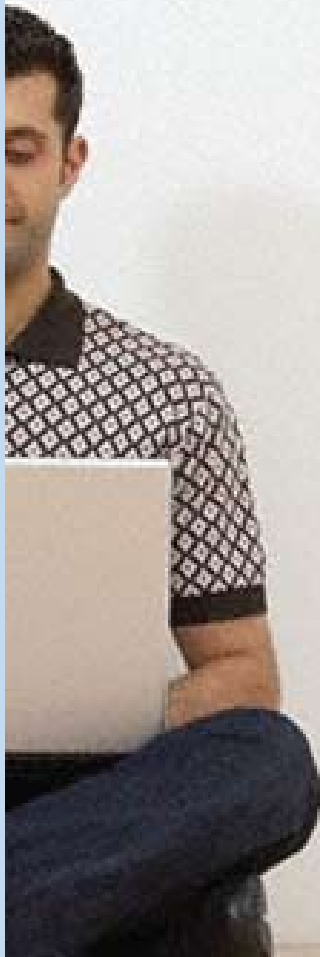




Outsourcing Marketing

A Whitepaper

Organizations can focus on their core business and benefit by outsourcing marketing.



EXECUTIVE SUMMARY

Outsourcing marketing communications makes it possible for small firms to improve the quality of their marketing, save money, focus on their core business and increase flexibility at the same time.

It's difficult for small businesses to afford the marketing talent they need. Their size doesn't necessarily define what they need (in terms of capabilities), but rather how much. Below a certain point, it no longer makes sense for an organization to use internal resources to develop and manage their marketing communications. Outsourcing makes it possible for small firms to improve the quality of their marketing, save money, focus on their core business and increase flexibility at the same time.

“The outsourcing of marketing activities is catching on; in fact, in a recent poll of marketing executives, 53 percent reported plans to outsource most of their marketing activities.”¹

While outsourced marketing is growing in popularity, a break-down in communications or failure to clearly define the scope of the engagement can lead to disappointment on both sides of the relationship. To maximize the chances for success, companies should be vigilant when selecting an agency/provider* and resist the temptation to rush through front-end activities in order to begin realizing benefits.

*(used here interchangeably to refer to an organization that fulfills another company's marketing function as part of an outsourcing relationship).

INTRODUCTION

The ideal business model is changing. With a renewed focus on core competencies – the activities on which a company competes – a growing number of functions previously handled internally are being outsourced to experts. Cost savings achieved by performing technical and back-end activities in low-wage countries caused the initial explosion in outsourcing's popularity, but were only part of a larger trend. As the functions being outsourced become more strategic, so do the benefits. In order to achieve them, companies must also have a more strategic relationship with their agency.

Why should a small business consider outsourcing their marketing functions?



REASON 1: Higher Quality – Simply enlisting the help of specialists can have a significant impact on the quality of a small firm's marketing. If a company spends the time and money necessary to assemble a group of talented marketers, there are still no guarantees that they will function well as a team or deliver the desired results. Agencies provide proven resources – expert teams with a track record of successful work.

An agency brings a fresh perspective that helps the firm understand how they are viewed from the outside. Because they serve other clients, outside agencies have a broader understanding of what works and what doesn't, and can bring valuable ideas from their experience in other industries.

An outsourcing relationship also puts firms in the best position to achieve integrated marketing – maintaining a consistent voice across multiple media and messages. It's a difficult task that many professional marketing firms have yet to master, and one that the internal staff of a small business is rarely able to achieve without help. Another approach, dividing the work among several vendors, is equally difficult because it requires a high level of cooperation and coordination between companies that are essentially competing for a larger piece of the company's business.

REASON 2: Lower Cost – When a company chooses to outsource, they avoid the overhead, head count, liability and risk associated with maintaining an internal team. Consider the following example from the *Brandweek* article, "Will They Outsource Marketing Next?".



"A typical small organization with gross sales of \$20 million and a \$1 million program budget might pay internal staffers as follows: marketing director (\$120,000), marketing manager (\$75,000), marketing assistant (\$40,000), and PR manager (\$80,000). Total Cost: \$1.35 million.

