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OUTSOURCING

The Next Outsource: PR & Marketing Communications

By Jon Boroshok

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Is 2004 the year that public relations and marketing communications (marcom) becomes an effective and efficient outsource? Don't conjure visions of a third world "boiler room" of PR practitioners just yet. Local, suburban-based boutique agencies and senior individual practitioners enable companies to eliminate traditional agency inefficiencies such as downtown offices with expensive views, rigid 12-month retainers, marking up

out-of-pocket expenses and outside vendors, and under-qualified junior agency staff.

Outsourcing lets a company do more with less. Experienced marcom professionals bring core competencies that enable them to do a better job in less time, thereby reducing costs and maximizing results. No retainers, no long-term contracts, no fat. Pay for results instead of the agency's lobby.

An established outsource can offer the same full services of a large agency, but on an a la carte basis. Integrated services such as graphic design, printing, direct mail, pure marketing, Web site optimization, and advertising are provided by a best-of-breed network of independent practitioners with the outsource acting as a "general contractor" at no additional markup. Pay for the services as needed, as used, without paying for the overhead of unutilized services.

Outsourcing marcom functions also enables large and small companies to get the job done without expanding the employee roster and adding to personnel costs. An outsource can work on a project basis, or on a "flexible retainer," pairing the monthly budget with actual tasks, projects, and objectives. This results in an honest budget based on real work to be done rather than arbitrary agency profit goals.

Fixed monthly retainers, the mainstay of traditional agencies, rarely works in the client's favor. A typical traditional agency spends about 25 percent of billable retainer time trying to account for the remaining 75 percent. How does that help the client?

A startup or early-stage company that has a strategic or technological edge but a thin PR budget can communicate effectively if their agency is innovative, resourceful, tech savvy, and not wasteful. Outsourcing is a growing alternative for companies of all sizes, particularly

Location, location, location is out! Are you paying for the view from your agency CEO's

those with monthly marcom budgets of under \$7,000. Like their clients, these outsources have to work smarter, faster, and cheaper.

office instead of results? A prestigious address does not make an agency do better work or increase the chances of media coverage.

While outsourcing is catching on, it's surprising how many companies and their investors are still following the failed marketing communications model of the "dot-com" era. Some still exhibit a *"you don't get fired for picking IBM"* mentality. They retain a large, "brand name" agency with a posh downtown address and an outdated business model. They often wind up paying for the name of a CEO who didn't work directly on their account, and typically hadn't contacted a reporter about a client in years.

Back in the "irrational exuberance" of 1999-2000, these same large agencies found new ways to hype, oversell and overvalue their services. They pushed bloated, expensive retainer packages stressing their own "brand" rather than tangible results, expertise, or efficiencies. Investors were dazzled by big names rather than value, and clients wound up footing the bill for the training of very junior practitioners.

Truly competitive companies are questioning why the agency that commanded a \$20,000 retainer two years ago is now offering fire sale prices. Are the agencies using less experienced staff now--or were their rates over-inflated then? All too often, staffers performing the actual account work tend to be young and inexperienced, because that's where the agency's profit margin is based.

Is retaining the services of a large agency really a prudent investment, particularly in industries like tech and the life sciences, where every marketing communications decision can affect millions of dollars?

Outsourced marcom providers find ways to efficiently service smaller clients and produce results. A one-project "test drive" is a great way for the outsource and the client to see if they enjoy working together.

Outsourcing Advice

- * Ask if your outsource has been working this way for long. Beware someone recently laid off from an agency or corporate position. Many are "hanging out their own shingles" in desperation until they get a job offer. Are you sure they won't leave in the middle of a project?
- * Outsourced providers are a limited resource, often working simultaneously for several clients. Make sure they have the bandwidth to take on additional work for your account and can meet your deadlines. An outsource should have a scalable network of senior professionals to bring in as needed, without the client paying for ramp-up.
- * Make sure that your agency or practitioner has a conceptual understanding of your company, the technology, and your marketplace, but don't look for a clone of yourself. Can they communicate effectively with your target audiences? The account team's business acumen and life experience will compliment your pedigree.
- * Location, location, location is out! Are you paying for the view from your agency CEO's office instead of results? A

prestigious address does not make an agency do better work or increase the chances of media coverage.

* Agencies love to brag about who is in their Rolodex, but these may not be the right reporters, editors, and analysts for your company. With downsizing and media mergers, journalists change jobs and beats frequently. Experienced PR pros develop new relationships as needed.

* Look at their clip book, but don't be too impressed, especially by clips for big name clients. See what they've accomplished for clients that are about your size and budget. The people showing you past results should be the same people who will do the actual work on your account.

* Make sure you have complete access to the agency CEO. Your day-to-day contact should be on at least the same "level" you are. For example, if you are a vice president, your direct contact should be at least a vice president too. Watch out for agencies that artificially elevate the titles of inexperienced staffers.

* Big agencies pay big money for top business development specialists that you may only see until you sign the contract. Once a smaller or midsize client is signed, they will be paying part of that overhead, but none of those people will work on the account. Before signing, meet the entire account team, and ensure that the agency won't use bait and switch tactics by including the roster in the contract.

* Your needs and budget may vary from month to month. Your agency should be able to work with a flexible budget. Most agencies and outsources will require prepayment of monthly or project fees.

* You can find marcom alternatives through networking, referrals, online searches (use key words such as PR, tech PR, outsourced PR, marcom, etc.), or look at press releases from similar-sized tech companies in industries related to yours. Agencies that advertise or attend trade association meetings will recoup those costs in their fees.

* Chemistry counts--you'll have regular contact with your agency. Nobody will ever provide a bad reference, so trust your gut instinct. Marketing communications is an investment. Selecting a source that matches your company's culture/personality is likely to give you the best return.

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