



The business case for outsourced marketing

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Start-ups and SMEs especially those involved in b2b marketing have many challenges on the marketing front. More than from competition or the external market environment, their challenges come from within. Typical manifestations of this problem stem from myths about what marketing is and what its importance is to business. These include notions that marketing equals sales, that marketing is about - brochures, tradeshow and thus a 'cost centre'. Finally, many b2b organizations still believe that marketing is for consumer products and does not apply in technology and industrial markets...

While direct sales and techno-commercial marketing functions like product management and channel management are largely established, core marketing and brand communications are relegated either to being an 'additional' responsibility with one of the senior management staff or, to a junior employee blessed with good written communications skills.

Such an approach to marketing has worked for many businesses in the past when competitive pressures were far less or even non-existent in some categories. Not anymore. Today's intense business environments have forced b2b marketing companies to realize that marketing is not a 'support function' but is a 'capability' that is as business-critical as product engineering and manufacturing are. And that without a strong and comprehensive marketing capability, the long term survival of business is challenged.

Challenges for SMEs in developing marketing capability

Challenge #1: Affordability

Affordability is the single biggest cause of lack of needed quality in your marketing department. Without enough budgets, your business will not be in a position to attract and retain appropriate marketing talent. When you don't have access to the right skills and experience, marketing capability is severely compromised.

Challenge #2: Quality of service providers

Large, capable agencies do not wish to engage b2b marketing accounts for two reasons: First, such businesses have small marketing budgets. Second, most b2b marketing initiatives require specialized, content-intensive, below-the-line (BTL) programs for branding and lead generation. This removes large-revenue opportunities from mass-media advertising and media commissions which is where agencies make all the money. To compound matters further, almost all advertising agencies and design firms come from consumer marketing backgrounds and have little appreciation for technology-intensive, industrial or other complex b2b markets. Even if these more capable agencies do take on your business, they do not offer you their best servicing and creative talent. If they refuse, you make do with Tier-2 or Tier-3 quality agencies and it soon shows in your often irrelevant market messaging and inconsistent brand identity.

Challenge #3: Full-time utility

At most b2b companies, marketing communications is often not a full-time activity. This is especially so at the smaller ones, start-ups founded by hardcore technocrats and where management tends to equate sales to marketing. Since most work takes place during specific events or campaigns, it is relegated to an *'additional responsibility'* with one of the senior staff highlighting lack of focus on marketing capability development.

Filling the capability gap through outsourced marketing

More and more SMEs are beginning to deal with the challenges of developing marketing capability through the adoption of an outsourcing strategy. While direct marketing functions such as sales, product management and channel management have to be managed through employees, specialist processes like branding and marketing communications are being outsourced to a new breed of service providers who take end-to-end responsibility – from strategy formulation and internal coordination to creative execution. Unlike traditional PR/advertising agencies and design firms which take a pure vendor approach with responsibility for only the creative product, outsourced marketing management firms take responsibility for the entire function by integrating with upstream strategy development and decision processes such as market segmentation, brand strategy and positioning. In effect, they take on a proxy responsibility for specific or overall marketing functions while also managing execution either directly or through chosen agencies and third-party specialists.

Outsourced marketing: Top 3 benefits

1.0 Better cost management

Because outsourcing firms play both the in-house department as well as the agency roles, they seamlessly bridge the skills gap on either end. More importantly, they optimize costs across the marketing process by delivering a wider set of capabilities with equivalent resources. With their typically fixed-retainer engagement model, the only variables being media costs (example cost of printing, ad space costs etc.) and specialized production expertise (video films, photography, multimedia production, event management etc.). Most creative work such as copywriting, graphic design and basic content development are bundled in as part of the capabilities on offer.

