

B2B Marketing/Communications

In-House or Outsourced?

- *An in-depth and balanced look at a critical issue facing B2B companies.*

In a meeting a while back, a prospect told me that he was interested in working with an agency until he had the budget to afford an in-house marketing department. I asked him why he considered having an in-house marketing group his best option. He seemed puzzled by the question and really had no answer to explain his preference. Most likely, he either had previous experience operating in this manner, or at some point in his career he was told that producing all or most of his B2B marketing in-house was “the way things are always done.” It was his default pathway. One that is often shared by others in many B2B companies.

However, “the way things are always done” is not always the “best way to get things done.”

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There has long been a question of whether to operate the marketing/communications function using in-house personnel or outsource it to a marketing agency. This question has been particularly significant in the B2B space, where there are a number of pros and cons supporting each option. While I may have some bias, since I have operated a B2B marketing agency for almost 26 years, I will treat this important subject in an objective manner.

An Historical Perspective

Many of the younger people in our industry know little of the days before desktop publishing. At that time, unless a company was very large, with a correspondingly substantial budget, it made very little sense to handle the marketing/communications effort in-house. Creating printed materials required layout and design skills that were difficult to find outside of the agency environment, and the production of any print materials required specialized artists who knew how to “spec”



type for an outside typesetter and prepare mechanicals for the creation of negatives. The advent of desktop publishing changed the whole equation. Equipped with easy-to-use desktop software, almost anyone could develop a print ad, flyer, brochure, poster, etc. Many smart people saw this development as an opportunity for them to create all-new career paths for themselves. Similarly, various digital projects – websites, banner ads, e-newsletters, multi-media presentations, etc. – were also made easier to develop based on new, user-friendly software.

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Later, as in-house marketing departments began to grow, more trained creative people discovered the relatively slower pace and perceived security of larger companies. These people began to migrate to positions within those larger companies, further fueling the growth of in-house marketing/communications groups.



From a Financial Perspective

There are many C-suite people and other managers who believe that they are saving money by moving their marketing/communications efforts in-house. However, this belief deserves some additional analysis. It is true that a company using an in-house marketing staff is

reducing outside expenses by eliminating agency fees. However, while saving the expense of agency fees (which can be a variable cost), the company is greatly increasing its fixed overhead in the form of more salaries and benefits for in-house personnel.

Perhaps an example will shed further light on this issue. Let's review how a company with an annual \$550,000 budget, might cost out its marketing effort with an in-house group, or alternatively by hiring an outside marketing agency:

Employing an In-House Group	Hiring an Outside Marketing Agency
In-house marketing manager – \$85,000	(Client cost) in-house marketing coordinator – \$72,000
	Typical agency account management fees for a \$550,000 budget to include all planning meetings, reporting, and PR contact – \$58,200
Art Director – \$80,000	Layout and design services provided by the agency – \$50,000
Copywriter – \$70,000	Copywriting performed by the agency – \$40,000
Person to handle search engine optimization and management of the Google Ad program, along with website updates – \$70,000	Search engine optimization and management of the Google Ad program, along with website updates – \$25,000
Total in-house salaries – \$305,000	Total agency fees + cost of marketing coordinator – \$245,200
FICA and the usual range of benefits at 25% of salaries – \$76,250	(Client cost) FICA and benefits for the marketing coordinator at 25% of salary – \$18,000
Total cost of the in-house marketing group, not including required office space, computer hardware and software – \$381,250	Total costs, including the salary, benefits of the in-house marketing coordinator, and agency fees – \$263,200
Budget remaining for digital and print advertising, tradeshow participation, printing, postage, direct mail lists, etc. – \$168,750	Budget remaining for digital and print advertising, Google Pay-Per-Click costs, tradeshow participation, printing, postage, direct mail lists, etc. – \$286,800

Similarly, let's review how a company with an annual \$325,000 budget, might cost out its marketing effort. In this scenario, the difference is often the question of employing additional in-house personnel to support the marketing coordinator versus hiring an outside marketing agency, who will work with the coordinator. This calculation will be more complex based on the number of variables associated with adding one more or two more people:

