

Précis:

The intelligent new business seminar

Embracing A New Age of Procurement

Held on 15th October 2009

At The Hospital, Covent Garden, London

Introduction

Most of us acknowledge a new age of procurement has dawned. With many of the companies we'd like to work with involving both marketing and procurement heads in key decisions, it's no longer possible to dismiss or pacify them with an isolated slide on ROI. In spite of this, our research confirms it's just a minority of agencies that fully address this fact in their new business processes.

It's clear we must embrace procurement not as a headache but as an intrinsic aspect of contemporary corporate behaviour. However with no two procurement departments operating the same way and with scrutiny that goes way beyond familiar new business dialogue, this is a challenge for many. So it was with this in mind that we hosted "Embracing A New Age of Procurement" aimed at clarifying a best practice for new business departments.

Panel

The format of the event was an open discussion led by the panel members:

Gareth Dixon, Founder and Planning Director, Rainmaker Consulting

Senior planner of new business campaigns for over 100 agencies from 1996 to the present, Gareth has an unrivalled grasp of the practical realities of a successful new business programme, and he chaired the seminar.

Richard Woodford, Category Manager (Advertising & Marketing) News International

As well as heading-up procurement of marketing services for News International, Richard chairs ISBA's Compag Group, which represents the interests of UK advertisers to procurement departments. He has held roles at Merck, Cadbury's and Compass. Richard provided forthright views on agency communications to procurement specialists from the clients' perspective.

Kerry Millett, Founder of Where

Founder of Mother and pioneer of a new approach to client services delivery. Since 2004, in response to challenges facing the marketing industry, Kerry has worked with top 10 agencies on improving processes, project management and systems – areas agencies benefit from hugely in their dealings with procurement teams. Kerry was particularly keen to help agencies do more than pay lip service to relationships with procurement professionals.

Julie Clarke, Owner of MROI

Julie has over 25 years of experience in the marketing and procurement environment for companies including Unilever and GSK. She has since set up her own company MROI, which offers consultancy and interim management specifically for procurement teams including Birds Eye, Egg, BT and Premier Foods. Julie provided insights on the more intricate workings of procurement departments across a number of sectors.

Martin Handyside, Founder of Where

Martin's agency experience includes JWT, Bates and Publicis, and his agency, WCSL, helped agencies such as BBH get off the ground.

Paul Duxbury, Owner of MSC

Paul is a founder of MSC, which specialises in helping marketing and procurement teams work better together to optimise marketing investments. He has worked with Shell, SABMiller, Diageo and Reckitt

Benckiser. Paul's specialist topic for our seminar was helping agencies communicate with both marketing and procurement decision-makers during the pitch and selection process.

Participants

Participants included amongst others: JFDI, Miles Calcraft Briginshaw Duffy, MS&L, DDB London, Omnicom Media Group, Jordan Design, Interbrand, Design Bridge, Ziggurat Brand Design, Synergy Sponsorship, Anthem Worldwide, Kaizo, W3Haus, Mayday Living Brands, Que Pasa, Wax Communications, Partnership Marketing Agency, Kindred, TPF Group, TwentyFirstCentury Communications, and AW Media.

Discussion points

How should agencies approach procurement?

When asked how agencies should approach procurement, Martin and Kerry at Where said it was about putting your delivery process at the heart of the pitch to a client, rather than waiting for procurement to pick holes and then find fault after the business has been won, which will have a corrosive effect on an ongoing relationship. In addition, agencies should look to communicate the efficiencies they have built into their delivery process, such as briefing, reporting, buying and production. These are easy areas to under-represent to procurement.

Transparency

Kerry said that agencies need to be far more transparent about where true accountability lies. This in itself will have the added benefit of reducing the need for revision loops, thus saving billable hours and cost to the client. Finally, taking the time to understand how a client's processes work, and then matching them with your own, not only helps to get procurement onside, it also helps you manage the work more efficiently, preventing problems later down the line. This might not be sexy, but it needs to be done.

