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MARKETING COMMUNICATIONS AND PUBLIC RELATIONS STRATEGIES FOR THE RECESSION

By Jon Boroshok

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Many companies are now paying the price for following bad counsel during the 1999–2000 tech gold rush. While entrepreneurs and VCs vaguely understood that a strong marketing communications (marcom) and PR campaign is needed to create awareness, build brands, and drive sales, too many were ignorant when it came to deciding how to select the right agency to help maximize the return in investment.

Using a rationale that paralleled the old adage, "nobody ever got fired for picking IBM," companies were often advised by VCs and investors to retain a large, "brand name" PR agency with a posh downtown address. These agencies often came with a premium price and inexperienced junior staffs. There was no emphasis on value. Of course many of these larger agencies were often "friends" of the VCs, with referrals and finders fees – often a conflict of interest — being the rule rather than the exception.

Despite the current recession economy, massive layoffs, and dismal earnings announcements, many tech companies are remaining in business, doing their best within a labor market where top producers are still in demand. Because they have been reluctant to cut highly sought technical personnel, their public relations and marketing departments are often the first to be downsized or last to be built up, often to the point of counter-productivity.

Some companies cutting back or just starting to build their marcom efforts have begun looking outside their organizations and "outside the box" for value from PR and other marcom services. They are learning that they can get more for less, particularly in tough times. It's a new concept to VCs.

As funding has dried up, companies have cut their PR and marketing communications budgets. These companies — along with the VCs and investors — are becoming better-educated buyers of marcom

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services. The same marcom/PR agencies that once commanded a monthly retainer of \$30,000 are suddenly offering the same services for much less. They've also been downsizing, and staff turnover may lead to new, inexperienced members of the account team. While the investors and tech companies are still scratching their heads trying to figure out what all the extra costs were for, they're finding that traditional tech PR agencies still insist upon selling more services than necessary, and require retainers in excess of \$15,000 per month. This is frequently beyond what a pared-down budget can afford, especially when a company is simply looking to maintain visibility or beef up its own efforts.

Whether downsizing or ramping up responsibly, economically-astute investors and companies are discovering the option of outsourcing marketing communications and PR to providers who can pick up the slack and provide services on a smaller, flexible scale, often on a project-basis. Smaller ("boutique") agencies, virtual PR teams, and individual practitioners are a growing alternative for companies of all sizes, particularly those with monthly marcom budgets well under \$10,000. Like their clients, these alternatives have to work smarter, faster, and cheaper in a slowing economy.

Working on a project basis usually goes against the grain of the business models of larger agencies. Downtown offices with skyline views, employee salaries, benefits, and equipment are all overhead costs that must be passed along to the client. Large agencies need steady retainers to make sure financial goals and obligations are met. They may offer prestigious addresses and a recognizable CEO, but who is the day to day contact performing the actual account work? Is retaining the services of a large agency really a prudent investment or just a "C.Y.A." maneuver?

In adapting to market changes, smaller clients are again desirable as alternative marcom providers find ways to profitably service them and produce a desirable return in the capital invested in marcom. Embracing the free agent economy, senior marcom practitioners living in the suburbs (better schools and affordable housing) are starting to "just say no" to adding two hours of daily commute time -- departing downtown agencies (or being let go in favor of cheaper, junior staff) to work for their own clients and smaller agencies closer to home. This is creating more affordable, project-based PR/marcom options for many tech companies with refined, controlled budgets.

For many clients, outsourced and project-based marketing communications has an economic rationale that works even in a strong economy, leading VCs to rethink their original big agency bias. It makes sense to find a marcom outsource that will work on a project basis, or adapt to a flexible, needs-based budget that allows clients to pay for resources and counsel on an "as-used" basis. It allows companies to do more short-term activities without a large commitment. If a project proves successful, they certainly can lead to longer-term relationships. Projects are a great "test drive" for both the agency and the client -- a way to see if they enjoy working together.

Advice for companies looking to outsource marketing communications:

* Location, location, location -- NOT! A prestigious address does not make an agency do better work or increase the chances of media coverage. Are you paying for the view from your agency's conference room instead of results?

* Agencies love to drop names of contacts, but these may not be the right reporters, editors, and analysts for your company. Experienced pros develop new relationships as needed.

- * Look at their clip book, but don't be too impressed, especially by clips for big name clients. See what they've accomplished for clients that are about your size and budget. The people showing you past results should be the same people who will do the actual work on your account.
- * Your needs and budget may vary from month to month. Your agency should be able to work with a flexible budget. Many agencies now require prepayment of fees. All time spent ramping up for a project is considered billable time.
- * Make sure that your agency has a conceptual understanding of your company, the technology, and your marketplace. Have them visit your Web site on their own time before the first meeting.
- * You can find a marcom alternatives through networking, referrals, online searches (use key words such as PR, tech PR, outsourced PR, marcom, etc.), or look at press releases from similar-sized tech companies in industries related to yours. Agencies that advertise or attend trade association meetings will recoup those costs in their fees.
- * Pay attention to the "structure" of the first meeting. Does the agency listen to you, or are they in "sell" mode? If they don't listen, can they really understand and meet your needs?
- * Outsourced providers are a limited resource, often working simultaneously for several clients. Make sure they have the bandwidth to take on additional work for your account and can meet your deadlines.
- * Chemistry counts – you'll have regular contact with your agency. Nobody will ever provide a bad reference, so trust your gut instinct. Marketing communications is an investment. Selecting a source that matches your company's culture/personality is likely to give you the best return.

Introducing Public Relations

By Kadence Buchanan

Effective public relations are a process and its essential first step is research. Nowadays, research is widely accepted by public relations professionals as an integral part of the planning, program development, and evaluation process. Before a public relations program is undertaken, information must be gathered, data collected, and interpretation done. Only after the first step is performed, organizations can begin to make policy decisions and map out strategies for effective communication programs.

The second step in the public relations process, after research, is program planning. Prior to the implementation of a public relations activity, it is essential that considerable thought must be given to what should be done and in what sequence to accomplish an organization's objectives.

A good public relations program should be an effective tool to support an organization's business, marketing, and communications objectives. In other words, public relations planning should be strategic. A practitioner must think about a situation, analyze what can be done about it, creatively

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conceptualize the appropriate strategies and tactics, and determine how the results will be measured. Planning also involves the co-ordination of multiple methods to achieve specific results.

Developing a systematic planning prevents haphazard, ineffective communication that may result in unexpected outcomes. Thus, public relations managers need to follow a well-designed program plan that will help them execute their programs effectively and provide the desired results after the completion of the public relations program.

Moreover, business communications, especially those introduced by public relations departments, can present ethical questions. False and misleading advertising is illegal and unethical, and it can infuriate customers. Sponsors and advertisements aimed at children must be very careful to avoid misleading messages. Advertisers of health-related products must also take precautions to guard against deception when using such descriptive terms as "low fat", "fat free", and "light". In fact, the Federal Trade Commission has issued recent guidelines on the use of these labels.

Finally, public relations companies have introduced the notion of Corporate Social Responsibility (CSR), which is the recognition that business activities have an impact on society and the consideration of that impact in business decision-making. Obviously, social responsibility costs money. It is perhaps not so obvious that social responsibility is also good business. Customers eventually find out which firm is acting responsibly and which does not. Young public relations professionals should always keep in mind, that just as easily as consumers decide to cast their dollar votes for a product produced by a company that is socially responsible, they can vote against the firm that is not.

Kadence Buchanan writes articles for

– In addition, Kadence also

writes articles for

and



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