

# PRWEEK

## MARKET FOCUS: Virtual reality

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**Belt-tightening times have led some agency vets to open virtual PR firms. And though skeptics exist, the cost and flexibility are netting clients.**

Todd Appleman was tired of climbing the corporate PR ladder. He wanted to be back down in the trenches with clients. After spending 20 years with some of the biggest names in PR, including Golin/Harris, Fleishman-Hillard, Burson-Marsteller and BSMG, Appleman wanted to get his hands dirty again.

"I got to a point where I wasn't practicing PR," says Appleman. "It was just management, hiring and firing people. And then I saw an opportunity to meet a need, to help these smaller companies that were looking for good sound experience but couldn't pay what the big agencies were commanding."

So three years ago, Appleman gave up the huge accounts and plush offices to start his own firm, The Appleman Group in Universal City, CA. And like an increasing number of PR execs striking out on their own, Appleman chose to make his agency virtual, eschewing an expensive corporate office for an online world where work is conducted via e-mail, instant messaging, and other online collaborative tools.

It's easy to see the populist appeal of Appleman's offering in these belt-tightening times. After all, why should a client fork over big money to pay for an agency's plush suites with one hand, while slashing its own payroll with the other? But critics argue that the collaborative process at traditional agencies, coupled with the ease of communication among staff, is priceless. You get what you pay for, so the argument goes. So are virtual shops the same as the real thing, or merely a hollow imitation?

### **Low overhead, high flexibility**

Either way, deep into an economic downturn that is forcing companies to slash spending and look for ways to stretch fewer PR dollars further, the virtual model is finding new converts.

"In the five years I've been here, I've never been to an agency's office," says Pat Baldwin, VP of corporate communications at ClubCorp, a Dallas firm that manages more than 200 golf courses and country clubs. "I expect them to come to me. So I didn't even think about it when I hired Victory PR."

Dena Buford started Dallas-based Victory PR after she and cofounder John Floeter left Richards/Gravelle. "We thought that work was getting pushed down to the lower level," says Buford. "We wanted to give senior counsel for a reasonable price, and being virtual allows you to work anytime you want to. We have all our tools on the desktop. You really remain so much more flexible."

["I don't need a multimillion-dollar office," says Paul Furiga, a Ketchum veteran, who launched WordWrite Communications in Wexford, PA in March. "I use the same core group, about a half-dozen people on all my projects. There's a lack of the bureaucratic, a lack of rigid structure. I love the flexibility that allows me to be closer to my clients."](#)

Rob Gelpman, who founded Gelpman Associates nearly a decade ago in San Jose, CA, agrees. A former executive with Ketchum and Hill & Knowlton, he missed working on strategy, as well as with startups and emerging companies. Starting his own firm has allowed him to do that again.

Freedom from the tyranny of the typical agency pecking order, along with the attendant access to senior communicators, are key selling points for the virtual crowd, but the big one is cost. Virtual PR pros boast that their fees are even lower than other boutique firms, since they don't have the overhead of office space and only pay their employees on a per-project basis.

"I didn't see the advantage of starting a traditional brick-and-mortar small firm," says Laura Tomasetti, who started Laura Tomasetti Strategic Public Relations in Boston, after working on both the agency and client side with firms such as Ketchum and Porter Novelli. "I wanted to go virtual, so I could be cost-effective. If not, I would have been billing at the same rate as larger agencies. I wanted to offer the expertise of a senior-level person, at very affordable rates. And that's a reality that doesn't exist at large agencies. At bigger agencies I tried to work on my clients' business, but would often get pulled away into other things."

The virtual agencies of today have their origins in the downturn of the early '90s when, amid agency cost-cutting, some agency staff that jumped ship or walked the plank sought to go into business for themselves, but needed a means of keeping costs manageable and life flexible in uncertain times.

It's far easier going for the virtual agency entrepreneur this time around, what with e-mail, instant messaging, mobile phones and web tools that allow for real-time online discussions and collaboration.

### **The skeptics speak**

But not everyone is convinced the virtual model works. Greg Matusky founded Gregory FCA in Ardmore, PA after trying his hand at virtual PR.

