

Elevating the Role of Marketing Procurement

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Background

ANA fielded a survey in December 2012/January 2013 to better understand the metrics used to measure the success/contribution of the marketing procurement organization. The survey focused on:

- The metrics, both current and ideal, used to measure the success/contribution of the marketing procurement organization.
- The importance, both current and ideal, placed on each respective metric.
- Alignment of success metrics between procurement and marketing.

There were 113 responses, and virtually all respondents were marketing procurement professionals at ANA member companies.

The specific metrics explored in this survey (and corresponding definitions provided to respondents) were:

- Agency/Supplier Performance Improvements
- Cost Avoidance: reduction of a price that would have otherwise been paid if not for the direct intervention of procurement
- Cost Reduction: typically, savings year over year (paid \$100K for X last year and \$95K this year)
- Improve Brand Health Metrics: could include awareness, Net Promoter Score, purchase consideration, etc.
- Improve Marketing ROI
- Industry Intelligence: awareness of benchmarks and best practices
- Innovation: identify emerging trends and bring new ideas to the organization
- Internal Stakeholder Satisfaction from Marketing
- Process Improvements: both internally and with suppliers
- Risk Mitigation: typically either (a) ensuring the financial stability of a supplier and/or (b) having appropriate contract language to protect the organization/company
- Sales/Market Share Increases

This survey is an initiative of the ANA Procurement Task Force, whose mission is to (a) define and elevate the role of marketing procurement and (b) close the “gaps” on the value of procurement between procurement and internal marketing as well as procurement and external agencies.

We supplemented the qualitative work with qualitative interviews (through March) of about a dozen individuals to probe deeper on specific issues. Those interviewees consisted of survey respondents and members of the ANA Procurement Task Force.

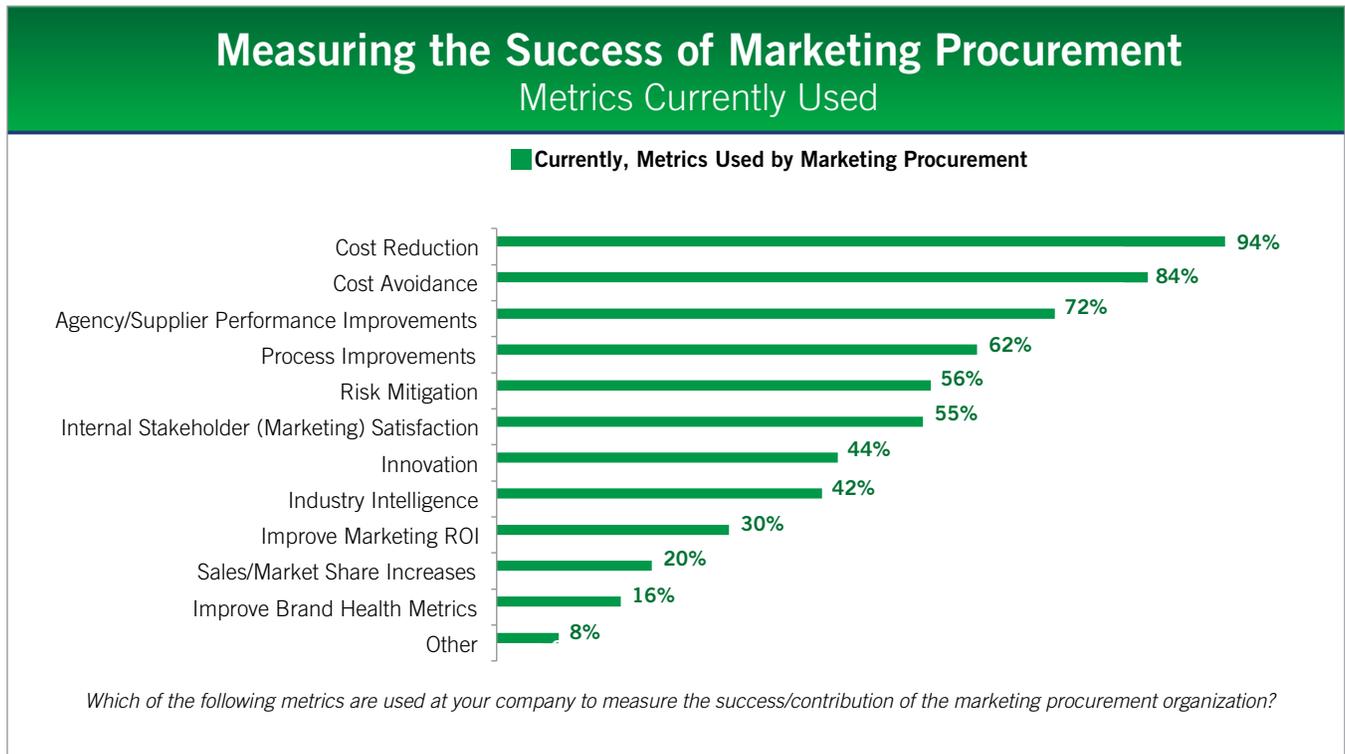
June 2013

Key Findings

Metrics Currently Used to Measure Success of Marketing Procurement

Respondents were first asked to identify the metrics currently used at their respective companies to measure the success/contribution of marketing procurement.

It’s no surprise that the top ranked metrics are cost reduction (94 percent) and cost avoidance (84 percent).



