

Contract technical sales and marketing services in the B2B life sciences sector

Factors for Pharma/Biotech, Food/Beverage, & Personal Care B2B Companies to Consider for Successful Outsourcing of Sales/Marketing Functions

Dr. Enosh Mwesigwa
Principal Consultant, Scienopsis

Contracting out or outsourcing sales and marketing is when an external agency handle all or some of a company's sales and marketing duties.

One of the main motivations for outsourcing is the need to access skills not available internally. Also, provided a right partner is in place, contracting out can reduce costs by approx. 40%, while also increasing productivity and speed to market.

Dr. Enosh Mwesigwa, Principal Consultant at Scienopsis, shares his thoughts on the key considerations for life sciences B2B companies when looking to contract or outsourcing a part or all their sales and marketing functions.

For many life sciences B2B companies, the default position for technical sales and marketing is in-house. Whenever needs arise to enter new territories, generate new sales, or improve overall sales results, the fall-back to position is to use or develop capacity internally.

However, with sales and marketing outsourcing gaining momentum across many parallel sectors, companies in the life sciences sector are beginning to ask if the use of external service providers for all or a part of their technical sales and marketing to an external agency is worth considering.

In this note, we explain what contracted sales and marketing entails, its benefits (and potential pitfalls), as well as important issues that should be considered.

What is a contracted/outsourced sales and marketing program?

Contracted or outsourced sales and marketing is simply the practice of engaging an external entity to handle all or some of your sales and marketing duties. In this case, the firm's sales and or marketing activities are shifted in part or as a whole to an independent third party.

By opting to externalise, a company in effect uses outside resources, turning fixed costs associated with the sales function into variable costs, thereby limiting its risk exposure. Employees of the outsourced agency work as an indirect sales force, acting as the principal's agent or representative.

Traditionally, sales and marketing contracting has been the preserve of start-ups and small and medium sized enterprises (SMEs) that were eager to get their sales and marketing performance up to a level where they would begin to compete with established players.

Increasingly, large and mid-market firms are opting to use professional sales and marketing service providers , demonstrating that this practice is not just of interest to start-ups or SMEs. In 2016, a study by market research firm, Gartner, showed that 55% of B2B technology marketers were outsourcing content marketing, with a further 40% considering expanding outsourcing into other sales and marketing functions. Clearly, there is a strong realisation among marketing executives that external agencies, working alongside internal staff, and sometimes acting as an entire marketing function, can deliver results.

Is Sales and Marketing Outsourcing/Contracting out for all Companies?

There are many reasons for using contractors for sales and marketing functions: A desire to access skills not available internally is one of the main reasons, particularly start-ups and SMEs. This makes sense especially for large-scale, short-term projects, where the company lacks the bandwidth for the opportunity.

Cost reduction is another reason . With the right partner in place, an outside agency can reduce customer acquisition costs by up to 40% through operational efficiencies and reduced FTEs, not to mention productivity gains and accelerated market access.

Outsourcing is also attractive to those companies that sell fast changing but low margin products, or those with long sales cycles, or those that follow indirect innovation pathways. In these cases, cash flow forecasts may limit the hiring of FTEs.

