ANA

Procurement 2022: The Good, the Bad, and the Ugly

JULY 2022

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INTRODUCTION AND METHODOLOGY

Twelve years ago, in 2010, the ANA <u>published</u> a landmark report, "Procurement: The Good, the Bad, and the Ugly." The work took the pulse of the industry on the state of marketing procurement at that time, and measured practices and perceptions among professionals in three functional areas: procurement/sourcing, marketing/marketing services, and agencies.

The topline findings from that 2010 work:

• "There are wide and disturbing gaps between both marketing procurement and marketing/marketing services and between marketing procurement and agencies in terms of the perceived contribution of procurement. Such gaps exist in virtually every area surveyed, including how procurement defines value, whether procurement views marketing as an expense or investment, and how well procurement works with marketing and agencies. Furthermore, the procurement function appears to have made little progress when current and historical research is compared."

In 2022, we repeated and built upon this prior research to track progress (or lack thereof). A survey was conducted between March 3 and April 25 that ultimately resulted in a total sample of 273 respondents:

- 132 marketing procurement/sourcing
- 56 marketing/marketing services
- 85 agency

That survey is **here**.

The marketing/marketing services respondents included in the base above indicated in the screener question, "I have significant or ongoing/regular interaction with marketing procurement."

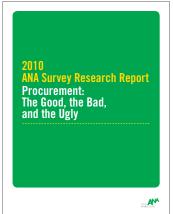
The agency respondents who qualified for inclusion in the study had to have checked "Yes" to the statement, "I have significant or ongoing/regular interaction with client procurement or client procurement has a material impact on my agency's servicing or prospecting activities or compensation arrangements." Agencies were asked to answer the survey based on either (a) their experience with a single client if the respondent deals primarily with one client that has active procurement involvement or (b) their average/overall experience if working with multiple clients.

The client-side members who participated in the survey (that is, marketing procurement/sourcing and marketing/marketing services) had the following characteristics:

- 49 percent primarily B-to-C, 19 percent primarily B-to-B, and 32 percent about an equal combination of both
- 52 percent have an annual U.S. advertising budget of \$200 million or more.

For the agency respondents, 59 percent are with general market full-service agencies, 13 percent with media agencies, and 12 percent with multicultural agencies.

See the appendix for more detailed information on the survey respondents.





INTRODUCTION AND METHODOLOGY

There was significant qualitative input in the study to supplement and add detail to the quantitative findings. In the survey, all respondents were asked:

- What could marketing procurement do to improve its relationship with marketing and/or agencies?
- What could marketing do to improve its relationship with marketing procurement?
- What could agencies do to improve their relationship with marketing procurement?

Furthermore, the ANA conducted a number of in-depth qualitative interviews in May and June to review the quantitative results and get perspective. These were a combination of one-on-one interviews and group discussions with both procurement and agency respondents, covering almost 40 people total.

As in 2010, please note that while the procurement, marketing, and agency respondent sample sizes are directionally valid, it should be recognized that the participant samples in this survey were not matched to direct interactions between procurement and marketing at the same firms or mapped to specific agency/procurement relationships.

This report builds upon the work of the CMO Growth Council, which was established by the ANA and Cannes Lions to focus on driving enterprise growth. The CMO Growth Council has identified four global growth priorities and a 12-point industry growth agenda. Marketing Organization and Agency Management is a key area of focus for the ANA Growth Agenda, under the Talent and Marketing Organization growth priority. Marketing procurement and its interaction with marketing/marketing services and agency partners is a fit here.



EXECUTIVE SUMMARY

There is still good, bad, and ugly in the world of marketing procurement. While there has been some progress since our 2010 benchmark, it has, candidly, been disappointing.

There has been progress, particularly in the relationship between marketing procurement and marketing.

- Both rate the health of the relationship between procurement and marketing equally: 57 percent of procurement respondents and 59 percent of marketers rate the relationship to be either extremely or very healthy. There has been improvement since 2010 for the marketing respondents.
- Marketing's perception of procurement being a critical member of the team has improved since 2010 and is now equal to the perception of marketing procurement.
- On the key metric of procurement's definition of value, marketing's perception has improved and moved closer toward maximum growth and impact and away from lowest cost.
- On the metric of procurement's view of marketing, marketing's perception has moved closer to an investment to be optimized and further from an expense to be minimized.

Yet there are still wide gaps in many other areas of the relationship.

The relationship between procurement and agencies continues to be a much bigger work in progress, and the gaps between these two constituents are troubling. Some key examples:

- One of the most fundamental metrics is that of relationship health. Procurement and agencies are not aligned at all. Fifty-four percent of the procurement respondent base characterized the relationship to be extremely or very healthy, yet only 15 percent of agencies feel that way.
- Procurement perceives that their definition of value is maximum growth and impact. Agencies perceive that procurement's definition of value is lowest cost.
- Procurement perceives that marketing is an investment to be optimized. Agencies believe that procurement views marketing as an expense to be minimized.
- 55 percent of procurement respondents agree completely that procurement understands the economic value of successful marketing, versus only 5 percent of agencies.
- 49 percent of procurement respondents agree completely that procurement is knowledgeable in advertising/marketing, while not a single agency respondent does.

One of the most fundamental findings of the report is that marketing procurement overall is *still an adolescent*.

- The average marketing procurement department has only been in existence for 11.6 years; 55 percent of marketing procurement departments have been in existence for less than 10 years.
- 24 percent of marketing procurement professionals have less than five years of experience in marketing procurement.

This helps explain why many of the issues that were with us in 2010 are still here today.



EXECUTIVE SUMMARY

For a more positive road forward:

- Marketing procurement must understand their role. At their best, marketing procurement is an enabler and facilitator. At their worst, marketing procurement can be a roadblock and bottleneck. Marketing procurement must understand what marketing needs and what agencies provide, and insert themselves with the goal of optimizing the overall value and quality of the output. To aid that understanding, many procurement professionals need to elevate their knowledge of the marketing/advertising industry.
- To improve the relationship between agencies and procurement, the relationship between marketing and procurement should be addressed first. The goals of the two groups often aren't aligned. Marketing and procurement don't come across as a united front to agencies. Procurement often does not have early involvement, nor is it involved throughout the process. Additionally, there can often be a good cop (marketing)/bad cop (procurement) dynamic. All that sends signals to the agency that colors their perception of procurement.

There are 10 recommendations:

- 1. Goals Must be Aligned and Shared.
- 2. Involve Procurement Early in the Process.
- 3. Procurement Needs to Understand that Advertising Is Unique.
- 4. Procurement Should Focus More on Value and Less on Cost.
- 5. Procurement Should Stay Involved Throughout the Process.
- **6.** Procurement Should Work Closer with Marketing Teams.
- 7. Process Improvements Are an Opportunity.
- 8. Education Is Critical.
- 9. Procurement Should Market Its Value.
- **10.** Agencies Should Proactively Establish Relationships with Procurement.

Details follow. Dig in!



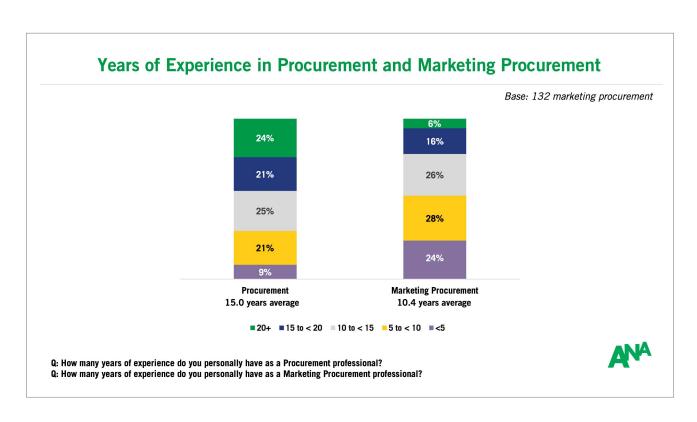
Number of Years of Experience for Procurement Professionals

The typical marketing procurement professional has spent an average of 15.0 years in the field of procurement and 10.4 years in marketing procurement.

In the 2010 study, the typical marketing procurement professional had spent an average of 12.0 years in procurement and 6.9 years in marketing procurement.

Despite the 12-year gap between the two surveys, there was only a modest increase in the tenure of experience in both procurement (3.0 years) and marketing procurement (3.5 years). This indicates that lots of new people are moving into (and out of) the field of marketing procurement. Twenty-four percent of marketing procurement professionals have less than five years of experience in marketing procurement.

See the appendix for more detailed information on the years of experience for procurement professionals.





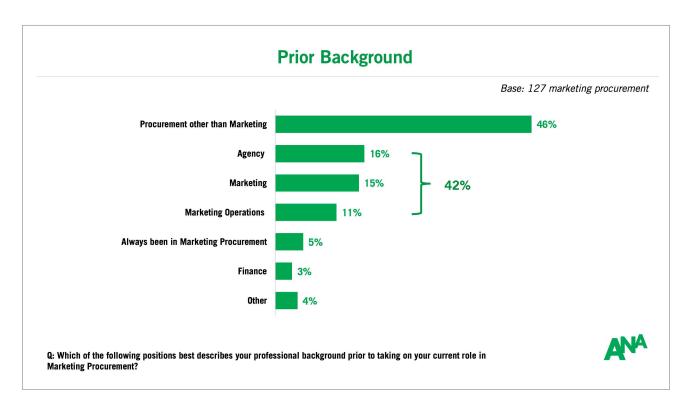
Background of Procurement Professionals

The great majority of marketing procurement executives came from either a non-marketing procurement position or a role at an agency, in marketing or in marketing operations.

- 46 percent are from procurement other than marketing (close to the 43 percent in the 2010 survey).
- 42 percent come from roles in agencies, marketing, or marketing operations.

The findings reveal that those marketing procurement executives who come from a marketing, agency, or marketing operations background bring a substantial amount of marketing knowledge from their former positions. The typical transferee from a marketing role had 11.3 years of marketing experience prior to taking on a marketing procurement role.

The above findings are very consistent with the findings in the 2010 survey.



There's the frequently asked question, "What's better — a marketing procurement person who comes from procurement other than marketing or someone who comes from an agency or marketing background and moves into marketing procurement?" Of course, both can work. For someone coming from procurement other than marketing and then moving into marketing procurement, to be successful, it's important for them to be comfortable with subjectivity and ambiguity. In the qualitative interviews, it was noted, "Direct procurement is more science than art while indirect procurement is more art than science."