OUTSOURCED MARKETING MANAGEMENT: COMPARISON OF COSTS WITH TRADITIONAL MODEL *

Scenario 1:

IN-HOUSE MARKETING DEPARTMENT + HIRED CREATIVE AGENCY

A bare minimal marketing and communications department would need at least 2 staff to manage any serious and sustained marketing program. This 2-person team would need an experienced manager with at least 8-10 years' marketing experience supported by an executive to coordinate activity, manage databases, coordinate logistics and deal with vendors on a day-to-day basis.

DEPARTMENT COSTS (MONTHLY)

1 Manager	Rs. 75,000/-
1 Co-ordinator	Rs. 25,000/-
Total People Costs	Rs. 1,00,000/-
Rental (Rs.150/sq.ft/mth x 50 sq.ft/head)	Rs. 15,000/-
Overheads (100% of salary costs)	Rs. 1,00,000/-
Training & Recruitment costs	Rs. 10,000
Total Overheads	Rs. 1,25,000/-
(A) Total Department Costs	Rs. 2,25,000/-

MARKETING EXECUTION COSTS (MONTHLY)

Let us say, this 2-person department produces on average 5 pieces of marketing communications per month through various agencies. The creative and production costs for example would be something like as under:

1 x 4-page brochure for a product line	Rs. 25,000/-
2 x Print direct mail packages	Rs. 60,000/-
1 x Print ad campaign (3 creatives)	Rs. 75,000/-
1 x 8-page in-house newsletter	Rs. 1,00,000/-
(B) Total Creative Agency Costs	Rs. 2,60,000/-
Total Marketing Costs (A+B)	Rs. 4,85,000/-

25-30% more cost effective

Scenario 2:

OUTSOURCED MARKETING MANAGEMENT

All strategic and execution capabilities for your marketing communications are provided through a:

- Consultant spending 2 x ½ days in-house per week.
- 1 full-time in-house Client Manager/ Co-ordinator
- Package built to produce same throughput as above (5 pieces of marketing communications/month) + management of marketing communications planning (based on business goals), campaign development, content creation, creative design, sourcing and vendor management (print, media, specialist providers), production fulfilment (logistics).

DEPARTMENT COSTS (MONTHLY)

1 Consultant	Rs. 75,000/-
1 In-plant Client Manager	Rs. 35,000/-
Total People Costs	Rs. 1,10,000/-
Overhead/person (space + utilities)	Rs. 15,000/-
(A) Total Department Costs	Rs. 1,25,000/-

MARKETING EXECUTION COSTS (MONTHLY)

1 x 4-page brochure for a product line	
2 x Print direct mail packages	
1 x Print ad campaign (3 creatives) for a trade magazine	
1 x 8-page in-house newsletter	
(B) Total Creative Agency Costs	Rs. 2,00,000/-
Total Outsourced Costs (A+B)	Rs. 3,25,000/-

*Above calculations are purely indicative. Costs may vary significantly depending on situation, industry and specific needs.

2.0 Qualitative and productivity improvement

Since you get access to more experienced and specialized skills gathered from diverse industry backgrounds, outsourced marketing can bring a significant qualitative impact on marketing output. Moreover, since strategy and concept to creative execution is managed by a single entity and in close concert with sales and business management, there is faster turnaround, lesser iterations and therefore, higher throughput. All of which again adds up to greater cost efficiency.

3.0 Simpler vendor and process management

Because you now have a single window service and a fully managed marketing program, you not only get access to the best-fit skills but also save on precious management and administrative time spent in dealing with multiple vendors. Quality is managed by the outsourced team who are far better equipped to deal with vendors and ensure best results.

Conclusion

Given today's tough business environments, businesses have an option to exercise outsourced marketing as a strategy. The benefits are real and hard. Until business grows to a certain size and is able to afford a full-fledged marketing capability, it might be wiser to use a judicious mix of outsourcing and internal capability creation ■

For a discussion on how Outsourced Marketing Management can benefit your business, get in touch with:



Dhananjay Balodi
dj@intermediaglobal.com
T: +91 (0) 98923 23661
www.intermediaglobal.com