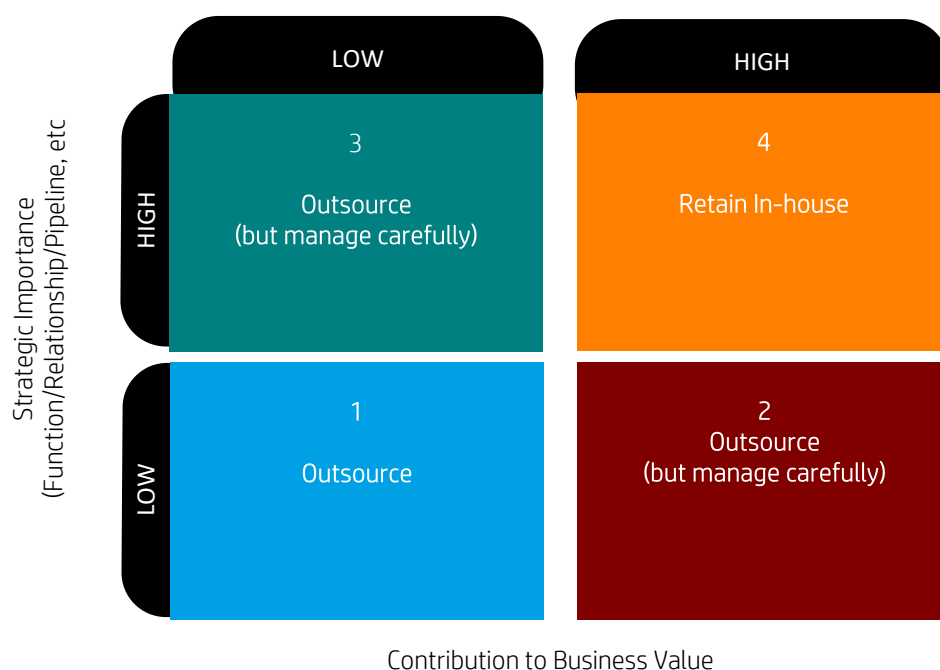
In some instances, internal politics also prevents expansion of headcount budgets. In this case, the only viable option is to look for an external service provider.

However, outsourcing is not something to be taken lightly. Sales and marketing functions are the essence of any business, and therefore any decision to contract out should be, foremost, strategic, and most definitely, evaluated in terms of ROI rather than simply cost reduction exercise.

The Scienopsis Contracting Decision Matrix, shown in Figure 1 below, identifies analytical criteria based on two key considerations when contemplating outsourcing, i.e:

1. **The strategic importance of the product, account or territory:** To what extent does the product, account or territory give your business a competitive advantage?
2. **The product, account or territory's contribution to your budget performance:** What is the measurable value that the product, account or territory brings to the business?

Fig 1. Scienopsis Sales and Marketing Contracting Decision Matrix



1: Quadrant 1 (Low Strategic Importance/Low Measurable Value)

Outsourcing day to day sales/marketing to external partners any product, account or territories that have a low overall contribution to the business (both in terms strategy and measurable value).

Examples: Commoditized products, mature products/markets, low value & distant customers, etc.

2. Quadrant 2 (Low Strategic Importance/High Measurable Value)

Manage internally or outsource some aspects of sales/marketing for products, accounts or territories that, while being of low strategic importance, nevertheless create great value for the business.

Examples: Mature products/markets, high value & distant customers, low volume & high value products, etc.

3. Quadrant 3 (High Strategic Importance/Low Measurable Value)

Consider outsourcing all or some aspects of sales/marketing activities for products, accounts or territories that are strategically important but generate little value for the business.

Examples: Contract research organizations, smaller but growing accounts/customers, etc.

4. Quadrant 4 (High Strategic Importance/High Value)

These are star products, accounts or territories. Retain sales and marketing activities internally due to their high strategic importance and value for the business.

Examples: Any product/account/territory with high, growing revenues

Are there any other factors to consider?