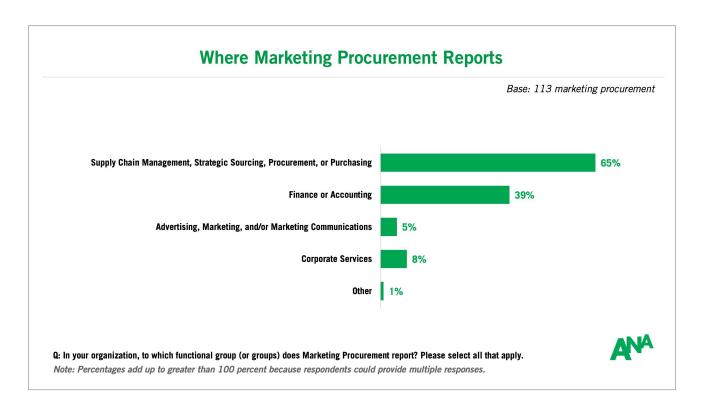


Reporting Structure of the Marketing Procurement Department

The marketing procurement department most commonly reports to:

- Supply chain management, strategic sourcing, procurement, or purchasing (65 percent)
- Finance or accounting (39 percent)

These findings are also consistent with 2010.



It was noted in various qualitative discussions that procurement's value is closely tied to cost savings when it reports to supply chain or finance.

Only a small number report to advertising or marketing. According to a procurement professional who does, "Having procurement report to marketing provides the key benefit of goal alignment."

No matter where marketing procurement reports, leadership support for the role of marketing procurement is important. That includes support from leadership in both marketing and whatever functional group marketing procurement reports to. As one qualitative respondent said, "We need more top-down support. Until our value is acknowledged by leadership, we will only be able to do so much."



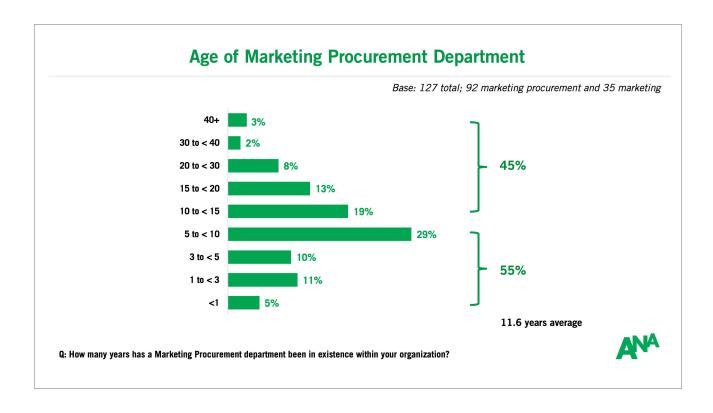
Age of Marketing Procurement Departments

The average marketing procurement department has been in existence for 11.6 years. In the 2010 survey that age was 9.8 years.

In 12 years, then, the average marketing procurement department has aged only 1.8 years!

The 2022 survey responses indicate that 55 percent of marketing procurement departments have been in existence now for less than 10 years.

This is one of the most fundamental and interesting findings of the report. Many organizations have added marketing procurement departments and the category overall is therefore still young.



In the 2010 survey, marketing procurement departments were much more likely to be found in firms that had larger advertising budgets — 85 percent had budgets of \$200 million or more. In 2022, only 52 percent had budgets of \$200 million or more, with 48 percent having budgets of under \$200 million and almost 20 percent with budgets of under \$30 million. See the appendix for more details. Now even firms with smaller advertising budgets have marketing procurement departments. There is therefore a correlation between the finding that many firms with smaller ad budgets are adding marketing procurement teams and the average age of marketing procurement departments (still being quite young).

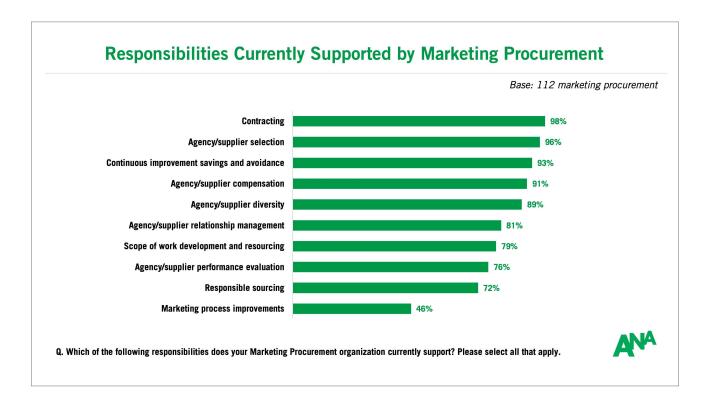


Responsibilities Supported by Marketing Procurement

Marketing procurement has various responsibilities. More than 90 percent of respondents have responsibilities in contracting, agency/supplier selection, continuous improvement savings and (cost) avoidance, and agency/supplier compensation. One qualitative interviewee referred to these responsibilities as "table stakes" for marketing procurement.

The responses in 2022 and 2010 are nearly identical, with a few exceptions:

- Responsible sourcing is supported by 72 percent in 2022; social responsibility was 47 percent in 2010 (note that the wording was changed this year).
- Marketing process improvements is 46 percent in 2022, down from 61 percent in 2010.
- Agency/supplier diversity is 89 percent in 2022, up from 84 percent in 2010.



It's noteworthy, and a bit disappointing, that marketing process improvements declined from 61 percent in 2010 to 46 percent in 2022. This is such an area of opportunity! One qualitative interviewee commented, "There are free dollars sitting on the table." Client and agency could both benefit from marketing process improvements, as they add value. Evergreen areas for process improvements are briefing and review of creative work. An example of a newer area is production decoupling.

Another qualitative interviewee said, "Process improvements are one of the best ways for procurement to be exposed to marketing and prove our value."



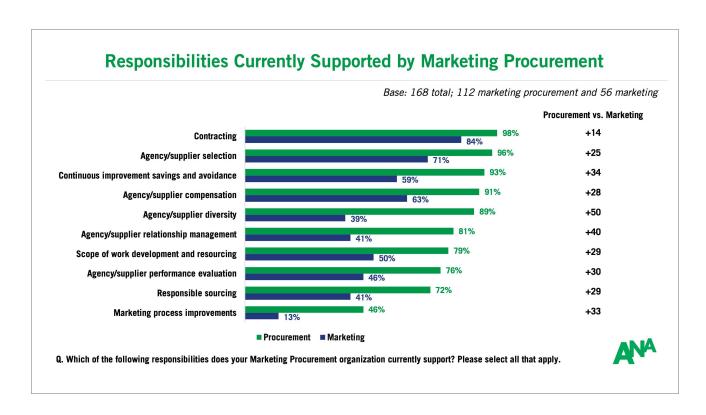
Responsibilities Supported by Marketing Procurement: Marketing's Perspective

The marketing respondents were also asked to identify the responsibilities supported by their marketing procurement organization. Marketing is consistent with procurement in identifying the most likely responsibilities for procurement support as contracting, agency/supplier selection, continuous improvement savings and avoidance, and agency/supplier compensation.

However, just as we saw in 2010, there is a large disconnect between procurement and marketing when it comes to identifying the breadth of marketing procurement's support. Procurement professionals are much more likely to see themselves as offering support in virtually every area asked about.

The greatest gaps between the perceptions of procurement and marketing regarding the responsibilities supported by marketing procurement are in:

- Agency/supplier diversity (50 points)
- Agency/supplier relationship management (40 points)
- Continuous improvement savings and avoidance (34 points)
- Marketing process improvements (33 points)



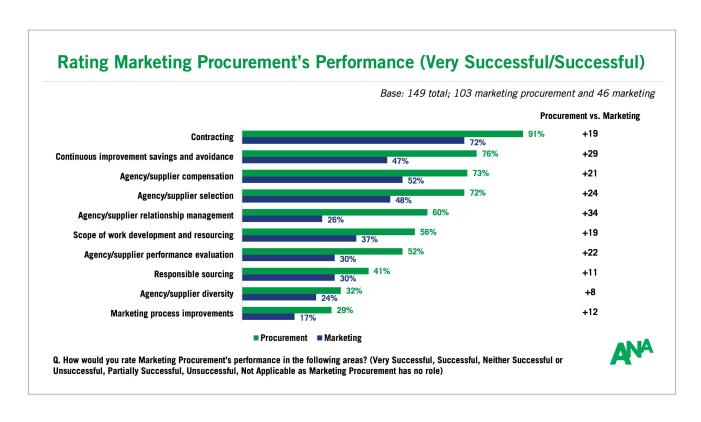


Rating Marketing Procurement's Performance on its Responsibilities

Both procurement and marketing were asked to rate marketing procurement's performance on the respective areas of procurement's responsibilities. Marketing and procurement were consistent in identifying the same top four areas where procurement is most successful:

- Contracting
- Continuous improvement savings and avoidance
- Agency/supplier compensation
- Agency/supplier selection

However, there were wide gaps regarding perceptions on the level of that success — in all cases, procurement rated themselves more successful than how marketing rated them (also consistent with 2010).



The biggest gap (34 points) was for agency/supplier relationship management. In our qualitative discussions, a procurement professional called that gap "very upsetting" and felt that "misaligned goals" could be a reason for the difference. Another felt that "a lack of subject matter expertise from procurement" was likely a factor, also saying, "Relationship management is a skill set; it's hard work." There was an agency perspective that "Procurement isn't interested in relationships; they want transactions."



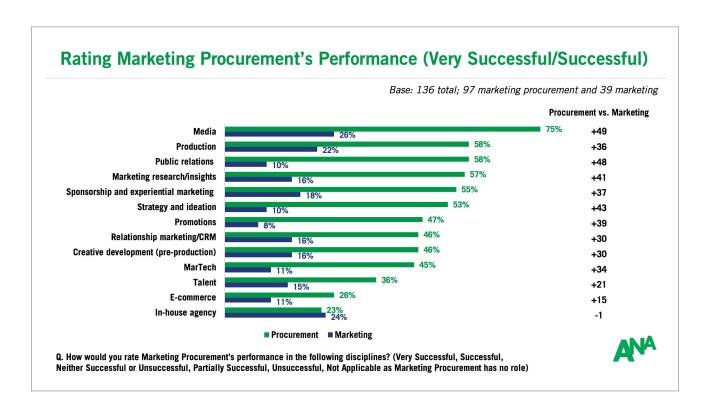
Rating Marketing Procurement's Performance on Various Disciplines

Both procurement and marketing were asked to rate marketing procurement's performance on specific disciplines.

