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Marketing

Pay for PR results, not just firm's fancy address

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Many companies are still paying the price for following bad counsel during the tech gold rush.

Entrepreneurs and venture capitalists vaguely understood that marketing communications (marcom) and PR is needed to create awareness, build brands, and drive sales, but many were ignorant about maximizing the return on their marcom investment.

In line with the rationale that paralleled the old adage, "nobody ever got fired for picking IBM," companies were often advised during the boom to retain a large, "brand name" downtown PR agency. These agencies often came with a premium price, inexperienced junior staffs and no emphasis on value.

Old school cronyism reared its ugly head, as many of these agencies were "friends" of the VCs. Referral and finder's fees - and possible conflicts of interest - were the rule rather than the exception. Then as the economy tumbled, companies cut their marcom staffs and budgets.

But many - in now starting to see the market bottom out and moving toward recovery and rebuilding their marcom efforts - are looking "outside the box" for better PR and marcom value. They are learning that they can get more for less, and becoming smarter buyers of marcom services.

Companies are rightfully skeptical when the PR agencies that once commanded a monthly retainer of \$30,000 are suddenly offering fire sale prices for their services.

Despite the drop in rates, many PR agencies still insist on selling more services than necessary. Their high retainers are not affordable to a pared-down marcom budget, especially when a firm is simply looking to maintain visibility or beef up its own efforts.

Whether downsizing or ramping up responsibly, companies have started outsourcing PR to providers who can pick up the slack and provide services on a smaller, flexible scale. "Boutique" agencies, virtual PR teams, and freelancers are a growing alternative for companies, particularly those with budgets under \$8,000. Outsourcers have to work smarter, faster, and cheaper in order to compete.

This clashes with the business model of a large agency, which must pass along the costs of offices with skyline views (and now-empty cubicles), salaries, benefits, and equipment. Large agencies may offer prestigious addresses and a recognizable CEO, but the contact performing the day-to-day work tends to be inexperienced.

Alternative marcom providers find ways to profitably service businesses and produce results. Embracing the free agent economy, senior marcom experts living in the suburbs (for better schools and affordable housing) are shunning long commutes, departing the big agencies (or being downsized in favor of junior staff) to work for

clients and smaller agencies closer to home. This is creating more affordable, project-based PR/marcom options.

Outsourced and project-based marketing communications has an economic rationale even in a strong economy. Those who outsource will often work on a project basis, and adapt to a flexible, needs-based budget that allows clients to pay for services on an "as-used" basis. This allows companies to do more short-term activities without a large commitment. If a project proves successful, it can lead to longer-term relationships. Projects are a great "test drive" for both the agency and the client - a way to see if they enjoy working together.

Advice for companies looking to outsource marketing communications:

Location, location, location is out! Are you paying for the view from your agency's conference room instead of results? A prestigious address does not make an agency do better work or increase the chances of media coverage.

Agencies love to drop names of contacts, but these may not be the right reporters, editors, and analysts for your company. Experienced 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 businesses that are about your size and budget. The people showing you past results should be

Your company's needs and budget may vary from month to month. Your agency should be able to work with a flexible budget. You will be expected to prepay monthly project fees, and time spent ramping up is billable time.

Make sure that your agency has a conceptual understanding of your company and industry. Have them visit your Web site on their own time before the first meeting.

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.

Pay attention to the structure of the first meeting. Does the agency listen to you, or are they in sell mode? If they don't listen, can they really understand and meet your needs?

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.

Chemistry counts. Have regular contact with your agency. Nobody will ever provide a bad reference, so trust your gut instinct. Marketing communications is an investment. A source that matches your culture/personality is likely to provide the best return.

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