator™. This information is critical and you should know it. If you don't, how can you effectively manage your client's expectations about advertising results?

The client profile is the information you gather face-to-face from your client that is used in The Professional Mediator 's™ ROI calculations. Three out of the four fields must be completed in order to see your results.

In the “Client Profile” area **you must enter both a Weekly Ad Budget and your client’s Average Sale.**

### **Gross Profit Margin (AGAIN!)**

The client's profit margin that should be entered is their **gross margin of profit**. Make sure that you fully understand the difference between **gross** and **net** profit. For example, if the client is a restaurant, the gross profit is the amount of money left in his cash register after he paid for the cost of his food. Gross profit margin does not include overhead costs such as rent, taxes, advertising costs, etc. To include those kinds of factors would result in **net** profit.

For our purposes, we use gross profit as a benchmark or a standard. We do this so that we can compare “apples to apples.” The furniture store business for example, might have a gross profit margin of (+-) forty percent. Net profit may vary wildly from business to business, depending on how an individual business is able to control internal costs, etc.

A local direct business’s basic **gross profit margin** might be considered common knowledge for everyone within that particular product or service category. That same local direct business’s **net profit** may be considered proprietary and “none of your business.” Most businesses do not mind telling you what their gross profit margin is. However, they might have a real problem discussing their net profit. So, don’t ask them about net profit. That’s usually none of your business.

When approaching the subject of gross profit margin with your client, you might ask in this way: “Mr. Client, what is the standard gross profit margin for businesses like yours?”

As you approach more and more businesses, you'll gather more and more information about gross profit margin for that particular kind of business. Then when you call on a client, you might say, "I know the standard gross profit margin for your kind of business is around fifty percent. Am I high or low?"

### **Break-even Sales**

The break-even sales figure is a rough estimate of the number of sales required to pay for your client's Weekly Advertising Budget on your station. Like the Profit Margin, encourage your client to think in simple, gross profit terms. How many sales would he need to make in a day to generate enough profits to pay for his weekly advertising budget? Assume that he would pay only for his materials and employees and the rest of his revenues are his gross profits.

You may enter *either* the Profit Margin that your client makes per sale *or* the number of sales the client needs to make to pay (break-even) for his ad.

There are two reasons for this either/or input. If the client is willing to disclose his average profit margin, The Professional Mediator™ will calculate how many sales the client must make to get his advertising investment back -- his break-even point. For example, suppose the client is spending \$10 on advertising, and sells a \$20 product at 50% margin. If he makes one sale (and generates 50% of \$20 = \$10 in profit) he has paid - broke even - on his advertising investment.

Some clients will hesitate to disclose their profit margin or will want to change the number of sales they feel is necessary for them to break even on their advertising investment. Mark the check box next to "Breakeven Sales" and you can manually enter the number of sales your client feels is necessary to generate profits that will payback his advertising investment.

### **Example #1**

Here's an example: Let's say that under "**Profiles**" you insert a CUME number of 50,000 and under "**Avg. Unit Cost**" you insert your average rate of \$50. Trying to get a feel for what your client's weekly budget might be, you insert \$1000 in "**Weekly Ad Budget.**"

You ask your client what his average sale is and he tells you \$400. You insert \$400 in the "**Avg. Sale**" box. You then ask the client what his profit margin is and he chooses 40% from the box labeled "**Profit Margin.**"

Under the "**Break-even**" column you now see that if your client made seven Sales (0.0140% of your CUME audience) averaging \$400 each from using twenty units on your advertising medium, he would receive revenues of \$2800

and a Gross Profit of \$1120, and a Net Profit (for the campaign) of \$120, resulting in a Return on Investment (ROI) of twelve percent. In other words, he made just enough to pay for his advertising investment, plus a slight profit.

## **Understanding and Communicating the Results**

Once you have inserted the information in “**Media Profile**” and “**Client Profile**,” The Professional Mediator™ goes to work for you. It will display information about the client's advertising investment.

The first column of information details the "break-even" scenario for the client. The Professional Mediator™ estimates how many sales the client must make to get back his advertising investment. The Professional Mediator™ will then calculate several cautious “upside” scenarios for your client in additional columns. What would be the financial impact of making a few more sales? The Professional Mediator™ will spell out the impact of making 1.25X, 1.5X, 2X and 3X the break-even number of sales.