Employing an In-House Group	Hiring an Outside Marketing Agency
Marketing coordinator, who might also handle search engine optimization and management of the Google Ad program, along with website updates – \$85,000	(Client cost) marketing coordinator only – \$70,000
	Typical agency account management fees for a \$325,000 budget to include all planning meetings, reporting, and PR contact – \$48,000
Art Director – \$80,000	Layout and design services provided by the agency – \$18,500
Copywriter – \$70,000	Copywriting performed by the agency – \$21,500
	Search engine optimization and management of the Google Ad program, along with website updates – \$15,000
<p>Total in-house salaries</p> <ul style="list-style-type: none"> • \$155,000 – two employees: marketing coordinator + copywriter • \$165,000 – two employees: marketing coordinator + art director • \$235,000 – three employees: marketing coordinator + art director + copywriter 	
<p>Cost of FICA and the usual range of benefits, at 25% of salaries</p> <ul style="list-style-type: none"> • \$38,750 – two employees: marketing coordinator + copywriter • \$41,250 – two employees: marketing coordinator + art director • \$58,750 – three employees: marketing coordinator + art director + copywriter 	(Client cost) FICA and benefits for the marketing coordinator at 25% of salary – \$17,500
<p>Total cost of the in-house marketing group, not including required office space, computer hardware and software</p> <ul style="list-style-type: none"> • \$193,750 – two employees: marketing coordinator + copywriter • \$206,250 – two employees: marketing coordinator + art director • \$293,750 – three employees: marketing coordinator + art director + copywriter 	Total cost of agency fees+ salary and benefits for the in-house coordinator – \$190,500
<p>Budget remaining for digital and print advertising, tradeshow participation, printing, postage, direct mail lists, etc.</p> <ul style="list-style-type: none"> • \$131,250 – two employees: marketing coordinator + copywriter • \$118,750 – two employees: marketing coordinator + art director • \$31,250 – three employees: marketing coordinator + art director + copywriter 	Budget remaining for digital and print advertising, tradeshow participation, printing, postage, direct mail lists, etc. – \$134,500

This same sort of financial comparison is valid at virtually any budgetary level. More often than not, hiring an outside agency leaves more funds available for advertising, search engine marketing, public relations, email programs, direct mail, etc.

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It should be noted that agency costs are inherently variable, while in-house costs are fixed, and even a moderate budget decrease will require laying off in-house personnel. These layoffs also beg the question...who does the work of in-house personnel in the case of a layoff?



From a Marketing Quality Perspective

Many of the best art directors, copywriters, and web developers do not often gravitate towards in-house marketing groups. The work produced by an in-house group can be seen by some as repetitious, and often the opportunity for professional growth is perceived to be limited. In addition, in-house creative people do not often enjoy the same level of appreciation and esteem that they can find in the agency environment.

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Within a B2B marketing agency, a creative person has the opportunity to work with a number of clients. These clients can come from a broad range of industries and markets and offer a variety of products and services that will keep a smart, motivated creative person fully engaged. In addition, on balance, creatives enjoy a larger role in the overall operation of a marketing agency than they would in most in-house situations. In the marketing agency environment, many creatives are an important part of the company's management team, and there are always opportunities for them to grow...creatively, professionally, and financially.



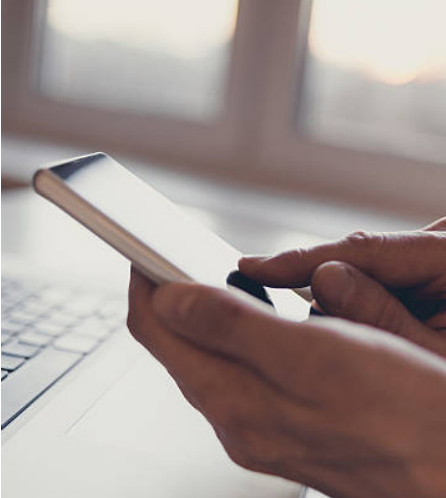
In addition to versatile creative staffs, many B2B agencies' account management people are smart, experienced B2B marketers, and can bring an important element of perspective to the marketing of your company. These account people can also contribute a wide range of ideas that they have developed over the course of their careers or learned through working with other very smart and accomplished clients.

A marketing agency may also be able to leverage higher-cost software for the benefit of its clients. An example of this may be found in the subscription price of advanced web analytics software, which can be cost prohibitive for an individual company. An agency, however, can leverage the investment of various tools across a larger base of users, making it available to all clients at a significantly reduced cost.