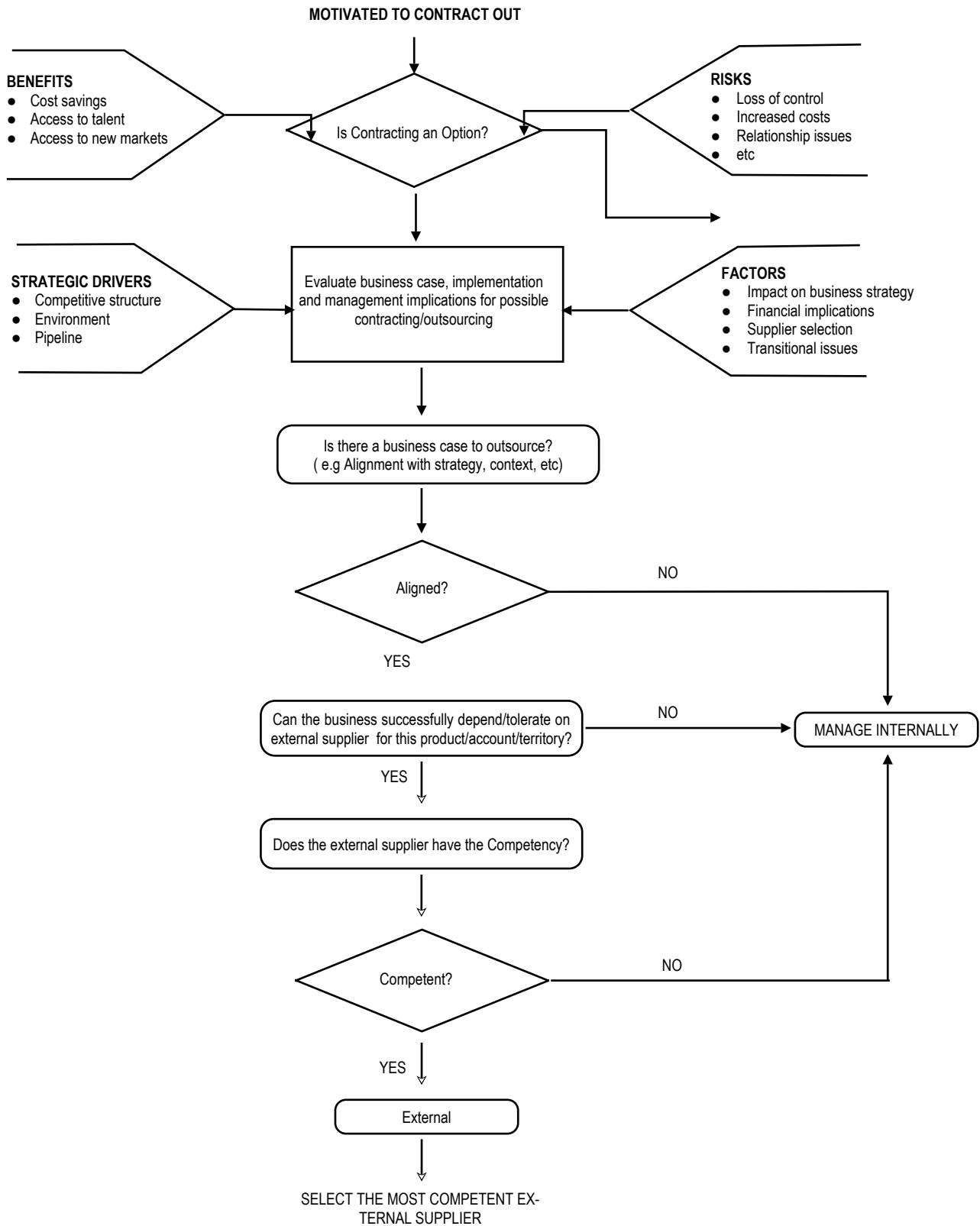
There are other factors to bear in mind, such as the prevailing business environment, life cycle of the product/industry, a company's specific circumstances, internal capability (strengths and weaknesses), and capability gaps, revenue goals, etc.

One thing we're certain about is that outsourcing leads to changes in a business's internal processes, a perception of loss of control and an outward transfer of responsibilities/power. Furthermore, there are challenges around managing the relationship, the KPIs and service agreements that come with the arrangement. In some cases, it can even be more expensive compared to undertaking it internally. For instance, at Scienopsis, the monthly engagement fees for Sales/Marketing outsourcing start at £7500 + VAT for EU5 territories. This is often much higher than an inhouse FTE.

Thus, it may well be that contracting out a selection of an organization's sales and marketing activities or possibly only certain customers or territories and for a limited time period until certain strategic objectives have been realised is the most common sense approach. These are certainly low risk approaches to sales and marketing outsourcing that should be explored first.

Figure 2 below is a suggested sales and marketing contracting/outsourcing decision tree. As can be seen, this is a phased decision model that primarily considers outsourcing as a strategic decision rather than an operational one. Strategic validity trumps every other consideration at this stage and should be analysed first, and only if the decision is sound should manager advance to the next phase. Evaluation can then be repeated for operational issues (e.g ease of implementation, management of the business relationship with the contractor and the inevitable transitional issues that I hinted earlier.