Media was rated most successful by procurement by a wide margin — 75 percent of respondents characterized performance in media as very successful or successful. Production (58 percent), public relations (58 percent), and marketing research/insights (57 percent) followed.

Marketing respondents also rated procurement's performance highest in media (26 percent). The in-house agency (24 percent) and production (22 percent) followed.

However, the gaps once again were wide, and in almost all cases procurement rated themselves more successful than how marketing rated them.





Rating Marketing Procurement's Performance on Various Disciplines

There were extensive qualitative conversations about the work in media that procurement is doing (given how highly it rates above), and it was noted that marketing procurement can be active in:

- Contracting
- Media agency selection (if in a review)
- Media agency compensation
- Media agency scope of work
- Media billings/payments
- Helping to set KPIs
- Media agency performance evaluations
- Media auditing: This includes confirming what has been bought (versus plan) and ensuring the quality is reflective of the brand's needs
- Advertising fraud monitoring
- Cost/rate benchmarking
- Providing insight on cost improvement opportunities and inflation mitigation
- Liaison with key external digital partners. It was specifically mentioned that many marketers are doing direct deals with companies such as Google and Meta; that's important, per learning from qualitative discussions: (a) so that marketers "own our data rather than rent it"; (b) to minimize (and ideally eliminate) rebates; and (c) to co-develop programs with external digital partners.
- To coordinate the activity of different internal teams/divisions (if applicable) to optimize efficiencies.

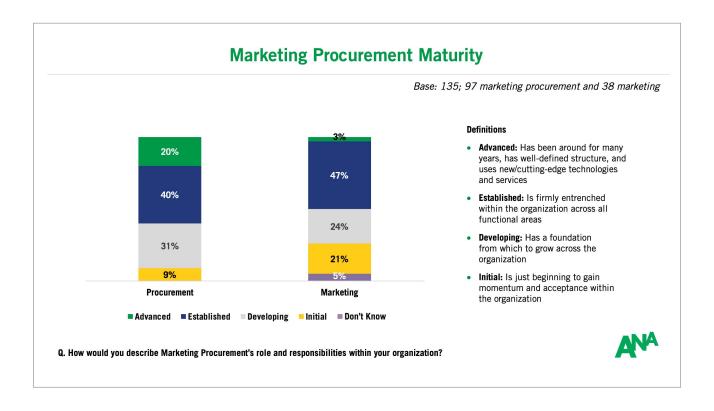


Marketing Procurement's Maturity

Procurement and marketing agree that the maturity level of the marketing procurement department is most likely to be established — firmly entrenched within the organization across all functional areas.

But procurement perceives the marketing procurement department to be more mature than marketing does.

Again, the findings are consistent with 2010.





CASE STUDY: THE HERSHEY COMPANY



EMBRACING THE ROLE OF A SERVANT LEADER

Contributed by: Kevin McCollum, Manager, Indirect Procurement, The Hershey Company

A job change from direct procurement at TE Connectivity to marketing procurement at The Hershey Company has been one of the steepest learning curves of my career. I had fantastic mentors and teachers in David Donnelly (still at Hershey), Tracy Allery (now at Nestlé), and the staff at Cortex Media, who were all instrumental in helping me to learn media, but more importantly, to navigate the paradigm shift from being a direct budget owner to an indirect influencer.

making *more*moments of goodness a

While marketing procurement's role at every company is different, I believe they all have the potential to have one thing in common: servant leadership. I firmly believe that taking my knowledge and understanding of servant leadership from my faith life, and embracing it in my role within marketing procurement at Hershey has been the single biggest key to my success over the last six and a half years. But it had to be more than just head knowledge. It had to be heart knowledge as well — the driving force behind my attitude, behaviors, strategies, and actions.

The servant leadership philosophy is based on the idea of interacting with others (regardless of position) in a manner that results in achieving authority rather than power. This is done by prioritizing serving others, the organization, and the greater good instead of my own objectives or goals. Rather than becoming

a doormat, a true servant leader is granted a great deal of authority and influence by those they serve.

At The Hershey Company, my embrace of a servant leadership philosophy has manifested itself in many ways:

- 1. It has driven a desire to align my goals with the goals of my stakeholders. When our goals are aligned, my stakeholders know that for each of us to be successful, the other needs to be as well. They know that I am personally invested in their success.
- 2. I position myself as a facilitator and enabler — to clear red tape, tear down hurdles, and fill in potholes, which paves the way and accelerates their success.
- 3. I strive to educate myself and ask questions to understand why we invest in the agencies, vendors, and tech platforms that help drive our business forward. Having that knowledge allows me to understand what is important for my stakeholders and the business, and what the agency/vendor/tech provider is looking for in the relationship.
- 4. Having an intimate knowledge of what we invest in, and why, gives me a tremendous amount of credibility with my internal stakeholders and earns their trust. They consider me to be part of or an extension of their team. They want to involve me early and often getting me in early on re-negotiations of contracts, RFPing vendors for new business needs, and discussing problems before they become significant disruptions. It allows





EMBRACING THE ROLE OF A SERVANT LEADER

us to communicate with agencies and vendors with a unified voice and message, and to pick and choose where and when to employ the necessary strategy of good cop/bad cop. My stakeholders trust me to call, visit, and even negotiate with agencies and vendors without them being present or on the line.

- 5. This level of trust and respect allows me to challenge my internal stakeholders regarding motives, strategies, how success is measured, and cost/benefit. They know I will not undermine their credibility or question their integrity, but I will ask them tough business questions to ensure that the long-term growth of the business remains paramount, and that we spend company funds wisely.
- 6. A good working knowledge also earns both respect and appreciation from the agencies and vendors that I work with. They understand that they cannot pull any wool over my eyes, and that although I will push them, I will treat them with dignity and be fair and honest in my dealings with them. This builds trust so they know they can proactively come to me to mediate when there are Hershey-caused issues (personality conflicts, ways of working, processes/ procedures, billing/invoicing, etc.) that are detrimental to the business relationship, or simply causing inefficiencies.
- 7. Having a valued relationship on both sides of the table while maintaining a somewhat-independent/outsider's perspective also provides an opportunity to provide insights on how to improve processes and ways of working. When

I bring those opportunities to the table, they are given due consideration by both sides, which further strengthens not only the working relationship on both sides, but the creation of additional value that sometimes only procurement can bring to the table.

While other approaches may work and be valuable, I believe that my embrace of servant leadership has paid immense dividends during both my entire career, and specifically my time at The Hershey Company. I have received comments from account leads at agencies and other vendors that they wish they could clone me (or at least my style) to work at some of their other clients. I've also received numerous accolades, from vice presidents to junior marketers in the trenches, on how valuable my involvement is for them to succeed, and how surprisingly enjoyable it is working with procurement (at least most of the time!). This is where the leadership in servant leadership really shines through. Because of the servant attitude and approach that I take, I am granted a leadership role. From being given a vote and seat at the table on the missioncritical journey of selecting a media agency to junior marketers saying they wouldn't dare engage a potential vendors on a new piece of business without reaching out to me first, the benefits of servant leadership have paid dividends in many ways.



Does Marketing Procurement Lead, Follow, or Participate?

Note that going forward in this report we'll now see perspectives from all three constituencies: procurement, marketing, and agencies.

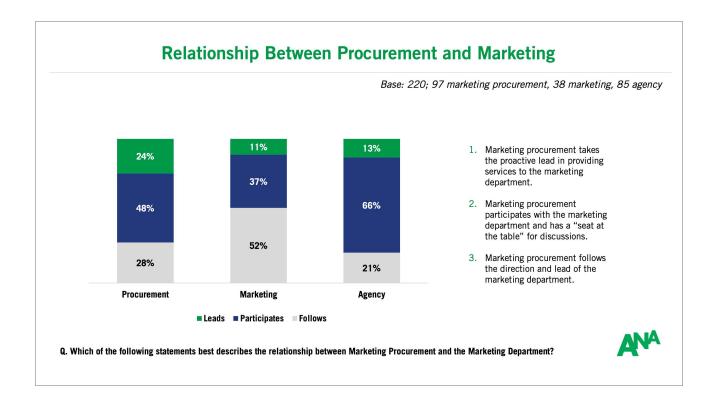
Procurement perceives its relationship with marketing to most likely be that of participation.

• Marketing procurement participates with the marketing department and has a "seat at the table" for discussions. One qualitative respondent said, "Marketing procurement exists to support marketers. It's highly collaborative. We are not here to tell them what to do."

Meanwhile, marketing perceives the procurement relationship with them to be more of a follower.

Marketing procurement follows the direction and lead of the marketing department.

Agencies are highly likely to see that relationship to be that of participation.





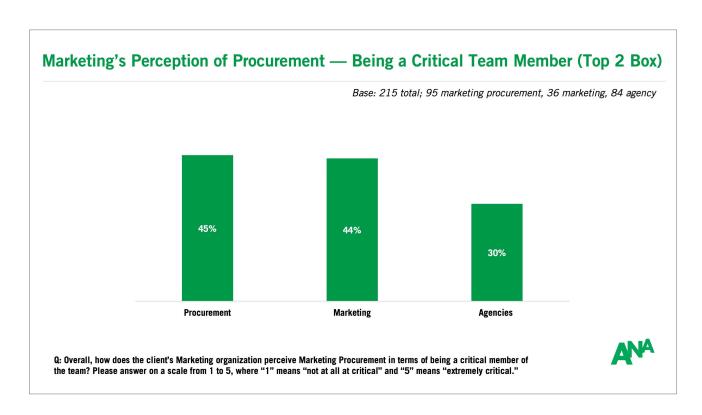
Marketing's Perception of Procurement: Being a Critical Team Member

How does the client's marketing organization perceive marketing procurement in terms of being a critical member of the team?

The perspectives of procurement and marketing are very closely aligned, with almost half of each group believing that the marketing organization perceives marketing procurement to be a critical member of the team.

Agencies are less inclined to perceive marketing procurement as critical.

Compared to 2010, marketing's perception of procurement as being a critical team member has improved. Marketing's perception is now on par with that of procurement; in 2010 it was on par with the agency perspective.