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Finally, a good B2B marketing agency can be a one-stop, one contact, resource for all your marketing efforts. Your B2B marketing agency will work to ensure that your brand and your message is consistently conveyed over the full breadth of your marketing activities, serving to effectively build awareness and preference within your target market. Whatever marketing vehicle – digital or print advertising, public relations, website development, Search Engine Marketing, social media, literature development, video and multi-media efforts, etc. – you will be able to count on the agency to deliver a quality, highly consistent message to your markets.

It should be noted that an in-house marketing group offers some advantages, as well. First of all, if you can retain your in-house staff, they, too, will learn your business as well as an outside agency. As part of your internal team, these people can be a source of insight. Finally, in-house marketing people are in your offices almost every day and can usually be accessed on a moment's notice.



A Hybrid Option

Producing all your marketing efforts in-house or outsourcing them are not the only options. In many situations, a joint in-house/outsourced marketing effort can work well. In this scenario, it is beneficial for the agency to work collaboratively with in-house marketing personnel in the development of the marketing plan. Correspondingly, the agency should also be significantly involved in helping to position the company and develop its brand.

In many situations, a joint in-house/outsourced marketing effort can work well.

From a day-to-day perspective, the agency may work on certain initiatives from start to finish. In addition, the agency may be called upon to create design templates for certain materials that will be executed in-house.

There are two keys to making this type of relationship effective. First of all, a clear delineation of the activities that will be handled in-house, and those that will be the responsibility of the agency, is critical to effective teamwork. Everyone works better when they understand their roles and responsibilities. Making these decisions at the outset, and communicating them clearly, helps establish a cooperative and collaborative working relationship that will enhance the effectiveness of the marketing effort.



To Conclude

The decision whether to plan and implement your marketing program in-house or use an outside agency is often complex, with many considerations involved. And this is a critical decision, in that it can have a significant impact on the effectiveness of your overall marketing program, as well as the growth and profitability of your company going forward. There are many considerations involved, such as the fixed cost of an in-house group vs. the variable cost of outsourcing your marketing. Time utilization is another issue. Do you want to expend your time managing several more people in your organization or work with an agency? In addition, the anticipated quality of the planning and implementation of your marketing program is always critical.

Ultimately, this decision concerning how to engage your marketing effort will be based on which direction – in-house, outsourced, or a hybrid of both – will deliver the most effective and cost-efficient outcome.

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The issue of producing one's marketing program in-house or using an outsourced agency is both important and controversial, and I am sure that there are a number of other opinions. I welcome any comments or questions you might have concerning this whitepaper. You can reach me by email – tp@triadb2bagency.com, or via phone – **469-484-6827**.

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Afterword

When I wrote this article, the full effect of the Great Social Distancing was yet to be felt. Today, this situation is impacting all elements of business operations. As a result, marketing budgets have been slashed, and marketing personnel are being furloughed or laid off.

Ironically, this may be the very worst time to cut back on one's marketing efforts. Maintaining contact with customers, prospects, and the market as a whole is critical. If a marketing program is engaged in a smart and strategic manner, this effort could lead to greater sales and expanded marketshare when business conditions return to some form of normalcy.

I also maintain that many of your market's buying influencers are using this time to think about their companies, and how things can be done differently/better. If you are communicating with these types of people in your market on a consistent basis, you may have an opportunity to be part of their plan for "doing things better."

Given these circumstances, the in-house vs. outsourced issue becomes particularly significant. Going forward, one option will be to rehire in-house marketing personnel. However, the net effect of this action will be tying up money in fixed overhead that could be better used in aggressively communicating with your key markets. The other option would be to hire an agency, if even on a trial basis, where your investment is limited to the work performed. In most cases, more of your marketing budget will be used for external marketing activities, as opposed to fulfilling salary and benefits requirements. And there is a very good chance that a good B2B agency will be able to develop ideas that will impact the effectiveness of your marketing effort.

There is also the real possibility that the economy will come back strong from this self-imposed slowdown. If it does, effectively continuing, or even jumpstarting, your marketing effort can position you for more success. Correspondingly, if the economy has trouble regaining its lost momentum, a strong marketing effort will position your company to take more of your share of the business that is available.



Tom Priddy