

upcoming webclinics

Today's webinar will start in a few minutes. Here is a list of upcoming webinars...

October 24—Turning Data Into Brand Stories

November 2—Defending Creative Work Without Getting Defensive

November 10—How To Manage Creatives

November 14—Confessions Of A Hypercritical Client: What Your Clients Are Not Telling You

See www.filamentinc.com for details



Before we start...

- You can hear us we can't hear you
- Audio or other problems? Exit and click the link previously sent in the registration email
- Got Questions? Click on Q&A button on screen or send to bob.linden@filamentinc.com
- Submit questions as we go through the webinar
- Tweet #filamentwebclinics

Engaging (Marketing) Procurement and Revamping the Compensation Dialogue

sjk advisory group has provided specialized financial management services to companies and their principals in the advertising, public relations, digital marketing, and media service industries since 1996.

Steve Koskela, Managing Principal, has years of senior financial executive experience in high profile advertising agencies blended with the credentials of a Big Four CPA firm background. Visit our website at www.sjkadvisory.com for further details on services and illustrative examples of client engagements. E-mail contact: skoskela@sjkadvisory.com

Engaging (Marketing) Procurement

Today's Discussion

- **(Marketing) Procurement: What is It? Who Are They?**
- **The State of Marketing Procurement - Then and Now**
- **Engagement Guidelines – Suggested Do's and Don'ts**
- **Procurement – Flashpoint for the Compensation Dialogue**
- **Why Costs and Benchmarking Are the Wrong Conversation**

Engaging (Marketing) Procurement

- Procurement in Marketing
 - Mostly a 21st Century Phenomenon
- How / Why Did It Come About?
 - Rise in agency compensation complexities
 - Emergence of labor-based cost formulas to justify fees
 - The glaring marketing / advertising budget line item
 - Perceived benefit of cost and process efficiencies
- So, who are these people rarely involved just 15 years ago?

Engaging (Marketing) Procurement

The Many Faces of Marketing Procurement

- The Generalist
- Cost Cutter
- Efficiency Expert
- Marketing Guru
- The Cop(Good, Bad, or “Just the Facts M’am”)
- The High Performer

1. Marketing procurement's role and responsibilities – 10 careers in one



SCOUT



NEGOTIATOR



INVESTIGATOR



THERAPIST



MATCH-MAKER



ATTORNEY



TRANSLATOR



FINANCIAL ANALYST



**MARRIAGE
COUNSELOR**



PROJECT MANAGER

Mary Ann Brennan, Senior Director Global Procurement, Mattel Inc.
Improving Agency Relations with Marketing Procurement presentation, 6/13/2017

Engaging (Marketing) Procurement

So, who / what is Marketing Procurement?

Initial Role: Price Negotiator, Contract Compliance, Auditor

Now?

CMO foil, scapegoat, or key marketing team player ??

Still evolving?

THE AGENCY BID

NOW THAT WE'VE SELECTED YOUR AGENCY
AS UNIQUELY TALENTED TO TAKE OUR
BUSINESS TO THE NEXT LEVEL, I'LL HAND
YOU OFF TO OUR PURCHASING DEPARTMENT
TO NEGOTIATE YOUR RATE



2010
ANA Survey Research Report
Procurement:
The Good, the Bad,
and the Ugly



Leading the Marketing Community

A Comprehensive Survey of Marketing Procurement Practices

- It's appropriately titled "The Good, The Bad, and The Ugly"
- "It's hoped that the results of this survey will be a wake up call to procurement. While there are good marketing procurement people... it's also apparent that are many others whose behavior can only be categorized as bad and/or ugly. The marketing procurement industry must rise-up to elevate its craft..."

Bill Duggan
Group Executive VP, ANA

The more evolved organizations with strong marketing and procurement ties have moved beyond cost savings and toward top-line growth. If the procurement folks were seen by marketing and agencies as being able to add value to the top-line, and if procurement was presenting case studies about how they do that, the dynamic would change.