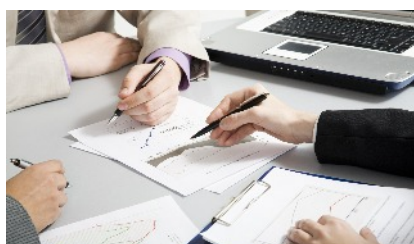
Figure 2. Scienopsis Sales and Marketing Contracting Decision Tree



Benefits of Using a Contract Sales and Marketing Agency

Provided a company finds the right partner, outsourcing of technical sales and marketing is a game changing move, with the potential to reduce customer acquisition costs by up to 40%, not to mention ability to gain access to higher caliber professionals, removing the overhead of hosting an internal department, and having the option to procure all sub-disciplines from a single location (for integrated service providers).

Here below are 10 key benefits of using a contract sales and marketing partner that a typical life sciences company maybe able to reap:



BENEFITS

- Lower Costs/Risks
- Knowledge Transfer
- Shorter Time to Market
- Proven Platform
- Business Continuity
- System vs Needs Optimization
- Enterprise Growth
- Staff Flexibility
- Superior Customer Service
- Competitive Edge

1. Lower cost and risk

Outsourcing to life sciences marketing agencies allows B2B firms to access experienced teams quickly, reducing risks of inefficient processes, while removing the uncertainties and cost impact of hiring and retaining an internal sales and marketing staff. A company's bottom line is particularly sensitive to operational inefficiencies arising from high staff attrition, politics and complexity, lack of commitment, not forgetting staff hiring costs, training, and retention of top talent, and the costs internal staff add to overhead.

2. Knowledge transfer

Most providers of B2B sales and marketing services have worked with other clients within the life sciences industry, and in the process, learned what works best. And although it is possible for companies to build this competence organically, it takes long. Companies that hire life sciences marketing agencies gain access to cutting-edge expertise immediately, which is also transferable to the internal function.

3. Time to market savings

Many life science sales and marketing implementers work at the highest level of efficiency and productivity. By engaging such companies, firms can significantly reduce the time to market and payback, allowing their internal teams to focus on other pressing needs. Meanwhile, **outsourcing gives the reassurance that work will be completed on time and on budget.**

4. Sales and marketing platform

Contract sales and marketing is a proven model. The right sales and marketing solution provider will build a sales and marketing platform that can be further developed and used as a basis for future sales and marketing applications or processes for the company. The benefit of this is clients will have a great scalable platform developed by experts over time and in response to the needs of customers.

5. Business continuity

Companies today face an unprecedented number of exposures. Rock star sales and marketing talent can easily be poached by the competition, leaving a business undermined. Subcontracting all or some of your sales and marketing operations can significantly reduce the risks your company faces.

6. Systems optimization

For companies using marketing platforms like CommuniGator, HubSpot, Salesforce and Marketo it can be difficult to make the most of their utility. By using a third party sales and marketing provider, companies will be able to access expert technical users who will ensure needs are properly assessed/understood to arrive at the most ideal solution, ensuring the best results are achieved.

7. Enterprise growth

Engaging a sales and marketing outside partner can facilitate rapid enterprise growth due to the fast and agile approach that outsourcing solution providers are known for. They have experience in pooling resources and delivering successful sales and marketing plans against tight time and budget constraints. Most importantly, companies will achieve the growth benefits without seeing growth in headcount.

8. Staffing flexibility

Transferring certain independent tasks allows a business to maintain financial flexibility, for instance, when there is uncertainty in demand. Companies then have the flexibility to scale up or down as conditions dictate, usually at a much lower cost. Outsourcing provides additional benefit of running your business in full throttle even during off season and holiday months.

9. Customer service

A sales and marketing service provider, with their skilled expertise and knowhow, will produce quality deliverables faster, increasing turn around time to the customer. Outsourcing will lead to delighted customers, allowing companies to benefit from increased customer satisfaction and loyalty.

10. Competitive edge

The ultimate benefit of using a contract sales and marketing organization is that it helps your company gain a competitive edge in the market. Through strategic outsourcing to a competent partner, a company will not only be providing your customers with best-of breed services, it will also increase productivity while managing your in-house resources smartly. This will help you surpass competitors who have not yet realized the benefits of this market access model.

Summary

Switching to having an external or indirect sales and marketing function can be a smart route to market strategy for B2B businesses. However, it is well worth firstly finding out whether it will work for your circumstances. It may well be that outsourcing a selection of your sales and marketing activities or possibly only certain customers or territories is the most sensible thing to do. These are certainly low risk approaches to dip toes into sales and marketing outsourcing.