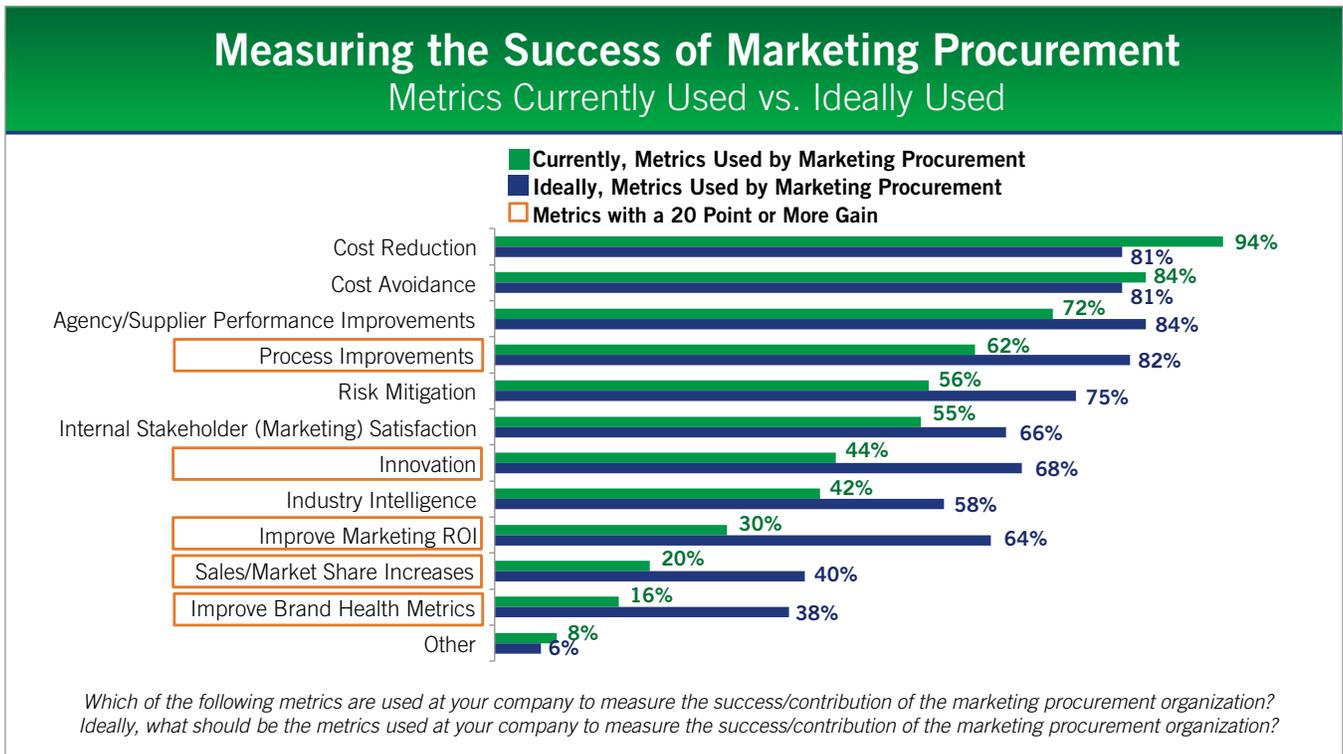
Ideal Metrics

Respondents were then asked to identify the metrics that should *ideally* be used to measure the success/contribution of marketing procurement.

The top ranked ideal metrics are agency/supplier performance improvements (84 percent), process improvements (82 percent), cost reduction (81 percent), and cost avoidance (81 percent).

Interestingly, there were significant increases (by 20 or more points) for a number of metrics between current use and ideal use:

- Improve Marketing ROI: from 30 to 64 percent (+34 points)
- Innovation: from 44 to 68 percent (+24 points)
- Improve Brand Health Metrics: from 16 to 38 percent (+22 points)
- Process Improvements: from 62 to 82 percent (+20 points)
- Sales/Market Share Increases: from 20 to 40 percent (+20 points)

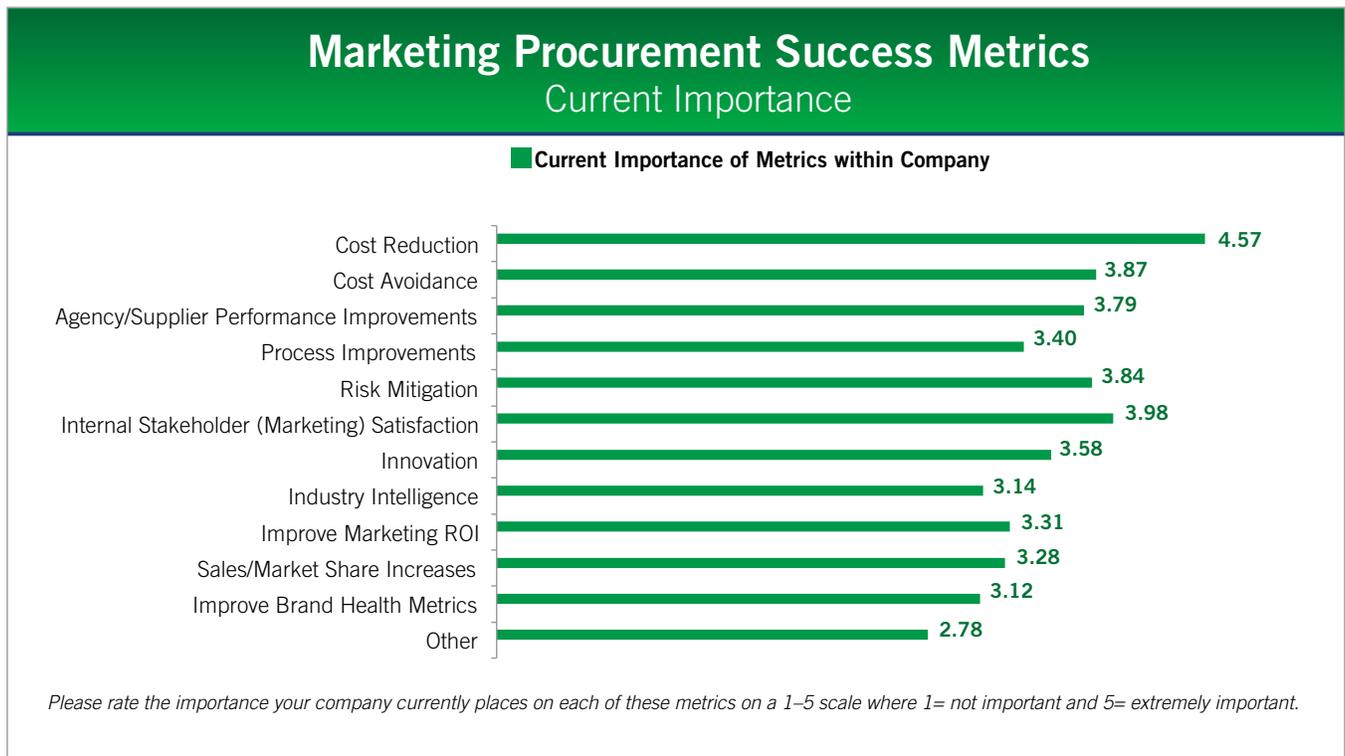


Current Importance of Metrics

Next, respondents were asked to rate the importance their company currently places on each metric.

Cost Reduction, far and away, is the most important metric currently used to measure the success of marketing procurement. Internal Stakeholder (Marketing) Satisfaction, Cost Avoidance, and Risk Mitigation rank next in importance.

Note that respondents rated each metric on a 1–5 scale, where 1 = not important and 5 = extremely important.