Behaviour

Paul Duxbury felt that the most important thing agencies need to know is how to behave with procurement. Attitudes that promote greater efficiencies are what 'procurement' is looking for, rather than simple cost cutting. For example, agreeing and building into your service agreements what yours and the client's response rates should be on things like approvals and agreed tasks etc.

Measurement / KPIs

Julie Clarke told us that procurement people all like a good set of KPIs, as well as being able to build-in targets and bonuses for their agencies. She said these are partly based on the sales and profit an agency's work delivers, perhaps relevant for an above the line agency or a packaging design studio, but can also be based around attitudinal shifts - the kinds of things a Millward Brown tracker should be able to measure (and more relevant here for disciplines like PR though as well for ATL agencies). KPIs and therefore target-driven bonuses should also be tied to process metrics as it's not always about end results.

Richard Woodford told agencies to quiz clients as much as possible on *their* processes. This avoids the tendency that clients have of trying to penalize agencies for not bending to their systems by getting them out in the open early. He also said he has created a system where all the agencies at News International are bonused and rewarded on the same KPIs that he is, and made the point that he likes to keep measurement and evaluation relatively simple.

Who is the client?

Richard said that an agency's client would always sit within the marketing department and not in procurement. Going further, he said that he is not that interested in meeting creatives or account people; he is only interested in talking to finance directors and those that handle contractual elements of agency/client relationships. This is not because he lacks understanding of the creative process or is not interested in it, but rather that it is just not relevant to the procurement role. He recounts the countless awkward conversations he has had when account directors and creative directors have been asked to talk with him on procurement-based topics. Whatever you do don't send these people for these conversations was his advice.

ROI

Richard was very emphatic when talking about ROI. He said he has chaired ISBA's Compag group for four years working with the IPA and the finest analytical minds in the industry, and nobody has come up

with a definitive model to measure ROI from marketing activity. Therefore, he tends to think about value for money – what an agency can offer in terms of direct savings and what they can do in terms of innovative ways of working that will save time and administrative hours. On this point, agencies should keep a constant dialogue with their clients and point out where they are providing value for money. They should also point out where client demands are reducing the opportunity for value for money.

Full and frank discussion

For an industry that is based around good communication, both Richard and Julie felt that agencies were truly awful at having frank discussions with clients, especially if it involves bad news. Agencies they said, should be constantly asking: How are we doing (against your expectations)? How are we behaving?

Kerry suggested that agencies should tell clients what they've been doing, and if they've got bad news, they should tell the client, rather than waiting until the end of the year to explain why they've over-burned on client hours (for example).

The relationship between procurement and marketing

Gareth asked whether there were any templates that organizations use when putting procurement and marketing together? Paul explained that he sees a lot of procurement teams, and pointed out that the "enlightened" folk we have on the panel are not the norm in his experience, however procurement teams are less disengaged from marketing than they used to be. What you tend to see in today's organization is a "forced partnership", where perhaps the board have given procurement a mandate to organize or "sort out" marketing. This obviously leads to frictions, unease and competing motivations within a client - the top-line versus the bottom-line, the input versus the output and the cost versus the value. His advice to agencies is to assess whether the procurement and marketing department's relationship is disconnected, harmonious or fractious. He also made the well-received point that procurement often feels like the underdog in that they can only say no, never yes, and this has an impact in terms of corporate psychology.

Education

In answer to the cliché that procurement people buy agency services in the same way as they do paperclips, Richard urged agencies to educate procurement teams. If they don't 'get' marketing get them in to your agency and show them what you do.

Questions agencies should ask

Gareth asked the panel what agencies should ask at the outset. Interestingly, the procurement professionals answered in unison: "How are you 'bonused'?" Only by finding out how procurement is remunerated can you work out how to structure your pitch and an effective financial model. Paul suggested asking the marketing team how they work with procurement and then gauge the response.

Agencies are too passive

At this point, a question came from the floor complaining that agencies are often forced into responding to templates, which restrict creative solutions to things like remuneration and costs and that "we never get to see the 'magic number'". Richard responded by saying that he always has to work to a budget and that agencies for their part need to be more aggressive. He feels that over the last ten years, agencies have become too passive in the face of growing procurement involvement. They should have the confidence to push back and ask how the information requested by procurement is being used, how it relates to the brief and what the approval process is. Paul tempered this with the need to be cautious and to "play the game". For Julie it is about agencies giving procurement people the ammunition they need to take back to their bosses in order to make progress.

