



Global Digest



Marketing Services





Background

CASME RoundTable meetings on the procurement of marketing services were held in Amsterdam, Melbourne, Tokyo, San Paulo, London, Singapore and Atlanta. The following main topics were discussed:

- The marketing procurement function
- Sourcing strategy
- In-house versus outsourced marketing services
- Category planning
- Supplier and contract management
- The market and the supplier base
- Future trends.

This Digest provides the key points, good practices and insight into future trends identified by CASME members around the world. Full notes from each meeting are available on the subscriber-only Resource Centre.

The marketing procurement function

- A global category strategy is typical, with varying amounts of input regarding adaptations due to country-specific regulations, marketing trends and cultural requirements. Regional/local management of marketing services providers is required for certain types of marketing.
- Ideally, the strategy should be to manage procurement activities by consolidating requirements of the categories and sub-categories across the organisation. However, in reality, Procurement's involvement may depend on spend thresholds.
- Stakeholders' decisions can be influenced by an effective, structured early engagement strategy, delivery of evident value and tangible benefits, as well as the support of senior management. Value can be delivered by establishing a customised approach and/or end-to-end solution.
- Procurement must demonstrate expertise and category-specific knowledge of supplier markets, marketing trends and technologies. It should also conduct benchmarking assessments and price validation, and present the data to stakeholders.
- Stakeholders' resistance to Procurement's engagement should be alleviated by the alignment of objectives, obtaining greater value for money from suppliers and reinvestment of cost savings in Marketing's budget.
- The structure of Marketing Procurement may be global, regional or local; organised by sub-category or area of expertise. The reporting line is usually to the chief financial officer (CFO), although it can be the chief procurement officer (CPO) or chief operations officer (COO), or a matrix management model.
- Co-location within the marketing team allows Procurement to be physically present to work alongside them.
- Responsibilities that are particularly pertinent to Marketing Procurement include:
 - Optimising a sustainable supplier base and talent pool
 - Comparing local and global rate cards to identify opportunities to optimise the budget
 - Sourcing alternative local or regional suppliers when global contracts are not effective in the local market
 - Helping to establish the scope of work for key projects and providing a toolkit for stakeholders to work more effectively with suppliers
 - Conducting contingency and quick-response planning.
- Procurement's performance is primarily measured through cost savings. Companies with less mature marketing procurement teams often apply a higher weighting (50%) to cost savings, whereas those with more engagement and experience are likely to focus on added value such as supplier rationalisation, service delivery, innovation, risk mitigation and improved contract terms and conditions.

Sourcing strategy

- Variations between marketing requirements, and issues within different sub-categories, mean that there is no standard sourcing approach. A company's products/services will determine whether marketing activities rely on print, digital, or television media, and therefore the different agencies that need to be contracted. In addition, the number of company brands and various end-markets will also determine whether it is possible to use a single full-service or integrated agency, or a roster of preferred agencies, or whether it is better to decouple the content creation and production services.



- Supplier recommendations and referrals should be validated by checking the current client/supplier relationship between the referee and the agency. Suppliers of technological tools and digital services are selected for the speed with which the technology can help to achieve the company's marketing objectives.
- Global and regional marketing services providers may be regarded as strategic suppliers that require risk assessment by Procurement in relation to the criticality of their services, and the inclusion of risk mitigation requirements in contracts. The organisation's tolerance for risk will determine the engagement of small business suppliers, those that have recently entered the market, and those that are unable to meet the minimum standards regarding financial stability.
- Trends in sourcing marketing services include crowdsourcing solutions and the engagement of freelancers who can be engaged quickly and tend to be motivated to deliver high-quality output. To minimise risk and administrative costs, freelancers may be approached directly, but contracted through an independent third-party service provider.
- By including digital and social media services in their portfolios, many marketing agencies define themselves as 'full-service', despite lacking in specific areas of expertise. As such, companies are using separate specialist agencies to deliver digital marketing services. Quarterly reviews are conducted to establish whether the digital marketing sourcing strategy requires improvement.

In-house versus outsourced marketing services

- Service quality, financial benefits, and the importance of retaining knowledge and control within the company, are the main factors influencing the insource versus outsource decision. To reduce costs, the strategy may be to manage the conventional services internally and to outsource the specialist services to external providers. Internal brand management is regarded as being important, and is usually controlled at a global level.
- Internal capabilities are also being developed to enable less dependency on external agencies, improved timings and reduced costs. In-house digital design teams are being established comprising digital experts who perform work such as filming, photography and design for small projects, as well as fast and simple ad hoc digital changes to online marketing campaigns. For TV and video advertising, some companies are recruiting in-house TV producers rather than outsourcing the role. Agencies are usually contracted for larger projects and more strategic creative work.
- Procurement manages the outsourced service providers, with input from the stakeholders regarding supplier performance. Quarterly reviews are held with suppliers, to discuss the achievement of the agreed KPIs, as well as action plans to resolve any issues. To control costs and prevent the stakeholders from allocating too much work to outsourced service providers, Procurement needs to obtain cost transparency from the suppliers and present this information to the stakeholders.
- For significant annual expenditure, representatives of an outsourced services provider may be located within the client company's premises to enable quick and direct communication through a single contact.
- Obtaining offshore outsourced services, from locations such as India and China, is now a major development in the globalisation of the marketing procurement function; although there are still challenges associated with the strategy, such as internal concerns regarding headcount reduction, the need for language support and quality assurance.
- In addition to reducing the overall volume of printed marketing materials, some companies are decoupling their print requirements from the marketing agencies and using local print services providers instead.
- Using a content management system (CMS) facilitates the effective management and distribution of substantial amounts of digital marketing content, regardless of where it is generated.

