



A view from the boardroom

An executive guide to outsourced
marketing in the manufacturing sectors



Executive summary

Outsourcing as a business process has become common in recent years. Typically, outsourcing might include functions that are defined as non-core business activities; for a manufacturing business this might, for example, involve IT, HR or logistics.

Increasingly, however, industrial companies are beginning to outsource functions that are far closer to their core business. These functions include research and development, testing, prototype production, specialised manufacturing and even sales and marketing.

There are many different reasons for outsourcing – flexibility, cost reduction, access to specialist skills and resources – but in each case the decision to outsource can be critical to the long term success of a business.

Outsourcing is not without risk and therefore requires careful consideration. A successful strategy depends on a clear assessment of the current position, an understanding of the long-term goals and the advantages and disadvantages of the in-house and outsourced models.

A brief history of outsourcing

Outsourcing in its most basic form – a fundamental customer-supplier arrangement – has existed since the early days of trade and commerce.

During the twentieth century it became commonplace for companies to define their success by their ability to own, manage and control all of their assets and operations. As the century progressed and competition intensified, so companies sought to gain an edge through ever greater diversification. This in turn led to ever larger and more complex and unwieldy management structures.

By the 1990s, in a bid to regain a competitive edge and improve profitability, these same companies had begun to recognise the value of focusing on their core business processes and activities, and then to outsource functions that they considered to be non-core to specialised suppliers.

Since then, outsourcing has grown to become an established strategy used across the corporate world; although the technique was pioneered by larger organisations, today it is used by many SMEs as a method of improving business flexibility and performance in an increasingly competitive global marketplace.



A study of 2,000 companies by consulting firm, Bain & Company, carried out over 10 years, found that only one in 10 achieved sustained, profitable growth. The study concluded that one key factor that contributed to success was the use of capability outsourcing as an innovative method of gaining competitive edge.

Why do companies outsource?

There can be many different reasons for outsourcing, ranging from cost cutting to strategic development of capabilities that companies do not have in-house, or which need to be strengthened without directly impacting the balance sheet.

For most companies there is usually a combination of factors that lead to a decision to outsource. The most common of these include:

- The need to concentrate internal resources on core business activities
- Lack of skills or specialised knowledge in non-core but nevertheless critical business functions
- Difficulty in recruiting for specific functions
- Operational flexibility, especially if investment in headcount or assets is required for expansion or business restructuring
- Agility – the need to respond faster and more efficiently to ever changing market dynamics
- The need to reduce operating costs or to derive greater value from a non-core function
- The need to get to market faster or to drive innovation
- Streamlining or increasing efficiency for time-consuming functions
- Sharing risks with a partner company



Outsourced marketing

By definition, successful companies are great at what they do. They may be engineers, manufacturers or distributors; they may even be outsourcing companies in their own right, such as logistics operators, facility managers or contract electronics manufacturers.

In each case, however, they are rarely skilled marketers; even if they possess an understanding of the marketing process, they may well not have the time, resources or specialised knowledge required to deliver truly effective long- term strategic and tactical marketing plans, as part of the broader business function.

This is especially true in the digital space, where talent is limited and expensive to recruit and retain, and where technology can change almost overnight. Trying to keep abreast of such developments while also managing core business activities is almost impossible to achieve.

By comparison with other business activities, such as logistics, HR or FM, outsourcing a complete marketing function is still relatively unusual. The norm, especially among larger organisations with an internal marketing team, is the outsourcing of specialised services such as PR, SEO or advertising.

For an SME, however, particularly one that needs to remain agile or that is growing fast, the cost and management of an internal marketing function may not align with the broader business strategy, or may fail to be prioritised over more pressing short term demands. This can be especially true for businesses that have built early-stage success on an innovative product or technology, or on the skills of an enthusiastic entrepreneur, but that have reached a plateau from which they are struggling to expand.

It's not uncommon for companies across the industrial sector to acknowledge the importance of marketing as a business function, but then to devolve responsibility for marketing activities to an inexperienced member of staff, who often has to combine several roles.

Although these employees are enthusiastic and committed, they generally have limited tactical marketing abilities and rarely possess the strategic knowledge and broader skills to deliver integrated marketing programmes that add true long-term value to a business.

The case for outsourced marketing in the manufacturing sectors

Outsourcing all or part of your marketing function may not be the best solution for all companies. However, for many organisations the ability to outsource responsibility to a specialised marketing partner can offer considerable benefits.

A common growth trajectory for many companies is to build their initial success on an innovative product or service. Then to subsequently win business through a combination of existing contacts, the skills of a small sales team and perhaps the limited use of marketing tools, such as attendance at trade exhibitions and a basic but functional web site.

Although this approach works, it restricts long term growth potential. In addition, as the company has a modest profile in its target markets, this approach limits its reach and market penetration, undermines its reputation and, if acquisition is part of the business strategy, devalues its position as an acquisition, or investment vehicle.

At some stage, therefore, the directors are likely to begin to consider how best to build the company's profile, reputation and sales revenues. This is where the subject of a professional approach to marketing is often raised.

