



# Sales and Marketing Outsourcing for Savings and Growth

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### **Sales and Marketing Outsourcing for Savings and Growth**

Seventy-five years ago, Ford's River Rouge plant turned shiploads of raw ore, sand and latex into columns of road-ready Model A's. Those glory days of integrated manufacturing are gone forever. Today's cell phone or PC nameplate offers no clue to who makes or sells the product. Each year, thousands more manufacturers outsource - subcontract products and services to specialist firms. Specialists concentrate resources and purchasing power and spread fixed costs over high volumes. Their economies of scale give clients better products and services than they could produce themselves. What's more, outsourcing lets companies concentrate on activities where they add the most value, and adapt quickly to opportunities in their markets.

In Sales and Marketing, these economies have propelled outsourcing far beyond its roots in call centers and trade-show management. Today, companies outsource services ranging from evaluating incentive programs to running worldwide sales organizations. And while most outsourcing programs are launched to cut costs, they're sustained by growth – in efficiency, agility, customer satisfaction and especially revenue.

### **Outsourcing: How Fast, How Far?**

Companies have outsourced since the railroads hired Pinkerton's to run down Butch and Sundance. But today's margin pressures and Internet communications accelerate the process. The move to outsourcing has been so fast and deep that statisticians have been caught flatfooted—the US Economic Census didn't even start compiling information on the topic until 2003.

The data available on service outsourcing—mostly from surveys—reveal a boom. Gartner, Inc. predicts business process outsourcing (which includes Sales and Marketing) will grow from \$110 billion in 2002 to \$173 billion in 2007—an annual compounded rate of 9.5 percent.

The strongest endorsement of outsourcing is that companies do more of it as they gain experience. Manufacturers now outsource everything from R&D through Sales and Customer Service. Some consultants and authors predict “virtualized” corporations, and advise companies to outsource everything but an essential core of high-value activities. Every year more companies act on their recommendations.

Outsourcing Sales and Marketing requires a few special techniques and like any business venture, there are risks to be managed. But with the information in this guide and an experienced partner, you can quickly draw on specialized resources for operations you choose to outsource and concentrate your company's own resources on delivering its core value more effectively to more customers.

### **Outsourcing Sales and Marketing**

Sales and Marketing are tightly linked to a company's reputation and key customer relationships. Not so long ago, few would have considered it a candidate for outsourcing. Yet carefully planned and executed outsourcing of Sales and Marketing succeeds for more companies every year. This guide will show:



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- What Sales and Marketing programs are the best candidates for outsourcing
- How outsourcing cuts costs as it builds revenue and customer satisfaction
- How to plan, implement and manage outsourced Sales and Marketing

### **What to Outsource**

Chances are, your firm already outsources some Sales and Marketing components. Most large companies use outside agencies for advertising and public relations, or at least subspecialties like media buying and trade-show logistics.

Much more is possible. The sidebar, “Outsourcing Services” gives a sample of the services a full-spectrum Sales and Marketing outsourcing specialist provides its clients.

### **Outsourcing Services**

Advertising agencies, call centers and trade-show management specialists have served Sales and Marketing for decades. Here is a sample of the new generation of Sales and Marketing services, many of which are embedded directly into a company’s revenue stream. Consulting, Program Design and Audit—even companies with no intention to outsource—turn to specialists for independent help planning and evaluating in-house efforts. Sales and Marketing audits are especially valuable to peg a company’s programs against “best in class” industry benchmarks.

**Lead Management** - Sales leads from advertising, direct-mail, trade shows and Web sites include real, near-term revenue opportunities. But the ratio of qualified leads to long-term or low-value leads can be too poor to justify sales attention. The result is a double loss: advertising and promotional dollars are wasted and genuine opportunities fall through the cracks into competitors’ hands. In-house programs get sidetracked by emergencies or held back by underinvestment. Specialist firms, in contrast, are fully-staffed and equipped to follow up every lead, and keep your sales team’s pipeline full.

**Coverage of Secondary and Special Markets** - Direct sales costs rise fast in geographic markets where customers are scattered over a wide area. Outsourcing firms fill the gaps, pulling in incremental sales and satisfying accounts that demand nationwide or worldwide sales support.

Some specialists maintain teams trained and equipped to address attractive but hard-to-reach markets—Medical and Government markets are stand-out examples. Manufacturers can save significant training and recruitment costs by using specialists when they expand into these markets.



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**Channel Programs** - Multi-channel sales represent an ideal opportunity for outsourcing. Indirect sales are a substantial and growing component of many industries' revenue. But managing the indirect channel requires skills and investments that may be uneconomical in-house. Outsourced channel-service firms not only concentrate the necessary resources on the channel, but may offer consulting services to help the mixed sales model work with a minimum of channel conflict. Here are two examples:

*Retail* - Success in the Retail channel depends on “pull”—but advertising and promotions alone can't build your presence on the retail sales floor. Retail specialist firms now offer services far beyond “fluff and dust” detailing—including technical and sales training, side-by-side selling and retail incentive programs. Even manufacturers who have sold at retail for decades can profit from the in-store presence an outsourced team can deliver.

