

The end of the retainer era

By  Andre Fourie

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The on-demand economy is continuing to sweep across the globe, disrupting every industry and forcing massive change. Thanks to the unprecedented success of on-demand services such as Uber and Airbnb, more companies are looking at ways of controlling costs and ensuring quality using the on-demand model.

The genesis of on-demand

We can thank the IT sector for paving the way to the on-demand economy. Not only did it create the technological backbone that makes services such as Uber possible, but its pioneering use of the cloud computing model has opened our eyes to the benefits of on-demand.

The business case for on-demand is simple: why pay for something you don't use, or why be forced to use something you don't need just because you are paying for it? Why not opt in and out of services as you need them, freeing up time and budget for other business-critical tasks?

Economic drivers of on-demand

Two key factors are driving the on-demand economy: firstly, economic pressures due to continued fiscal uncertainty locally – and ongoing global volatility especially in the US and UK – is making it difficult for companies to develop accurate financial forecasts over extended time periods. Secondly, the transaction cost of using an outsider to fulfil a task has fallen to the degree that it is quite often more cost-effective to utilise an on-demand resource than fill a permanent position in-house.



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In the marketing and communications context, agencies are feeling tremendous push-back from clients who are reluctant to commit to long-term retainers. The uncertainty created by the continued persecution of the finance minister, and the seeming tendency at a national level for government to score regular own-goals can be partly blamed. But there's an element of timeliness to the change as well; a feeling that business-as-usual has run its course, and that something new – and better – needs to take its place.

Agencies are built on retainers, which allow agency execs to establish teams and create revenue forecasts with the luxury of knowing there'll be little deviation in terms of actual income. Take away the retainer, and agencies suddenly have to upend a decades-old organisational structure practically overnight.

The big questions

Marketing directors and business owners paying a retainer to a PR or marketing agency will now need to ask themselves some pertinent questions:

1. Do I expect a consistent amount of work during the next 6, 12 or 24 months (the standard retainer terms)?
2. Is my agency skilled enough to satisfy every PR/comms brief I send their way, or will I need to still use an additional external resource for certain tasks?
3. Is my entire retainer budget allocated to specific outcomes, or am I paying my agency for their efforts – not their results?
4. Can I use on-demand services and combine the different elements to create a stronger whole than I would have had I gone with a single agency?

Your answers to these questions will bring you closer to understanding whether you're getting the best value from your retainer, or whether it might be time to look at new models of marketing service delivery.

ABOUT ANDRE FOURIE

Andre Fourie has worked in the field of public relations and strategic communications for the past ten years, managing the strategy formulation and campaign implementation for clients in the ICT, leisure, government, political, academic and business sectors. He is the founder of South Africa's first on-demand strategic communications consulting firm, Fury Strategic.

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