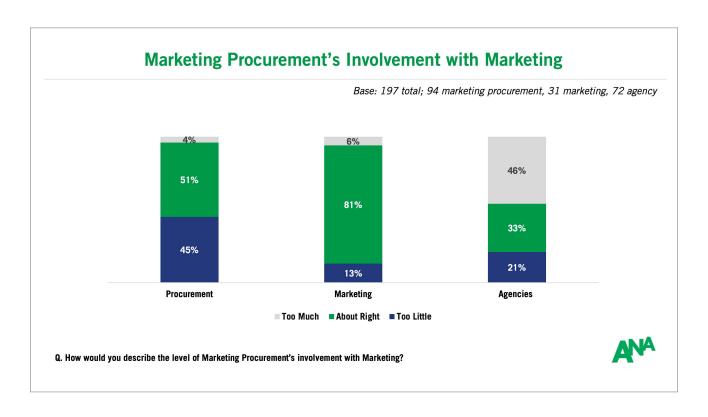


Marketing Procurement's Involvement with Marketing

Both procurement and marketing are aligned in terms of their perception of the level of marketing procurement's involvement with marketing, with the majority of each group perceiving it to be "about right." Yet procurement would like even more involvement, given that 45 percent answered, "too little."

Agencies are more likely to perceive procurement's involvement with marketing to be "too much" (46 percent).

These findings are consistent with 2010.



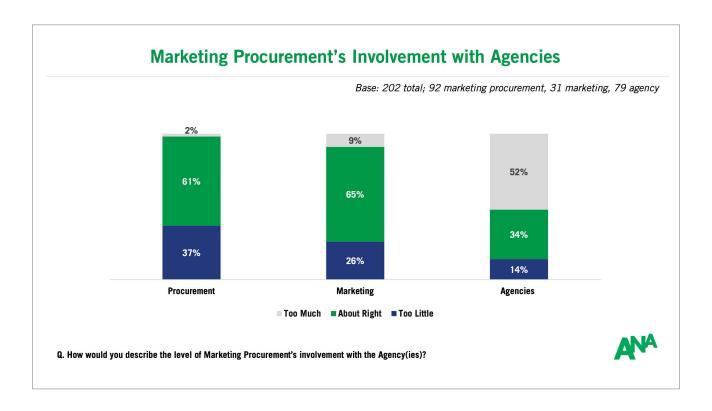


Marketing Procurement's Involvement with Agencies

Both procurement and marketing are also aligned in terms of their perception of the level of procurement's involvement with agencies, with the majority of each group perceiving it to be "about right." Again, procurement would like even more involvement, given that 37 percent answered "too little."

Agencies are much more likely to perceive marketing procurement's involvement with them to be "too much" (52 percent).

These findings are consistent with 2010.



In the qualitative feedback from agencies, there was the perspective that working with procurement is "still too often a negative experience for agencies," helping to explain the perception that procurement's involvement with them is too much.

Also, a number of agency respondents commented that procurement is now leading the majority of agency reviews. Meanwhile, the role of search consultants has been reduced. There was speculation that procurement's increased role in the agency search and selection process (and the increased number of reviews overall) may be one significant factor (and a new dynamic since the 2010 report) contributing to the perspective from agencies that procurement's involvement with the agencies is too much.





TRANSPARENT AGENCY RELATIONSHIPS THAT **DELIVER FAIR AND MEASURABLE OUTCOMES**

Contributed by: Ashley Cole, VP Global Marketing, Visa and Mithun Sharma, VP Global Sourcing, Visa

Visa is one of the biggest and most successful brands in the world. We are the only brand that is a major sponsor of the Olympics, the Paralympics, FIFA, and the NFL.

The marketing team manages our B2C. B2B, and B2B2C efforts across more than 100 countries, five regional hubs, and global cross-functional teams. Our agency partnerships navigate local, regional, and global requirements. We are constantly working with finance, sourcing, marketers, and our agencies to reach our objectives and unlock value and integration points between our marketers and agencies.

At Visa, our client and agency partnerships are at their best when we are clear about our goals and the agency is focused on its role in helping achieve those outcomes. We believe that focusing on strict savings expectations or spreadsheet gymnastics is not the path to a successful relationship. Rather, relationships thrive and incremental value is achieved when sourcing and marketing partner with agencies toward mutual expectations.

Transparency and clear communication are key to aligning on a joint outcome with our agencies. We knew we needed to find a way to work better, and smarter, towards the goal of a much stronger relationship. As recently as 2019, our teams started linking our marketing goals with our global creative and media agencies. We have joint accountability with each other and our agencies and we update the goals annually to reflect our agency and business needs.

Our accountable compensation framework is designed with the following expectations:

- 1. A partnership created between Visa and our key agencies to drive transparency and rigor behind performance
- 2. A way to bring attributable results to financial outcomes for our partners
- 3. A continuous and auditable view of the relationship's success and opportunities for improvement
- **4.** Directly linking a portion of our agencies' compensation to how they perform across a set of pre-aligned criteria

This program was designed to help manage three key challenges we were facing as an organization: (1) performance was not aligned to attributable marketing metrics; (2) quality of creative and media was not assessed via a third party; (3) NPS scores did not accurately capture actionable feedback. We were previously not measuring or linking agency performance to Visa performance or effectively providing the potential to reward our agencies financially for outstanding performance.

The introduction of this framework allows our key agencies to have a common platform with unique areas for each partner (creative, production, and media) and shared accountability for business results across three major pillars:

1. Relationship: Qualitative mechanism to assess agency performance by key Visa stakeholders via a survey that focuses on deep diving across seven key areas:





TRANSPARENT AGENCY RELATIONSHIPS THAT **DELIVER FAIR AND MEASURABLE OUTCOMES**

- a. Innovation and Solutions: The agency develops breakthrough ideas, strategies, and/or programs that meet both our short- and longer-term objectives and help to improve our marketing strategy.
- **b. Integration:** The agency manages integration between the agency ecosystem and Visa global, regional, and/or local teams with consistent communication and alignment on goals and ways of working.
- **c.** Trust and Partnership: The agency is a partner we trust to deliver on Visa's objectives, exemplifying Visa's leadership principles.
- d. Reliability and Subject Matter **Expertise:** The agency proactively anticipates key issues, perceptions, and trends; interprets their impact on our business; and develops strategies for dealing with them.
- **e. Overall Relationship:** The agency presents several viable options for any given situation, strategic rationales for each, cost justification and/or efficiencies, and a clear recommendation based on the likely impact for Visa.
- f. Governance: The agency understands and complies with our hierarchy, protocols, governance, and culture.
- **g.** Inclusion and Diversity: The agency exemplifies I&D through its own people, thought processes, and deliverables.

- 2. Value: Attributable delivery of key outcomes defined by agency core capabilities. These can include media value, digital ad quality, production efficiency, and creative consistency (audited by third parties and benchmarked versus industry standards).
 - a. Varies by type of agency and what they are expected to do for Visa. This will measure how good they are at delivering on their core capabilities.
 - **b.** Mostly measured by external third parties.
 - 3. Outcomes: Attributable performance of agency contribution to Visa business results. These can include campaign performance, ad recall, and ROI. (Measured by third parties and modeling methods by the Global Insights & Analytics teams.)
 - a. Varies by type of agency but is connected to driving business results. Many of the metrics here are dependent on cross-agency collaboration to be successful.
 - **b.** Measured by both internal Visa teams and external third parties.

The result of this approach is that we have transparent agency relationships that deliver fair and measurable outcomes for Visa and our agencies. The intangible outcome is that great talent is staffed on our accounts across the world and the teams feel aligned. With a spirit of partnership, learning, and continuous improvement, we are all meeting our goals.



Health of Relationships Between Procurement, Marketing, and Agencies

Procurement and marketing are aligned on the health of the relationship between them.

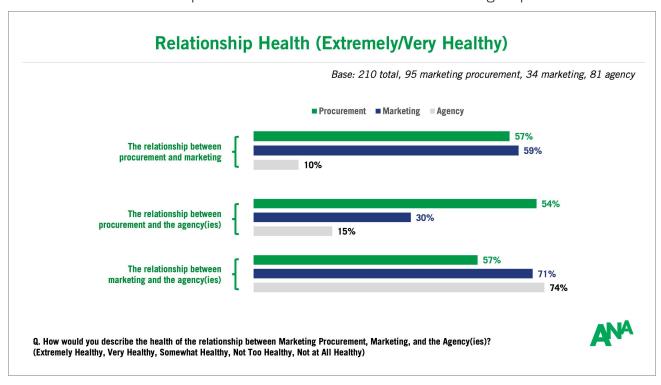
- 57 percent of procurement respondents and 59 percent of marketers perceive the relationship to be either extremely or very healthy.
- There has been improvement here since 2010 for the marketing respondents.

Procurement and agencies are not aligned at all.

- 54 percent of the procurement respondent base characterized the relationship to be extremely or very healthy, yet only 15 percent of agencies feel that way. Marketing is in between at 30 percent.
- There has not been improvement here since 2010.

Marketing and agencies are aligned on the health of the relationship between them.

- 71 percent of marketers and 74 percent of agencies perceive the relationship to be either extremely or very healthy.
- There has also been improvement here since 2010 for the marketing respondents.



It's noteworthy that only 10 percent of agency respondents rated the relationship between procurement and marketing to be healthy. In our qualitative discussions there was the view that "marketing and procurement don't come across as a united front to agencies." Another said, "marketing often blames sourcing for things (in front of the agency) but that helps to put sourcing in a position of power." Regarding the relationship between procurement and agencies, one agency leader commented, "There is an arm's-length relationship between agencies and procurement."



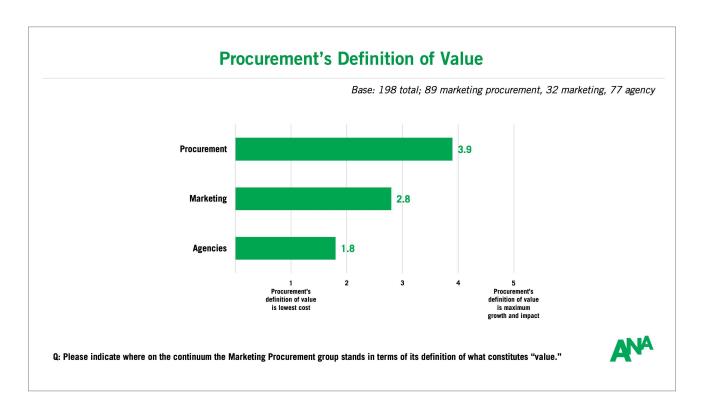
Procurement's Definition of Value

Respondents were asked, "Please indicate where on the continuum below the Marketing Procurement group stands in terms of its definition of what constitutes value."

