

Working with PR Agencies **from the Inside Out**

A review of current trends in outsourcing public relations

By Airfoil Public Relations

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In the 1980s and 1990s, public relations agencies tended to thrive in downturns for the economy as knowledgeable corporations shifted more marketing dollars to PR, where they found a greater return from media coverage, events and customer programs than they received from other sectors of their marketing operations.

But the sustained recession from 2000 through 2003 was different. When the technology bubble burst, it marked not just an economic downturn but also a stage in the reconfiguring of American business. In what might be called “the End of Extravagance,” companies reined in wages and benefits, leveraged technology while reducing head counts, cut unnecessary programs, discovered new niche markets, consolidated their suppliers, revamped their purchasing procedures and demanded a clear return for every investment. Many corporations pulled their public relations work in house or severely cut their PR agency budgets. As a result, numerous PR firms merged, changed focus, shrank or simply disappeared. Simultaneously, however, companies found gaps and reduced effectiveness in their PR activities after losing the teams of agency specialists and their contacts with media (which itself was downsizing) and with communities.

When the economy began recovering significantly in 2004, the business world looked quite different as a result of the experience. Corporations had discovered there were people and functions they could do without. In other instances, they found operations that were essential but that they could outsource more efficiently than maintaining them as staff functions. And in still other cases, they recog-

nized the value of combining a small in-house staff with specialized resources on the outside.

Clearly PR was not one of the functions determined to be dispensable, because early on in the recovery, specialized public relations firms began to flourish once again along with now-downsized generalist agencies. The Council of Public Relations Firms, representing more than 100 American PR agencies, found that, in the first half of 2004, three quarters of all PR firms experienced an increase in revenue compared with the first six months of 2003; and 83 percent of firms reported increased new-business activity during the same period.¹ Specialty agencies that had broadened their client lists to cover new industries as a way to survive began concentrating again on their core business sectors.

Airfoil Public Relations Chief Executive Officer Lisa Vallee-Smith said corporations soon discovered that they were benefiting from the new way that America was conducting business. “A number of companies that once maintained significant in-house PR staffs found greater value in outsourcing the majority of their public relations work to one or more agencies,” she determined. “Some companies outsourced a portion of the PR activities or specific projects, using in-house PR staff to handle day-to-day matters and increasingly calling on outside agencies for projects, ongoing media relations, and events or placements in multiple geographies. Others retained in-house staffs in a reconfigured organizational chart that broadened marketing activities by focusing on niches in the consumer and business-to-business marketplaces. And a large number of companies simply have not yet made up their minds on the best way to handle their public relations needs.”

¹ Q2 2004 Quick Survey Results, August 6, 2004, Council of Public Relations Firms

Creating an Effective PR Structure

As businesses reorganize their public relations efforts, however, a number of trends are becoming evident in relation to their use of outside agencies. Experience and observations from agency leadership, analysts of the public relations profession, and executives from clients of PR firms reveal movement on half a dozen fronts in the structuring of corporate public relations.

1. Corporations are outsourcing a greater variety of business functions, including PR.

During the recent economic downturn, companies began adopting a very conservative approach to business and became “very risk averse,” according to Kathy Cripps, president of the Council of Public Relations Firms. Now, with clients starting to spend again, “they see outsourcing as a real plus,” she said. “They can get creative thinking without an increase in headcount.” The Council’s Client Advisory Committee found that companies are outsourcing a number of departmental functions, such as human resources, as well as public relations where, Cripps suggests, “they don’t have in-house expertise and don’t want to acquire the expertise, so it makes more sense to outsource it.”

2. Increasingly, clients of public relations agencies are making PR a key strategic element of their marketing budget.

Companies are realizing that public relations can be a highly effective market builder when it’s maintained over time. Janita Gaulzetti, Director of Marketing for Fry, Inc., a major Web site developer, e-commerce integrator and managed services provider, said she learned that, when public relations is executed consistently by its outside agency, “It works; the effect is cumulative. It’s now seen here as an essential piece of business planning every year. It’s the single biggest investment in our marketing plan because the industry analysts and technology press are looked to by our prospects as recommenders.”

eBay Senior Manager of Corporate Communications Shannon Stubo, said, “PR is a really important part of our marketing. Other than advertising, it’s the biggest chunk of our marketing budget.”

