Background

CASME held Marketing Procurement RoundTable meetings in Asia, Australasia, Europe, the Middle East, North America and Western Europe. The following main topics were discussed:

- Stakeholder engagement
- Industry and financial analysis
- Strategy development and execution
- Contract negotiation and implementation
- Performance management
- Trends and technology.

This Digest provides the key points, good practices and insights into future trends identified by CASME members at the RoundTable meetings held around the world.

Stakeholder Engagement

- Procurement is engaging with the marketing stakeholders by:
  - Conducting workshops to proactively understand Marketing's requirements, challenges and project pipeline, in order to become involved early in projects
  - Using presentations that are customised for individual stakeholders to promote Procurement's value, project experience, use of spend analysis, and delivery of supplier innovation
  - Promoting Procurement's primary role as being to assist the stakeholders in achieving their objectives and to deliver optimum value within Marketing's timeframes, while positioning Procurement as a trusted advisor and strategic business partner
  - Aligning the procurement strategy with the strategies and objectives of Marketing and the organisation
  - Supporting the stakeholders in scoping and tracking projects
  - Assisting the stakeholders with small projects to demonstrate value and credibility, and to encourage them to trust Procurement and actively engage it in larger projects
  - Facilitating the exchange of knowledge and co-ordinating activities between local and/or regional marketing teams
  - Remaining up to date with market and industry trends, innovation and pricing, to provide intelligence to the stakeholders
  - Optimising technology to perform spend analytics to obtain data that will assist the stakeholders to improve their planning and decision-making for marketing sub-categories.

Industry and Financial Analysis

- Market intelligence is being gathered internally, from agencies through RFxs, and from external sources such as:
  - Procurement and marketing professional networks
  - Marketing services providers
  - Market intelligence and research providers such as the Association of National Advertisers (ANA), Beroe, Ebiquity, eMarketer, Gartner, The Smart Cube, and the World Federation of Advertisers (WFA)
  - Third-party subscription services such as Ad Age, Adweek, Campaign, Chief Marketing Technologist, Event Marketer, Marketing Week and The Drum
  - Industry-specific forums such as the ANA Financial Management Conference, ISBA Annual Conference and ProcureCon Marketing
  - Webinars and conferences held by marketing technology (MarTech) suppliers such as Adobe, Oracle and Salesforce
  - Publications such as Buying Less for Less: How to avoid the Marketing Procurement dilemma, by Gerry Preece and Russel Wohlwerth.
**Marketing Procurement**

- **Procurement remains up to date with the trends in agency pricing and remuneration models by:**
  - Using platforms and tools such as [Agency Mania](#), [Decideware](#), [RightSpend](#) and [Workfront](#)
  - Conducting benchmarking using internal data and external intelligence, for which the organisation may have to provide data to receive access to other organisations’ data
  - Requiring marketing services providers to provide cost breakdowns of their prices, in order to determine their rates for different levels of personnel and locations, and the price per asset
  - Using the [Major Players](#) salary survey to obtain data regarding agency rates and remuneration models.

- **The remuneration models that are being used for marketing services include:**
  - Flat retainer fees, mainly based on agency hours and hourly rates
  - Commission fees based primarily on media purchases
  - Fixed agency fees based on hourly rates and types of personnel
  - Risk/reward models linked to the agency's delivery against the service level agreement (SLA) and key performance indicators (KPIs)
  - Gain-share models based on clearly-defined metrics and agreed definitions of success
  - Performance-based remuneration (PBR) with the supplier performance metrics aligned with the company's targets
  - Deliverables-based models and performance-related bonuses.