Procurement's	1	2	3	4	5	Procurement's	
definition of value is lowest cost.	[]	[]	[]	[]	[]	definition of value is maximum growth and impact.	

Procurement is much more likely than the other constituents to perceive that their definition of value is maximum growth and impact. Agencies lean to procurement's definition of value being lowest cost. Marketing is right between the two.

Compared to 2010, the view of procurement and agencies have not changed. But in 2010 marketing was much more likely to perceive procurement's definition of value being lowest cost, and that has changed in 2022.



Procurement's View of Marketing

Respondents were asked, "Please indicate where on the continuum below the Marketing Procurement group stands in terms of its view of the marketing function."

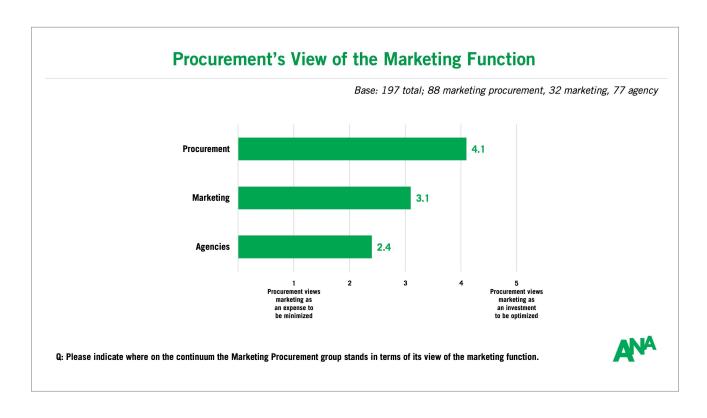
Procurement
views marketing
as an expense
to be minimized.

1	2	3	4	5
[]	[]	[]	[]	[]

Procurement views marketing as an investment to be optimized.

Procurement is much more likely than the other constituents to perceive that they view marketing as an investment to be optimized. Agencies are more likely to perceive that procurement views marketing as an expense to be minimized. Again, marketing is between the two.

Compared to 2010, the view of procurement and agencies has not changed. But in 2010 marketing was much more likely to perceive procurement's view of the marketing function to be more slanted toward "an expense to be minimized" and there has been a shift toward "an investment to be optimized" in 2022.



Procurement's Interactions with Marketing and Agencies

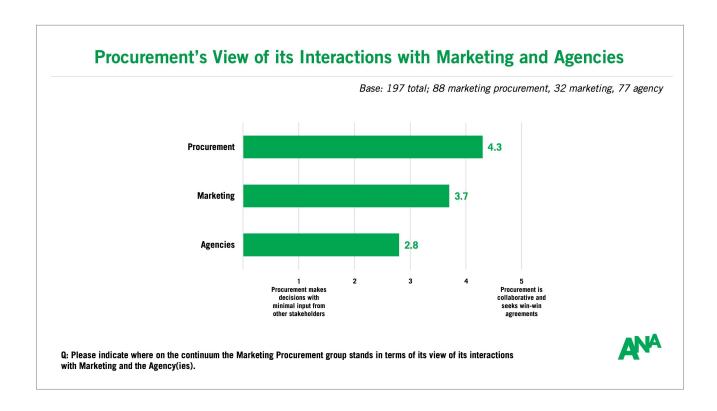
Respondents were asked, "Please indicate where on the continuum below the Marketing Procurement group stands in terms of its view of its interactions with Marketing and the Agency(ies)."

Procurement makes	1	2	3	4	5	
decisions with minimal input from other stakeholders.	[]	[]	[]	[]	[]	а

Procurement is collaborative and seeks win/win agreements.

Procurement is much more likely than the other constituents to perceive that they are collaborative and seek win/win relationships. Agencies are more likely to perceive that procurement makes decisions with minimal input from other stakeholders. Yet again, marketing is between the two.

These results are consistent with 2010.



CASE STUDY: WARNER BROS. DISCOVERY



A TRUE AND OPEN PARTNERSHIP

Contributed by: Sebastien Slek, Executive Director, Global Sourcing Marketing, Warner Bros. Discovery

The Situation

Any given Friday at 5:30 p.m.: The final marketing meeting with filmmakers just ended. Physical creative materials are scattered throughout the boardroom. The meeting lasted longer than expected, but all the creative execs, the CMO, the movie producer, and key talent present are satisfied with the work, and the approved modifications can begin.

Every digital, print, and social media asset has been reviewed and validated. While some assets have been annotated, color-coded, grouped, and redrafted, many others were eliminated from the campaign master plan. Consistency in the storytelling is paramount. Each movie campaign requires a very precise alchemy between all its assets, from trailers to promotion.

A movie campaign is like a bubble-gum burst: it typically builds slowly, culminating in a two-week pre-release blitz, and achieves its peak by the time of the weekend box office. It has been in preparation for months in parallel with the movie production. Along the way, several creative approaches were taken and discussed for long hours in multiple rounds, leading to a great number of physical pitch boards produced. Most of them were abandoned before a final direction was approved, leading to the creation of hundreds of assets for the final campaign.

While creative teams are communicating with their respective creative agencies (print, social, audio-visual) regarding the decisions for each asset and sharing annotations and oral

comments, another team is busy removing the sensitive materials that still hang on the rails by the wall or on the tables to be destroyed.

Creative agencies now have the rest of the weekend to make the edits, finish every approved asset, and deliver them on new physical boards by express courier on-time for Monday.

The Problem

During a business review with Global Sourcing, one of our creative agencies commented how manual, intensive, and cumbersome our creative process was in utilizing physical pitch materials — the printed boards, the pencil annotations, the courier delivery, and the physical destruction of materials. Under the existing pressures, this only added to the effort. Additionally, those time-consuming processes and unnecessary efforts were not environmentally neutral. Something had to be done to eliminate much of that waste.

The Solution

We listened and brainstormed how we could save time and money and create the conditions for a win-win situation for everyone. The solution determined was to update our manual process to be more digitalized and streamlined.

With the support of our agency partners and marketing execs, we built a holistic business case to equip the main creative boardroom with large touchscreens. We also sourced a new technology software to power those screens while supporting live and online





A TRUE AND OPEN PARTNERSHIP



collaboration between our creative teams and their remote agencies, with real-time editing available. The project ROI was very attractive (less than a year), and a no-brainer for Finance to approve the implementation of this initiative. There were also numerous environmental benefits, as well as quantifiable reductions in waste. The win-win objective was achieved.

Partnership as a Growth Accelerator

Nothing like this would have been made possible without a true and open partnership between our agency partners, our marketers, and our team.

We take great pride in our partnerships. For us, it is two parties sitting on the same side of the table, looking in the same direction and helping each other achieve mutually beneficial objectives.

It goes far beyond transactions, pitches, or negotiations. Our partnership strives to be a safe space to share ideas and best practices, and to co-create and innovate, while enabling cost and process efficiency. Simply put, such a trusted partnership is a growth accelerator, and the engine that propels our marketing organization and makes it so successful.



The Success of Procurement's Current Performance

Respondents were provided a list of nine goals and asked to rate the current performance of procurement. All respondents rated "Delivers cost savings/avoidance" highest.

Procurement rates itself higher than marketing does on every goal. Agencies rate the performance of procurement lowest on every goal. Often, the agency response is disturbingly low. For example, only 4 percent of agency respondents rate procurement as being very successful/successful for providing process improvements, helping agencies work more efficiently, and helping agencies work more effectively.

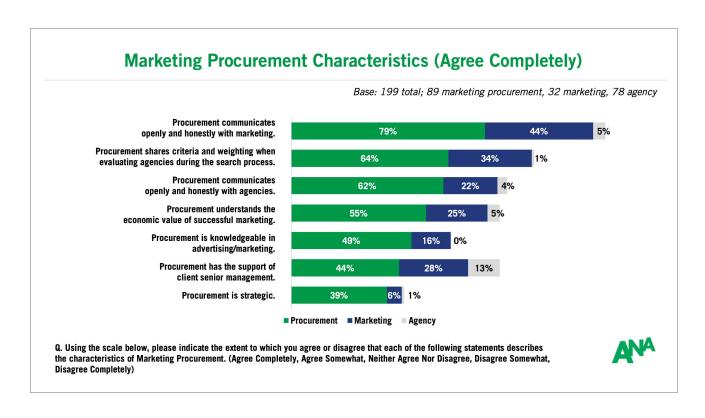




Marketing Procurement Characteristics

Respondents were provided a list of seven characteristics of marketing procurement and asked for their level of agreement.

Procurement rates itself higher than marketing does on every characteristic. Agencies rate procurement lowest on every characteristic. Across the board, the agency perspective is again disturbingly low. Not a single agency respondent agreed completely that procurement is knowledgeable in advertising/marketing.





What the Agency Leaders Are Saying

"Procurement and agencies work together best when they form a true partnership through a reciprocal relationship with procurement staying involved throughout the marketing process. By maintaining ongoing, open communications with regular bilateral feedback and casual discussions, it is easy to identify and implement joint process improvements to maximize marketing investments. The process improvement savings can make the hourly rate irrelevant and improve the marketing outcomes."

— Lisa Miller, CPA, CFO, collemcvoy	

"Well done, managed, and with the right people, marketing procurement can be a tremendously valuable partner and asset to both the marketing department (thus, the company) and agencies. Marketing procurement can also be a very valuable partner in preserving the health of the relationships. However, when there is a drive to lower costs, at all cost, there can be damage to the structure, the team, and of course, the compensation.

'As agencies, being fairly compensated is key to us being able to bring the best talent forward and retaining it. From a multicultural perspective, marketing procurement often has a lot to learn. Just because our budgets are so much smaller than they should be and because we are representatives of a segment, it doesn't mean that our people need to be paid less or work more hours per annum. Quite the contrary. We are specialist agencies and our talent is rare and specialized. That little detail still seems to elude many procurement departments. Understanding how agencies work, understanding the multicultural marketing arena, and having more dialogue is the way to better mutual understanding and maximization of value."

 Alex Lopez Negrete, 	President,	CEO,	Lopez Negrete Communications	

"Marketing, procurement and agencies should operate as a triumvirate and work on scopes together from the outset, bringing their different skills into play. Agencies are not always aware of clients' internal protocols, and marketers often bring in procurement too late to effect any meaningful change: scopes, how the project will be delivered, and the underlying business model have already been determined. This leaves little space for them to be effective and all they can try to do is reduce prices, which in principle have already been agreed on. If the three parties collaborate from the outset, this leads to more effective processes and outcomes for both businesses."