If your client has multiple locations, divide the number of locations into that break-even number. If your client has a low average sale amount, remember that people **more often** spend smaller amounts of money than they do huge amounts of money (i.e., a hamburger vs. a new car). Be sure to understand the strategy behind communicating this information with your client.

For each of the scenarios above (Break-even, 1.25X, 1.5X, 2X, 3X), The Professional Mediator™ displays:

### **Sales**

“Sales” is our estimate of the number of NEW TRANSACTIONS (new customers spending what the client told us to be his average ticket price) that our clients could possibly generate from your station’s advertising campaign in a week.

### **Profit Margin**

Profit margin represents the client’s percentage of gross profit margin. This figure stays constant in all columns.

### **% of CUME**

This figure represents the sales as a percentage of your station’s weekly CUME.

### **Revenue**

This is the potential revenue generated by the campaign: Sales (multiplied by) Average Ticket per Sale =REVENUE.

### **Gross Profit**

This is the potential total gross profit generated by the campaign: Revenue (multiplied by) Profit Margin=GROSS PROFIT.

### **Net Profit**

This is Gross Profit minus the Advertising Budget.

### **ROI**

This figure represents the client's potential return on investment: Net Profit (divided by) Advertising Budget.

### **Schedule**

This is the number of spots in the schedule: Advertising Budget (divided by) Average Cost per Ad.

### **Average Sale and Margin**

The AVERAGE SALE is calculated by taking the total from the client's cash register and then dividing it by the number of sales that the store has rung up in a day. Your client's PROFIT MARGIN would be what he nets from each sale after expenses.

### **Example #2**

Let's say you work for a company that has 50,000 viewers/listeners/readers. Your average unit rate is \$100. Your client tells you his AVERAGE SALE is \$100 and his GROSS PROFIT MARGIN is fifty percent. You suggest that your client spend, for example, \$1,000 per week with you. So, how many average sales would it take to pay for that advertising schedule? The magic number is twenty, of course. The client must make at least twenty average sales of \$100 in order to break even and pay for your \$1000 advertising schedule.

If you are confused, think about it this way. Write down the total number of people your station or publication or website reaches in a week. Let's say that number is 50,000 listeners, viewers or readers each week. Now tell the client that if just ONE PERCENT of your audience responded to what the client agrees is a GOOD SPOT or ad and a LOGICAL SCHEDULE, how many people would that amount to? Five hundred is the correct answer.

### **The "What if's"**

Then you say, "But that's not going to happen. That's not realistic. But what if just ONE HALF OF ONE PERCENT responded? That would be 250 people. But that's not likely to happen. What about just ONE FOURTH OF ONE PERCENT? 125 people? ONE EIGHTH OF ONE PERCENT OF OUR AUDIENCE? That would be 63 people. What if just ONE SIXTEENTH OF ONE PERCENT of our audience responded to what you (the client) agree is a logical ad with a logical schedule? That would be 32 people." Remember that your break-even number in our example is only twenty new customers each spending an average of \$100.

Remember, it's wise, when explaining Return on Investment (ROI), to impress on the client the value of **ONE NEW CUSTOMER**. What is *one* customer worth to the client? How long does your client keep an average customer? How often does that average client **return** to your client's business and how much does he typically spend?

For an auto dealer, we know that the typical NET PROFIT is somewhere between \$800 and \$1,500 per unit. This is pure profit. To simplify your work on The Professional Mediator™, you might just put \$1,500 as your average sale, with a 100% profit margin.

Remember to divide The Professional Mediator's™ breakeven sales number by the number of locations your client has in your market.

Also remember to talk up the value of ONE NEW CUSTOMER when discussing ROI. The average monthly sale for a high-speed Internet service provider might be \$40. But most of the client's customers sign up for a full year. So, the real average sale is just under \$500. Make sure that your client understands that.

### **Just Do It**

Calculating ROI is easy, even if it seems like it's not. If you don't understand the concept for any reason, ask questions. Then, PRACTICE. Soon you'll be a pro.

### **The new Professional Professional Mediator™**

The Professional Professional Mediator™ is now available at [www.paulweyland.com](http://www.paulweyland.com).

- The Professional version is printable.
- It features a template with national average gross profit margins for over seventy product and service categories.
- It also features an easy to use PROPOSAL WRITER, giving you the ability to fuse your ROI calculation into your custom proposal. Once the proposal information is typed into the Professional Professional Mediator™, the information can be exported, merged into formatted proposal templates, printed, ready to present to your client.

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