

Marketing Services Procurement

Within business services marketing spend is one of the major areas with currently low purchasing involvement (Bals, 2008)



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Introduction

After raw materials, marketing is typically the second highest budget area (CIPS: Marketing effectiveness). Marketing spend is defined as "external expenditures on services related to marketing" (Bals, 2008). Marketing spend categories usually include printing services compatible to goods (letters, direct mailings, brochures, and posters), agency/creative services (graphics, campaigns, content, consulting, advertising/non-creative services (space providers, print magazines, TV/radio stations, web pages) and other non-creative services (questionnaires, document handling, sales promotions, media scanning) (Bals and Hartmann, 2008).

Buying marketing services is no longer confined to strategic decisions made by the marketing function (Bals and Hartmann, 2008; CIPS: Marketing effectiveness). Hence, the role of procurement in buying printing services, creative and non-creative marketing services has considerably increased in recent years (CIPS: Marketing effectiveness; Supply Management, 2010). Its value comes from the financial cost of marketing services and from a range of other factors, including quality, delivery times, innovation and creativity (Bals and Hartmann, 2008).

Procurement of marketing services raises unique challenges for purchasing professionals. Dealing with goods considerably differs from procuring services as the former are usually simpler to describe, quantify and catalogue (CIPS: Marketing effectiveness). Due to their intangible nature services are more complex and require different management approaches (Drummond et al., 2008). At more general levels there might be a lack of appreciation and awareness of the benefits of inter-functional collaboration. Sometimes marketing departments may not be aware of the availability of a purchasing department, or cognitive preconditions for cooperation might be missing. On the other hand, purchasing departments are generally unfamiliar with service purchasing. In addition, sometimes individuals are not willing to collaborate due to organisational culture or lack of incentives and motivation (Bals, 2008).

Definition

Marketing services procurement refers to activities directly involved in purchasing and sourcing business services that enable a company to promote itself, and its products and services in the market (as opposed to procurement of classical goods, e.g. components, raw materials) (Bals and Hartmann, 2008).

Successful Application

Marketing service procurement requires similar stages as general procurement, but with a different degree of integration between purchasing and marketing at different stages. Integration can be defined as a combination of interaction and collaboration (Bals, 2008).

Steps to Successful Application

- Recognise and define the need for purchasing involvement.
- Identify and gather information on potential sources.
- Evaluate proposals and final supplier selection.
- Evaluate supplier performance and provide feedback.

Hints and Tips

- The role of procurement should lie in advising marketing to promote evidence-based discussions about marketing budgets, not in criticising marketing strategies (CIPS: Marketing effectiveness).
- Measure marketing activity as it is the key to improving accountability, transparency, and value-added (IPA and ISBA, 2008).
- Well-planned procurement training can be used to help marketing professionals (especially those that are less financially aware) evaluate the effectiveness of key activities and purchasing decisions (Baxter, 2006; CIPS: Marketing effectiveness).

Potential Advantages

- Marketing is often the second highest spending area (after raw materials) and a clear, strategic approach to procuring marketing services is essential to manage costs, transparency and value (CIPS: Marketing effectiveness).
- Procurement plays a key role in raising financial awareness among marketers, which in turn raises the profile of procurement and supply management in the organisation overall (Bals and Hartmann, 2008).
- Involvement of purchasing can greatly improve the quality of services purchased through higher buying power, single source arrangements, coordinated knowledge transfer and better monitoring tools (Bals, 2008).

Potential Disadvantages

- Marketing service procurement is challenging for procurement professionals due to the intangible nature of business services (vis-a-vis traditional goods) (CIPS: e-Procurement initiatives for marketing services).
- Some issues can arise when matching common purchasing techniques to procuring marketing services. For example, supplier negotiation and bidding processes differ between purchasing services from the creative industries and other types of industry (Bals and Hartmann, 2008).
- Marketing services are usually managed by business units and managers with little or no formal procurement training. Providing this training is a resource-intensive activity and may be met with some resistance from marketing professionals (CIPS: e-Procurement initiatives for marketing services).

Performance Monitoring

- Return on marketing investment: an important measure of efficiency and marketing effectiveness (CIPS: Marketing effectiveness).
- Advertising effectiveness/brand strength: an assessment of the effectiveness of communications in achieving defined marketing goals and in building brand equity (CIPS: Marketing effectiveness).