Pet hates

Other common mistakes, listed by Julie and Richard, include not handing over IP as part of the pitch process (something we felt we could hold a separate seminar on!) and changing the form that procurement issues to agencies. It was felt that these are designed to be easily and quickly completed. They can be too primitive. They ask for financials, but then any agency FD should know these backwards. Martin Handyside felt that agencies' natural tendency is to over-deliver. This should be checked at pitch, and throughout the working relationship, to ensure that the agency doesn't over-extend itself on a piece of business and find that they either lose money or have to increase the cost to the client.

A focus on profit not turnover

For Richard, agencies focus too much on turnover and not enough on profit. Turning this around makes life easier for both parties, as procurement is looking to make cuts, in many cases they receive bonuses on this. Bearing in mind they want a healthy relationship and a happy agency partner, they would rather cut your fees than cut your profits. The advice was to rearrange your costings to take this in to account.

Decoupling

This is an issue that has been on the scene for many years, indeed ISBA has been talking about the decoupling of creative from production for the last five years. Essentially agencies don't have to decouple if they are seen to be managing their client's money well. Paul felt the same, and that agencies

should be transparent about how and where they are spending the client's budget. He feels that the days of agencies getting their profits from production mark-ups and running their creative services teams at break-even or loss are gone – if you haven't stopped doing this, then you will be found out sooner or later. Julie pointed out that procurement people are paid to be suspicious and think nothing of talking to production suppliers directly to check rate cards against agency quotes.

Magic and logic

Paul made the point that agencies are taken on for their strategic and creative expertise not their production knowledge. Julie made it clear that clients expect agencies to be able to buy in the best people for each job i.e. to be able to spend a client's money well.

Relationship Building

A question from the floor was that procurement is sometimes guilty of handing work to people they know, so how should agencies combat this? Richard said that new business is a long-term game and so relationships need to be built with procurement over time. Gareth said that this is a tenet of Rainmaker's approach to the subject and is really the only effective way to influence otherwise closed shops. Richard also said that for him referrals work, and so he urged agencies to put forward clients to be used as recommendations.

Negotiation

When it comes down to agreeing fees and costs all the panellists were unanimous in the need for agencies to be absolutely honest with costs. Don't put in 10% in order for procurement to take 10% out. This always raises red flags. Julie told agencies to avoid "nickel and diming" – present your package price based on the team and resources you need to deliver the work. If the client wants to come down on this price, that's fine but you should then re-engineer the package to suit that new cost e.g. a different team make-up, fewer approval stages etc. Richard suggested that if a client asks for a 10% reduction then show how you can help them reach that – e.g. cutting on meetings off-site, more teleconferences, less travel. Essentially, if you give procurement something, they will usually be happy to give something in return.

In conclusion

Be Direct - procurement has its own agenda and will protect it. Agencies should be direct and ask what the agenda is and then formulate a response to match it.

Communicate – be clear about what you are offering clients in terms they understand – efficiencies, savings etc. But also be honest about bad news – overspends etc.

Assertive – don't let procurement teams push you into unprofitable relationships. Be honest about what you can deliver within the constraints (budgetary and otherwise) that they place upon you.

Transparency – this sounds like an obvious point, but from the seminar made it clear that more needs to be done here. Don't bump up costs in the pitch expecting them to be cut. Don't hide mark-up in production. There are incentives in place to ensure this is detected and you will then be penalized for it.

Build Relationships – procurement people are risk-averse and like working with what (and who) they know. Invest in building relationships over time and ask current clients to recommend you to them as part of this process.

Educate – if you are dealing with a procurement team unused to marketing services, involve them in what you do – invite them in to see how the agency works and how work flows through it.

For more Information

For more information about this seminar, for advice on best practice communications with marketing procurement departments, or for any other area of proactive new business activity, please contact Gareth Dixon or Chris Gordon at Rainmaker Consulting, on 020 7837 1122.