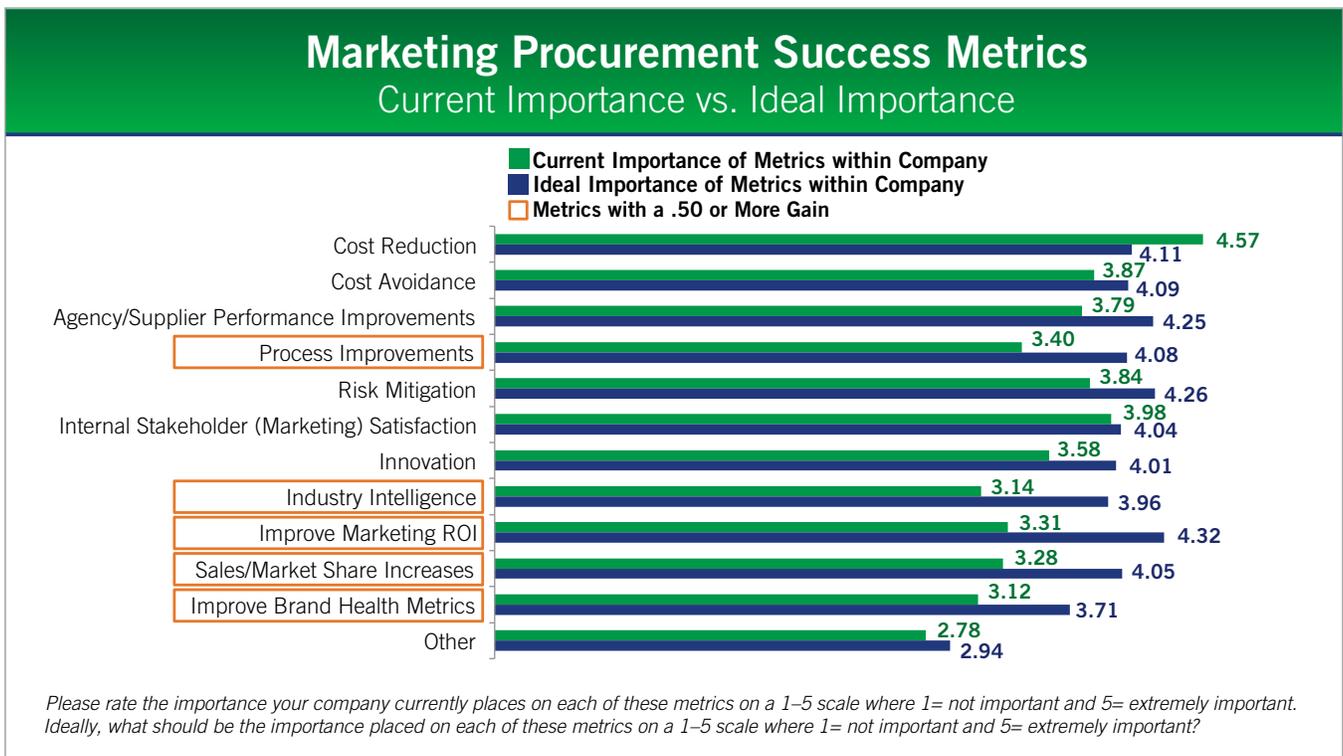
Ideal Importance of Metrics

Respondents were then asked, “Ideally, what should be the importance placed on each of these metrics?”

The top ranked metrics for ideal importance are Improving Marketing ROI, Risk Mitigation, and Agency/Supplier Performance Improvements.

There were significant increases (by 0.50 or more gain) for a number of metrics between current importance and ideal importance:

- Improve Marketing ROI (+1.01 points)
- Industry Intelligence (+0.82 points)
- Sales/Market Share Increases (+0.77 points)
- Process Improvements (+0.68 points)
- Improve Brand Health Metrics (+0.59 points)



Metrics with Greatest Ideal Increases

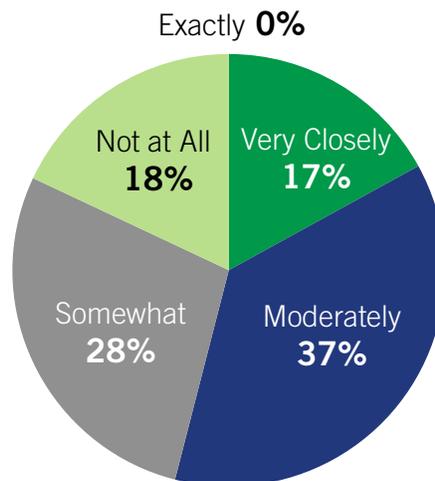
The metrics that increase in both “ideal use” (by 20 or more points) and “ideal importance” (by 0.50 or more gain) are:

- Improve Marketing ROI
- Sales/Market Share Increases
- Process Improvements
- Improve Brand Health Metrics

Aligning Success Metrics for Marketing Procurement and Marketing

The final core question in the survey asked about the alignment of success metrics between marketing procurement and marketing. We found that these metrics are not closely aligned in most firms.

Aligning Success Metrics



In your organization how closely are the success metrics for marketing procurement aligned with the success metrics for marketing?

“Marketing’s goals should be our goals in theory, but typically procurement organizations have separate metrics — we rarely get credit for the sales generated by our efforts, but should be.”



Kim Johnson, Group Vice President, Strategic Sourcing Lead, Marketing

Results By Procurement Maturity

Respondents were asked to note the number of years that their organization has had a marketing procurement department. We then looked at results by the maturity of the respondent's marketing procurement organization, defined as:

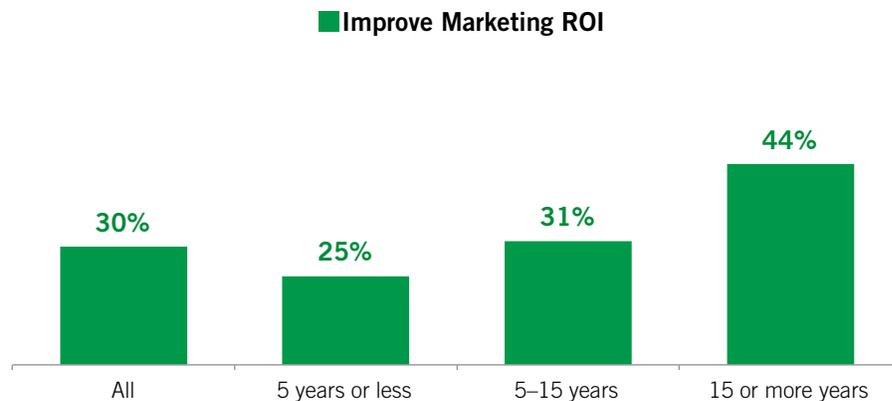
- Less mature: five years or less (36% of survey sample)
- More mature: five to 15 years (48% of sample)
- Most mature: 15 or more years (16% of sample)

Improve Marketing ROI

It is important to note that the more mature the marketing procurement organization is, the more likely it is that Improve Marketing ROI is a metric used.

Improve Marketing ROI was the metric that had the biggest increase in both "ideal use" (+34 points) and "ideal importance" (+1.01 points).

Currently Used as a Measure for Success Procurement Maturity



Which of the following metrics are used at your company to measure the success/contribution of the marketing procurement organization?

"Procurement should be thinking about marketing ROI constantly. If you're not thinking about this, you're not thinking about the broader business."



