Marketing Procurement Trends

What's Shaping Strategy in 2022

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Marketing procurement has entered 2022 with a strong sense of purpose and identity.

As the world has faced transformative change over the last two years, business leaders have called on procurement teams to guide them through budget cuts, digital transformation, and supply chain interruptions. Marketers have sought the analytical skills of procurement teams to drive return and performance in times of uncertainty.

With a seat secured at the table, the challenge for marketing procurement teams going forward will be to ensure that procurement processes are built-for-purpose and reflect the changing marketing ecosystem. This is likely to require the use of AI and SaaS systems for increased accuracy, speed, and insights, but it will also call for knowledge around evolutions in partner operations, measurement, and accountability.

As agencies and scopes of work have evolved as the result of the pandemic, so should the process of selection, engagement, and verification. This is why we have chosen RFPs, contract management, agency compliance, and resourcing as four areas that should be high on the marketing procurement agenda for 2022.

New mindsets and a willingness to change offer the opportunity for continuous improvement, and we hope this report will be a guide and support.

Marketing Procurement Trends for 2022

1 **RESETTING RFPS**

Stop RFPs from killing differentiation, commoditizing offerings, and assuming that the client has all the right answers.

2 **STRATEGIC CONTRACT MANAGEMENT**

Move contract management from a tactical operation to one that is more strategic and about business enablement.

3 **VERIFYING AGENCY ESG COMPLIANCE**

Create a relationship of trust that grows within a system of verification. It’s not about fault-finding. It is ensuring that what is promised is followed through.

4 **DETERMINING THE OPTIMAL RESOURCE MATRIX**

As salaries rise and the talent crunch makes recruiting more difficult, understanding what’s needed now while planning for the future helps mitigate operational costs.

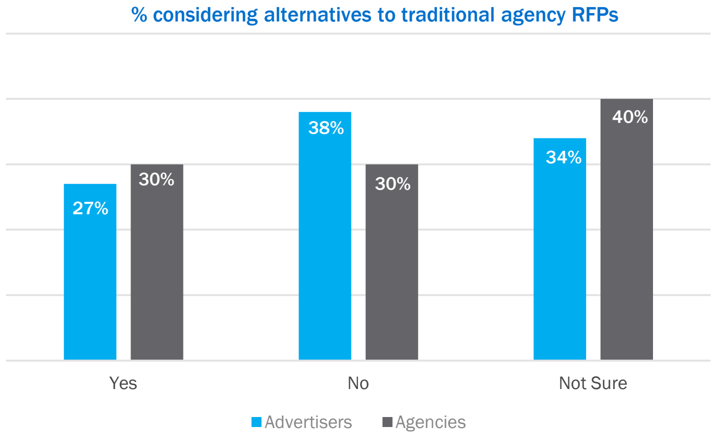
1 Resetting RFPs

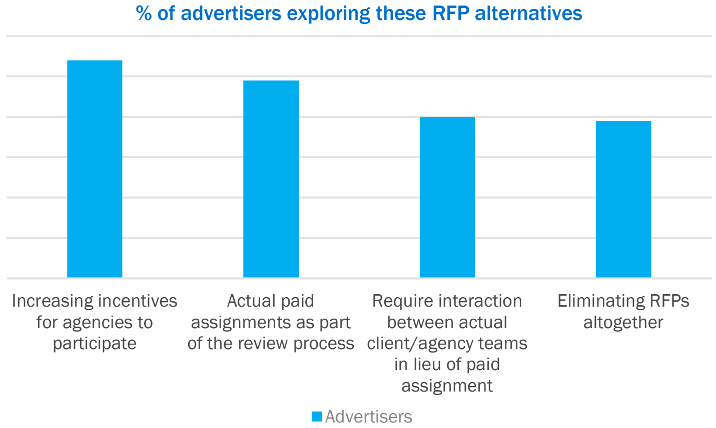
What's Wrong With My RFP?

When executed correctly, RFPs provide marketers and procurement teams with the information they need to conduct a competitive pitch and obtain different viewpoints on how a brand's goals can be achieved. When poorly built, RFPs can prevent best-in-class vendors from winning accounts.

What are some signs that your RFP might not be working in your best interest?