*VARs and System Integrators* - Especially in technology markets, the Value-Added Reseller and related System Integrator channels are growing and changing fast. Even more than retail, coverage and success require the kind of full-time attention, specialization and investment that few manufacturers can acquire on their own. From consulting through recruitment, engagement, training and assessment, channel specialists can deliver significant measurable returns on outsourcing investments.

**Market Research and Database Management** - It's often difficult and expensive for manufacturers to collect information on specialized markets and channels. Specialists cover these markets daily, and rigorously maintain the tools and data they need to do it well.

**Event Management** - Trade show, retail and channel events are costly enough without pulling direct salespeople out of the field to staff them. Outsourcing firms help manufacturers avoid disruption of sales activities, and make sure events deliver their maximum potential.

**Customer Support** - Outsourced customer support has advanced well beyond scripted responses at call centers. Outsourcing firms now offer customized, high-quality technical assistance, integrated with manufacturers' sales and order-entry processes to capture sales opportunities surfaced during customer calls.

**Direct Sales** - The ultimate in outsourced Sales and Marketing is assigning primary sales responsibility to an outside specialist. In a tight economy, manufacturers look hard at this option. When the market demands a direct presence, specialist firms can deliver a complete Sales solution—quickly—for companies that want to avoid the costs, risks and delays of building their own.

### **Benefits from Outsourcing**

Most outsourcing decisions begin with cost-cutting—but rarely end there. Once the efficiencies of outsourcing are in place, manufacturers find ways to use them for a broad range of improvements to processes and performance.



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**Reduced Direct Costs** - As mentioned above, the economies of scale experienced by outsourced Sales and Marketing providers allow them to offer equivalent services at lower direct costs than in-house approaches. What's more, outsourcing partners are free to use creative cost-cutting approaches unavailable to manufacturers: locating in more favorable employment markets, assembling full-time coverage from part-time or seasonal employees, and so on.

**Reduced Indirect Costs** - The costs of in-house Sales and Marketing support are often underestimated. Employees need to be recruited, trained, managed and equipped—and turnover may be high. Outsourcing partners face these problems head-on, and solve them for their clients or go out of business.

Freeing your Sales team from low-value activities is a significant reduction of hidden costs. Relieved of the need to manage day-to-day administration and support, they are free to focus on generating revenue—the reason you hired them.

**Reduced Opportunity Costs** - Focused outsourced programs improve sales coverage. More leads are qualified, geographic regions or channels are covered in greater depth, and more sales can be wrung from secondary sources. In these and other cases, sales are recovered from previously overlooked sources, improving sales performance at low marginal cost.

**Fixed Costs Become Variable** - In fast-changing markets or companies, outsourced solutions' variable pricing helps during expansion or contraction. Outsourced programs grow to meet opportunities or mergers, or shrink when the market turns down. And if they outlive their usefulness, they are much easier to cancel.

**Business process improvements** - Quantifying current performance—necessary for any outsourcing program—reveals gaps in measurement and points the way to simple but powerful remedies. If you don't already measure lead qualifications, partner turnover or cost of sales by market and channel, putting metrics in place will improve performance—whether or not you outsource.

**Focus and Expertise** - Sales and Marketing outsourced specialists live in the market—knowing their surroundings is a matter of business survival.

**Agility** - Outsourced specialists design their technologies and processes to scale up quickly, so they can always say “yes” to new business. Their clients benefit from all this reserve capacity. In case of acquisition or change of direction, a manufacturer can scale up or redeploy its efforts faster through a partner than it could operating alone. Their flexibility and agility also make outsourcing ideal for experimental and pilot programs.

**Service Quality and Customer Satisfaction** - Manufacturers are acutely sensitive to customer complaints about service providers, and service providers know it. They stay in business by outperforming comparable in-house programs, and putting measurements in place to prove it.



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### How to Plan and Implement Your Program

Any long-term contractual relationship between companies needs solid project management, communications and common sense. Outsourcing—especially when it involves business processes near your company's core—needs more. This section introduces some of the special requirements of outsourcing relationships.

Segment Operations - Segmentation is vital to help overcome resistance within your organization and for later success. It's a strategic issue: what value components does your company alone give its customers? Answers often cluster around brand, core intellectual property and critical customer relationships. Whatever they are, that's the core. Make the core off-limits to outsourcing—everything else is a candidate. Segmentation depends on the company. Here are profiles that have worked for others:

Segmentation	Core	Non-Core (outsource candidates)
Customer (revenue)	Relationships with national accounts	New and second-tier accounts
Customer (size)	Sales to Fortune 1000	Small/Medium Business
Market (specialty)	Business solutions expertise	Government/Education
Market (geography)	Coverage of metro areas	Suburban/rural
Market (life cycle)	Long-term customer relationships	Emerging customers and markets
Channel	Direct and Web Sales	VAR, Retail
Sales Cycle	Field sales, forecast through closing	Lead to Forecast, and Aftermarket Sales
Product (branding)	Sales to OEM partners	Consumer (branded) sales
Product (revenue)	System sales	Accessories and supplies
Product (life cycle)	Established	Emerging products

Be sure to plan for change—specify how a company, market or product joins the “core” category, and how it leaves.