Holli Levine, Associate Director, Procurement

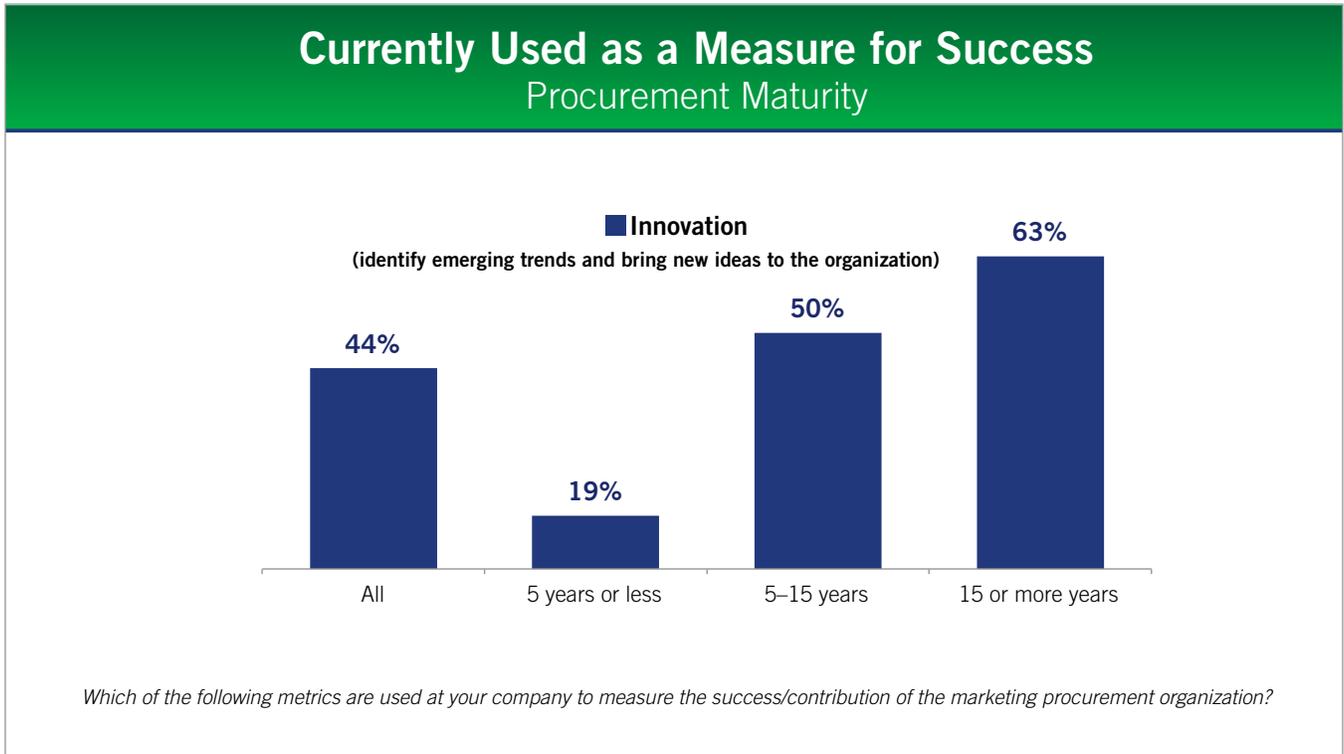
"At BI, procurement is directly involved with conducting marketing mix studies and analyzing the direct impact of all marketing variables. Based on that analysis, adjustments and budget allocations are shifted and optimized."



David Dobbins, Director Global Media, Sourcing

Innovation

Innovation (defined as identify emerging trends and bringing new ideas to the organization) is another metric which increased in use — in this case very dramatically — based on the maturity of the marketing procurement organization.



“Innovation can only be achieved when procurement fully understands your stakeholders’ business. Innovation is a partnership with agencies and marketing.”

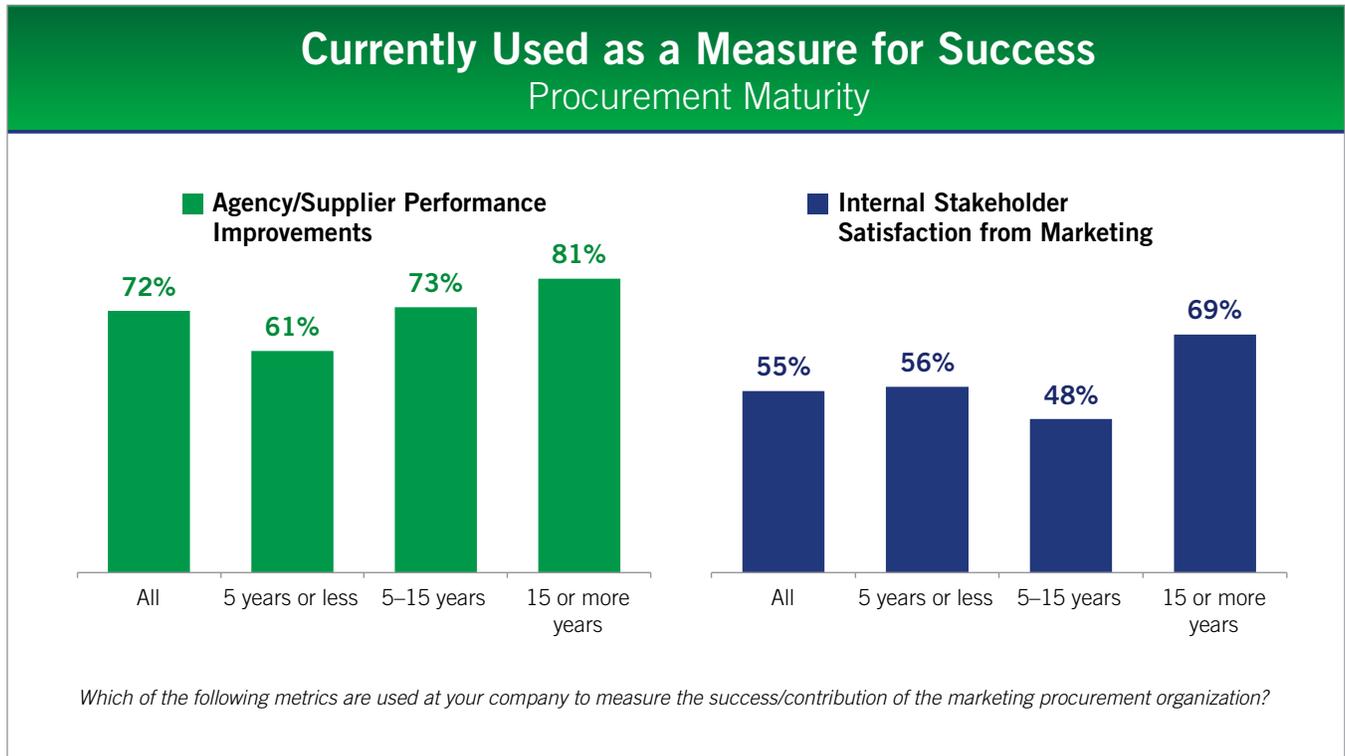


Kate Short, Marketing Procurement Group Manager, North America

Agency/Supplier Performance Improvements and Internal Satisfaction from Marketing

Agency/Supplier Performance Improvements increase with procurement maturity, peaking at 81 percent for companies whose marketing procurement departments are most mature.

