
HALDIMAND COUNTY

Report EDT-03-2019 Outsourcing Advertising for Haldimand County Publications



For Consideration by Council in Committee on March 26, 2019

OBJECTIVE:

To provide Council with information related to advertising sales within the various Haldimand County publications and to suggest that there is an opportunity to outsource the responsibility of advertising sales to achieve efficiencies.

RECOMMENDATIONS:

1. THAT Report EDT-03-2019 Outsourcing Advertising for Haldimand County Publications be received;
2. AND THAT staff be authorized to outsource advertising sales for existing and future Haldimand County publications.

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Respectfully submitted: Craig Manley, MCIP, RPP, General Manager of Community & Development Services

Approved: Craig Manley, MCIP, RPP, Deputy Chief Administrative Officer

EXECUTIVE SUMMARY:

Currently, the selling of advertising space in the various Haldimand County publications is conducted internally through the Economic Development and Tourism Division. Staff are recommending that moving forward, the advertising sales responsibility be outsourced to a third party through the procurement process. Proceeding in this direction will impact the 2019 and future operating budgets, as the revenue received by the County could potentially be decreased, but will be offset by the reduction of staff time allocated to this activity, resulting in productivity for other areas and allowing staff to focus on other core responsibilities.

BACKGROUND:

Each year, Economic Development and Tourism staff currently oversee advertising sales for the following publications:

- Spring/Summer Community Guide
- Fall/Winter Community Guide
- Tourism Experience Guide, and the
- Touring Map

The Community Guide is distributed to every residence in Haldimand County and contains valuable municipal information, program & event listings, recreation opportunities, community resources and other material of relevance and of interest to residents and businesses of Haldimand County.

The tourism publications are developed to highlight the various tourism assets and businesses in Haldimand County. These publications are intended for tourists coming into Haldimand County and are widely distributed to various local tourism businesses, the tourist information centres located within Haldimand County and those external to the County. In addition, staff distribute maps and guides to specialty stores such as those that focus on cycling and fishing that are open to displaying these publications.

Since approximately 2008, Haldimand County staff have been responsible for obtaining advertising clients and selling advertising space within the various publications as a means of offsetting design, print and distribution costs. The production, design and printing of these publications are performed by an external, contracted company.

ANALYSIS:

Currently, the Division Support position in Economic Development and Tourism is primarily responsible for coordinating all advertising sales for the County's semi-annual Community Guides and Tourism Publications. The sale of advertising space is a time-consuming process, requiring approximately 90 hours per community guide, plus additional hours for each tourism publication, resulting in over 200 hours of staff time per year. In order to ensure a successful advertising campaign, the following tasks are typically initiated for each publication.

- Regularly updating the contact lists;
- An annual update of the advertising contract and the sales information;
- Print and distribute sales information to key locations including libraries, satellite offices, Chambers and BIAs;
- Email and call past advertisers (this may occur several times before the advertising deadline closes);
- Update advertising information on the County website;
- Social media posts to advise of available advertising opportunities;
- Identify and outreach to new prospects;
- Confirm advertisers, finalize sales contracts;
- Receive ad content and forward to the contracted design/printing company for design;
- Return proof of ad copy to business for review and sign off (this back and forth can take several revisions per advertisement and is time consuming);
- Invoicing for advertisements once the Community Guide has been printed; and
- Follow-up on any outstanding payments.

The revenue generated from advertising sales does help to offset the cost of the design, printing and mailing of the guides; however, there are a number of additional circumstances that need to be considered when determining overall efficiencies and effectiveness.

1. Number of hours required to coordinate the ad sales is a constraint on the ability for the Economic Development and Tourism Division to carry out their core priorities.

