

Is it time to outsource marketing?

Marketing could be one of the last functions that need to be outsourced if companies are to get the best ROI for their budgets and stay competitive, says Vinod Harith



I have run marketing and communications departments for small and large organizations for over 15 years now and I cannot but agree with Professor Gail McGovern of the Harvard Business School when she says that 'few companies own all the marketing expertise they need'.

For small and medium businesses, marketing requirements are largely part-time and unpredictable. Often CEOs double up as marketing heads and are unable to give the role the strategic focus or operational bandwidth it often needs. For these organizations, hiring a full-time marketing team is a rather expensive and in many cases, a non-justifiable investment. For larger businesses that have marketing teams in place, it is often easy to find low level tactical resources - to run trade shows, clean databases, design collateral or websites and track marketing campaigns, but as you go up the value chain to programs like thought leadership, new media strategies and CRM, the quality and availability of resources just dries up.

The cost vs capability interplay



Organizations outsource for reasons of cost - because outsourcing makes better fiscal sense, gives them shared access to best practices and allows for better utilization and deployment of existing resources. The key interplay here being investing in organic capability building vs. outsourcing and hiring plans always seem to trail business growth. The other reason that drives outsourcing is capability (or lack of it) - quite often the right resources are hard to come by and we are saddled with well meaning, talented marketing managers who are lower down the learning curve, while business imperatives require your people to hit the ground running.

A recent research shows that manpower costs constitute 15% of overall marketing costs of Indian technology companies. This is close to 50% for global companies. This clearly shows that there is a huge labour arbitrage potential for marketing outsourcing. Even if you are an Indian company, the cost benefits

of outsourcing are not small. The shared services model offers companies a straight savings of 20% – 25%, as opposed to building their own in-house teams factoring in elements like real cost to company of the people, the infrastructure cost and the outsourcing costs over and above what the in-house teams can accomplish. The other important but often neglected benefit is the time to market. Whether you are hiring a marketing team for the first time or expanding an existing team, it takes a minimum of six months for your new team to get productive and the opportunity loss this can cause in a competitive market is rather significant.

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With the growing sophistication of web marketing, email marketing and social/ business networking channels, small and medium businesses (SMBs) no longer have to try very hard to build mind and market share with their target customers. Infact, I know of a popular garment maker in the US who runs a successful business selling T-shirts using only new media vehicles. I have been speaking to several SMB CEOs and I believe what perhaps stops these companies from achieving marketing epiphany is their leaning towards some popular myths:

Myth #1: Marketing is for large businesses, for us - sales is king.

Myth #2: Our marketing is outsourced - we have a design agency and a PR agency

Myth #3: We cannot afford fancy marketing consultants

Finally, marketing outsourcing keeps your costs variable and flexible, adding greater predictability to your spends and lowering your overall risk and exposure if you are not sure if you want to hire yourself that ace marketing team yet.

The author represents CMO Axis - www.cmoaxis.com. CMO Axis was nominated for the TATA-NEN HOTTEST STARTUPS Awards 2008