Internal Stakeholder Satisfaction from Marketing also peaks for firms whose marketing procurement departments are most mature.



“As with any relationship, the key to closing gaps and gaining alignment is open communication. It is essential for marketing procurement professionals to build strong relationships with marketing colleagues and initiate a dialog on success metrics.”

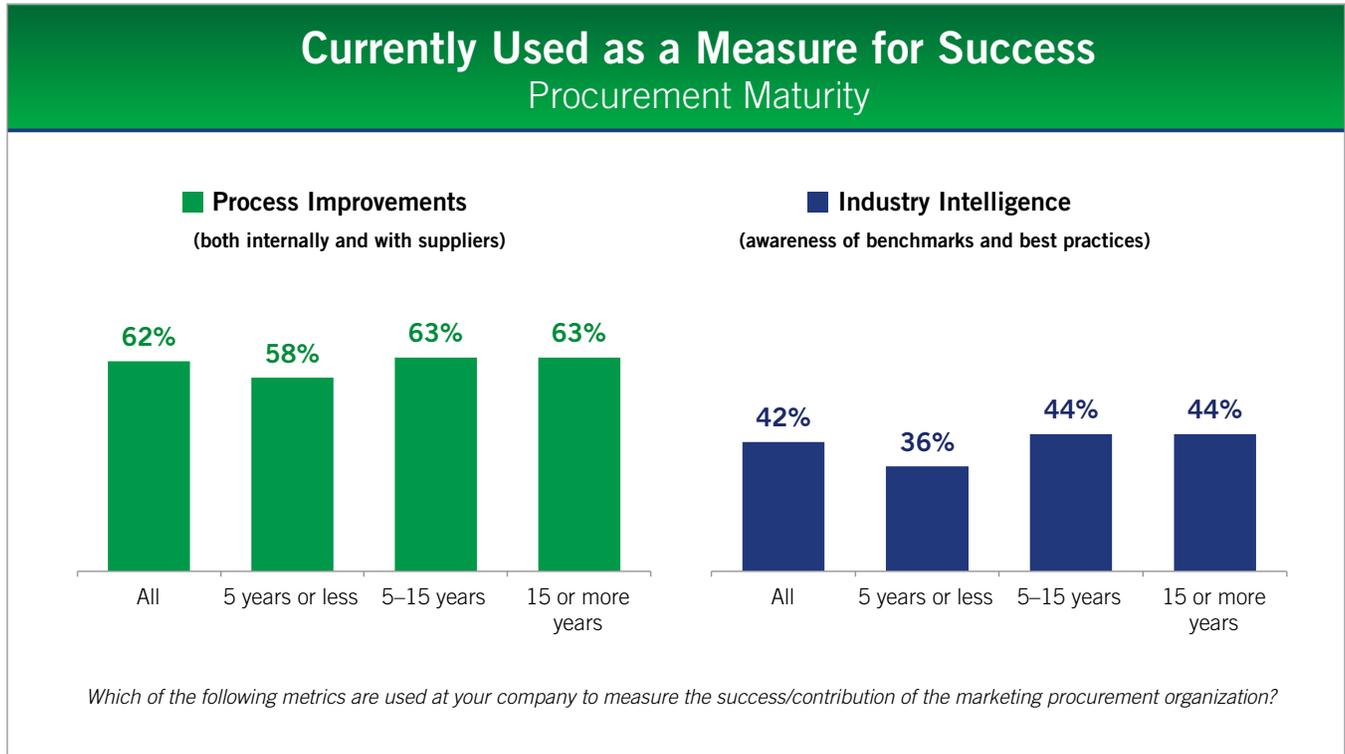
Johnson & Johnson

Sal Vitale, Category Leader, Media Procurement

Process Improvements and Industry Intelligence

Current use of Process Improvements — both internally and with suppliers — is high and relatively flat across the various levels of procurement maturity.

Industry Intelligence is also relatively flat across the various levels of procurement maturity, and the peaks are lower.



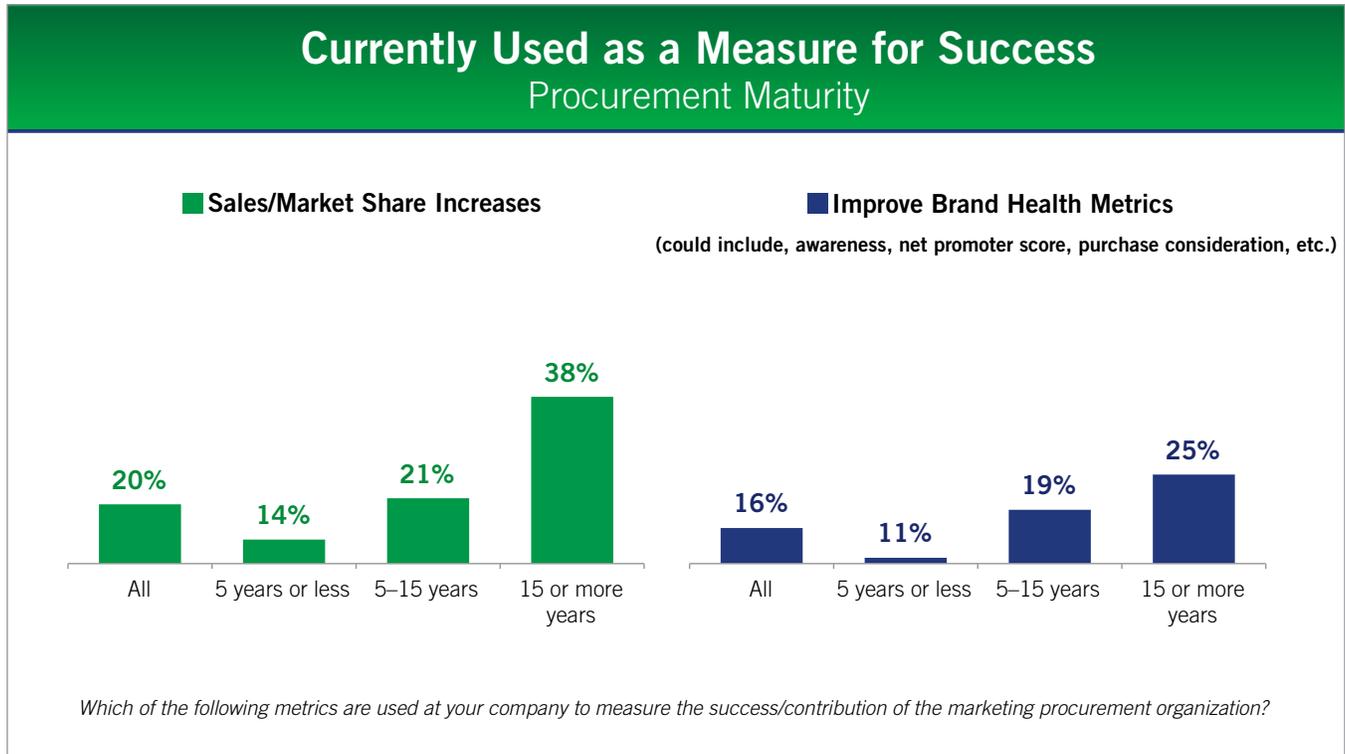
“At 3M, Procurement is involved with how we are recording data, which leads to ROI measurement.”