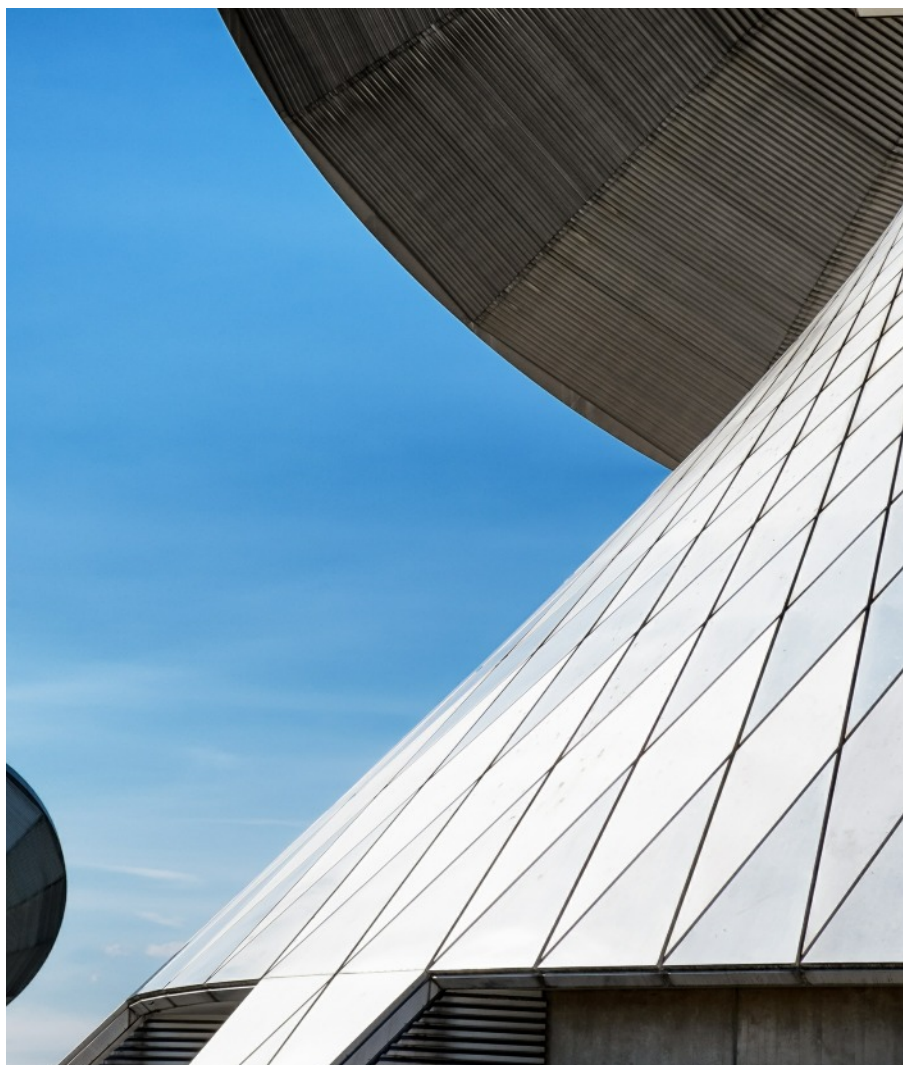
ABOUT SCIENOPSIS

Scienopsis is a London-based, full-service technical marketing agency that assists life sciences B2B companies with sales and/or marketing implementation of complex, technical products, solutions and technologies.

We are experts at crafting winning marketing strategies, PR & content marketing, trade shows/experiential, customer events, sampling and, lead generation, contract/outsourced sales and marketing services, that unlock deep loyalty and customer acquisition.

Our core clients are manufacturers and distributors of excipients, fine ingredients, technologies and solutions for pharmaceutical, cosmetic and food sectors.

If you'd like to learn more about any of our services, please, please contact us for a confidential, no obligation consultation.



Scienopsis
CEME Campus • Marsh Way
Rainham, London • RM13 8EU
+44 (0) 20 8 596 5400 •
info@scienopsis.com
www.scienopsis.com