Currently, it takes staff approximately 200 hours per year (approximately 28 days) to coordinate the advertising of the various publications. In 2008, when it was decided to bring the advertising sales in house, Economic Development and Tourism had dedicated staff whose primary responsibility was the design and advertising of the various publications. Since that time, the Division has undergone a shift in focus that resulted in two reorganizations and the elimination

of this position. Cost savings were realized by effectively outsourcing the design portion of the publications. While the design of the publications were outsourced, the advertising sales function remained in-house; and the responsibilities were redirected to the Division Support position within the Economic Development and Tourism Division. Since then and specifically over the past few years with the implementation of the Economic Development and Tourism strategies and increased business inquiries, the division continues to see an increase in core activities which ultimately impacts this position. Attachment 1 outlines the core activities and changes in volume of activity in recent years.

2. During the completion of the Economic Development and Tourism Strategy, the consultant completed a high level service review of the Economic Development and Tourism Division that addressed the following key questions:

- Are we doing the right things?
- What should we continue doing?
- What should we start doing, or do more of?
- What should we stop doing, or do less of?

As it pertains to this report, it was identified that there were a number functions that the Division staff were involved in that are less directly related to economic development, and as a result divert limited resources from more direct economic development activities. Specifically, it was identified:

Pursuing advertising for marketing collateral is no longer time or cost-efficient and has become increasingly less effective as more and more businesses are looking for online advertising options via social media and other channels. These resources could be more effectively deployed to increase the County's economic development web and social media presence.

A key challenge with the current approach is it is taking more staff time and effort to secure advertising commitments with reduced revenue being taken in. This is outlined in more detail below.

These days, businesses are faced with limited marketing dollars and numerous advertising options resulting in a decline in advertising sales over the past few years and overall, a more difficult sales process.

As stated above and similar to our own internal tourism marketing focus, local businesses are also choosing alternative advertising options that include social media. Advertising through social media (i.e. Facebook) can often be at a much lower cost or free; and has the enhanced functionality of online analytic tools compared to print marketing. In addition, for those that do pursue traditional advertising often choose smaller sized advertising options then historically purchased. As a result, additional outreach to more potential advertisers overall is required to generate the same amount of revenue as in past years.

Advertising revenue received by the County over the past 3 years is as follows:

Year	Revenue Generated from Advertising Sales in Community Guide
2016	\$18,370.00
2017	\$20,246.00
2018	\$15,761.50

Staff are seeking Council's approval to outsource the advertising sales of the various County publications moving forward. By outsourcing this responsibility it will allow the successful bidder:

- To generate additional revenue as a result of the sale of advertising for the County's publications;
- Establish a new client base in Haldimand County for other work that they may be engaged in; and
- Establish and improve the process from sale, to completion of ad design with less involvement from the County staff (currently, staff act as the intermediary between client and designer to finalize all advertising).

If the proposed change in how the service is provided is approved, Staff will develop a request for proposal (RFP) for the advertising, design, printing and delivery of the community guides and tourism publications.

Within the RFP, there will be a requirement for bidders to submit their required commission rates for:

1. Existing Advertisers – have advertised in any County publications within the last three years.
2. New Advertisers – have not advertised in any County publications within the last three years or has selected a large sized ad in a future publication.

To provide incentive for third party bidders and align with market trends, staff are recommending that the following upset advertising commission rate be included in the RFP:

1. 30% commission rate for existing advertisers.
2. 50% commission rate for all new advertisers.

The commission rate would be all inclusive and no additional monies will be paid for advertising sales services. The upset commission rates will be included within the RFP document, all bidders would have the opportunity to submit a competitive bid up to the established upset limit.

The successful bidder will be required to complete the following activities with the support and input of Haldimand County staff:

- Update the contact lists;
- Review and update the annual advertising contract and sales information;
- Print and distribute sales information to key locations including libraries, satellite offices, Chambers and BIAs;
- Outreach to past advertisers;
- Work with staff to update advertising information on the County website;
- Coordinate with staff to assist with social media posts to advise of available advertising opportunities;
- Identify and outreach to new prospects;
- Confirm advertisers, finalize sales contracts;
- Receive ad content and forward for design;
- Return proof of ad copy to business for review and sign off;
- Ensure payment process is followed and adhered to; and
- Follow-up on any outstanding payments.