Melani Howard, Sourcing Manager

Sales/Market Share Increases and Improve Brand Health Metrics

The business metrics of Sales/Market Share Increases and Improve Brand Health Metrics both increased with greater maturity. However, both have relatively low peaks among respondents working within the most mature marketing procurement organizations.



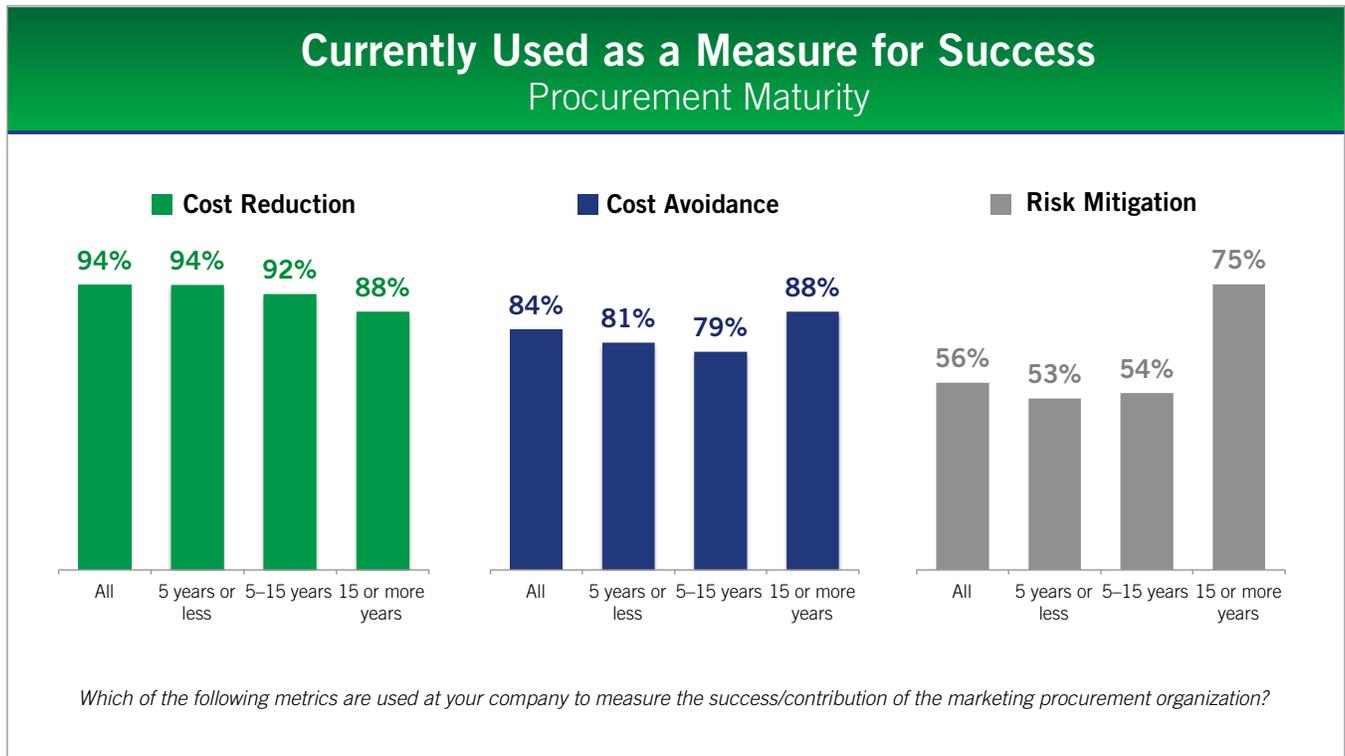
“Marketing procurement has evolved beyond a blunt instrument of simple cost cutting based on spend aggregation. As a discipline within most organizations, marketing procurement and strategic sourcing are now seen as integral players in driving sales and building competitive differentiation. These efforts will certainly include maximizing the efficiency of marketing investments. However, the focus has shifted from simply trying to maximize the sheer volume of services for money being spent, to understanding the return of those investments as part of the company’s growth strategies.”



