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Outsourcing New Business Development *The invisible trend*

*By Matt Duffy
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Outsourcing may be the biggest trend in ad agency business development that no one's talking about it. European agencies have been increasingly outsourcing their sales departments for the last decade, and a few American firms are now offering the service.

Of course, no one discusses the trend because agencies don't care to admit that they're letting other companies make their introductory contacts. *We handle all our sales in house, thank you very much...*

So, we thought we'd shed a little light on this growing trend.

Doing the dirty work

Everyone knows that generating new ad agency clients can be a daunting task. Sales reps spend months cultivating a new client. Identifying a potential customer in a directory, newspaper or trade journal, the agency's representative establishes a rapport in hopes of securing a meeting. After countless phone calls, emails and other correspondence, the client may finally agree to a face-to-face meeting.

A concerted effort to get a new client consumes dozens of work hours and thousands of dollars. And, of course, there's no guarantee this sunk cost will ever pay off.

After landing a client, many firms recoup some of this investment by charging a "blended hourly rate" for the new business development. Unfortunately, not all prospective clients become billable clients – so often that money just goes down the drain.

But some firms have found a way to help agencies lower their financial exposure to business development. We spoke to executives from Atlanta-based [Catapult New Business](#) and the London-based [Reardon Smith Whittaker](#) to get the inside scoop.

Essentially, these companies do the dirty work for clients. They conduct research, find good businesses to target, make a bunch of



phone calls, and send off countless emails and packages.

The firms completely take on the role of their clients.

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– Adam Whittaker,
RSW

When they make a call, they use their client’s name. Mail and email sports their client’s logo. The new business target has no idea that they’re dealing with an outsourced firm. When the client finally agrees to a meeting, the advertising agency takes the helm. The executive from the outsourced firm simply tells the client that they’ll be meeting with Mr. Smith and Ms. Brown from the agency – “Your time will be

better spent with them because my specialty is new business development...”

Who’s outsourcing?

According to Adam Whittaker, founder of Reardon Smith Whittaker, business is booming. Whittaker said roughly 30 percent of the ad agencies in the U.K. outsource their business development. He said that number grows about 10 percent a year. Several other British firms also offer outsourced business development services.

Outsourcing appeals to any sized agency. William Quennell, CEO of Catapult, said his client list includes some very large U.S. firms as well as small boutique companies.

“We provide a steady stream of new business for our clients,” Quennell told DailyVista. “It’s a service that companies of any size find extremely valuable.”

Why outsource?

Most agencies hand off new business development for one simple reason – the bottom line. For the cost of hiring, training, and paying one employee, an outsourcing firm can provide the benefits of at least three employees.

“The problem with employing someone in house to do the outreach is that their cost, plus the costs of data, plus the license to use trackable email soon escalates to the point where it is more cost effective to use an external consultancy,” Whittaker told DailyVista.

Subscriptions to business intelligence databases like [Hoover’s](#) or [The List](#) cost thousands of dollars, a daunting figure for smaller companies. Add in salaries and software licenses, and business development can easily cost \$10,000 per prospect.

The move toward outsourcing sales also follows a growing trend in the media business. Many outlets have farmed out their advertising sales in recent years.

Many small- to medium-sized Web sites outsource excess ad space to third-party firms. Companies such as Lycos, eBay and Universal Music Group are also outsourcing segments of their advertising sales.¹

In addition to cost savings, many firms move toward outsourcing because of expertise. While an ad agency may feature creative experts who can design and market in



a single bound, they aren't necessarily good sales people. They don't possess the innate qualities or the business intelligence that an outsourced firm can provide.

"An external consultancy also has more 'ears to the ground' than an internal source," Whittaker said. "So, he may know when more review dates are imminent."

The return on investment varies. Quennell said one of his clients retained a \$40 million account on their second meeting. But, sometimes the clients leave empty handed. The business development firm gets the meeting, but the agency must close the deal.

The combination of financial savings plus business intelligence and expertise makes for an appealing service.

Building trust

The biggest barrier to outsourced business development is simple – trusting that an outside firm will represent a company up to its own internal standards. This worry is legitimate. In the early 90s, many firms offered the service on the cheap (with no retainer but a high

commission) and did a terrible job representing their clients. Reputations were damaged.

For this reason, the more-established firms operate on a retainer basis – rather than a "pay-for-performance" model.

Offering "payment per meeting" can lead to meetings with clients that aren't necessarily the best fit, and a

"payment per win" can cause a conflict of interest.

New business development firms allow clients to listen in on their sales calls, but few take advantage of the offer. Most build up trust with the outsourcing firm while negotiating over their package.

Coming to America

The outsourcing trend is only now reaching the shores of the United States. Catapult New Business opened its doors in 2003. Quennell reports a warm reception from agencies in the United States and sees a bright future.

"I estimate that the market is worth around \$90 million a year by 2010 as more and more agencies outsource," Quennell said. That figure assumes 1,000 clients a year being billed \$7,500 per month.

RSW recently opened an office in Cincinnati and a few other firms also offer business development. Whittaker said forecasts \$750,000 in sales in the first full year.

[First Visits](#), an Atlanta-based subsidiary of DailyVista's parent company List Partners, Inc., also offers outsourced new business development service.

The cost

Catapult charges an average of about \$7,500 per month for their retainer. They also receive a negotiated percentage of the new client's billing for a set amount of time. For this fee, a client receives three account executives that make calls and drum up business on the client's behalf. Other firms charge and provide more or less for their service.



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The number of new business meetings to expect from an outsourced development firm varies greatly. Some agencies want to generate two to three solid meetings a month. The specifics are worked out on a case-by-base basis.

Clearly, many new business directors are discovering that the cost to outsource pays off in the end.

ⁱ Adweek, June 27, 2005.

For more information:

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