**Set Outsourcing Goals** - With core and outsourcing candidate segments identified, it's time to set goals. Most companies come to outsourcing facing expense overruns, margin erosion or both, so financial goals are a good place to start. Note that manufacturers often approach these discussions with a budget cap in mind, while outsourcing specialists tend to think in terms of ROI. Use what works for you.

However you choose to express your financial targets, make sure your expectations for performance and service quality are clear. It may be too early to define performance metrics—you'll want to work them out with your partner later—but make sure you agree on what's acceptable and unacceptable performance at your price point. Also, make sure your internal team has realistic expectations for the transition period and commitment for the long run.

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**Select a Partner** - Hire heads, not just hands. Expertise and industry knowledge are far more important to your success than employee-cost-per-month. Now is the time for an in-depth discussion of goals and measurements. Prospective partners should be able to translate your performance expectations into hard numbers, and show you how they'll manage to them.

Pay-for-performance arrangements are increasingly common in outsourcing. But to be effective, they need to work both ways—expect your partner to reduce your costs if results come up short, but be prepared to pay a premium when performance exceeds your targets.

**Manage Transitions** - “Front-load” management attention to the project, just as your new partner will. This is the time when process gaps, duplications and loose ends crop up—managing them out is time-consuming, just when you're looking for your first successes. Stay the course.

As the program gathers momentum, you can pull back from day-to-day management. But keep an eye on those numbers, and be quick to re-evaluate and revise your program to keep it in tune. Schedule regular, detailed, by-the-numbers review sessions with your partner and adjust the program as you go. Good partners will suggest improvements constantly.

**Manage Risks** - There are risks in any business relationship and outsourcing is no exception. Although some risks are more perceived than real, here are some of the tradeoffs with suggestions for minimizing your exposure.

*Efficiency vs. Control* - Like any business, outsourced firms are most efficient when they follow their own procedures and routines. Yet few manufacturers need or want a “hands-off” Sales and Marketing solution: they have a legitimate need to maintain control over an operation that represents their brand to customers. “How much control” is therefore a critical question, especially at program launch.

Timely measurement and reporting, exception-handling and escalation are the keys to balancing efficiency and control. Most manufacturers find their need for control falls as trust in their partner grows.

*Service Quality vs. Cost* - A service business comes down to people—their number, and their quality. Attempts to get by with a poorly-trained skeleton crew—whether in-house or outsourced—will always fail. Understaffed outsourced programs fail faster, because complaints are reported more quickly.

Experienced outsourcing firms will refuse business when cost-pressure cuts too far into service quality—it's a no-win proposition. Before things reach that stage, get an evaluation from your partner and a third-party consultant if needed. Find out how much and where you should spend for quality service.

*Industry Experience vs. Security* - Concerns for the security of proprietary information and business processes come up when considering most outsourcing programs.



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Manufacturers are eager to profit from their partner's experience in the industry. But nobody wants their own hard-earned knowledge and skills available to competitors

The first steps toward managing this risk are contractual and procedural. You'll have nondisclosure agreements with your partner, of course. But, make sure their employees understand and are bound by individual agreements as well. Look for a partner who is serious and careful about security, with single-client teams, "clean desk" policies, all the way up to separate "clean rooms" or separate facilities for products or markets with severe and credible threats. It's a good sign when security is addressed in the partner's own presentations and sales materials.

### **Conclusions**

Years ago, successful companies were generalists—smelting iron, rolling glass, selling cars. Today, smart companies are paring operations to a core of what they do best and counting on specialists to deliver products, services and business processes.

Carefully planned and executed outsourcing of Sales and Marketing delivers an efficiency bonus. Manufacturers may take their bonus as reduced costs, improved revenue, enhanced quality—or a combination of all three.

Outsourcing requires a clear strategic sense of your company's core values, a willingness to work through transitions with an eye on long-term goals and a partner with the experience and skill to help you manage. Once you've made your decision, count on economic benefits. But don't be surprised if it also helps your company become a more enjoyable place to work.

### **About MarketStar**

Founded in 1988, MarketStar Corporation has established its authority in strategically designed outsourced sales and marketing solutions, go-to-market systems and business intelligence over the last two decades. Our proficiency in recruiting skilled, professional and dedicated staff that delivers actionable knowledge to clients has enabled us to consistently produce predictable and profitable results. Serving as an integrated extension of a client's sales and marketing team, MarketStar generates and closes sales in multiple sales channels. For more information, visit [www.marketstar.com](http://www.marketstar.com).

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