The traditional solution is to try and recruit somebody in a senior marketing role. This in itself can be a challenge, as skilled and experienced people are hard to find; in particular, individuals with a background in manufacturing and industry are few and far between.

Even with a successful hire, this person may not be hands-on and will want to recruit an assistant. They will need a marketing budget to carry out the programme that they will have developed and all of this adds cost directly to the business, creating an overhead that can quickly become embedded and inflexible. In addition, if this person chooses to move on, then the company finds itself back where it started, with a fresh round of recruitment costs, together with potential disruption to the continuity of any marketing programmes that may be in place.

The scenario described above does not, of course, occur in all instances, and having an in-house marketing professional can be an effective solution.

The alternative is to consider outsourcing the marketing function in its entirety.

This clearly has a number of advantages:

Reduced cost and risk

Although a budget will be required for marketing activities, it will be significantly lower than the combined cost of recruitment, employment, training and funding activities; typically, outsourced cost is less than half to a quarter of that of an in-house function.

In addition, costs are moved from fixed to variable, so are reported differently on the profit and loss and balance sheet. They will also be flexible, as spend can be planned and then increased or decreased in line with business requirements. With a correctly structured outsourcing agreement, the challenge of managing expenditure will be straightforward, transparent and accountable.



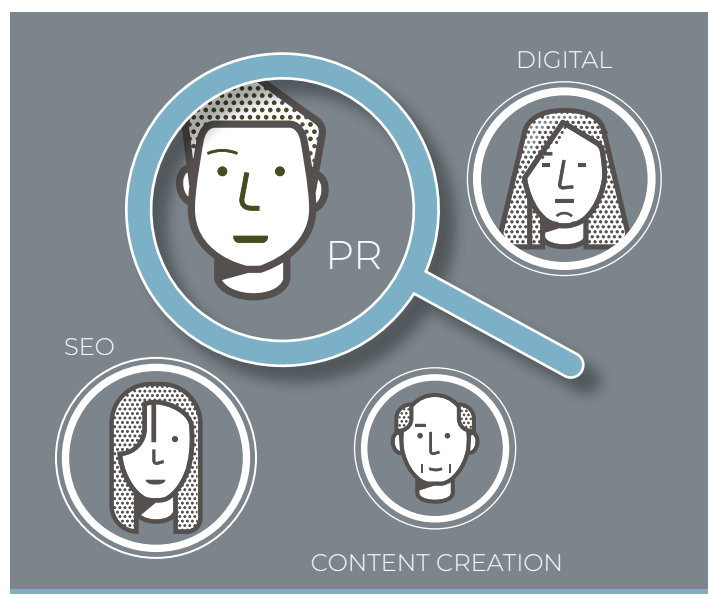


Skills, knowledge and experience

With a typical outsourcing arrangement your company is effectively employing a team of specialists in different marketing disciplines. Team members can be brought in to play only as they are needed, offering increased flexibility in terms of cost structure, while providing access to a pool of knowledge, talent and experience that is far deeper than normally found within an in-house function.

Additionally, the best outsourcing partners will have worked in their field for many years and developed methodologies and processes that make the outsourcing arrangement as straightforward and accountable as possible. It's therefore easy for them to hit the ground running, adding value to your business from day one. A simple example is the use of CRM, email or marketing automation tools, which many companies fail to exploit effectively in-house through lack of time or skills. Allowing an outsourced partner, with specialist knowledge, to manage these systems eliminates inefficiencies, reduces costs and enhances results.

To reap the maximum benefits, it is therefore important to partner with a provider with a track record of success in your sector, who shares your business principles and your enthusiasm for what you do. You then need to allow them to become embedded within your business to ensure that they are able to deliver the best possible level of results and value, while retaining the objectivity of an external organisation.



Focus and results

One of the principal advantages of an outsourcing agreement is the ability to agree clear definitions of what is expected, the specific deliverables, the timeframe and the precise cost, to make forward planning and budgeting straightforward. Just as importantly, it also becomes possible to put KPIs in place, along with appropriate methods of measurement to demonstrate the value added, or ROI, from the outsourced marketing partner.



Time savings

Having a professional marketing team operating at optimum efficiency will dramatically reduce the time required before results begin to be delivered from each marketing activity or campaign.

Similarly, outsourcing the responsibility for marketing allows in-house members of staff to concentrate on what they do best: providing the highest standard of products and customer services.

In a situation where an internal member of staff might previously have been trying to manage multiple agencies, a switch to a single, integrated outsourced marketing supplier will eliminate the time-consuming problems of coordinating communications and briefings.



Futureproofing

A marketing outsourcing agreement normally lasts for around 12 months, with regular quarterly reviews and an end-of-year assessment. Subject to the agreed performance targets being met, the agreement is then renewed on a rolling annual basis. 4CM had similar arrangements in place with many clients for eight years or longer, giving them a flexible, secure and consistent partnership that adds measureable value to their businesses.