Jim Akers

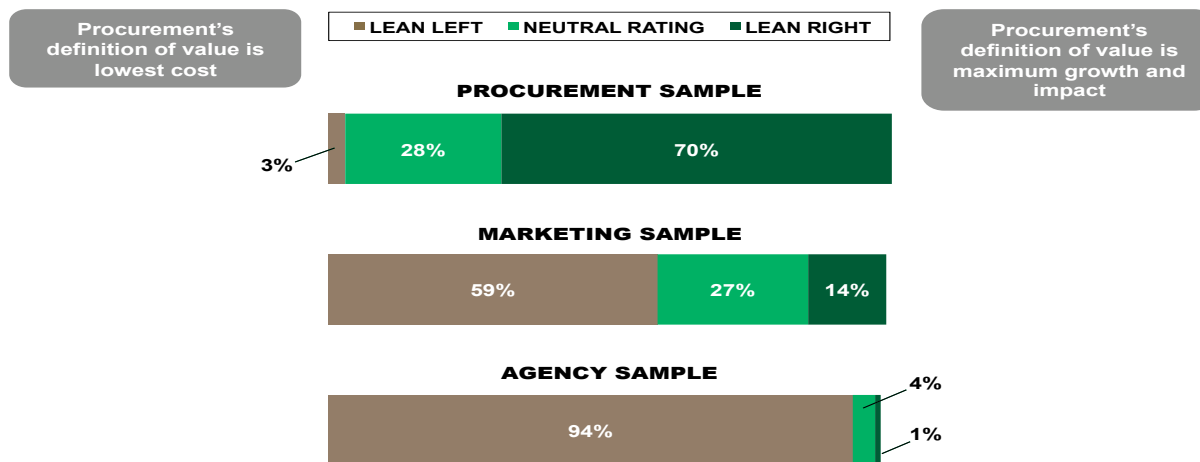
Senior Director, WW Procurement Global Category Lead, Commercialization and Communications
Pfizer Inc.



Perceptions of How Procurement Defines "Value"

Base: Total Sample

N = (76) (59) (90)



Q23. Please indicate where on the continuum below the procurement group stands in terms of its definition of what constitutes "value."

Source: ANA, 2010

NOTE: May not add to 100% due to rounding

I am struck by the disconnect between marketing and procurement. If the leadership at the company does not have an aligned goal that is well understood by both functions, there will be continued dysfunctional behavior. The success of these arrangements starts at the client.

Kim Kraus

Director, Brand Building Strategic Sourcing
The Procter & Gamble Company



Perceptions of How Procurement Views The Marketing Function

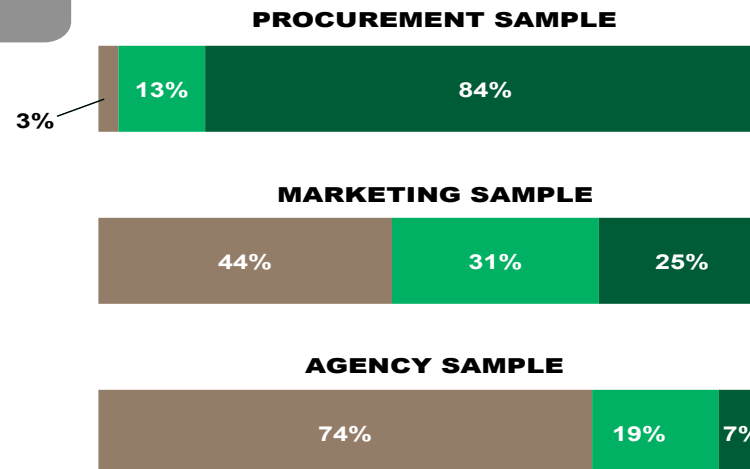
Base: Total Sample

N = (76) (59) (90)

Procurement views marketing as an expense to be minimized

LEAN LEFT NEUTRAL RATING LEAN RIGHT

Procurement views marketing as an investment to be optimized



Q24. Please indicate where on the continuum below the procurement group stands in terms of its view of the marketing function.

Source: ANA, 2010

NOTE: May not add to 100% due to rounding



"...And The Survey Says..."

	Procurement	Marketing	Agency
IS transparent in sharing goals in compensation negotiations	82%	34%	22%
IS knowledgeable in marketing/advertising	90%	36%	14%
IS strategic	92%	32%	7%
Procurement treats agency services as a commodity	16%	59%	91%
In procurement-led reviews, price often trumps quality and innovation of work presented	8%	63%	82%



Leading the Marketing Community

Survey Conclusions:

- Gaps between procurement / marketing and procurement / agencies are wide and dramatic.
- Differences with agencies not totally unexpected, but differences with marketing are TROUBLING.
- Clarify the mission: Cost-cutting / efficiencies v. top line growth.
- Critical need for marketing education and training.

Engaging (Marketing) Procurement

What Does Today's Procurement Look Like? A Very Unclear Picture –

- Status Quo?