**Strategy Development and Execution**

- **Procurement's strategic role is to support Marketing in achieving its objectives while optimising cost and value, which involves:**
  - Determining the company's business strategy and sales and marketing plans, and aligning the procurement strategy with these using the Porter's Five Forces model
  - Engaging with senior marketing executives during the budget planning phase, to understand the marketing strategy and plan accordingly
  - Obtaining industry, market and economic insights and providing these to the stakeholders, to enhance the strategy development and decision-making processes
  - Analysing historical spend by stakeholder, category, service provider and country
  - Defining the strategies for the marketing categories and sub-categories
  - Understanding the marketing services providers’ capabilities, costs and pricing models
  - Presenting the marketing category strategy and Procurement's recommendations to the senior marketing stakeholders; which includes providing spend and benchmarking data, the forecasted cost per campaign, sub-category and country, agency cost structures and remuneration plans
  - Developing the supplier selection and performance evaluation criteria and scorecards with the marketing stakeholders.

**Agency models**

- **Procurement assists the marketing stakeholders to define the most appropriate agency models to fulfil their requirements, by understanding the demand for services in different regions and countries, and for the different phases of product life cycles.**

- To understand the local markets and suppliers' capabilities, the global procurement team collaborates with the local stakeholders and procurement teams.

- Global agencies or holding companies may be invited to participate in local tenders, to encourage competition with the local agencies. The global agencies are sometimes more competitive than the local agencies due to their global volume and operational efficiency, and they may have local subsidiaries.

- Engaging global agencies or holding companies enables Procurement to use the organisation's global volume as leverage to obtain cost reductions in negotiations.

- Services that can be performed by local agencies or suppliers may be decoupled from the global agency when this will reduce costs while ensuring service quality.
**Contract Negotiation and Implementation**

- Effective approaches for preparing for and conducting contract negotiations include:
  - Defining the requirements, scope of work, budget, negotiation plan and industry benchmarks before starting negotiations
  - Ensuring alignment between Procurement and the marketing stakeholders regarding the negotiation strategy and objectives, and the extent to which service quality will be prioritised over cost savings
  - Clearly defining the roles of the participants and the topics to be covered by each during negotiations
  - Obtaining a cost breakdown from the service providers of the rates for each activity, by the roles, skill levels and deliverables of the personnel who will be allocated to the company's account, as well as pass-through costs and mark-ups, rebates and the associated qualifying factors
  - Defining the number of hours of work required per project
  - Ensuring transparency of the rebates and promotional rates received by the agencies
  - Clearly defining the roles of the participants and the topics to be covered by each during negotiations
  - Obtaining a cost breakdown from the service providers of the rates for each activity, by the roles, skill levels and deliverables of the personnel who will be allocated to the company's account, as well as pass-through costs and mark-ups, rebates and the associated qualifying factors
  - Ensuring transparency of the rebates and promotional rates received by the agencies
  - Aligning and validating the brand value with the fees for celebrity endorsers or influencers
  - Analysing the agency’s previous performance, benchmarking the performance levels against other agencies, and using the results when negotiating pricing with potential or existing agencies
  - Being transparent and honest, and communicating Procurement's benchmarking methods and sources so that the service providers can recognise the validity of the data.

**Contracts**

- The contract templates for marketing services contain standard terms and conditions (T&Cs) and are then customised according to the relevant types of sub-categories, products, services and suppliers, as well as the commercial model that is being applied. Good practice includes:
  - Using a framework agreement template developed by Legal
  - Reviewing individual contracts with Legal to ensure that the appropriate legal clauses are included; and with Finance regarding the financial and tax-related clauses
  - Protecting the intellectual property (IP) of both the organisation and the service providers.

- Some companies have established global contract templates for creative and media agencies that include compulsory and detailed requirements regarding payment terms, SLAs and KPIs. Some deviation from the global templates may be allowed in agreements negotiated with local agencies.

- For small agencies that may not have personnel who fully understand complex contracts, Procurement facilitates training sessions to clarify critical clauses such as payment terms and exclusivity requirements.