- It takes **too much internal resource** to produce an RFP. On average, it takes 9 people within an organization to produce one RFP.
- The **responses are too similar**. RFP questions should be designed to highlight, not kill differentiation.
- Vendors ask **too many questions about the request**. Before an RFP is prepared, you need to first understand the problem. Is it really about capability and new ideas? Or is it an issue of process or governance, or one of roles and responsibilities?
- **Not clear why you're paying a premium**. If the RFP is weighed too heavily on price, it prevents clients from seeing what makes a supplier valuable.
- We **don't see enough innovation**. Rigid RFPs prevent vendors from presenting out-of-the-box solutions.
- **Low response rate**.





Source: Advertiser Perceptions (300 advertising and agency execs surveyed July 6-16, 2021)

Do You Need to Reset Your RFP?

1. **Does my RFP process reflect the nature of our partnership needs?**
Determine if the RFP process accommodates the cross-disciplinary functions you require of your partner agency. If you require partners to solve problems in innovative and unconventional ways, using a traditional RFP process might not provide agencies the opportunity to demonstrate strengths and capability in key areas.

2. **Are we spending enough time talking to potential partners?**
Some marketers get caught spending too much time deliberating the RFP internally and not enough time learning more about potential partners. Be smart with the time you have.

3. **Does the RFP process cancel out potential partners?**
The exhaustive nature of certain RFPs means they will appeal to small, independent agencies who are willing to invest a lot of time and effort into the process, or large multinational agencies with the resource to answer every question and respond to every query.

4. **Does our RFP criteria provide agencies the opportunity to show their voice?**
Competitive bidding and the impersonal nature of RFPs can result in what makes an agency unique to become lost in the process.

5. **Does the RFP process allow participants to showcase sector knowledge?**
Many clients are calling reviews because they need new capability. Providing agencies with the ability to demonstrate and talk about their area expertise and giving potential partners an idea of where the brand might be in its transformation is helpful.

6. **What is the sentiment around our RFP process?**
No matter how impressive the client, or how big an account, a bad RFP process will make agencies take a second thought on whether to participate in the review or bow out. If a brand has an unfortunate reputation of being difficult to work with, that should be high on the priority of issues to investigate and fix.

7. **Do we understand the marketing process enough?**
Marketing procurement requires understanding of industry nuance and trends. Assess the background of your marketing procurement team to identify areas where upskilling and training might be needed so that all participants come to the RFP process with shared knowledge.

What Might An RFP Reset Involve?

Embed a Needs Assessment into the process

Before you issue an RFP, ensure that the views of executive sponsors, subject matter experts, and key business units (like sales) are captured. A third-party expert will be able to conduct stakeholder interviews and surveys, evaluate risks, set timing, and outline important factors. This makes everyone feel heard.

Improving RFP management

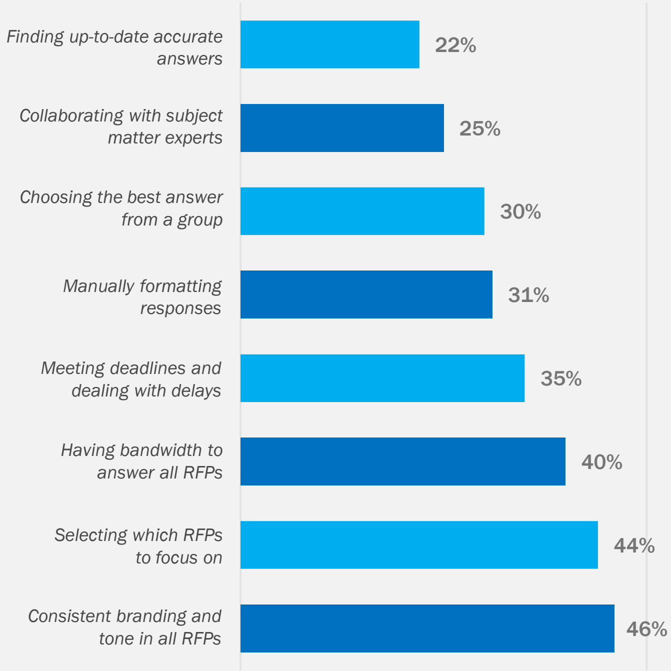
Resetting RFPs include addressing how RFP content is managed and stored. In a study by Loopio (2021), the top challenge procurement faces with RFPs is finding up-to-date accurate answers. Having a centralized, easy-to-search system will speed up proposal building and reduce the need for edits and reviews. It also enables internal stakeholders to review and compare versions without having to repeat the same questions for every new RFP.

Work with a pitch consultant to develop your RFP

Stakeholders at various levels in company might not view the response process the same way. They might have differing views on satisfaction on the proposal quality, the importance of reported metrics, and judging criteria. To ensure that stakeholder alignment is consistent, a pitch consultant can ensure that an RFP contains a unified and transparent view on what is needed and how criteria is being judged.