- Promotional and sales effectiveness: evaluation of the cost-effectiveness of promotions in creating incremental sales and profit. Usually employs retailer sales data, consumer panel data and modelling techniques (CIPS: Marketing effectiveness).
- Media auditing: evaluation of the cost-effectiveness of media planning and buying against a representative pool of other advertisers. Looks at prices and other value measures (e.g. position in break) (CIPS: Marketing effectiveness).
- Brand valuation: involves putting a true financial value on a brand. Techniques can include discounted earnings before interest, taxes, depreciation and amortisation (EBITDA) and royalty rates (CIPS: Marketing effectiveness).

Case Studies

- Boots, the UK's leading health and beauty retailer, had its procurement team work alongside its marketing section to select a new line of advertising, media buying and communications agencies. This helped the company to save a total of £2m (Supply Management, 2004).
- The competitive advantages of Dell were largely due to its just-in-time manufacturing enabled through aggressive negotiations with its suppliers. During the negotiation process purchasing was inwardly focused on reducing the costs of transactions as well as the costs of manufacturing and operations, while outwardly focused marketing was concerned with the enhancement of customer service and satisfaction (Sheth et al., 2009).
- SOFT is a Fortune 100 company that markets and distributes software products. The company's supply management and marketing functions are closely aligned and all purchases are routed through the purchasing area. SOFT has appropriate cross-functional teams to gain buy-in and a balanced perspective. The procurement process for marketing services consists of 'one team' who make the experience of the internal client easier. Purchasing is responsible for qualifying suppliers, negotiating contracts and monitoring supplier performance (Tatea et al., 2010).

CIPS Source Downloads

- CIPS: Magic and logic. Re-defining sustainable business practices
- CIPS: Marketing effectiveness
- Lewis Silkin: Standard Terms & Conditions for Marketing Services
- Innovation & performance improvement
- Leadership, people & relationships
- Regulation, standards & laws
- Organisation & processes
- Technology & systems
- Techniques & models
- Governance & policy

Further Reading/Reference

Web Resources

- Building partnerships with advertising agencies
<http://www.supplymanagement.com/law/analysis/2004/wpp-chief-urges-buyers-to-value-brands-over-cost/?locale=en>

- Good analysis on procuring marketing services
<http://www.marketingmagazine.co.uk/article/164186/procurements-progress-purchasing-rise-client-companies-jane-simms-asks-key-industry-players-opinions>
- Consultants' undertake on marketing and procurement
http://www.saltpartners.co.uk/?page_id=219
- Buying digital: choosing the right agency
<http://www.supplymanagement.com/analysis/features/digital-switch/>
- Industrial Marketing Management journal: Special issue on integrating marketing and purchasing function <http://www.sciencedirect.com/science/journal/00198501>

Books

- Sourcing of Services, Lydia Bals & Evi Hartmann, ISBN 978-1604569339
- Strategic Marketing, Graeme Drummond, John Ensor & Ruth Ashford , ISBN 978-0750682718
- Marketing Management, Philip Kotler, Kevin Keller, Dr Mairead Brady, Macolm Goodman & Torben Hansen, ISBN 978-0273718567
- Contemporary Marketing, Louis E. Boone & Daniel L. Kurtz ISBN 978-1111221782

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Video

Marketing services procurement interview

https://www.youtube.com/watch?feature=player_embedded&v=yPKvfgRnFYk

CIPS Group Easton House, Easton on the Hill, Stamford, Lincolnshire, PE9 3NZ, United Kingdom
T +44 (0)1780 756777 F +44 (0)1780 751610 E info@cips.org

CIPS Africa Ground Floor, Building B, 48 Sovereign Drive, Route 21 Corporate Park, Irene X30, Centurion, Pretoria, South Africa
T +27 (0)12 345 6177 F +27 (0)12 345 3309 E infosa@cips.org.za

CIPS Australasia Level 8, 520 Collins Street, Melbourne, Victoria 3000, Australia
T 1300 765 142/+61 (0)3 9629 6000 F 1300 765 143/+61 (0)3 9620 5488 E info@cipsa.com.au

CIPS Middle East & North Africa Office 1703, The Fairmont Hotel, Sheikh Zayed Road, PO Box 49042, Dubai, United Arab Emirates
T +971 (0)4 327 7348 F +971 (0)4 332 5541 E mena.enquiries@cips.org



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