Haldimand County will be required to review and approve all proposed advertisers to determine suitability. The successful bidder will be provided with a list of current advertisers and community partners who have historically purchased advertising in Haldimand County publications.

The successful Proponent will ensure that the advertiser directs all cheques and/or payments payable to Haldimand County at the time the advertising agreement is executed. The successful bidder shall not collect cash on behalf of Haldimand County. A process will be established to allow advertisers to make credit card payments online. The Successful bidder shall not negotiate, discount or offer deals to

the advertiser/partnerships in trade for advertising sales without prior discussion with Haldimand County. As previously honoured, advertisers who select two or more publications including the Community Guide (x2), Touring Map and the Tourism Experience Guide will benefit from a 10% discount of the order before tax.

Staff conducted a marketplace scan to determine typical commission rates for similar publications. The responses received were in the range of 15% to 30% but also included additional expenses such as mileage, office supplies, etc. While, staff are recommending commission rates slightly higher than those offered for similar types of publications, staff are of the opinion that there is value in offering a higher commission rate for the following reasons:

1. Staff recently sent out a Request for Information to potential bidders for the design, printing RFP asking for input on their ability to provide the advertising portion of the RFP. Based on the replies, we believe that there are a number of companies that will likely not bid on the RFP as they do not provide this type of service without partnering or subcontracting with another company; and
2. Recognizing that the majority of the ads sold are in the \$150 to \$300 range and that the effort to secure an ad is time consuming, a higher commission rate will ensure that opportunity is competitive and attractive to potential bidders as well as off-set the costs of mileage, office supplies, etc., and simplify the contract.

Moving in this direction will provide staff the opportunity to focus on key priorities that have been identified through the 2017 Council approved Economic Development and Tourism Strategy.

FINANCIAL/LEGAL IMPLICATIONS:

The following table provides a summary of the expenses incurred on the Community Guide in 2018, as well as the advertising revenue that was generated.

A decision to outsource the advertising sales based on 2018 revenues will not generate any financial savings, however, other benefits including staff time being reallocated to core functional areas will be realized. The minimal impact on total net cost to the County for 2019 will form a part of an overall 2019 operating variance. It is anticipated that there will be lost revenues of approximately \$4,700. Staff will further review the revenue impacts and incorporate into the Draft 2020 Tax Support Operating Budget.

The following chart breaks down the expenses and revenues associated with the Community Guide in 2018.

Community Guide Expenditures (Advertising completed internally)		Advertising Outsourced
	2018	2018
Design:		
Spring/Summer	\$6,573.70	\$6,573.70
Fall/Winter	\$4,640.26	\$4,640.26
Printing:		
Spring/Summer	\$21,019.69	\$21,019.69
Fall/Winter	\$17,422.12	\$17,422.12
Delivery Costs:		
Spring/Summer	\$6,112.82	\$6,112.82
Fall/Winter	\$5,682.79	\$5,682.79
Staff Wages, Mileage and Postage	\$8,954.30*	\$0.00
Total Expenditures	\$ 70,405.68	\$61,451.38
Community Guide Revenues (Advertising completed internally)		Advertising Outsourced
	2018	2018
Spring/Summer	\$9,254.00	\$9,254.00
Fall/Winter	\$6,507.50	\$6,507.50
Outsourced Advertising Commission (based on 30%)		(-\$4,728.45)
Total Advertising Revenue	\$15,761.50	\$11,033.05

*Note – Outsourcing the advertising shows a savings in direct costs (i.e. staff wages, mileage and postage) however, these savings will not be realized but will be redirected into other divisional priorities and therefore, do not represent an actual reduction in the operating budget or in the staff complement.

STAKEHOLDER IMPACTS:

Businesses that typically advertise in the various Haldimand County publications will need to be informed of the new advertising sales and payment process. Staff will work with the successful bidder to prepare communication to these stakeholders.

REPORT IMPACTS:

Agreement: Yes

By-law: No

Budget Amendment: Yes

Policy: No

ATTACHMENTS:

1. Economic Development and Tourism Division Key Priorities.