Category planning

- Category plans are reviewed with stakeholders at least annually, and more frequently in a changing market. Annual sub-category plans may be developed into longer-term five-year plans. Plans should allow for the flexibility to accommodate ad hoc activities that require a spontaneous response.
- A cross-functional approach, involving both Marketing and IT stakeholders, is required to ensure the tools being purchased allow for an integrated customer experience of the digital communications, as well as preventing risks regarding data security and confidentiality.
- Suppliers are one of the best sources of information, particularly if requests for proposals (RFPs) are well-designed and Procurement maintains positive relationships and open channels of communication through regular meetings. Market knowledge and industry data is also gathered from internal sources such as the marketing department, historical category data and customer feedback, as well as other external sources including social media groups, trade publications, websites and industry events.



- Potentially, more than 10% of marketing procurement projects will account for additional stakeholder requirements that are not included in the original category plans; particularly for marketing events. Extra expenditure can be managed by avoiding blanket purchase orders (POs) and using management tools such as [Cvent](#) for events.

Supplier and contract management

- Agency remuneration models vary according to the particular service being purchased, and include:
 - Fixed fee per project, with additional services charged separately
 - Daily or hourly rates against a scope of work
 - Pre-negotiated rate cards or prices for the delivery of repeatable services such as promotional items and press releases
 - Retainers to secure services, supported by rate cards (where possible) to manage costs
 - Mark-ups and lead agency commission charges on pass-through costs directly negotiated by Procurement with the individual suppliers.

Retainers are being used less often. Emergency funds can be maintained to pay for ad hoc or emergency requirements.

- Contracts should include clauses to prevent scope creep. Monthly and quarterly commercial reviews of the agency's scope of work helps to identify the status of all marketing activities.
- Key personnel and the required levels of expertise should be specified in contracts. If agencies' hours and services are monitored, agency transparency is more forthcoming when quoting and charging for time.
- Annual reviews can form the basis for performance-based bonuses (risk/reward or gain-share). Agency targets for gain-share need to be realistic and achievable, with transparent and objective evaluation by the client company.
- Agency KPIs may need to be applied on a per-project basis. Specific ones being monitored include:
 - Increase in sales
 - Efficiency and quality of client services, and an understanding of the brief
 - Effectiveness of copy/content
 - Delivery of innovation
 - Ability to purchase media services and manage third-party spend.
- League tables can be created, and agencies motivated by their ranking.
- Financial and contractual audits are performed by internal teams and/or external third parties. Regular, annual auditing, with the option to audit when discrepancies are significant, is a powerful tool to help understand how agencies operate and for ensuring that agencies work diligently, invoice accurately and provide refunds or service credits for over-charging.
- Some companies include marketing services agencies in the SRM programme, with third-party assessment of the suppliers and selection of the final 'supplier of the year' award.

The market and the supplier base

- Unpredictability in the supplier market and complacency of large global agencies presents Procurement with challenges regarding how to respond quickly to the requirements of stakeholders, while also obtaining innovation and managing risk.
- Consultancy providers such as Accenture, Deloitte, Ernst & Young (EY) and KPMG have entered the marketplace by acquiring advertising and distribution agencies, as well as offshore digital and production factories. Despite offering a broad range of services, these suppliers may not be able to deliver all the specific requirements of a company. Additionally, there is a potential conflict of interest when business consultants recommend strategies that include the use of their own marketing agencies.
- Procurement needs to obtain a balance between engaging the larger agencies/agency holding companies for assurance and expertise, and directly contracting the smaller specialist agencies, often local start-ups, for obtaining quick responses, flexible new approaches, and the latest technology and innovation at a reasonable cost.
- When engaging start-up agencies, it is important for Procurement to effectively manage potential risks by conducting due diligence and closely monitoring the agencies on a project-by-project basis.



Future trends

- Review of the marketing activities, to determine which can be performed in-house.
- Further development and application of crowdsourcing solutions and encouraging greater use of start-up agencies for innovation.
- Use of outcome-based remuneration models, rather than hourly rates, and less reliance on retainers.
- Application of a risk/reward model in contracts based on the agreed KPIs and SLAs.
- Implementation of a four-way review process for SRM.
- The impact of digitalisation, and the use of digital tools and artificial intelligence (AI), enabling Procurement to provide additional value to marketing stakeholders.

Resource Centre Links

The following are links to the full meeting notes for each region:

[Asia](#), Singapore

[Asia](#), Tokyo

[Australasia](#), Melbourne

[Europe](#), Amsterdam

[Europe](#), London

[Latin America](#), Sao Paulo

[North America](#), Atlanta.



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Important

These notes are a summary of the facilitated discussions between the delegates at various meetings held from January to June 2018. We recommend that any references, particularly to legislation, or recommendations contained in these notes are cross-checked by the reader in order to verify their accuracy prior to being acted upon. Any third party organisations named in this document are not recommendations but are examples of companies mentioned during the meetings that might be considered when tendering for appropriate goods or services. These are not intended to form an exhaustive list and it is likely that other organisations not listed may also provide similar goods or services.

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CASME is the trading name of Market Focus Research Limited
EMEA and Head Office: 1 Holt Barns, Frith End, Bordon, GU35 0QW, United Kingdom
T: +44 1420 488355 W: [casme.com](#) E: [info@casme.com](#)

Americas
New Jersey USA
T: +1 973 218 2566

Asia
Singapore
T: +65 6832 5584

Australasia
Sydney NSW
T: +61 2 8015 2340