

COMMUNICATIONS MEDIA PRODUCTION
OUTSOURCE OR INSOURCE

Making the Right Choice

by

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* Not included in abridged edition

EXECUTIVE SUMMARY

Introduction

Technological and management changes in the business world during the last decade have resulted in vast alternations in the production and use of media. Changes will continue to occur, probably at an increasing speed. How companies take advantage of these changes will affect their ability to survive, compete, and excel in the future. Given the high stakes involved, each company must carefully and thoughtfully consider the media production outsource/insource decision.

"Communications Media Production, Outsource or Insource" is a compilation of the research results, findings, and conclusions of a six-month benchmarking study addressing the issue of outsourcing or insourcing corporate media production. The study summarized here concentrates on business television; videotape; computer graphics, including slides; interactive "new" media such as CD-ROMs and Web pages; and color printing. The study was conducted with the cooperation of the Communications Media Management Association (CMMA), a professional association of corporate media department managers. The research included a survey of the CMMA membership in response to which 52 companies reported 1995 media department production expenses and activities. This benchmark study report analyzes the responses to that survey as well.

Outsourcing of communications media production can be divided into two basic forms: contract outsourcing and ad hoc outsourcing.

Contract outsourcing allows specific vendors to provide certain services over a set period of time, and can be used to replace entire media production departments or for selective support of specific functions. Contract outsourcing is often the choice when the media department is eliminated.

Ad hoc outsourcing is used on an irregular, intermittent basis to buy services a company does not use frequently enough to justify providing with in-house staff and facilities. Ad hoc outsourcing usually increases to pick up the shortfall when a company downsizes its media department.

Cosourcing is used in this study to identify selective outsourcing, usually on a contract basis. In this case, the corporate media department establishes a partnership with an outside company to

provide certain support services.

Objectives

The objectives of this study and report are to:

- Identify best practices of the media production departments and companies which participated as partners in the study
- Develop tools to assist companies and media department managers measure their own effectiveness and value to their companies and clients
- Provide the means to make informed decisions about outsourcing or insourcing specific media
- Establish procedures to enable companies to outsource media production effectively, should that be determined to be the appropriate course
- Guide and advise production companies seeking to move into the full-service outsource contracting arena.

Key Technology and Management Trends

Among the critical trends discussed are:

- Production and use of multimedia communications tools, particularly Internet Web pages and CD-ROM, are growing dramatically.
- CD-ROM is used increasingly for training and point-of-sale. Multimedia laptop computers are becoming sales tools of choice.
- The more prescient companies are taking action to ensure that they retain an active role in Internet/multimedia product deliverables.
- Short product development and life cycles are causing more departments to engage in mapping, reviewing, and reengineering their production and administrative processes to react more quickly to client needs.
- Cost pressures are resulting in smaller per project production budgets.
- Corporate media departments are becoming increasingly active participants in corporate teams with representatives from other functional departments.

Major Findings

1. Successful corporate media departments do some, if not all, of the following:

- Provide visible, big dollar savings to their companies
- Generate revenue actively
- Serve as a strategic resource to senior management
- Develop and implement strategic and marketing plans proactively
- Minimize risk to internal customers by offering service or price guarantees
- Facilitate intrapreneurial-style management
- Send a significant number of projects directly to outside suppliers
- Review production processes frequently
- Proactively develop and implement strategic action plans which make positive contributions to company goals and objectives.

2. Successful companies leverage technology to:

- Produce media faster
- Provide new and more effective services to clients
- Increase customer satisfaction and, therefore, business
- Reduce operating expenses
- Improve corporate communication flow.

3. Successful third party outsource providers:

- Attract and retain good people through incentive compensation, benefits, and challenging work environments
- Put strong effort into the development and maintenance of client relationships and strategic partnerships
- Expand into new service lines and find ways to tap into new markets
- Invest in customer education as a key component of marketing
- Make customer satisfaction the highest priority
- Use technology selectively for competitive advantage.

4. Successful outsourcing involves several key actions on the purchaser's side of the relationship.

The client must:

- Establish performance targets and develop detailed action plans
- Appoint an employee with technical skill as the vendor's primary contact
- Carefully and selectively choose the services or functions to be outsourced
- Write clear and tight service contracts
- Treat the outsourcing partner or client with esteem
- Use professional resources.

5. Successful outsourcing also involves key actions on the vendor's side of the relationship. The vendor must:

- Establish and maintain a partnership among the client company, the media manager, and the outsource provider
- Maintain trust and contact between the provider and client.

The report also offers three "portraits" illustrating how three companies went about implementing outsourcing plans.

An Outsource/Insource Decision Model

Most corporate media departments already outsource or cosource selected parts of their workload. Cosourcing may provide maximum benefits to a company. In this paradigm, an in-house function directs and controls media production efforts, choosing when and what to outsource.

This report offers a four-step multimedia model to guide the process of making the decision and, if appropriate, selecting a third party outsource provider.

We recommend a process which involves measuring each media produced against six key issues using a balanced scorecard. Each media is then profiled as to Quality vs. Cost, Internal vs. External Production and Strategic Value vs. Usage. Net present value calculations are then recommended to evaluate each insource/outsource proposal in financial terms.

