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Virtual status offers firms geographic, economic benefits

Craig McGuire - 7 Nov 2005 00:00

"Bricks and clicks" virtual agencies are becoming attractive business models for PR pros who like the flexibility in location and staff recruitment that such online enterprises provide.

Though lacking the physical assets of traditional PR firms, "virtual" agencies have carved out a niche in the industry, mainly driven by the lower costs they offer.

While many freelancers today pass themselves off as such, a true virtual PR agency is an incorporated business existing almost exclusively online.

Such businesses are not exclusive to the PR field. In fact, the so-called "bricks and clicks" business model has permeated dozens of industries, marrying traditional ways of conducting business and leveraging the internet and other technologies to interact with clients, manage channels, and supplant physical operations.

More than anything, the bottom line for using any type of virtual service is, well, the bottom line.

"On average, the client [of a virtual firm] can save anywhere from 30% to 60% across the account, versus the largest [in terms of revenue] 10 to 15 PR agencies," says Neal Leavitt, president of Leavitt Communications, a virtual agency based in Fallbrook, CA.

Whether it's low- or no-rent for office space or the employment of freelancers instead of full-timers, virtual agencies can pass along substantial savings to clients.

For instance Michael Volpatt, who founded Larkin/Volpatt Communications in 2002 with Kate Larkin, has no full-time employees and instead uses freelancers.

"It costs us far less to operate on this scale than if we had an office or offices," Volpatt says. "And we can live wherever we want. I recently moved from New York to San Francisco because I wanted a quality-of-life change."

Still, going the virtual route is not without its hurdles.

"The challenge to being a virtual agency is when a more traditional and bureaucratic company prospects for you to serve them and still wants the conference room skyline view and prestige of a more recognized brand," says Daryl Toor, who did not actually meet his partner Ned Barnett face-to-face until three years after they founded the Attention Group.

Not surprisingly, because of such stigmas, some are shedding the "virtual" label. So, don't use the V-word when Sam Brown founder Laura Liotta is in the room.

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"We prefer 'network' over 'virtual,' which we believe represents the agency of the future," Liotta says. "The network enables senior talent to operate from independent locations, giving clients multinational coverage and expertise without the costs associated with owned offices."

With the cost to rent office space what it is, a virtual agency like McAllister Communications might say it is based in Toronto, but only because that is where its founders live.

"Both my partner and I use our home addresses as company addresses for the purposes of billing and receiving shipments, and we do all our printing and shipping off-site through a vendor," says Meg McAllister.

However, the biggest trick is to figure out how to put together the same services that an in-house department builds internally: accounting, shipping, administrative, web hosting, etc.

"Once you put the pieces in place, a virtual company can run as seamlessly as brick-and-mortar ones appear to," McAllister says. "We've also needed to educate ourselves on the intricacies of doing business cross-borders in terms of banking, taxes, insurance, etc."

So while these firms might find it challenging to compete with some traditional agencies, they have a definitive advantage in recruiting.

"The advantage to me is a happier work force [that is] more focused because they work according to their schedules, rather than trying to bend their lives to a predisposed schedule," says Lisa Lipson, AE at Julia Tanen Public Relations, a virtual spin-off from Mavens & Moguls Agency. "The biggest challenge is getting the staff together face-to-face. We don't have that over-the-cubicle-wall chat time here, but we get together in person every two weeks or once a month, and we have a bridge line that we use for regular conference calls."

Lastly, a clear advantage of a virtual office is that staff can be chosen from a larger pool of talent because it's not tied down by geography.

INK Public Relations is a virtual agency with approximately 15 media representatives in home offices around the world. "We are often able to secure top talent, since our limits don't lie within a 45-minute-to-an-hour commute," says Richard Grove, INK CEO. "We are able to find more senior-level professionals looking for flexibility in their schedule and who want to work from home instead of commuting."

Virtual agencies - pros and cons

PROS

Lower operating costs
Less management required
Recruiting not pegged to geography

CONS

Some clients prefer a physical agency
Limitations on growth
Logistics often an issue

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