- Richard Tan, FCA, CFO, Partner, Fig Agency



What the Agency Leaders Are Saying

"Procurement teams need to realize that the real win comes when there is an **emotional** contract created between the client and agency, not just a financial one. The team tries harder, commits more, and thinks about the client's business outside working hours, because they feel valued."

— Carl Johnson, Founding Partner and Executive Chairman, Anomaly

"Over the years I've seen the procurement role be elevated within organizations. While they play a specific and meaningful role, what I've always been impressed with is their intent to ensure there's always a fair and balanced review process. When procurement is involved and at its best, I know there's a process, there will be an outcome, and all agency participants are playing on the same field with the same rules."
— Stephen Larkin, SVP Growth & Development U.S., R/GA

"This helpful report reminds us of the benefits that alignment and a shared understanding of business objectives provide as powerful accelerants for the relationship and business. The strongest outcomes occur when marketing and procurement align on goals and when procurement's KPIs focus on optimizing investment vs. cost reduction as well as starting with a deep understanding of agency processes and product. However, it's clear that when any of those factors are out of alignment, it is an obstacle to creating a valuable and enduring partnership for all parties."

— Mollie Rosen, EVP, Strategy, Insight & Innovation, 4A's



CONCLUSIONS AND RECOMMENDATIONS

There is still good, bad, and ugly in the world of marketing procurement. While there has been some progress since our 2010 benchmark, it has, candidly, been disappointing.

A key reason is that marketing procurement is still growing up.

- The average marketing procurement department has been in existence for 11.6 years, compared with 9.8 years in the 2010 survey.
- 55 percent of marketing procurement departments have been in existence now for less than 10 years. This means they did not exist when we fielded our previous benchmark.
- 24 percent of marketing procurement professionals have less than five years of experience in marketing procurement.
- 48 percent are at organizations with annual U.S. advertising budgets of under \$200 million, and almost 20 percent have budgets of under \$30 million.

Many organizations have added marketing procurement departments, and now even firms with smaller advertising budgets have marketing procurement — in both cases, some may be new companies. While some organizations have long-established and mature marketing procurement departments, marketing procurement overall is *still an adolescent*. This helps explain why many of the issues that were with us in 2010 are still here today.

There has been progress, particularly in the relationship between marketing procurement and marketing.

- Both rate the health of the relationship between procurement and marketing equally: 57 percent of procurement respondents and 59 percent of marketers rate the relationship to be either extremely or very healthy. There has been improvement since 2010 for the marketing respondents.
- Marketing's perception of procurement being "a critical member of the team" has improved since 2010 and is now equal to the perception of marketing procurement.
- On the key metric of "procurement's definition of value," marketing's perception has improved and moved closer toward "maximum growth and impact" and away from "lowest cost."
- On the metric of procurement's view of marketing, marketing's perception has moved closer to an investment to be optimized and further from an expense to be minimized.

There are still wide gaps in many areas of the relationship, including identifying the breadth of marketing procurement's support, rating marketing procurement's performance on its responsibilities, and the various marketing procurement characteristics. An example of the latter is that 55 percent of procurement respondents agree completely with the statement "Procurement understands the economic value of successful marketing," compared with only 25 percent of marketing respondents.



CONCLUSIONS AND RECOMMENDATIONS

Meanwhile, the relationship between procurement and agencies continues to be a much bigger work in progress, and the gaps between these two constituents are troubling.

- One of the most fundamental metrics is that of relationship health. Procurement and agencies are not aligned at all. Fifty-four percent of the procurement respondent base characterized the relationship to be extremely or very healthy, yet only 15 percent of agencies feel that way. There has not been improvement here since 2010.
- Procurement perceives that their definition of value is maximum growth and impact. Agencies perceive that procurement's definition of value is lowest cost.
- Procurement perceives that marketing is an investment to be optimized. Agencies believe that procurement views marketing as an expense to be minimized.
- 55 percent of procurement respondents agree completely that procurement understands the economic value of successful marketing, versus only 5 percent of agencies.
- 49 percent of procurement respondents agree completely that procurement is knowledgeable in advertising/marketing, while not a single agency respondent does.

What is the road forward?

Marketing procurement must understand their role. At their best, marketing procurement is an enabler and facilitator. At their worst, marketing procurement can be a roadblock and bottleneck. As we learned in qualitative discussions with procurement professionals, "Marketing procurement must understand what marketing needs, what agencies provide, and insert yourself with the goal of optimizing the overall value and quality of the output. Marketing procurement should remove barriers and fill potholes, and not be the Procurement Police to enforce rules." To aid that understanding, many procurement professionals need to elevate their knowledge of the marketing/advertising industry.

To improve the relationship between agencies and procurement, the relationship between marketing and procurement should be addressed first. Marketing and marketing procurement are on the same team at the same organization. Yet the goals of the two groups often aren't aligned. Marketing and procurement don't come across as a united front to agencies. Procurement often does not have early involvement nor is it involved throughout the process. Additionally, there can often be a good cop (marketing)/bad cop (procurement) dynamic. All that sends signals to the agency that colors their perception of procurement.



The following are recommendations, highlighted with feedback from the qualitative questions in the survey as well as qualitative interviews.

- **1. Goals Must be Aligned and Shared:** It is counterproductive for marketing and marketing procurement to have different or conflicting goals. All three constituents in this study marketing, marketing procurement, and agencies expressed strong opinions that goals should be aligned. After marketing and marketing procurement align on goals, those goals should then be shared and discussed with agencies.
 - "Share marketing KPIs and put marketing procurement on the same evaluation scorecard as marketing."
 - "Ensure aligned objectives. If marketing views the agency as their results-producing, highly-valued partner, and procurement is wired to view the agency as an expensive vendor, you're gonna have trouble."
- 2. Involve Procurement Early in the Process: This is fundamental, and there were numerous comments from marketing procurement respondents about the importance of early involvement.
 - "The more procurement is involved at an earlier stage with marketing/agency conversations, the more strategic and useful procurement can be."
 - "Marketing should include procurement more often and at an earlier stage for the best impact. Usually, marketers involve procurement when they have an issue with an agency. That puts us at a disadvantage when negotiating with the agency. It is best to go into every conversation together from the beginning."
 - "We are normally engaged after plans and budgets are already defined, and in most of the cases, it ends up affecting the relationship between marketers and agencies."

Some agencies also advocated for procurement to be involved earlier in the process.

- **3. Procurement Needs to Understand that Advertising Is Unique:** Marketing procurement is very different from direct sourcing. Many marketing procurement professionals have a background in direct sourcing before moving over to marketing. There are key differences. People in marketing procurement need to be comfortable with subjectivity and ambiguity while working in "gray areas." While direct procurement is more science than art, marketing procurement is more art than science.
 - "Procurement needs to better understand the power and value of creativity. Yes, it's subjective by its very nature, but it is also able to completely transform a brand's performance in the marketplace. Some procurement teams are commoditizing creativity."
 - "Procurement should have more appreciation for creativity and the value of ideas view the client/agency relationship as a partnership rather than a transaction."
 - "Treat marketing services differently than other 'vendors' that are supplying paper goods or raw materials."



- **4. Procurement Should Focus More on Value and Less on Cost:** Focusing on cost rather than building value has been a long-term criticism of marketing procurement. Consider as an analogy the business of financial planning. Most people choose a financial planner based on factors such as the reputation of the firm/individual and personal referrals. The role of the financial planner is to build portfolio value while managing risk. Cost may be a factor, but usually it's a lesser consideration. Do you want the most inexpensive planner or one who will help you achieve your financial goals? Consider that same thinking for an agency partner.
 - "The main criteria for procurement should be about getting the most value from the agency partners, and not about lowering costs."
 - "Be more about value in the business partnership versus the current focus on operating in a silo that is about getting cost down."

Goal alignment between marketing and procurement should help guide procurement's behavior here.

- **5. Procurement Should Stay Involved Throughout the Process:** There were comments in the survey verbatims as well as in the one-on-one interviews that some marketing procurement teams are involved in the beginning of the process (RFPs, contracting), and may come back again much later (evaluations), but are not involved throughout the process. One agency interviewee referred to this as procurement often being "one and done... and then disappearing."
 - "Procurement should stay involved in the process instead of making contractual mandates
 that later become impossible to comply with as the marketing priorities change. Procurement frequently only engages at MSA or SOW sign-off and then disengages throughout
 the marketing lifecycle, so they don't understand why the list of final SOW deliverables
 in December doesn't agree with the SOW created in January."
 - "Most procurement teams only engage with the agency once or twice a year and are not interested in ongoing dialogues."
- **6. Procurement Should Work Closer with Marketing Teams:** The survey results show an obvious disconnect between procurement and marketing. While there has been some improvement since the 2010 research, there is still more work to be done. If procurement is going to improve its working relationship with agencies, they must first do so with their internal marketing teams.
 - "Spend more time with their marketing teams to understand what they value from their agency. Too many conversations focus on cost in isolation from what the marketing client values."
 - "More alignment with the marketing organizations. Quite often, we see that procurement
 has distanced from the budget holders. Almost set up to be 'bad cop' out of the gate.
 Many marketing executives will often commiserate with the agency that they have to
 deal with procurement as if it is out of their hands."



- "The more procurement is embraced by marketing as part of the team, the better our knowledge will become and the more we can be effective when scoping, managing relationships with agencies, etc."
- **7. Process Improvements Are an Opportunity:** Process improvements offer an area of opportunity for procurement to provide a real win/win ideas that benefit both the client and agency. One procurement professional commented, "We put structure into unstructured ways of working." As examples, issues around poor processes in briefing and review of creative work have been around forever and are still areas to be optimized at some organizations.
 - "Too much time is spent on tactical areas and cost squeezing, with no dialogue around how to deliver marketing effectiveness. We find the procurement relationships that work well are those that work with agencies to co-develop ideas on improving the relationship and processes to support clearly communicated marketing goals."
 - "Procurement can contribute more to marketing process innovation: risk- and rewardsharing compensation models, production strategy, talent negotiations."
 - "It (process improvements) doesn't happen every time but when it does, it can be powerful."

In a one-on-one discussion with an agency leader, there was the comment, "There is a massive amount of waste. There really should be more time spent on improving the process of working together — to get better work, more often, more efficiently. That includes discussing timelines for development, quality of the brief, clarity of feedback, unity of feedback, and any spoken or unspoken mandatories. It's ironic that in a situation where pricing of agency services is so dominated by conversations about time that there's so little focus on the best use of that time!"