At CareTech Solutions, a prominent information technology and health information management outsourcing provider for hospitals and health systems, Director of Marketing Jody Meehan said her firm has fully integrated its PR agency into its marketing strategy. “They have become another strong, significant tool for us that complements our other marketing efforts,” she stated.

3. More than ever, clients are turning to their agencies for third-party thinking and industry intelligence they can’t find in-house. They increasingly appreciate that outside agencies bring an outside perspective and out-of-the-office thinking to PR challenges and opportunities, along with senior counsel and their experience from other work in the industry.

Analysis indicates that corporations currently are outsourcing more of their work, particularly to agencies that specialize in an industry or profession, such as healthcare, public affairs or technology. They are finding advantages in working with a team of professionals who not only cover a range of specialized talents and experience, leveraging the outside agency’s relationships with news media and vendors and calling on the agency’s infrastructure of databases and subscriptions to research services, but also in gaining the perspective and insights of an outside organization attuned to the company’s objectives and industry developments. Companies are discovering, moreover, that specialized agency staff are as available and knowledgeable as any internal contacts and tend to consider agency personnel to be part of their own staff.

Vallee-Smith observed that an agency can provide “higher thinking” for its clients, “the objectivity, the third-party point of view, a really critical review. We have a better idea of what the marketplace is looking for than the client does in many instances, and we’re not burdened by the potential bureaucracy of the client company.”

eBay’s Stubo agreed, saying, “It’s important that you have someone who can give you an outside opinion and senior counsel, and that’s where an agency is invaluable in pointing out things you may not have seen right away.” The development of new concepts and

approaches from an outside perspective is appreciated across the client base. “Our agency is able to come up with some really creative solutions to things, and they’re always available to me,” Meehan said.

4. Clients today value their outside agencies most for creative and strategic thinking, even though they may be turning to them more for simply additional manpower on projects and programs.

Cripps pointed to a recent industry report that suggested corporate communications executives hired an agency primarily for “arms and legs,” but said what they want from agencies is more creative and strategic thinking. Cripps interprets these contradictory findings as meaning, “If your agency is giving strategic thinking, they are going to be valued for that and compensated for it. If not, the agency is going to be used as arms and legs.”

Meehan highly values the creative ideas CareTech has received from its agency. “There have been many times when a member of the account team said, ‘What if we did this?’ It was a pleasant surprise, something fresher, a little different. It happens fairly frequently.”

5. Companies using an outside PR firm report they are obtaining the best results from their efforts when a client-side contact is part of the PR structure to interface with internal executives and staff and to communicate changes in the company to the agency team.

Experience demonstrates that rarely can a company totally outsource PR, because an in-house manager must provide strategic direction; manage the coordination between agency and client; and provide approvals for creative ideas, expenditures and media interview opportunities. Increasingly, however, companies are investing entire segments of their public relations efforts, such as media relations or analyst relations, in the capabilities of their PR agency and working in-house as coordinator for the agency-developed program.

Airfoil President Janet Tyler advised that, even when a company prefers to completely outsource all or some of its PR efforts, an

in-house staff person should remain a part of the process. “The in-house person with responsibility for communications and public relations must provide oversight, strategic direction for story development and placement, and a system for getting at the stories in the organization, as well as for their internal approval.” As a result, client staff may spend considerable time coordinating and planning with the outside agency. This activity, which can include advance planning, mining story information internally, conference calls, e-mails, passing information back and forth, and billing, consumes about 10 percent of Stubo’s week. For Gaulzetti, however, it’s 30 to 40 percent of her time.

The proportion of time devoted to working with an outside agency depends on the intensity and scope of the program as well as on the breadth of work being carried out by the client company. eBay began by outsourcing just one program, eBay Motors. Now it’s added five pieces of business to its agency’s responsibilities and the coordination time will increase. CareTech Solutions relies on its agency simply for media relations but expands that role as its product line expands. Fry looks to its agency for both media relations and relations with the industry-analyst community. In each case, the staff time required will peak during critical events and story cycles.

6. Metrics are becoming more crucial to clients, whose attention now is keenly focused on their return on investment; and they value PR agencies that set measurable goals and then measure their results. Contract negotiations with outside agencies are becoming tougher, more aligned to measuring results and to the client’s overall purchasing procedures.