Terri Burns, Strategic Sourcing Consultant

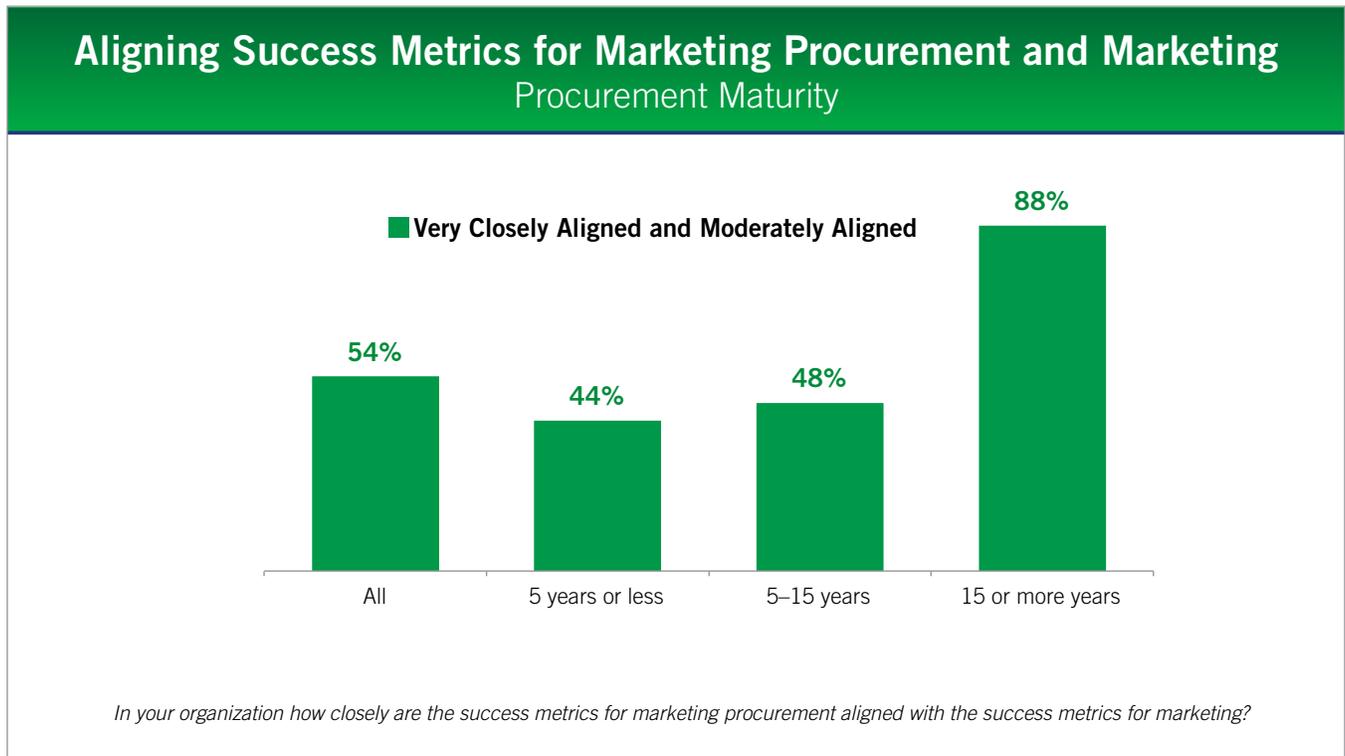
Cost and Risk Metrics

Cost Reduction and Cost Avoidance are metrics highly used at all stages of procurement maturity. Meanwhile, Risk Mitigation usage increases dramatically for more mature procurement organizations.



Aligning Success Metrics for Marketing Procurement and Marketing

Earlier it was noted that the success metrics for marketing procurement and marketing are not closely aligned in most organizations. However, alignment increases dramatically with marketing procurement maturity.



“Success to us now is when marketing calls me up and asks ‘Can you help me solve this problem so that I can get a greater return on my marketing investment?’ And this is happening more and more each day.”



Ron Jensen, Director, Financial Synergies

Qualitative Perspective

We supplemented the quantitative work with qualitative interviews of about a dozen individuals to probe deeper on specific issues. These interviewees consisted of survey respondents and members of the ANA Procurement Task Force.

Risk Mitigation

Use of Risk Mitigation was 75 percent among individuals working in the most mature marketing procurement organizations. In our qualitative interviews, there was strong perspective that sensitivity to risk increases with experience and maturity.

- “When you are brand-new, you are likely looking at standard issues regarding risk. As you mature, you learn over time and can go beyond.”
- “With experience, one can recognize what the risks could be and have more familiarity with all the places risk is hiding. With that maturing, one is less likely to say ‘no’ and more likely to say ‘how’ to get things done.”
- “Risk mitigation is not sexy or exciting, but as you get more mature and have more experience, you recognize the important of strong controls.”

Some specific areas of Risk Mitigation mentioned include:

- Financial stability of suppliers. Noted in particular are suppliers which support products getting ready to launch and suppliers in the digital space (many of which are newer, less established companies).
- Global business issues, including management of foreign exchange rates
- Intellectual property

Innovation/Process Improvements and Agency/Supplier Performance Improvements

The metrics of Innovation, Process Improvements, and Agency/Supplier Performance Improvements are related. In our qualitative interviews, a number of specific examples were cited for those.

Agency Management

- 360-degree evaluations (i.e., client evaluates agency and agency evaluates client) have helped identify process improvement opportunities
- Enhanced collaboration of agency offices globally
- One member referenced the process improvement of reducing the direct points of contact at agencies and the resulting efficiencies of that.
- Explore different compensation models; creative ways to link agency performance to fees

Briefing

- Standard agency briefing tools

Creative Reviews

- Upfront agreement on number of creative rounds (and some have even included that in contracts)
- Track the number of hands that “touch” a given project from beginning to end, at both the client and agency, to identify opportunities for greater efficiencies
- Creating more internal efficiencies for approvals and reviews of work so that senior management time is used more efficiently. Procurement helps to create and manage that workflow so that decisions are made faster and smarter.

Media Management

- Centralized media budgeting, approvals, and billing
- Leading marketing mix studies to analyze the impact of media and marketing spend

Production

- Preferred suppliers, particularly for post-production activity, including directors, production, editing, dubbing/distribution, trafficking, and retouching (including direct sourcing from some suppliers)
- Have had agencies assign “regional production directors” to help client capitalize on the global production marketplace
- Decoupled production: for example, agency creates the master asset and then a separate production agency does adaptations, reformatting, etc. Decoupling allows agency to focus on its core competency, which is the “front end” creative.
- Upfront negotiations for talent options for possible uses in digital and other media
- Centralized tracking, cataloging, and storage of production assets
- Consideration of state commercial production incentives
- Offshoring some production, notably print

Scope of Work

- Standard SOW templates and standard time/staffing required for specific projects
- Centralized management of SOW (rather than done separately by individual brands)
- Aligned understanding between client and agency of what’s important and how that can be measured
- SOWs can have lots of “noise,” and there is opportunity to weed out legacy items that may no longer be needed (like competitive reviews)

As one ANA member said, “Production provides lots of opportunities for improvement, and low-hanging fruit, without getting into the shorts of the agency.”

Conclusions and Perspective

The discipline of marketing procurement is evolving. As a result, the types of metrics and measures of success vary depending on the maturity of marketing procurement within an organization.

Within all companies, marketing procurement must first begin by building the foundation. In this phase of maturity, applying fundamental procurement processes and disciplines can reap significant benefits by reducing waste, which should result in cost savings and/or avoidance.

Cost Reduction and Cost Avoidance remain the two most consistent metrics for measuring success across companies. However, with time, greater engagement and impact of marketing procurement drives the need for more advanced ways of assessing positive impact on the organization. Cost reduction for the pure sake of cost reduction is a short-term strategy and is not sustainable.

A key concept some organizations still struggle with is understanding marketing spend as an investment rather than a cost. Marketing is an investment to be maximized and not an expense to be minimized. In that context, the role of marketing procurement is to help maximize the investment in marketing activities. It is also critical that procurement approach its marketing and agency relationships with this perspective.

A good analogy would be your personal investment portfolio. When selecting a financial planner, your primary concern is whether the planner can maximize the value of your investments. Although the cost of engaging one firm versus another may be a consideration, it is secondary to your evaluation of their skill and competency, including risk management. With your financial security at stake, finding the “lowest cost” financial planner is likely not be the best approach.

Likewise, marketing spend is an investment which companies make to grow their businesses. Aligning your company with the right set of marketing partners is crucial for the business to achieve its growth objectives. As a result, the role of marketing procurement cannot be short-sighted, focused exclusively on relentless cost reduction and the lowest-cost options. Instead, marketing procurement should ideally work to ensure every dollar is invested to deliver maximum growth and profitability. Procurement should initiate innovation and process improvements, which then lead to reduced costs. Savings is not the goal; it is the by-product.

As a result of the expanded vision of marketing procurement, it must evolve from a tactical role (cost reduction) to a more strategic one. The top ranked metric for ideal importance is Improving Marketing ROI. Additionally, we see other, more sophisticated metrics emerging: Process Improvement, Innovation, and Market Share Increase. These measurements capture a longer-term perspective of the value delivered by marketing procurement. They are more challenging, but ultimately more meaningful to the organization’s success.

