Feasibility Study: A Comparison of Outsourcing and In-house Marketing Campaigns for Clear Picture, Inc.

ENGL 406

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Abstract

This paper discusses two options available to Clear Picture, Inc. in its campaign to raise market share and increase its customer base. The goal is an increase of two to three points of market share (430-650 customers). The two options available are outsourcing to RCH Cable Outsourcing Services or creating an in-house campaign. The campaign consists of three parts- sales campaigns, system audits, and bill collections. Three criteria determine the best options- time to complete campaign, employees, and cost. Primary research used in this paper consists of interviews and company records. Secondary research included Internet research from industry websites and brochures and pamphlets.
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Introduction

Clear Picture, Inc. (CPI) is a wholly-owned subsidiary of Massillon Cable TV, Inc. (MCTV). CPI provides cable, Internet, and telephone services to the Wooster, Ohio area, serving 13,000 homes. After experiencing twelve years of steady growth, CPI began to lose customers and market share in 1999.

Between 1999 and 2004 CPI lost approximately 650 subscribers. Clear Picture also lost ten points of market share. In 1999, CPI passed 20,500 homes and served 14,350 customers (70% market share). In 2004, 21,500 homes were passed and CPI served 13,000 households (60%). CPI’s inability to maintain a 70% penetration rate in new homes and the loss in current subscribers accounts for the ten percent market share loss. Table 1, “Market Share Loss,” illustrates the drop in market share. Approximately $1.16 million is lost annually in revenue because of the dwindling market share, according to Robert Gessner, President of MCTV (1).

CPI’s losses can be attributed to increased competition by satellite companies and theft of services. Cable companies across the nation experience the same issues. Satellites are more aggressive in their advertising strategies using more direct marketing, national campaigns, and offering competitive prices. Satellite companies in the Wooster

<table>
<thead>
<tr>
<th>Table 1: Market Share Loss</th>
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<tbody>
<tr>
<td>Households Passed By CPI</td>
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<tr>
<td>Households Served</td>
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<tr>
<td>Percent Served</td>
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<tr>
<td>Loss in Market Share</td>
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<tr>
<td>One Percentage Point (Customers)</td>
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<tr>
<td>Ten Percentage Points (Customers)</td>
</tr>
<tr>
<td>Average Customer Monthly Payment</td>
</tr>
<tr>
<td>Annual Revenue Lost</td>
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</tbody>
</table>

Source: Robert Gessner (1)
area charge between $32 and $43 per month while Clear Picture charges $39 per month for basic digital service (2).

Nationwide, cable theft accounts for annual losses of $6.6 billion, as reported by the NCTA (3). Theft can be as simple as not setting up a new account after moving into a home that already has cable or as complex as purchasing a descrambler or using a wireless Internet router to provide Internet services to others (4). Identity theft continues to become a more common and growing concern.

CPI intends to regain two to three points (430 – 650 customers) of the existing market share and increase the subscription amount by current customers. These goals will be accomplished through a direct marketing campaign accompanied by a cable audit to determine the amount of theft within the system. CPI has two available options—outsource to RCH Cable Outsourcing Services or perform the campaign in-house. RCH will perform a door-to-door sales campaign targeted at both non-subscribers and current customers. RCH will also provide a cable audit for non-subscriber homes (5). RCH offers payment collection services, which CPI can use to collect delinquent payments and equipment.

Clear Picture could conduct their campaign in-house as opposed to outsourcing. The direct marketing will use both telephone and door-to-door tactics. Sales people will perform the system audit. Bill collecting will take place over the telephone and be conducted from the Massillon office.

The decision will be based on three criteria— the time needed to complete the campaign, implications for the employees, and the cost.
Criteria

*Time*

The time needed to complete the campaign is the most important criteria. The campaign will need to be implemented as soon as possible. The more time that passes before the campaign begins could mean more losses in CPI’s customer base. This examines the time needed to prepare for the campaign (hiring, training, and gathering promotional materials), length for the sales campaign, and evaluations.

*Employees*

This includes extra hours that employees may work or new tasks they might perform. It is possible that the workload may be such that new employees are needed or transferred from the Massillon office. This will also examine any training that might need to be done throughout the campaign.

*Cost*

While still important in the decision process, cost has minimal impact on the final outcome. When determining the total cost of the project, the following items are included: services, training, materials, and additional salaries. Also considered are increases in insurance and benefits packages. The costs of these items will be totaled and compared to the expected increase in revenue that CPI will receive after the campaign.
Available Options

*RCH Cable Outsourcing Services*

RCH will provide door-to-door sales, cable audits, and bill collections to be conducted simultaneously by RCH sales representatives. RCH has two types of sales campaigns (5). RCH representatives will contact at least 80% of non-subscribers in the non-subscriber campaign (6,800 people) (5). Non-subscribers are contacted and given information about services offered by CPI and MCTV. Representatives will also finalize sales, collect fees, and schedule installation times. The current subscriber campaign will be similar. It focuses on upgrading or adding services. Thirty percent of current customers are contacted in this campaign.