Biggest Challenges in the RFP Response Process

Procurement respondents could select multiple answers



Source: Loopio (2021)

Case Study

A global creative agency review that improved client-agency relationships and achieved efficiency in fees

Challenge

AkzoNobel felt their communications were too category generic, and there was a breakdown in the relationship with its creative agency. The company needed to improve insights and creative strength in key regions.

Key Focus

The company wanted an independent evaluation of network/agencies' suitability for their business, and full project management of multiple stakeholders across business units and markets.

Process

R3 went beyond the scope of agency model to open up conversation on AkzoNobel's commercial model and measurement frameworks with the aim to ensure agency accountability to business goals. The process included scorecard and KPI creation and development, stakeholder management and extensive assessments of agency talents on a global and developing basis.

2 Strategic Contract Management

Unlocking Value Through Contract Management

Strategic contract management is a key component of marketing efficiency as it has oversight on contractual obligations, finance, and vendor performance.

Four strategies that marketing procurement teams can implement for greater contract value generation are:

Accountability: Contracts should be created to protect all parties and foster responsibility among stakeholders to deliver on obligations. Accountability is also demonstrated through negotiation, regular reporting, and consistency in contracts, terms, and policies.

Performance Analysis: The value of a contract depends on performance. To ensure that all parties are getting a fair and competitive deal, marketing procurement teams need to build awareness of industry trends, compensation trends, vendor performance, and market costs.

Emerging Technology: Contract repository systems, automated contract workflows, and automated document assembly are just a few technologies being used to increase productivity, security, and accuracy.

Risk Mitigation: Contract value erosion occurs when companies lack the resources and tools needed to ensure that contract obligations are fully realized. Having a risk-assessment program and undertaking contract audits will help identify vulnerabilities.

Poor contract management costs businesses an average of **9% of revenues** each year

Suppliers found that without close contract governance, businesses stand to **lose up to 40% of a contract's value**

Less than 50% of negotiated savings are typically realized over the life of a contact

Sources: World Commerce & Contracting, KPMG, The Faculty

How to Strategically Manage Your Agency Contracts

1	2	3	4	5	6	7
Manage Contracts Upstream	**Identify the Goals of the Contract**	**Develop Contracts that Reflect Relationships**	**Centralize Contracts**	**Review & Audit Regularly**	**Standardize Contract Terms**	**Track KPIs**
Prior to the preparation of the contract, understand the purpose of the contract and judge the likelihood performance.	Before a contract is drafted, identify the goals and objectives you want to achieve by agreeing to the contract.	Ensure that you understand the rights and responsibilities of all stakeholders. Contracts should be written for the long-term benefit and growth of all parties.	The quality of the contract also depends on how easily it can be accessed and referred to. A good contract is devalued if no one is able to see it.	It's important to regularly audit all contracts to measure performance and identify any exposure to risks.	Having standardized terms helps procurement and marketing teams read from the same playbook. It also improves consistency, provides clarity to partners, and increases productivity within procurement teams.	The role of a good contract management system is to improve the value of the contracts. The best KPIs to use are contract efficiency, contract effectiveness, and contract risk.

Why & When Should My Agency Contracts Be Audited?

Why undertake contract compliance audits?

Contract audits help procurement teams better understand internal controls and find areas of non-compliance. They give marketers an understanding of their rights (i.e., What are your agency's obligations? What course of action can you take to resolve an issue?) and help client-agency relationships be more transparent and collaborative.

Contract compliance audits also help companies identify fraud and blind spots. Breaches of contract are not always significant - they can happen in less obvious ways like over-billing or late delivery - yet small mistakes and infractions do add up.

- CONTROL & RECOVER COSTS
- IMPROVE PROCESSES
- IMPROVE CONTRACT QUALITY
- PREVENT FRAUD
- MINIMIZE RISKS
- IMPROVE PARTNERSHIPS

When should you schedule a contract compliance audit?

Reactive audits occur in response to business events, needs or concerns. These can be structural and personnel change, expansion into new markets, starting or terminating vendor relationships, or whenever contracts are up for renewal.

Proactive audits are performed routinely with the purpose of being preventative. They can be seen as regular health checks for your business, and their purpose is to identify issues before they become problems.