"It just worked in fits and starts," argues Matusky. "The real power and potential of an agency is to have everyone together walking in lockstep. I don't see how you can condition messages and tell a consistent story when you don't have everyone together, especially today when our means for distributing the news have varied so greatly."

A potential client will always be intrigued by a virtual agency's pitch that they can offer better prices because they have no overhead, asserts Matusky. But he cautions that the cost of having a "core group of people working together, shoulder-to-shoulder, all day long" is worth it.

"You have to spend more time getting everyone together and focused on the same issue, and making sure everyone is on the same page," says Matusky. "Any miscue for a company is disastrous. I just don't see how it's efficient."

Christopher Corcoran also sees the need for in-person collaboration. Now the VP and GM at Sterling Communications in Los Gatos, CA, Corcoran worked at Chiat/Day's virtual PR firm as VP and account director in the mid-1990s.

"Part of what works in PR is that high dynamic when people come together," says Corcoran. "The collective wisdom is better than just the individual. But the virtual model did allow people to work on a piece of business when and where they wanted. It improved everyone's sense of responsibility, and encouraged them to be the best they could be."

Virtual firms concede their business model is not for everyone. Cynthia Stine founded PRTek in Dallas in 1994, and recently sold the firm. Like many virtual practitioners, she grew weary of watching junior people do all the work while the senior staff found itself more and more removed from the day-to-day operation. And while she cherished the flexibility and freedom of the virtual agency, she also says she lost some work because of it.

"Occasionally we lost business," Stine admits. "They just couldn't get over the idea. It was such a new concept at the time, it scared people. We did a pitch to Nortel in the late 1990s, but we ultimately lost the account because they couldn't get their mind around how it worked and that we weren't just a bunch of freelancers. We were a unified team."

### **Satisfied big-name customers**

[But for many, it's not an issue. Take Adobe Systems, developer of the Illustrator and Photoshop software, and BASF, the global chemical company. Both have worked with virtual firms for years, and never bat an eye over the virtual model.](#)

["I don't think about it," says Tim Fitzpatrick, director of public affairs at BASF, which uses virtual firm WordWrite. "I really use Paul and view him as an extension of staff. He understands what is going on. And I don't worry or even think that his agency is virtual, because I know Paul himself is working on it."](#)

WordWrite isn't the only PR agency BASF uses, but is part of a select few, much like at Adobe Systems, which uses traditional brick-and-mortar agencies like A&R Partners alongside virtual firm Big Sky Communications.

"The quality of the work is very high," says Rebecca Michals, Adobe's group PR manager. "It's completely transparent that they are virtual. I think the virtual model takes a certain level of maturity and a ton of discipline."

"We want to work with the best people, and that's what we do with our agencies, regardless of whether they are virtual."

But as these lean times make virtual agencies more attractive to both clients and those looking to start their own agencies, some virtual PR advocates say they now find themselves competing with the large agencies they once worked for.

"In this economy, everybody is vying for all the business they can find, including the smaller clients big firms typically ignore," says Big Sky partner Mary Devincenzi. "It's a very different climate for us than it was two years ago. But this business model puts us at an advantage because we come in at a very competitive price. And the model really is invisible to the client. We've never had a complaint."

### **What is a virtual PR agency?**

*Virtual PR agencies exist solely online in the communications between their practitioners and clients. They have their origins in the downturn of the early 1990s when casualties of agency cost-cutting decided to branch out on their own, but needed a low-cost and flexible business model.*

*One or two people typically run a firm from home offices, relying on a network of contractors and freelancers to produce the work.*

*They argue that they use the same people for each project, and thus have the advantage of knowing their teams well. This allows agencies to pull a seasoned team together when needed, and not have to pay a large staff during lulls in the workload.*

*Virtual agencies eschew a physical office and a large staff in order to reduce overhead, touting this as a means of providing senior-level expertise at lower, and therefore more competitive rates. They prefer to hold meetings with clients at clients' offices, and collaborate with their contractors via e-mail, instant messaging, and other online tools. However, many virtual firms struggle to convince potential clients that this relatively new model works.*