By outsourcing those same functions (\$150,000 in outsourcing fees on a \$900,000 program cost), the total approximate annual cost is \$1.05 million."² The way in which the \$1 million program budget was decreased to \$900,000 is not explained, but the concept is clear: outsourcing can save money.

It can take time for a newly formed team to reach their potential. Meanwhile, the company is responsible for providing the training their staff needs to move along the learning curve. An outsourced team can hit the ground running and help get your message to market faster.

What if one or more of the internal staffers turns out to be a poor fit? According to most experts, the cost of a bad hire is about two and a half times the person's annual salary.² With outside talent, a company is basically paying for performance rather than gambling on the potential of individuals. The money saved can be applied directly to media and materials that help campaigns make a larger and more immediate impact.

REASON 3: Sharper Focus – Outsourced marketing allows company leadership to concentrate on its core business. The ability to focus on what the company does best is the basic benefit of outsourcing. Specialists deliver more for less and free-up internal resources that are often spread thin in small organizations.

First and foremost, company leadership is no longer responsible for managing the production and delivery of marketing communications. Tactical "execution activities" are now the agency's job – even if part of the work is performed by another company, i.e. subcontracted. In fact, the relationship network of a well-connected agency can be a significant asset if it brings more specialized resources to your projects. Regardless of the specifics, an ideal arrangement is one that allows company leadership to concentrate on the strategic aspects of marketing, rather than managing the moving parts.





Reason 4: Greater Flexibility – Marketing activity is rarely constant in a small firm. While outsourced marketing expenses can adjust to meet demand, in-house marketing is a fixed cost. Salaries and overhead expenses must be paid out each month regardless of the amount of work that needs to be done.

When a new offering is released or the competition makes an aggressive move, an outsourced marketing department can scale to meet the challenge immediately. Changes to an internal team take time and planning, and it can be just as costly for a small business to maintain a full marketing staff during slow periods as it is for the business to be caught understaffed during a critical moment.

How to avoid disappointment

Two common reasons that outsourced marketing relationships end in disappointment (or even dissolve) are:

1. Failure to clearly define the engagement's scope, and
2. Poor communications between the company and their external marketing team

Problem 1: Vague Scope – Clients often expect agencies to act exactly like their employees – to go the extra mile free.³ Agencies usually assume that extra work means extra compensation. Trouble exists when the parties skimp on front-end communications and fail to clearly define the line between good customer service and ethical payment. This often results in multiple change orders and/or either party feeling like they didn't get what they were promised.

The company and their potential provider should take the time to develop an agreement that covers (in sufficient detail) what will be done, how, when, by whom, and the way contingencies, or "what-ifs", will be handled.



Problem 2: Communications

Breakdown – Poor communication between the client and agency teams can lead to a number of problems. Miscommunications during handoffs often result in missed deadlines and marketing that “just isn’t quite right”, straining the relationship and resulting in

costly re-works. When there is a loss of alignment between the company strategy, driven by executives, and the communications developed by the agency, more serious and long-term problems arise. As challenging as it can be for a small business to gain shelf space in the minds of customers, it's even harder to change their perceptions after realizing that the message being communicated isn't right.

Organizations should choose an agency that demonstrates outstanding communication during the pursuit and has a history of successful client relationships. Use small projects as a gauge for how the marketer relates to clients and how accurately they are able to deliver on your vision. Anyone can tell you that they use communication best practices, but to get a real understanding, watch how they work.

Resources:

- 1 Lin, Poping. "Should You Outsource Your Marketing? Q&A with Gail McGovern". HBS (Harvard Business School) Working Knowledge, July 4, 2005. Research by Forrester.
- 2 George Schildge. "Will They Outsource Marketing Next?" Brandweek, October 18, 2004.
- 3 John L. Nicholson. "Common Problems With Outsourcing Deals and How to Avoid Them". ;login: The USENIX Magazine, February 1, 2003.

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