The most mature marketing procurement organizations have progressed on their respective journeys to embrace more strategic metrics. Less mature marketing procurement organizations are encouraged to learn from the experiences and best practices of their more mature peers to expedite their progress.

Finally, procurement needs to more closely align the measures of success with marketing colleagues. It is incumbent on procurement to initiate those conversations and build relationships that establish trust and credibility. Focusing on an integrated methodology for evaluating success against the company’s broader growth objectives is one of the best ways procurement can ensure sustainable relevance.

Appendix I

Summary of Current/Ideal Use and Current/Ideal Importance

	Currently Used	Ideally Used	Current Importance	Ideal Importance
	%	%	1–5 scale	1–5 scale
Cost Reduction	94	81	4.57	4.11
Cost Avoidance	84	81	3.87	4.09
Agency/Supplier Performance Improvements	72	84	3.79	4.25
Process Improvements	62	82	3.40	4.08
Risk Mitigation	56	75	3.84	4.26
Internal Stakeholder (Marketing) Satisfaction	55	66	3.98	4.04
Innovation	44	68	3.58	4.01
Industry Intelligence	42	58	3.14	3.96
Improve Marketing ROI	30	64	3.31	4.32
Sales/Market Share Increases	20	40	3.28	4.05
Improve Brand Health Metrics	16	38	3.12	3.71
Other	8	6	2.78	2.94

The metrics that increase in both “ideal use” (by 20 or more points) and “ideal importance” (by 0.50 or more gain) are Process Improvements, Improve Marketing ROI , Sales/Market Share Increases, and Improve Brand Health Metrics.

Appendix II

Procurement Maturity of Respondents

	Under 1 year Used	1 year to under 3 years	3 years to under 5 years	5 years to under 10 years	10 years to under 15 years	15 years to under 20 years	20 years to under 30 years	30 years or more	Don't know/ Not sure
You as a Procurement Professional	1.0%	11.0%	15.0%	21.0%	23.0%	14.0%	11.0%	3.0%	1.0%
You as a Marketing Procurement Professional	4.9%	18.4%	19.4%	22.3%	17.5%	10.7%	4.9%	1.9%	0.0%
Your organization with a Marketing Procurement department	2.9%	11.5%	20.2%	28.8%	17.3%	9.6%	3.8%	1.9%	3.8%

The average procurement maturity of survey respondents is:

- 11.6 years for “You as a Procurement Professional”
- 8.8 years for “You as a Marketing Procurement Professional”
- 9.0 years for “Your organization with a Marketing Procurement department”

Appendix III

Survey Questionnaire

1. Which of the following metrics are used at your company to measure the success/contribution of the marketing procurement organization? Check all that apply.
 - Agency/Supplier Performance Improvements
 - Cost Avoidance: reduction of a price that would have otherwise been paid if not for the direct intervention of procurement
 - Cost Reduction: typically, savings year over year (paid \$100K for X last year and \$95K this year)
 - Improve Brand Health Metrics: could include awareness, Net Promoter Score, purchase consideration, etc.
 - Improve Marketing ROI
 - Industry Intelligence: awareness of benchmarks and best practices
 - Innovation: identify emerging trends and bring new ideas to the organization
 - Internal Stakeholder Satisfaction from Marketing
 - Process Improvements: both internally and with suppliers
 - Risk Mitigation: typically either (a) ensuring the financial stability of a supplier and/or (b) having appropriate contract language to protect the organization/company
 - Sales/Market Share Increases
2. Now, please rate the importance your company currently places on each of these metrics on a 1–5 scale, where 1 = not important and 5 = extremely important. Please answer ONLY for those metrics checked in the previous question.
 - Agency/Supplier Performance Improvements
 - Cost Avoidance: reduction of a price that would have otherwise been paid if not for the direct intervention of procurement
 - Cost Reduction: typically, savings year over year (paid \$100K for X last year and \$95K this year)
 - Improve Brand Health Metrics: could include awareness, Net Promoter Score, purchase consideration, etc.
 - Improve Marketing ROI
 - Industry Intelligence: awareness of benchmarks and best practices
 - Innovation: identify emerging trends and bring new ideas to the organization
 - Internal Stakeholder Satisfaction from Marketing
 - Process Improvements: both internally and with suppliers
 - Risk Mitigation: typically either (a) ensuring the financial stability of a supplier and/or (b) having appropriate contract language to protect the organization/company
 - Sales/Market Share Increases

3. Ideally, what should be the metrics used at your company to measure the success/contribution of the marketing procurement organization? Check all that apply.
- Agency/Supplier Performance Improvements
 - Cost Avoidance: reduction of a price that would have otherwise been paid if not for the direct intervention of procurement
 - Cost Reduction: typically, savings year over year (paid \$100K for X last year and \$95K this year)
 - Improve Brand Health Metrics: could include awareness, Net Promoter Score, purchase consideration, etc.
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 - Industry Intelligence: awareness of benchmarks and best practices
 - Innovation: identify emerging trends and bring new ideas to the organization
 - Internal Stakeholder Satisfaction from Marketing
 - Process Improvements: both internally and with suppliers
 - Risk Mitigation: typically either (a) ensuring the financial stability of a supplier and/or (b) having appropriate contract language to protect the organization/company
 - Sales/Market Share Increases

4. Ideally, what should be the importance placed on each of these metrics on a 1–5 scale, where 1 = not important and 5 = extremely important? Please answer ONLY for those metrics checked in the previous question.
- Agency/Supplier Performance Improvements
 - Cost Avoidance: reduction of a price that would have otherwise been paid if not for the direct intervention of procurement
 - Cost Reduction: typically, savings year over year (paid \$100K for X last year and \$95K this year)
 - Improve Brand Health Metrics: could include awareness, Net Promoter Score, purchase consideration, etc.
 - Improve Marketing ROI
 - Industry Intelligence: awareness of benchmarks and best practices
 - Innovation: identify emerging trends and bring new ideas to the organization
 - Internal Stakeholder Satisfaction from Marketing
 - Process Improvements: both internally and with suppliers
 - Risk Mitigation: typically either (a) ensuring the financial stability of a supplier and/or (b) having appropriate contract language to protect the organization/company
 - Sales/Market Share Increases

5. In your organization how closely are the success metrics for marketing procurement aligned with the success metrics for marketing?
- Exactly
 - Very Closely
 - Moderately
 - Somewhat
 - Not at All

6. Please note the number of years that you personally have as a procurement professional and as a marketing procurement professional, as well as the number of years a marketing procurement department has been in existence within your organization. (Please use the arrows for a drop-down menu of options for your answer.)

- Under 1 year
- 1–3 years
- 3–5 years
- 5–10 years
- 10–15 years
- 15–20 years
- 20–30 years
- 30 or more years
- Don't know/Not sure

7. FINAL QUESTION -- Do you have any other thoughts, suggestions, or comments on the metrics used to measure the success/contribution of the marketing procurement organization?

Procurement Task Force Members

Terri Burns
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(Co-Chair)

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