Two cable audits will be performed to determine levels of theft in the CPI system. The visual audit is done in conjunction with the non-subscriber campaign. RCH will identify the connection status of all non-subscriber homes and report illegal hook-ups to CPI. If RCH is unsuccessful at converting these homes, they will be disconnected in the technical audit.

During the technical audit, RCH will physically check and correct the connection status of all homes with illegal connections. Homes with satellite dishes are noted which may be used in future marketing initiatives (5).

RCH can act as a collection agency, collecting money or equipment from delinquent customers before being disconnected. RCH will also contact customers who voluntarily disconnect and try to persuade them to return to CPI.

All sales representatives are employed and trained by RCH; no outside contractors are used. Representatives are paid a commission for every sale they make.
Both RCH and CPI will provide sales support. RCH monitors field results on an ongoing basis from their headquarters. CPI provides RCH with sales support from noon to 8 PM six days a week so representatives can confirm sales and schedule installations. CPI must maintain an 85% installation completion rate on all sales and maintain a backlog of seven days for installs (6).

**Clear Picture**

Clear Picture’s in-house marketing campaign will consist of door-to-door sales, telemarketing and system audits. This will be an ongoing campaign. Non-subscribers will be contacted during a door-to-door campaign while current subscribers will be contacted over the phone. Non-subscribers are informed of new services and subscribers will be told about possible upgrades or new services. Telephone sales will be a high priority in both campaigns because it is a new service and has the largest growth potential. Sales representatives will contact 100% of homes passed or served by CPI.

The system audit is conducted during the door-to-door sales. Homes with illegal connections will either be converted into paying customers or be disconnected. CPI will offer an amnesty program for those who are found to have illegal connections. If the person has an outstanding balance over two years old, the balance is waived if they become paying customers. For those with a balance of between one to two years, only half of the payment will be waived. Balances of less than one year are not waived (7).

Collection services are currently done through the Massillon office. Customer service representatives routinely call to collect outstanding balances or equipment. Payments and equipment must be returned to either the Massillon or Wooster office. This will remain the same during the campaign.
Sales representatives will be paid commission on sales, upgrades, and homes checked during the audit. There is no payment for homes contacted. Sales representatives will make daily reports to their supervisor and monthly reports to CPI and MCTV. After the initial campaign, sales representatives will work as Area Cable Representatives, with each sales representative being responsible for a different area of the system. They will continually work in the field making sales and performing cable audits.
Assessment Analysis

Time

RCH Cable Outsourcing

RCH can complete the campaign in eight months. Six RCH spends six months working in the field. CPI will be involved with the collection of payments, scheduling installations, and answering customer questions. The training time for CPI employees is in the first month along with the preparation of materials and databases. The last month will be spent working on evaluations by all parties involved. The campaign can be implemented soon after the contract is signed, allowing for a quick start.

Clear Picture

After the initial campaign, CPI’s campaign will be on-going. The initial campaign will last for one year. CPI will need to hire sales representatives and a supervisor, train them, and gather materials and create databases. The hiring process lasts one month and is followed by another month of training. Two months will be spent gathering promotional materials and creating street databases. Sales representatives then spend eight months working in the field. At the end of the initial campaign, CPI and MCTV will evaluate the effectiveness of the campaign and fix any problems.

Employees

RCH Cable Outsourcing

The campaign impacts CPI employees minimally because RCH provides the entire sales force. CPI employees will be asked to perform additional tasks such as additional installations or working more hours during the campaign. The training in the first month includes educating employees on RCH’s procedures and services. There is no
need to hire additional employees. If they are working at full capacity, employees from the Massillon office can provide support. This will be especially true with the technicians as there will be an increase in installations.

**Clear Picture**

Nine new employees must be hired including eight sales representatives and one supervisor (7). Four will be trained in door-to-door sales and the other four as telemarketers. An installer will be contracted to help with the extra installations. Increases in customer service calls can be redirected to the Massillon office. Turnover may become an issue if sales representatives become discouraged during the first few months. Training for new employees consists of a general orientation program lasting for one week. The next three weeks will be spent in a program with Tanya Martz, the Customer Service manager. It will consist of sales techniques, etiquette, and targeting the customer’s needs (8).

**Cost**

**RCH Cable Outsourcing**

The total cost is $192,000 which includes payments, sales materials, training costs, and additional salaries. The bulk of the cost will be payments to RCH. Salary and training costs will be minimal. Salary costs include only overtime payments. Advertising materials cost $2,500.

