



A rise in off-shoring: How Nestlé slashed production costs by as much as 80%



by Oliver McAteer

May 23, 2019



Mauro Baz, general manager at Hogarth Worldwide-Miami, is helping shape the future of off-shoring

More advertisers are experimenting with content hubs all over the world to drive efficiency and cut major costs in a move that could eventually put production companies at the top of adland's food chain.

There's a huge question mark hanging over the way in which adland's ecosystem should operate.

Industry leaders sculpting the future landscape are experimenting with model after model in the race to drive efficiency and save costs as advertisers show no sign of silencing the "more bang for your buck" warrior cry.

A lot of attention over the past year has surrounded the workings of in-house agencies. The rumblings that these teams are a "threat" to agencies is nothing more than an urban myth. Yes, brands are dabbling in the hire of internal marketing talent, but most are doing so in a way that compliments their agency partners.

It's easy for shops serving Heineken USA, for example, to grimace at news it's **building out an in-house agency**. But scratch beneath the surface and you'll find it's no more than around five people working out of a small studio to versionalize and personalize bigger concept creative by AORs Publicis and Droga5 as part of a locally-targeted media buy across the states. The brand believes it can pump out 7,000 pieces of content while saving a mid-to-high six figures in the first 12 months.

Then there are the nightmarish tales that ring through adland as a warning of what happens when companies go all in on building out internal marketing divisions.

Late last year, **Intel suddenly shuttered** its award-winning in-house agency which launched in 2015 and had grown to more than 85 people. The majority were laid off and some were absorbed back into the company.

Around the same time, Thomson Reuters' internal shop, GCS, was disbanded as the company announced a mammoth internal overhaul that will wipe out 3,200 employees and close dozens of offices around the world over the next two years.

In-house -- a threat? Pah. Not at all.

Off-shoring, on the other hand, is quietly disrupting the ecosystem in more ways than you may have thought.

The practise is gaining momentum among agencies, production companies and brands which see the value in 24/7 service that can cut costs while delivering the same quality. And as off-shoring grows in line with production companies snagging powerful creative talent, these firms are starting to look like a tasty one-stop-shop for brands. This evolution could eventually put production companies at the top of adland's food chain.

Publicis' Sapient has 3,000 people in India for coding, creative, production and analytics. Ogilvy also has a creative hub over there. Wunderman Thompson leans into its Denmark team for global work. And WPP's Hogarth has multiple off-shore locations for content creation.

One brand that has benefited immensely from the latter's work is Nestlé.





"Off-shoring has dramatically and positively changed the way we plan and execute our marketing strategies," said Julie Loaiza, VP of communications and corporate affairs at Nestlé Mexico (pictured above). "Today, we focus on brand, marketing and E-business strategies that, from the very start, consider off-shoring as a fundamental channel to achieve marketing production efficiencies, especially when considering the benefits of cost, creative and time execution."

The food giant began off-shoring in 2017 when it partnered with Hogarth for its Dolce Gusto content. Since then, Nestlé Recipes and Nestlé Infant Nutrition brands, such as Gerber and NIDO, have jumped on the bandwagon.

In 2018, Nestlé saw a 43 percent savings in digital content production for Nestlé Infant Nutrition compared to the year before, and a whopping 80 percent savings in video production of Nestlé Recipes with culinary brands, said Loaiza.

"The offshore model, processes and methods of execution have been modified and adapted," she explained. "There is no standardized way to do it, but that is the beauty of off-shoring, it adapts easily as our organization evolves."

Loaiza said the industry is swamped with many companies offering similar off-shoring services at very aggressive costs., making it difficult to decide on the right partner for a brand's marketing production needs.

She added: "There are also challenges in terms of alignment between clients and partners, as off-shoring is a relatively new solution for the industry.

"We still lack experience and clarity on the right steps to follow to make it a success each time, which can ultimately affect the development of our partners' service and the overall relationship. It's

important to ensure that all parts are aligned from the start and to follow-up regularly during the entire process.”

Hogarth has a global network of offices with its major delivery center based in Chennai, India, as well as a network of production hubs at locations including Mexico, Brazil and Romania.



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Mauro Baz, general manager at Hogarth Worldwide-Miami, told Campaign US: “Hogarth believes in developing a strategic approach to production that involves looking at a client’s global requirements and drivers across all channels, both traditional and non traditional.

“As a result, the ‘right’ place to carry out our work will depend on a number of factors, such as access to the best talent and infrastructure, integration with partners, speed-to-market, cultural factors and, of course, cost.

“Offshoring will often be a part of this mix, and when used as part of a strategy tailored for each client, it can be extremely effective in supporting our offer of producing the highest quality work in the smartest way.”

In a world of flat production budgets and marketing cutbacks, it’s hard to ignore cost as the one and only driver of off-shoring. But clients are also drawn into the sell of access to a global talent pool -- which can help build their own careers, notes Baz.

He added: “While it is true that on a project-by-project basis, there can be significant savings from offshoring, the greatest benefits really come from taking a globally strategic approach to addressing all of our clients’ production needs.

“There are massive benefits to this approach, in particular, around the effectiveness of the content produced and the ability to make what we produce work harder across all channels, reducing the amount of content that needs to be originated and ensuring that clients can focus their spend in the areas that will bring the greatest returns.”

These sentiments are echoed by Craft Worldwide, McCann Worldgroup’s production arm. It services brands in all regions -- North America, LATAM, EMEA and APAC.



Shay Fu, EVP and head of global operations, said the demand for content is staggering, but what excites her is the opportunities it provides for the team to get creative about the way it supports clients.

She stressed quality is never jeopardized by time restraints and clients' need for scale. Fu explained that Craft work is led by an ISO-certified process and technology to every project across every location to ensure global consistency and efficiency.

"What may have been born out of budget constraints has evolved into a strategic model to bring content to life," she explained. "While off-shoring can be cost effective, it also gives access to a whole new talent pool, which drives efficiencies and allows for production at scale."

Fu added: "We take pride in being able to tell a client that we can make their vision a reality, regardless of how complex, how little time, or how tight the budget. It's essential that we leverage a global footprint to deliver on that promise."

Simon Francis, CEO at consultancy firm Flock Associates, said his team often find huge benefits in off-shoring -- especially for digital, production, and data and analytics work -- when considering the pros and cons of other models including outsourcing (the traditional agency model), insourcing (bringing agency resources to sit inside an advertiser location) and in-housing (bring skills inhouse, hired by the advertiser).

"Off-shoring is often overlooked by advertisers, but also by agencies, as a means of getting work done fast and efficiently," he told Campaign US. "A huge amount of digital coding is already done off-shore, in lower cost locations like India, Thailand, Vietnam, Costa Rica, Malaysia, Czech, Hungary, Poland etc.

"For lower level creative work, for digital work, production, and data and analytics using off-shore locations can bring really significant savings (with no loss in quality). We have driven savings of between 30 to 70 percent for unit pricing with such strategies.

"It still surprises us that more agencies and advertisers are not exploring the benefits of off-shoring. At Flock, we have a development team in India that help us build our tech and manage data and analytics -- we work to chase the sun, using smart technology. It works for us!"

Sapient declined a request to be interviewed about its off-shoring practises. Ogilvy and Wunderman Thompson did not respond.

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