Case Study

BANK OF AMERICA

Agency negotiations and benchmarking that moved to a compensation model that focused on accountability and delivering business goals

Challenge

Bank of America was preparing for annual contract negotiations with their media agency. Around the same time, BoA was restructuring agency resources to align with their changing business needs.

Key Focus

The company needed to establish a clear view of their media agency to be able to drive efficiencies and enhance remuneration terms.

Process

R3 was able to highlight areas of improvement for media effectiveness and provide the client with an impartial viewpoint. As part of the process, R3 reviewed contract terms and compared agency fees to peer organizations and standard practices in the marketplace. A gap analysis was also provided on the current state and actionable recommendations for improvement were delivered.

3 Verifying Agency ESG Compliance

Holding Your Partners Accountable

There's a consensus that reporting on Environmental, Social, and Corporate Governance (ESG) is critical to business. How marketers ensure that agency partners are practicing what they preach, however, requires a systematic and objective approach. Maintaining oversight on agency compliance is important because requirements change as time passes, organizations morph, and regulations evolve.

There are two types of compliance that marketing procurement teams need to ensure their agency partners adhere to:

Internal Compliance: Regular contract auditing will ensure that agency partners understand their obligations. Aside from delivery of work within time, cost and scope, other obligations may cover issues like use of external suppliers, diversity quotas, and data collection and storage.

External Compliance: Regulatory compliance around safety, privacy, diversity and inclusion, and sustainability largely depends on geography, but can also include the nature of the business, the nature of data and its storage, and the consumer demographic which a brand's service or product is marketed to.

Marketing procurement teams need to keep up to date with any regulatory issues that might impact ways-of-working and partnerships. It is also better to stay ahead of regulations and legislation before they are enforced.

Why is ESG Compliance Important?

ESG has a significant positive impact on fundamental business issues relevant to the long-term success of any company across industries.

Corporate Reputation	Enhanced customer and investor acquisition
Risk Reduction	Reduced disruption and losses
Opportunity Management	Greater workforce productivity and organizational resilience
Culture & Intrinsic Value	Identification of new markets/customers, products/services, revenue streams

Source: Corporate Finance Institute

What Kind of ESG Disclosures Should You Be Looking For?

Governance and Organizational Structure

Understand ESG objectives and governance mechanisms

Benchmarking and Roadmap Development

Evaluate ESG objectives compared with those of peers

Materiality Assessment

Engage with stakeholders to understand ESG priorities, measurement, and reporting standards

Integration into Strategy

Integration of ESG objectives into strategic planning and resource allocation

Disclosure Preparation

Cadence of timely disclosure in accordance with standards

Internal Audit & External Assurance

Evaluate the type and level of external assurance to meet stakeholder expectations

Alignment with Business Goals

Integration of ESG objectives into strategic planning and resource allocation

Data & Process Management

Evaluate reporting processes and controls

Adapted from Deloitte "Enhancing Trust in ESG Disclosures" (2020)

What Can You Do to Encourage Agency Compliance?

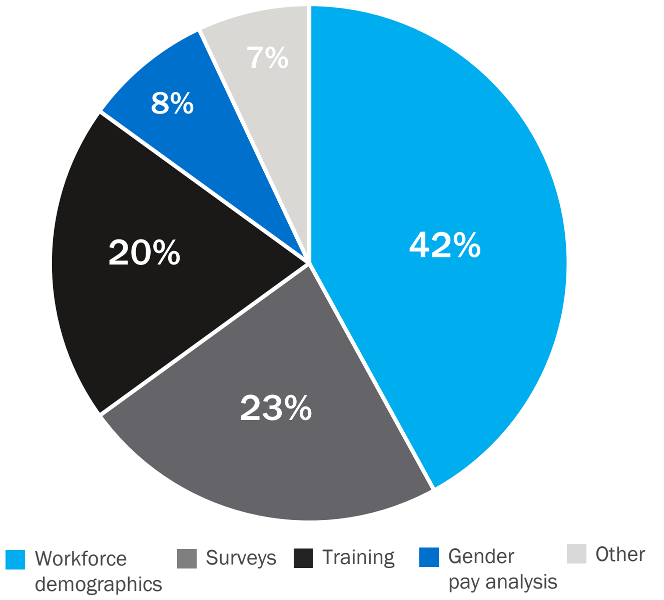
1. **Be clear on expectations, penalties, and rewards**
   The responsibility for communicating a company's expectations around diversity and sustainability falls upon contract managers. With Tier 1 suppliers, marketing procurement teams need to ensure that agency partners understand the client's ESG standards, and any rewards or penalties tied to compliance or lack thereof.

