

It's Time to Take on Marketing Procurement

The approach you take depends on your organization's marketing procurement maturity

By *Chuck Hatsis*

Marketing is a substantial investment at most companies, often equaling double- and triple-digit millions of dollars each year and running as high as 3-5 percent of gross revenues. But despite its size, marketing tends to escape the financial scrutiny and sourcing rigor applied to other large spend categories. But herein lies a unique opportunity.

Experience from the field proves that many strategic sourcing and supply management principles are applicable to marketing, too, and will deliver the same or greater results. In fact, the author's experience suggests that savings averaging

8 percent are possible in as little as six months – without reducing total ratings points (TRPs), laying off staff, changing the media mix or changing ad agency support levels.

The simple truth is that marketing investments should be sourced as rigorously as every other major spend category in the supply chain. However, the tact to deploy depends on the maturity of your marketing procurement capabilities. With that in mind, this article outlines steps that any organization can take to improve its marketing procurement, based on its maturity level.

Low Marketing Procurement Maturity

Common characteristics among these organizations include a lack of C-level support – for example, from the CEO, CFO and/or chief marketing officer – for Procurement's involvement in sourcing marketing spend. As a result, performance evaluation criteria are misaligned between Marketing and Procurement, and Marketing neither trusts nor values Procurement's involvement.

Usually one also finds that few or no Procurement personnel have ever held marketing or ad agency positions. They might have sourced other categories, but not marketing, and they have never taken any marketing domain training. Consequently, marketing procurement in these organizations typically is performed exclusively by marketing functional subject matter experts (SMEs), and marketing spend management is decentralized across divisions, brands



and geographies. In addition, spend management and management reporting is almost always manual, Excel-based and done on a one-off basis.

Action Plan

Low maturity companies should first cement C-level support for trials or pilots and foster momentum based on the results. Senior-level involvement ensures that Marketing and Procurement mutually define “success” and align metrics accordingly.

On the personnel side, educate staff to be involved in marketing procurement through the Association of National Advertisers or via an “Intro to Marketing” class prior to their engagement in projects. Staff may also want to study under a marketing procurement specialist to acquire the necessary expertise before going it alone.

It will be important to centralize marketing spend management across divisions, brands and/or local regions – it is beyond the scope of this article to discuss how to do that, but this magazine and others have written about the tools and processes necessary for spend analysis and rationalization. In addition, these low maturity companies should consider investing in a marketing spend management solution like Aprimo.

Finally, in terms of an initial project, Procurement would be advised to “start small” by taking on a category like commercial print. Most marketers regard print as non-strategic and will therefore likely be more amenable to giving Procurement a shot. In addition, print can typically be sourced using a process similar to other spend categories that will be more familiar to your team, and it can deliver substantial savings that will help build your team’s momentum and credibility.

Medium Marketing Procurement Maturity

At organizations with a medium level of marketing procurement maturity, Procurement staff typically have sourced the lower-dollar, lower-strategic value spend categories, and have benchmarked agency costs and renegotiated contracts. Often these organizations include staff that have held line roles in the marketing function or at advertising agencies, and they might have experienced marketing procurement staff members that can mentor junior staff. By the time an organization reaches this level, Marketing and Procurement will have taken steps to align their functional performance evaluation metrics.

At this level, too, companies will be using some form of automated spend management and management reporting tools. This allows them to aggregate and manage spend centrally, at least within each country. These organizations may already be adding sophistication to their supplier management practices, for example, through audits, segmentation and supplier risk management.

Action Plan

These companies should build on investments in procurement personnel’s marketing and marketing-sourcing knowledgebase through advanced continuing education courses and industry conferences. At the same time, staff should look to take their supplier management sophistication to the next level, for example, through regular, structured senior-level meetings with strategic partner execs, regular supplier evaluations and continuous improvement summits.

Leveraging the tools that the companies have deployed, Procurement should focus on consolidating the

supply base within country borders and then selectively sourcing some services globally. This will set the stage for moving toward a global sourcing strategy. In addition, continually look for process automation and standardization opportunities, for example, by adopting creative briefing templates.

High Marketing Procurement Maturity

Advanced organizations typically have aligned performance objectives across Marketing, Procurement and the enterprise as a whole. They may hire professionals capable of playing marketing or GM roles, and they will organize their teams for optimal effectiveness, whether that means decentralized or centralized, centered or co-located. They are usually in-sourcing or outsourcing marketing procurement expertise strategically and cost-effectively.

These advanced organizations apply sophisticated demand management strategies to their consumption of services, first determining the most effective media mix for resource allocation, auditing programming-mix cost optimization to identify alternate efficient portfolios, and assessing ad production efficiency (for example, offshoring, simultaneous production or remote streaming). They also will typically be seen sourcing select categories globally.

In addition, these organizations may deploy decoupling strategies and establish preferred suppliers deeper in the spend, while also adopting Lean concepts with a continuous improvement orientation and communicating up and down the supply chain. Finally, in collaborating with vendors, advanced companies will often develop strategic supplier partnerships at the “C” executive level.

Action Plan

High maturity marketing procurement companies must still ensure alignment on functional performance evaluation goals and objectives on a continual – not “one-off” – basis. They also must not become complacent in terms of their organizational structure; as the market changes and the company itself grows or evolves, marketing procurement must be organized optimally to support Marketing business partners and the company as a whole by regularly asking questions like:

- Does a centralized, decentralized or center-led approach make the most sense?
- Should marketing procurement be co-located with Marketing or maintained within Procurement?
- Should this function report up through Finance or through Marketing?

The answers to those questions will vary over time, and companies must be prepared to make the organizational changes necessary to adapt to the current environment.

Staff skills must be kept up to date through attendance at industry conferences and keeping current on trends through journals, online forums and so forth. Executives should stay active in industry associations and

play leading roles in functional peer networks, too. Companies also should look at hiring talent at all seniority levels, versus “renting” talent through expensive consulting engagements.

These organizations should apply all this high-level talent and advanced demand management strategies to under-sourced areas, as well as to sourcing key services like creative agencies and media buying agencies, on a global basis. Executives should engage and team with strategic partners to continue automating processing, eliminating waste and continuously improving interactions between the two firms.

They also should use their sophistication and knowledge to take “game-changing” actions where possible, for example, through disintermediation, consortiums, strategic substitution and technology innovation. And, of course, even advanced organizations must review their technology platform regularly to ensure that they are utilizing all the functionality and automation offered by their system investments.

Conclusions

Before launching a slash-and-burn marketing cost cutting initiative,

remember that the companies with the strongest brands have market capitalizations three times greater than their peers. Marketing, when done right, produces tremendous shareholder value. Sourcing it properly requires an “investment, value optimization” mindset versus a “cost center, cost reduction, widget” one. If you don’t get this subtlety right, the (Marketing) body is guaranteed to reject the (Procurement) organ. And if you don’t have unwavering C-level executive support to begin with, point your sourcing resources elsewhere.

The recent recession has led companies to turn over previously unturned stones in an effort to discover latent efficiencies. Marketing is one of those stones, and the time to turn it over and take an analytical look at it is now. In the author’s experience, regardless of where you sit along the marketing procurement maturity spectrum, opportunities await you. ■

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