Process, Price Negotiation, Cost Control, Contracts

- Has it Evolved?

Efficiency to Effectiveness of Marketing / Advertising?

- New Horizons?

Agility, Analysis, Accountability (Transparency)

AdAge PepsiCo Eliminates Its Marketing Procurement Department

Responsibility for Agency, Media Oversight Shifted to Brand Teams

By [E.J. Schultz](#)

Published: November 12, 2015



Credit: PepsiCo

PepsiCo has eliminated its global marketing procurement department and will shift responsibility for overseeing agency compensation and other marketing activities to individual brands, Ad Age has learned. The move -- which resulted in some layoffs -- could lead to significant changes in how [Pepsi](#) deals with its agencies as well as spark a broader conversation across adland about the value of corporate procurement departments.

"We continue to evolve our operating model to be more efficient and effective. These changes are made with careful consideration and are necessary for us to stay competitive while meeting the future needs of our business," a PepsiCo spokesman said in a statement to Ad Age. "Unfortunately, as a result of these changes, some positions have been impacted. These are never easy decisions but we are committed to supporting affected employees by offering severance packages and comprehensive career transition support."

Related Stories

The CMO's Guide to Agency Procurement

Jack Neff

Survey: Vast Majority of Procurement Execs Pressured to Cut Agency Fees Annually

Jack Neff

Engaging (Marketing) Procurement

Do's and Don'ts

- Do know which of the species you're dealing with.
- Do try to understand the relationship of procurement to the CMO/marketing team.
- Do respect the authority / perspective / experience procurement may be bringing to the party.
- Do be prepared to explain the marketing / budget strategy that you're advocating.
- Do come to the table with a compensation (ie, pricing) point of view that focuses on results and outcomes.
- Do be confident in capabilities and value of services - stay positive and assertive.

Engaging (Marketing) Procurement

Do's and Don'ts

- Don't EVER assume that one procurement encounter will be like the next.
- Don't either submit to or promote 'divide and conquer' as a strategy. NO separate dialogues.
- Don't dismiss concepts / suggestions presented by procurement without marketing dept. support.
- Don't delay in establishing a relationship with procurement – expect that review and re-orientation will be required.
- Don't compromise on mission or quality based on a purely cost-driven discussion.

Engaging (Marketing) Procurement and Revamping The Compensation Dialogue

- Flashpoint for the Agency Compensation Dialogue
- Cost v. Outcomes, Expense v. Investment, Magic v. Logic
- Diverse Procurement POVs

Engaging (Marketing) Procurement and Revamping The Compensation Dialogue

From a former global marketing procurement director
of a worldwide beverage brand:

“We know that expensive good ideas are a lot cheaper
than cheap bad ones.”

and

“If our models for rewarding agencies don’t hit the
mark, we will end up getting the reserve team.”

Engaging (Marketing) Procurement and Revamping The Compensation Dialogue

But then there's this from the former VP of consumer marketing of a global pharmaceutical giant –

“...This is an idea driven industry, and in our business more lives are saved by a great idea than a mediocre one. But you can get a good idea in the shower in five minutes or after two or three months of difficult research and analysis. **We're just seeking verification of what we're paying for...**”

Translation Please?