2. **Educate partners to encourage compliance down the chain**
   Marketing procurement teams need to inform agency partners that it is their duty to educate next-tier suppliers of ESG compliance requirements if they are working on the brand's campaigns.

3. **Provide incentives and rewards to compliant partners in ways that will help them to improve their business**
   Help partners remain compliant and encourage their commitment to compliance by providing bonus schemes or awarding them preferred partner status. Agencies are more willing to maintain compliance if it is presented as a business opportunity.

4. **Terminate contracts with non-compliant partners**
   Partners that continuously fail at compliance and refuse to do their own due diligence are not collaborative partners. Have a process for communicating your dissatisfaction, provide a fair opportunity for response, and if no change is made, begin looking for an alternative partner.

What metric does your company rely on most to ensure accountability in DE&I efforts?



Source: "Inside the Mind of the CCO," Compliance Week, 308 respondents (2021)

4 Determining the Optimal Resource Matrix

Managing the Return on Talent

Getting the resource matrix right is vital. This applies to both internal teams and external partners. Marketing and procurement teams should review marketing needs and goals and assess if costs are optimized around talent retention and recruitment.

Why should marketing procurement teams get involved in understanding the resource matrix?

Marketing organizations change: If nearly every marketing strategy has been adapted to respond to the pandemic, it doesn't make much sense for teams to work in exactly the same way they did before. Some teams might experience minimal change (like the addition or subtraction of roles), while companies that have made major shifts to e-commerce will require new structures, talent, and agency models.

Manage costs: Following calculations by recruitment intelligence company Zippia, the average cost per hire in a non-executive role in the U.S. is $4,425 (median $1,633). For executives, it is $14,936 (median $5,000). It costs up to 40% of an employee's base salary to hire a new employee with benefits.

Risk management: The current talent crunch means it can take 36 to 42 days for roles to be filled. Once a person is hired, it takes an average of 12 weeks for that new hire to become fully productive. Marketers will want to factor the grab for talent into their chosen agency models and operational strategies. If the level of their agency talent has decreased, discussions should be had with partners to review if it is a matter of talent resourcing, budgets, or poor management.

Linking talent with profitability

Companies with high-maturity talent acquisition functions exhibit **18% higher revenue** and **30% greater profitability** compared to firms with low-maturity talent acquisition performance.

Source: Deloitte

Define the value agenda

Understanding marketing's ambitions and goals is not just about being informed of KPIs. Marketing procurement teams should have knowledge around how the goals are attributable to regions and territories, product areas, and business units.

Adapted from McKinsey & Co.

Factors That Impact Your Resource Matrix

WHAT	**Marketing is going through tremendous change, internally and externally**	**Talent are rethinking the meaning of work, and many are looking for new jobs**	**Agencies are becoming more innovative with their service and offerings**
QUESTIONS	Does my team have the capability to keep up with the pace of change? Do we have the expertise to give us a competitive edge?	Will this change the ROI and productivity of my team? How do I retain my best talent? How can I get the most out of my people?	Am I maximizing my agency partnership? How can I better take advantage of what agencies have to offer? Am I optimizing my spend?

Reviewing the Resource Matrix for In-house Teams

Take regular audits to see what can be done in-house and what needs to be outsourced

- Ensure your in-house team has the skills they need day-to-day.
- Ensure your team has the specific support, knowledge and expertise.
- Be aware of when your team needs extra support.

Review your hybrid model according to the latest remuneration and capability trends

- Ensure you are resourcing tasks in an economical way.
- Ensure that you are able to hire and resource key capabilities when you need them. Avoid the talent scramble.
- Be assured that you are still gaining the advantages made possible with the hybrid model.

Benchmark the cost of running your in-house team against the latest agency fees

- Know how the economics of your in-house team compares to external agency offerings.
- Identify areas where you should invest and where you can drive cost savings.

Case Study

A roadmap that optimized the marketing team for the growing challenges of e-commerce

Challenge

Colgate needed a future-fit organizational structure to excel in the growing e-commerce space.

Key Focus

They wanted insights into the internal organizational structure of competitors, similar and best-in-class brands needed for driving e-commerce excellence, and a point of view on how Colgate could craft a future-fit organizational structure.

Process

R3 delivered clear roadmap for developing an e-commerce-ready organizational structure based on core business priorities, like partner-led growth hacking and developing tech-enabled D2C capabilities. This was accomplished through review of Colgate's marketing organization structure, needs analysis interviews, interviews with industry experts, and research.