In its second PR Generally Accepted Practices Study, the University of Southern California Annenberg Strategic Public Relations Center reported that, in 2003, more than 80 percent of companies surveyed expressed concern over “return on investment” and “cost” involved in engaging a PR firm, raising the pressure on agencies to deliver creativity and strategies that have a measurable influence on the corporate bottom line.

eBay's Stubo valued the results-orientation of her outside agency. "It works incredibly well for eBay," she said, "because they are as numbers- and metrics-delivered as we are. They make sure programs deliver results. They understand the value of programs that drive results and use the client's money in smart ways. They come to us with reasonable, actionable and executable programs."

Kathy Cripps of the Council of Public Relations Firms noted that some clients are beginning to use incentive compensation with their agencies to stimulate creative thinking that produces results. She indicated more companies may be building such incentives, based on meeting pre-set objectives, into their contracts with outside agencies. Such contracts, for example, could offer a bonus to the PR firm if the client exceeds a specified sales level or reach of a specific target audience.

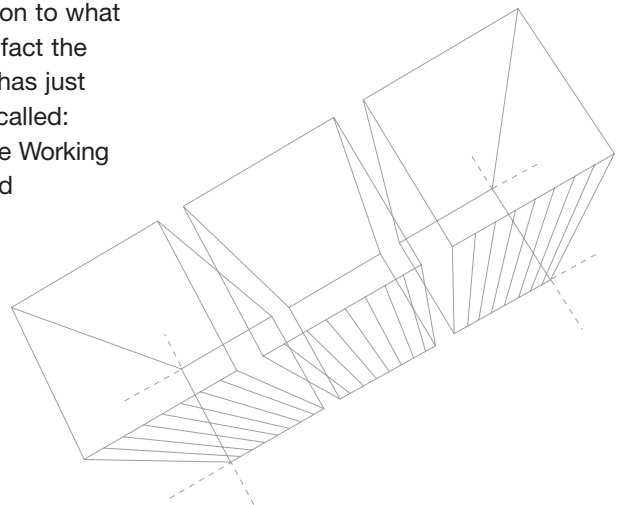
Vallee-Smith has found an increasing number of Requests for Proposal being issued from the purchasing director of a company, rather than the corporate PR department. Cripps, too, said she has seen more clients bringing their procurement managers into the loop to look at purchasing professional services. Cripps explained that this trend will require agencies to educate more people more effectively about the value of PR. "The best case," she argued, "is when the procurement person is more educated about marketing services. The disasters can come when procurement people who have just bought supplies are now being asked to buy PR services" without having received sufficient orientation to what the agency brings to the client. In fact the Council of Public Relations Firms has just published a booklet on this issue called: "Building and Sustaining Productive Working Relationships: Public Relations and Procurement."

Conclusion

In 2004, savvy corporations progressively are acknowledging the return they receive in creativity, insight, scale, availability and influence when working with an outside agency that not only understands their business but lives their business, with specialized resources that add levels of experience, contacts and innovation available only through an outside firm.

Corporate public relations directors are carrying out more research than ever before on PR firms and the public relations industry to locate the best match with their emerging needs. They are finding that in-depth conversations with a number of agencies—specialists and generalists, large and small—can enable them to discern each firm's level of understanding, familiarity and potential fit with the company. References from the clients of these agencies also are providing a good sense of how easy or difficult it may be to work with a particular PR firm. Moreover, businesses are calling or emailing local and national reporters to learn the level of respect a PR firm maintains within the media community.

With a clear appreciation of its own PR objectives and changing needs, companies now are reaping immense benefits from making an outside agency an integral part of their public relations efforts, encouraging the agency to work from inside the corporation to draw out fruitful PR opportunities that translate into highly effective support for the company's sales and its brand.



Resources on Public Relations Firms

Council of Public Relations Firms

www.prfirms.org/resources/research/

Studies on trends in public relations, guidelines and advice on how to hire PR firms and measure their results.

Public Relations Society of America

http://prsa.org/_Resources/main/

Access to articles and books on a wide array of topics relating to public relations, available to members or for purchase by non-members.

O'Dwyer's PR/Marketing Communications

www.odwyerpr.com

Information on hiring a PR firm and commentary on the PR industry, for subscribers.

International Association of Business Communicators

<http://www.iabc.com/fdtnweb/>

Research reports and papers on the communications profession, available for purchase.

About Airfoil

Airfoil is an independent public relations firm that specializes in marketing technology products and services for emerging and established technology companies. Established in 2000, Airfoil is a Top 50 Tech PR firm, according to PRWeek, and was recently awarded the PRWeek Boutique PR Agency of the Year Honorable Mention. To learn more, land at www.airfoilpr.com.



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