<table>
<thead>
<tr>
<th>Table 2: Prices for RCH Services</th>
</tr>
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<tbody>
<tr>
<td><strong>System Audit</strong></td>
</tr>
<tr>
<td>▪ Visual: $5/home</td>
</tr>
<tr>
<td>▪ Technical: $8/home</td>
</tr>
<tr>
<td><strong>Door- To-Door Sales</strong></td>
</tr>
<tr>
<td>▪ $8/home contacted</td>
</tr>
<tr>
<td>▪ Commission equal to third month of paid service</td>
</tr>
<tr>
<td><strong>Collection Services</strong></td>
</tr>
<tr>
<td>▪ Non-payments: 40% commission</td>
</tr>
<tr>
<td>▪ Equipment return: $20/piece</td>
</tr>
</tbody>
</table>

Source: RCH agreement (6)

The campaign price list is in Table 2, “Prices for RCH Services.” Payments are
contingent on the number of homes contacted and commissions. This campaign has the potential to make additional annual revenue of $291,200 for Clear Picture. This is explained in “Projected Income and Expenses- RCH,” which can be found on Page 15 of the Appendix.

Clear Picture

The in-house campaign by CPI will cost $198,225. This includes commissions to sales representatives, benefits (profit sharing, health insurance, and taxes) training, and materials. Most of the expenses come from training and benefits (9). Commissions will be equal to the first month of service or the first month of upgrades. Sales representatives receive $3.00/home. Representatives will not be paid a flat fee for homes contacted. The total income and expenses can be found in “Projected Income and Expenses- Clear Picture,” located on Page 17 of the Appendix. Additional annual revenue for CPI equals $49,995. This is based on the first year and with time will rise as employees gain experience.
Recommendations

Clear Picture, because of recent declines in market share and customers, wants to increase its market share by two to three points. They have two options—outsource to RCH Cable Outsourcing or create an in-house campaign. The positive and negative aspects of each option can be found below. The criterion used to determine the best choice are—time, employees, and cost.

The most important positive aspect of RCH is its well-trained sales representatives. Because of their high level of training and experience, RCH will have a higher contact and sales rate. RCH sales representatives are not employed by CPI and therefore do not receive any benefits from CPI. RCH can ensure a fast start and completion.

The negative aspects of RCH are minimal. The expense of RCH’s services is $192,000. CPI will have less company control because sales representatives are employed by RCH and will not have the authority to fix problems without first contacting RCH. Contracting with RCH will provide one chance to raise market share. If this campaign fails, CPI may not be successful in attaining their goals.

CPI, by creating their own in-house service, has total control over the employees and the campaign. Problems can be easily and quickly fixed. The campaign will be continuous, giving Clear Picture longer to achieve and maintain a market share increase.

The in-house campaign will not increase CPI’s annual income by a substantial amount ($49,995). Sales representatives will also be less experienced, which may result in high turnover and lower contact and sales rates. Payments for benefits will have to be paid to new employees.
After comparing CPI’s two options, the best choice is to hire RCH to conduct the campaign. The criteria can be compared in Table 3, Comparison of Options,” is located below. RCH will be the best choice for several reasons. After contract negotiations, RCH can begin in as little as one month. This is considerably shorter than the four months CPI must spend preparing. During the campaign there will be little impact on Clear Picture employees and no new employees. RCH sales representatives are more experienced allowing for a higher contact rate and better efficiency. While the costs associated with hiring RCH are high ($192,000), the potential benefits to CPI are $291,200. Overall, because of experience and time, RCH is the best choice for CPI. Clear Picture will be able to increase its market share and customer base with minimal impact and employee time.

### Table 3: Comparison of Options

<table>
<thead>
<tr>
<th></th>
<th>Time</th>
<th>Employee</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCH</td>
<td>8 months</td>
<td>Minimal impact</td>
<td>$190,000</td>
</tr>
<tr>
<td></td>
<td>Training- 1 month</td>
<td>No new hires</td>
<td>Payments to RCH- High</td>
</tr>
<tr>
<td></td>
<td>Sales campaign- 6 months</td>
<td>Possible transfers</td>
<td>Materials- $2,500</td>
</tr>
<tr>
<td></td>
<td>Evaluations- 1 month</td>
<td>Training in first month</td>
<td>Training- Low</td>
</tr>
<tr>
<td></td>
<td>Quick start</td>
<td></td>
<td>Salaries/benefits- Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Revenue Increase- $296,660</td>
</tr>
<tr>
<td></td>
<td>1 month</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clear Picture</td>
<td>1 year</td>
<td>8 new sales reps</td>
<td>$198,225</td>
</tr>
<tr>
<td></td>
<td>Hiring- 1 month</td>
<td>1 manager</td>
<td>Reps paid on straight commission</td>
</tr>
<tr>
<td></td>
<td>Training- 1 month</td>
<td>Possible turnover</td>
<td>Materials- $2,500</td>
</tr>
<tr>
<td></td>
<td>Materials and databases- 1 month</td>
<td>Contracted installer</td>
<td>Training- High</td>
</tr>
<tr>
<td></td>
<td>Initial campaign- 8 months</td>
<td></td>
<td>Benefits- High</td>
</tr>
<tr>
<td></td>
<td>Ongoing campaign to follow</td>
<td></td>
<td>Revenue Increase- $49,995</td>
</tr>
<tr>
<td></td>
<td>Slow start</td>
<td></td>
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</tbody>
</table>
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(4) “Types of Theft.” Time Warner Cable. 11 March 2005


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