

## Whitepaper

# Increasing trend of Marketing Outsourcing

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.

## Marketing Outsourcing

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.

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.

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.

## Why should a small business consider outsourcing their marketing functions?

**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.

**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 Brand week article, “Will They Outsource Marketing Next?”.

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.”<sup>2</sup> The way in which the \$1million 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.<sup>2</sup> 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.

**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,

**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.

### About Raybiztech

Raybiztech is a leading Global Information Technology (IT) Services and Solutions, a CMMI Level 3, ISO 27001:2013 and ISO 9001:2015 Certified Company. We are a Member of NASSCOM, HYSEA, NJTC, and AIIA. Raybiztech offers comprehensive end-to-end IT Services for Business Application Development, Enterprise Solutions, Enterprise Collaboration Services, Testing and Quality Assurance Services, Cloud Computing and IT Infrastructure Management to organizations in the Banking & Finance, Insurance, Healthcare, Manufacturing, Retail, Media & Entertainment, Leisure & Travel, Telecom and Energy & Utilities verticals as well as Independent Software Vendors.