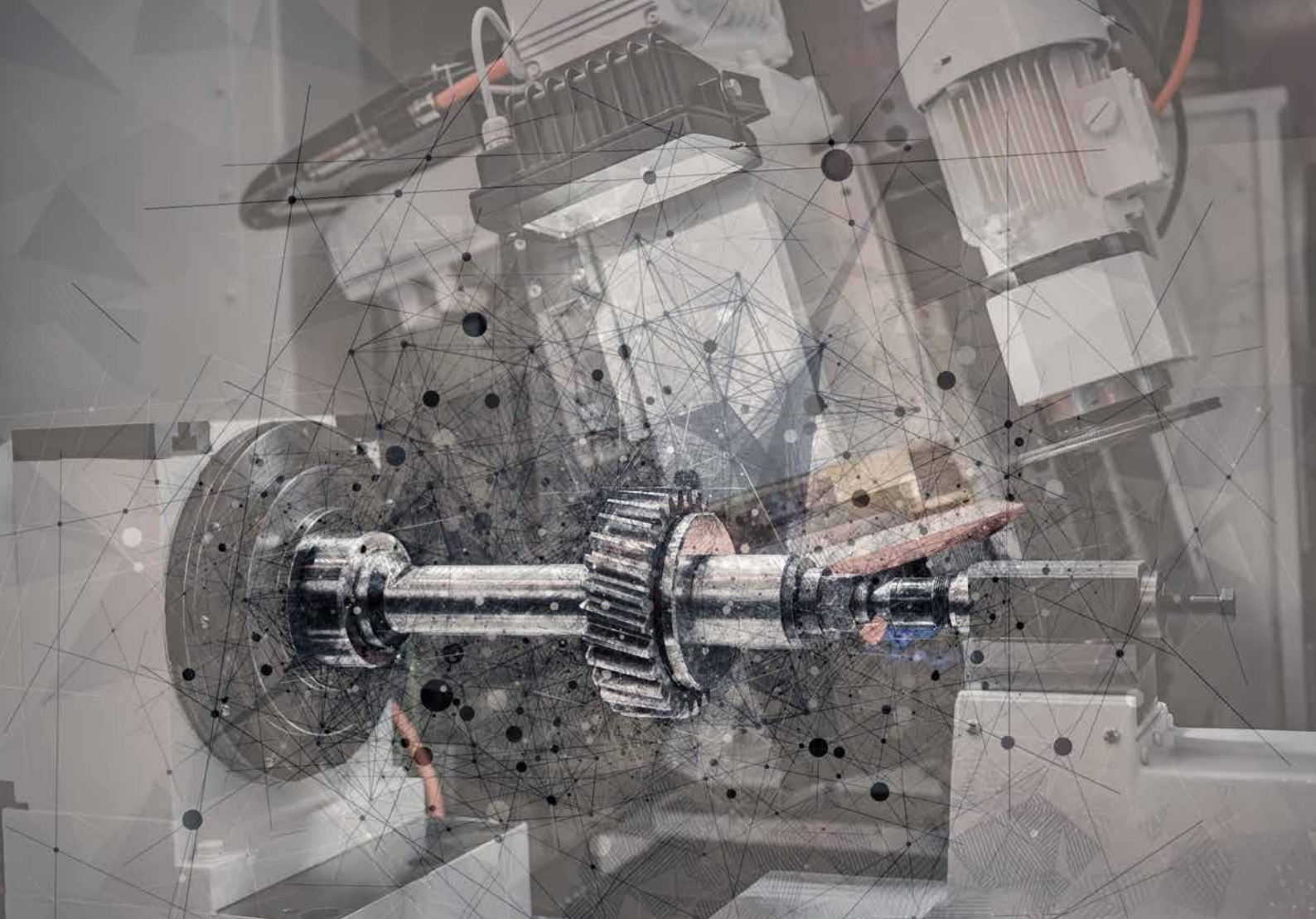
It's also worth noting that outsourcing agreements are not always long-term. For example, if the ultimate goal is to build an in-house marketing department, but current financial or headcount constraints prevent this being achieved in the short term, then a 12-month outsourcing agreement will provide the flexibility required. This can be structured so that the outsourced team develops the marketing infrastructure and delivers against specific targets, while in-house skills and resources are built up over time.

An outsourcing agreement option ensures a highly effective short to medium term delivery of marketing services, while creating a robust foundation that supports longer term business growth and development.

Results, trust, growth and targets

Moving to an effective outsourced relationship depends, like all solid and longstanding business relationships, on trust. This takes time to develop and is underpinned by a carefully constructed agreement with documented objectives, deliverables, KPIs, process and procedures.

Finding an outsourced marketing partner that understands your market, products and services, that shares your business ethos and who can deliver the results required is not always a quick or simple process. However, investing time and effort at the outset will ultimately bring considerable savings in terms of time, resource and cost. Most importantly, it will be effort invested in the future success and prosperity of your business.



For advice, insight and a results driven approach
to your PR and marketing communications
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