Revamping the Compensation Dialogue

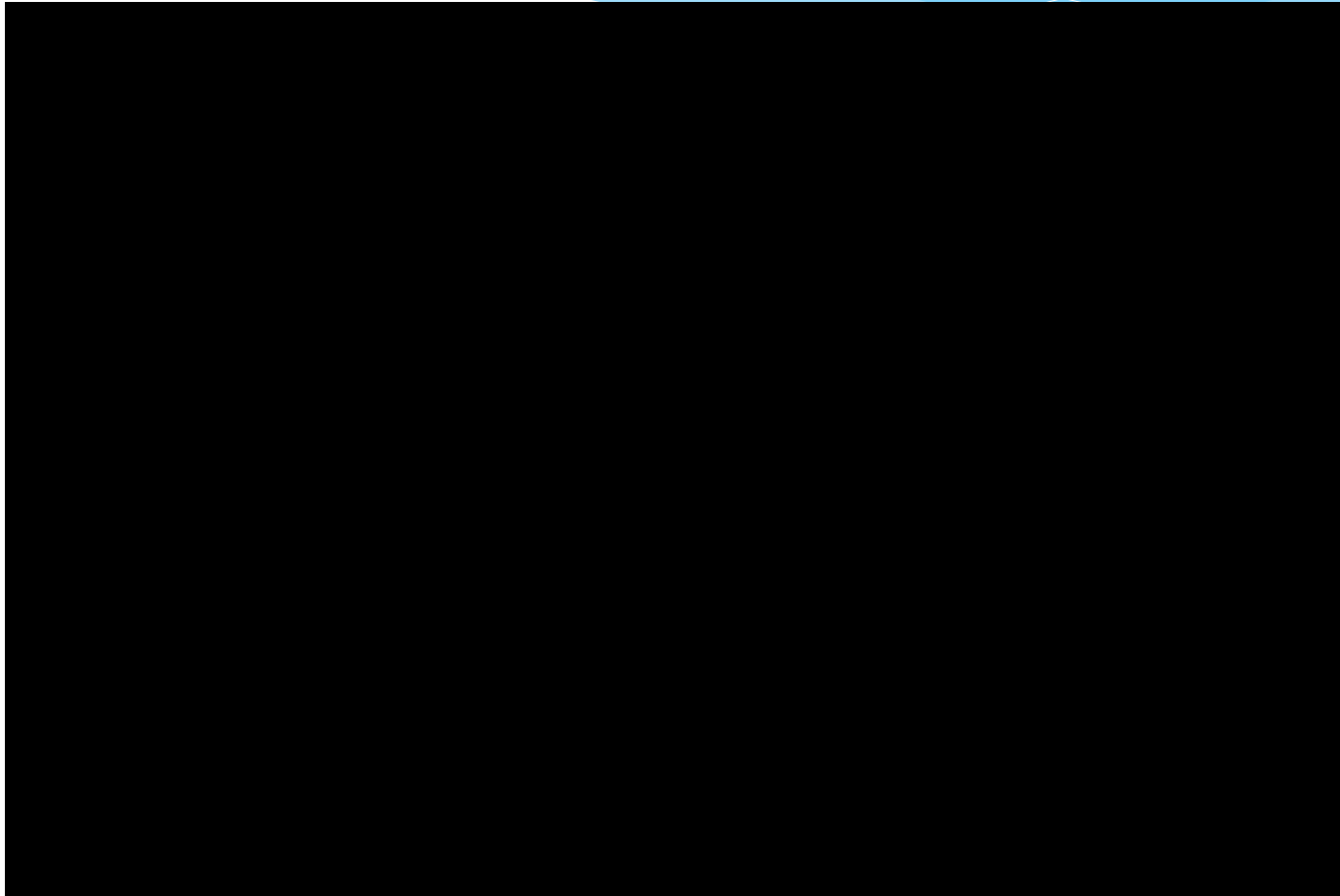
Value (Benefits, Outcomes) vs. Costs and Time for Doing Things

Efficiency (Process) vs. Effectiveness of Ideas (Results)

LISTEN to the Legends

Revamping the Compensation Dialogue

David Lubars, Chairman-CEO, BBDO



Revamping the Compensation Dialogue

Lee Clow, Chairman/TBWA – Media Arts Lab
Advertising Hall of Famer, long time CCO, Chiat/Day



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Revamping the Compensation Dialogue

And from yet another industry creative icon –
Steve Hayden, retired-Vice Chairman, Ogilvy & Mather

“Using procurement to negotiate for creative services makes about as much sense as asking Andy Warhol to fill out timesheets. The result is what you’re looking for, not the number of pieces of paper it took to get to that result.”

Revamping the Compensation Dialogue

Paula Scher, Designer

The Story of the Citi Logo and the Irrelevancy of Hourly Billing



<https://vimeo.com/18839878>

<https://vimeo.com/hillmancurtis/artist-series-paulascher>

Revamping the Compensation Dialogue

A Few Self-Reflective Questions –

- Are We Really in the Business of Selling Time?
- Are We a Factory or a Think Tank?
- Should We Be Taking a Stand on Value?

A New Compensation Doctrine

Getting from Here to There

- Embrace the change in business philosophy
- Value is by definition a subjective notion
- Focus on Value of Output, not Cost of the Inputs
- Defining Objectives and Scope of Benefits –
the Critical (client-driven) Cornerstones
- Reject efforts to benchmark or standardize costs

A New Compensation Doctrine

Getting from Here to There

- Remain confident that services are unique and valuable
- Acknowledge that procurement can play a role in determining the value of agency services
- Recognize that pricing is a specialized skill and discipline
- The Power of ‘No’

Accept that some of the best deals are those **NOT** done



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