There can be challenges: some qualitative respondents noted that, depending upon the organization, procurement may need to be cautious here. One qualitative respondent said, "Sometimes marketing and agencies don't welcome process improvements suggested by procurement," while another felt that it depended upon the maturity of the relationship. Another challenge, according to a different qualitative respondent, is "Procurement usually doesn't have KPIs for process improvements." Perhaps they should!

Agencies have a role to play and can provide suggestions, especially to help improve the briefing process and reduce rounds of creative work. Agencies should identify the behavior both marketing and procurement could change to enable more efficient processes and methods. As one marketing respondent said, "We may be the clients, but we have opportunities for improvement. Agencies should bring us ideas and innovations for how we can get better."



- **8. Education Is Critical:** It's quite stunning that only 16 percent of marketers and zero percent of agencies agree completely that procurement is knowledgeable in advertising/marketing. Clearly, then, procurement would benefit from ongoing education.
 - "Increased education of procurement on marketing basics for various areas (advertising, media, etc.) so that procurement has better overall understanding of the WHY behind marketing requirements/requests."
 - "Too often, procurement staff lacks any understanding in marketing/agency services, and yet is responsible for assessing their value."
 - "Ensure all procurement staff members have deep knowledge of marketing and agencies."
 - "Marketing procurement needs to have a broader knowledge of the challenges of marketing today, changes in the marketing model, and innovations that have occurred in marketing."

Procurement should consider spending more time with their agencies to enhance empathy — perhaps even considering an extended "immersion" on-site at an agency.

- **9. Procurement Should Market Its Value:** Procurement should do more to share their successes with marketing and agencies.
 - "When we have success, we need to talk about it."
 - "Do a better job of marketing the value that marketing procurement can provide."
 - "Demonstrate the value brought to the marketing organization. We don't present our successes enough."
- **10. Agencies Should Proactively Establish Relationships with Procurement:** There can be benefits when agencies proactively establish relationships with procurement. It helps involve procurement early in the process and provides the opportunity to discuss goals.
 - "Establish a relationship with procurement early on in the scoping process to understand their goals and bring them into the conversation."
 - "Exert a similar level of effort in establishing relationships with procurement as we do senior marketing clients."

Of course, procurement should proactively establish relationships with agencies.



Resources

The ANA provides a number of resources for the marketing procurement community.

- Advertising Financial Management Committee: A regular forum, comprised primarily of marketing procurement professionals, for peer-to-peer discussion, benchmarking, and learning.
- ANA Procurement Mentoring Program: An industry community committed to improving the relationships between client-side and agency procurement professionals. A group of senior-level marketing procurement experts have volunteered to mentor marketing procurement professionals at other organizations.
- The Business Case for Relationship Management: Relationship management guides the over-arching client-side marketer and advertising agency partnership. A strong client/agency relationship management program is key to ensuring a long-term client/agency relationship that is built on trust. This report from the 4A's and ANA measures the state of affairs related to relationship management program adoption levels, overall satisfaction, and benefits derived from their use.
- ANA Marketing Training and Development Center: Offering 200+ marketing courses including procurement-specific training and the Certified ANA Marketing Professional (CAMP) program to marketers and advertisers worldwide.
- ANA Marketing Knowledge Center: Industry insights, case studies, playbooks, and event recaps.

Another terrific resource for marketing procurement professionals is Project Spring, from the WFA (World Federation of Advertisers). **Project Spring** is a global sourcing initiative launched in 2018 and designed to transform the value proposition of marketing procurement.

Finally, we encourage ANA members to take the survey tool and field the survey among their internal procurement and marketing groups (ideally coordinated by an unbiased third party) to assess the state of alignment (or not) between procurement and marketing. And if those ANA members are especially brave, they can do the same with their agencies — but it's suggested that be done initially with more established relationships. The survey tool is here.



ABOUT THE ANA

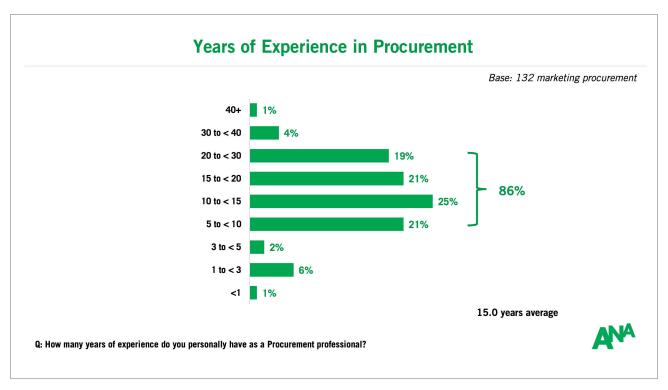
The mission of the **ANA** (**Association of National Advertisers**) is to drive growth for marketing professionals, brands and businesses, the industry, and humanity. The ANA serves the marketing needs of 20,000 brands by leveraging the 12-point ANA Growth Agenda, which has been endorsed by the Global CMO Growth Council. The ANA's membership consists of U.S. and international companies, including client-side marketers, nonprofits, fundraisers, and marketing solutions providers (data science and technology companies, ad agencies, publishers, media companies, suppliers, and vendors). The ANA creates Marketing Growth Champions by serving, educating, and advocating for more than 50,000 industry members that collectively invest more than \$400 billion in marketing and advertising annually.

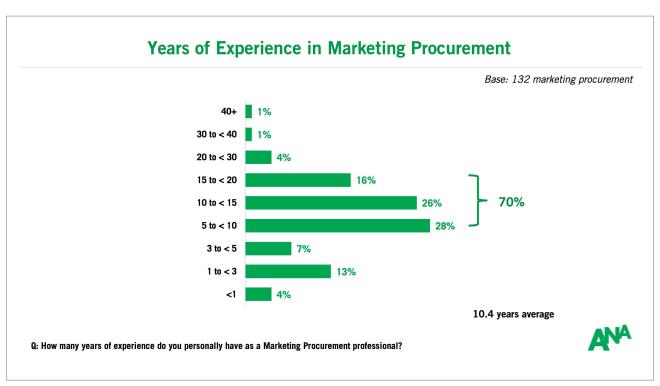
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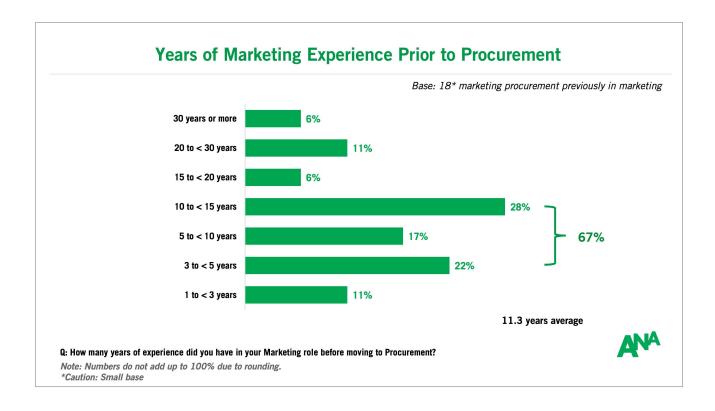
The project leader on this initiative was Bill Duggan, Group EVP at the ANA (bduggan@ana.net).

This report was designed by Amy Zeng, Manager, Creative Services at the ANA.

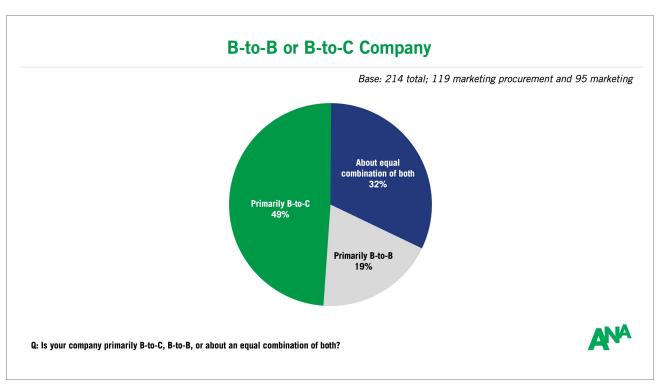


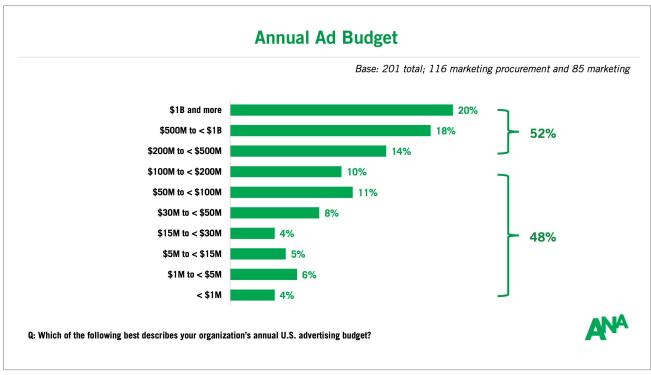






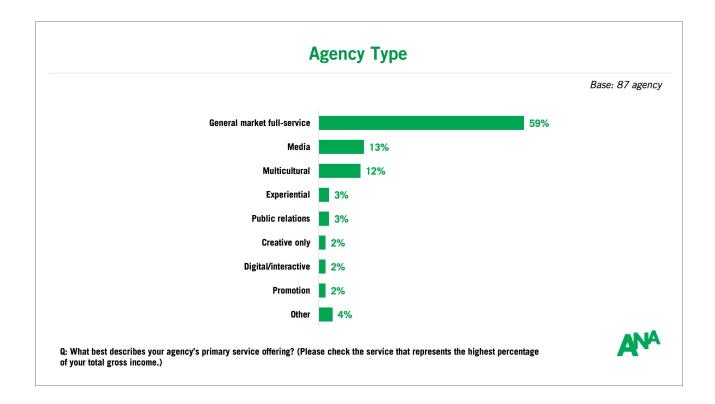






Note: 52 percent of the total sample had an annual ad budget of \$200 million or more — 70 percent of the procurement sample and 29 percent of the marketing sample.







Procurement Perspective: What Could Procurement, Marketing, and Agencies Do to Improve Relationships with One Another

Leadership Support (procurement perspective)

• We need more top-down support. Until Marketing has our value acknowledged by leadership, we will only be able to impact so much.