- The key contractual terms and conditions (T&Cs) that should be incorporated within marketing services contracts include clauses regarding:
  - Payment terms
  - Termination and renewal
  - Licence restrictions
  - Data protection and confidentiality
  - Firewalls for preventing data security breaches; and liability for direct and indirect consequential loss resulting from cybersecurity breaches and incorrect transactional processes
  - Non-disclosure and non-compete requirements
  - Conflict of interest, such as the service provider having existing contracts with the company's competitors
  - The SLA, KPIs, and the mechanisms for evaluating agency performance and project outcomes
  - Statements of work (SOWs)
  - Key personnel, to ensure that the agency teams allocated to the company's account have the appropriate levels of experience and expertise; with the right for the company to approve the people for key roles and any replacements required
  - Compliance with local employment laws regarding agency personnel, subcontractors and freelancers.
Performance Management

- The performance of marketing services providers is being managed by monitoring alignment with the SLA and KPIs and measuring the effectiveness of campaigns.
- SLAs and KPIs may only be applied in contracts with strategic suppliers that provide ongoing services; for transactional and/or ad hoc projects, the deliverables, quality, time and budget compliance may be assessed at the end of each project instead of including SLAs and KPIs in each contract.
- Agency performance and value may be evaluated by the stakeholders, agencies and Procurement rating agency performance using a scorecard and analysing the results.
- Compliance audits may be conducted either by in-house teams or external consultancies such as Ebiquity, FirmDecisions or ID Comms.
- Reviews are typically conducted with tier-one agencies on a quarterly or six-monthly basis, which may be part of a supplier relationship management (SRM) programme, and/or incorporated within executive reviews.
- Increased importance is being placed on the value Marketing Procurement delivers beyond cost savings through initiatives such as those described in the WFA's Project Spring report. These include:
  - Increasing productivity, effectiveness, and efficiency
  - Centralising work to improve the consistency of the company's brand image
  - Formalising and communicating the company's sales and marketing objectives across the relevant business units, to ensure that they adhere to the company's global strategies
  - Improving engagement with the stakeholders to identify cost avoidance and savings opportunities
  - Negotiating added value such as additional media exposure or improved placements.
- Procurement's performance and value may be evaluated by obtaining net promoter scores (NPSs) and feedback from the stakeholders, benchmarking Procurement's services and value against companies in the same industry, or engaging an external expert to evaluate and report on Procurement's performance.

Trends and Technology

- The MarTech that is being used includes:
  - Platforms based on artificial intelligence (AI), such as IBM Watson, for managing marketing projects, workflows, and data and analytics to track and evaluate marketing engagements and activities
  - Real-time marketing performance management dashboards enabled by AI
  - Digital asset management (DAM) systems to store and maintain marketing assets in a central location; with campaign localisation and translation tools integrated with the DAM
  - Social listening tools for monitoring online conversations and analysing the impact of marketing efforts.
- The marketing and IT procurement teams both have important roles in sourcing and managing MarTech, and assisting Marketing to optimise the latest marketing platforms and tools. This involves conducting requests for proposals (RFPs) for purchasing new tools, evaluating new and start-up companies, and analysing risk.
- Industry research and benchmarking for MarTech is conducted by using information from sources such as Forrester and Gartner, and analysis is performed to determine the scalability of a solution and its suitability for a global market.

In-house agencies

- Companies are bringing some creative marketing activities in-house by redirecting budget funds to establish internal expertise, and to increase cost-effectiveness, control, transparency, productivity and accountability.
- Procurement supports the implementation and management of in-house agencies by decoupling from external agencies the activities that are being brought in-house, negotiating or cancelling contracts, assisting the stakeholders in their selection of the in-house agency teams, and in the development of the in-house agency's objectives, deliverables, and contractual requirements.

Decoupling

- Decoupling is a strategy for reducing costs and improving the control of spend and data ownership. Marketing activities that are being decoupled include production and the management of influencers from creative agencies, media planning from media buying, printing and advertising distribution, as well as influencer monitoring from PR agencies.
Resource Centre Links
The following are links to the full meeting notes for each region:

- Asia
- Australasia
- Europe
- Middle East
- North America
- Western Europe.

Additional Information
Global Digests provide valuable category and strategic insights to CASME members, as part of a much wider subscription service that is delivered to hundreds of corporate indirect procurement teams worldwide.

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Important
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