Know Your Role (procurement perspective)

- Understand what marketing needs, what agencies provides, and insert yourself with the goal of optimizing the overall value and quality of the output.
- Marketing procurement need to understand their role and the marketing process to ensure we aren't a roadblock or bottleneck to marketing.
- Position marketing procurement as an enabler a team that removes barriers and fills potholes, not as the Procurement Police to enforce rules.
- Don't view us as a threat but rather as a bridge-building team.

Early Involvement (procurement perspective)

- Being involved early in the process is key...if we are pulled in last minute, the outcome is not ideal.
- Bring marketing procurement in at the beginning of the conversation.
- BRING US IN EARLY! Don't wait until the contract is ready to be signed, as problems and delays are inevitable at that point.
- Engage us earlier and often.
- Involve procurement earlier. Right now, it varies. Some involve procurement upfront, others wait until there is a contract to review. By that point, it is too late for them to negotiate.
- Be part of marketing annual planning and budgeting. We are normally engaged after plans and budgets are already defined and in most of the cases, it ends up impacting the relationship between marketers and agencies.
- The more procurement is involved at an earlier stage with marketing/agency conversations, the more strategic and impactful procurement can be.
- Clients/stakeholders should be engaging marketing procurement early in the process and not on the back end just to facilitate a process or payment.
- Marketing should include procurement more often and at an earlier stage for the best impact. Usually, marketers involve procurement when they have an issue with an agency. That puts us at a disadvantage when negotiating with the agency. It is best to just go in every conversation together from the beginning.



Procurement Perspective: What Could Procurement, Marketing, and Agencies Do to Improve Relationships with One Another

Align Goals (procurement perspective)

- Conflicting goals are a core issue.
- Align leadership of both groups to mutually agreeable goals.
- Give us a seat at the table and let us know your goals and objectives.
- Continue to demonstrate how we have the same common goals.
- Perform future goal-setting activities with agencies that are aligned with brand goals.

Educate (procurement perspective)

- Make sure the people hired in marketing procurement actually understand marketing and agencies.
- Ensure all procurement staff members have deep knowledge of marketing and agencies.
- More understanding of marketing industry, where ROI and maximum outcomes can be driven versus cost structures.

Focus on Process Improvements (procurement perspective)

- Procurement can contribute more to marketing process innovation: risk and reward sharing compensation models, production strategy, talent negotiations.
- Agencies should offer suggestions to help improve the briefing process and reduce rounds of review or unused material.
- We may be the clients, but we have opportunities for improvement. Agencies should bring us ideas and innovations on how we can get better.
- Include procurement more in continuous improvement activities.
- Both procurement and agencies should proactively provide efficiency recommendations.
- Agencies should identify what behavior both marketing and procurement clients can change to enable more efficient processes and methods.

Market the Value of Procurement (procurement perspective)

- Do a better job of marketing the value that marketing procurement can provide.
- When we have a success, we need to talk about it.
- Demonstrate the value brought to the marketing organization. We don't present our successes enough.

Other (procurement perspective)

• The more procurement is embraced by marketing as part of the team, the better our knowledge will become and the more we can be effective when scoping, managing relationships with agencies, etc.



Agency Perspective: What Could Procurement, Marketing, and Agencies Do to Improve Relationships with One Another

Procurement Should Focus More on Value and Less on Cost (agency perspective)

- Be more about value in the business partnership versus the current focus on operating in a silo that is about getting cost down.
- Expand the definition of value beyond efficiency into measures of effectiveness.
- Marketing procurement needs to be more open to understanding value and effectiveness and not just efficiencies.
- The main criteria for procurement should be about getting the most value from the agency partners, and not about lowering costs.

Procurement Needs to Understand that Advertising Is Unique (agency perspective)

- Have more appreciation for creativity and the value of ideas view the client/agency relationship as a partnership rather than a transaction.
- Better understand the power and value of creativity. Yes, it's subjective by its very nature, but is also able to completely transform a brand's performance in the marketplace. Procurement teams are commoditizing creativity.
- Procurement could be more educated on the value of the ideas we create rather than a focus on hours X rate.
- Treat marketing services differently than other "vendors" that are supplying paper goods or raw materials.
- Better understand the value and true cost of quality talent and strategy at agencies and the ROI that quality generates.
- Do a better job of communicating they value what agencies bring to the table, that we are not a commodity that should be driven down to the lowest possible cost.
- Understand the role of marketing better and the value that the agencies bring. They look at agencies as a cost area and not of value.
- Understand the difference between strategic marketing and creative activities which bring value and business growth versus functional marketing production activities that can be considered from cost efficiencies.
- Marketing as a function treats spending as an investment in sales whereas marketing
 procurement uses supply chain logic seeing it as the cost to the business. Those two
 different POVs cannot be reconciled.
- Creativity cannot be commoditized.

Marketing Should Share Goals (agency perspective)

- Align at the beginning of the RFP process on decision criteria and what's important so they are not working toward separate goals.
- Communicate goals and objectives.
- Share marketing KPIs and put marketing procurement on the same evaluation scorecard as marketing.



Agency Perspective: What Could Procurement, Marketing, and Agencies Do to Improve Relationships with One Another

- Ensure aligned objectives. Have more direct dialogue higher up in the organization. If marketing views agency as their results-producing, highly valued partner, and procurement is wired to view agency as an expensive vendor, you're gonna have trouble.
- Make procurement understand the goals/KPIs of marketing. Become a partner with marketing. Work together and not separate.
- While I understand it's inevitable that marketing and marketing procurement can have separate and distinct goals, however, I would think they would have many goals on which they can collaborate. If marketing and marketing procurement worked as a team and met with agencies in a clear, partnership approach, more would be accomplished in less time. I have very few clients where I see marketing and marketing procurement operating in lockstep, as a team. It makes the scoping and negotiation process much less efficient and more likely to end up with fewer of each participants' goals being achieved.
- It is difficult for agencies and marketing procurement to have effective relationships when the goal of marketing procurement is to pay agencies as little as possible to get their work done. This is where the marketing teams must step in and re-set the dynamic.
- My best procurement relationships exist when they understand what challenges their marketing "clients" have and how the agency/agencies can help solve them. Then, they're able to work with all parties to ensure the agency remuneration aligns with the services being provided.

Procurement Should Communicate Goals (agency perspective)

- Be upfront and honest about the KPIs you are aiming to achieve as a procurement team. This will help agencies find a win-win-win (marketer, procurement, agency).
- Procurement teams need to partner better with their agencies and be prepared to share goals and budgets to drive more viable outcomes that enable both parties to succeed.

Procurement Should Work Closer with Marketing Teams (agency perspective)

- Spend more time with their marketing teams to understand what they value from their agency. Too many conversations focus on cost in isolation to what the marketing client values.
- It's critical that procurement understand what their respective marketing teams (and agencies) do, and what "success" looks like.
- More alignment with the Marketing organizations. Quite often, we see that procurement
 has distanced from the budget holders. Almost set up to be "bad cop" out of the gate.
 Many marketing executives will often commiserate with the agency that they have to deal
 with procurement as if it is out of their hands.



Agency Perspective: What Could Procurement, Marketing, and Agencies Do to Improve Relationships with One Another

Marketing Should Educate Procurement (agency perspective)

- Educate procurement on marketing and why quality is more important than saving a few dollars.
- Help marketing procurement better understand how they define value and what they need in an agency partner.
- Too often, procurement staff lacks any understanding or interest in marketing/agency services, and yet is responsible for assessing their "value."
- Possibly do agency immersions to better understand the process.

Procurement Should Provide Process Improvements (agency perspective)

• Too much time is spent on tactical areas and cost squeezing, with no dialogue around how to deliver marketing effectiveness. We find the procurement relationships that work well are those that work with agencies to co-develop ideas on improving the relationship and processes to support clearly communicated marketing goals.

Procurement Should Stay Involved Throughout the Process (agency perspective)

- Procurement should stay involved in the process instead of making contractual mandates
 that later become impossible to comply with as the marketing priorities change. Procurement
 frequently only engages at MSA or SOW sign-off and then disengages throughout the
 marketing lifecycle, so they don't understand why the list of final SOW deliverables in
 December doesn't agree to the SOW created in January.
- Most procurement teams only engage with the agency once/twice a year and are not interested in ongoing dialogs. Marketing teams do not want the agency teams to talk to procurement and procurement doesn't want to talk to the agencies unless it's about rate negotiations.

Agencies Should Proactively Establish Relationships with Procurement (agency perspective)

- Establish a relationship with Procurement early on in the scoping process to understand their goals and bring them into the conversations
- Exert a similar level of effort in establishing relationships with procurement as we do senior marketing clients.



Marketing Perspective: What Could Procurement, Marketing, and Agencies Do to Improve Relationships With One Another

Understand that Marketing Is Unique (marketing perspective)

- Procurement has trouble differentiating the unique nuances of marketing, which includes subjective elements like creativity, and more "widget" type procurements where it's very black and white. If they understood the difference the relationship would be better.
- Our marketing procurement team is solely focused on savings, not quality. Their approach is counterproductive. They are not aligned with the marketing organization's vision.
- Focus on creating an efficient and optimized environment for Marketing and agencies rather than only focusing on squeezing out costs.

Clarity of Goals (marketing perspective)

- Marketing should proactively communicate goals and priorities for the year.
- Procurement needs to account for the Marketing Relationship goals with Agencies and focus their resources and priorities to meet those goals.
- Today, they only deliver against the Corporate Procurement goals, ignoring Marketing, and congratulate themselves for a great job. But Marketing did not meet our KPIs.

Involve Procurement Earlier (marketing perspective)

- Always involve them as soon as possible.
- Bring procurement into the process early.
- Bring them into the conversation earlier.

Education (marketing perspective)

- Get to know the business and the agency partners better. Have a better understanding of the industry and trends with agencies.
- Become more knowledgeable in the marketing space.
- Demonstrate more externally oriented knowledge on agency capabilities, models, and examples.
- Gain knowledge of media, agency service, and applicable fees.
- A little more understanding of the advertising/creative category and some of the drivers of successful performance could be an area of improvement.
- Marketing procurement needs to have a broader knowledge of the challenges of marketing today, changes in the marketing model, and innovations that have occurred in marketing.
- Increased education of procurement on marketing basics for various areas (advertising, media, etc.) so that procurement has better overall understanding of the "WHY" behind marketing requirements/requests.
- Help extend their knowledge of media and value of media services.





Procurement 2022: The Good, the Bad, and the Ugly

JULY 2022