



## Enlightened Marketing Procurement:

Maximizing Investment. Minimizing Waste.

December 1, 2011



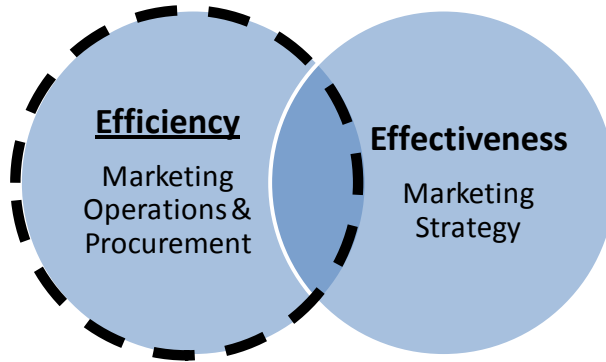
## Today's Agenda

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▶ **Enlightened Marketing Procurement**

- ▶ The Complexities of the Space
- ▶ From "Good to Great"
- ▶ Where the Gold Is
- ▶ Marketing Procurement Strategy
- ▶ Q&A





Strive for "Strategic Efficiency"



Marketing Done Right is Tremendously Valuable

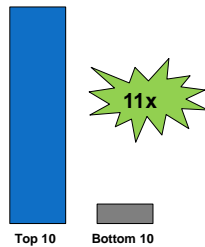
Top 10 US '10 Interbrand Brands

Interbrand 100 Top 10	Brand Value	Mkt Cap (\$B)
Coca Cola	\$ 70,452	\$ 502.79
IBM	\$ 64,727	\$ 200.29
Microsoft	\$ 60,895	\$ 226.53
Google	\$ 43,557	\$ 199.69
General Electric	\$ 42,808	\$ 228.25
McDonalds	\$ 33,578	\$ 80.45
intel	\$ 32,015	\$ 119.13
Disney	\$ 28,731	\$ 81.59
Hewlett Packard	\$ 26,867	\$ 105.12
Cisco	\$ 23,219	\$ 103.48
	\$ 426,849	\$ 1,847

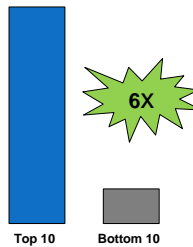
Bottom 10 US '10 Interbrand Brands

Interbrand 100 Bottom 10	Brand Value	Mkt Cap (\$B)
Yahoo	\$ 4,958	\$ 22.56
Kleenex	\$ 4,704	\$ 65.61
Tiffany & Company	\$ 4,127	\$ 8.10
Visa	\$ 3,998	\$ 53.90
Gap	\$ 3,961	\$ 14.00
Adobe	\$ 3,626	\$ 17.13
3M	\$ 3,586	\$ 65.50
Starbucks	\$ 3,339	\$ 24.59
Harley Davidson	\$ 3,281	\$ 9.93
Campbells	\$ 3,241	\$ 11.52
	\$ 38,821	\$ 293

Brand Value



Market Capitalization



Source: Interbrand '10 and 2/15/11 Mkt Capitalizations



**Purchasing-Minded Perspective:  
“Marketing is an expense to minimize”**

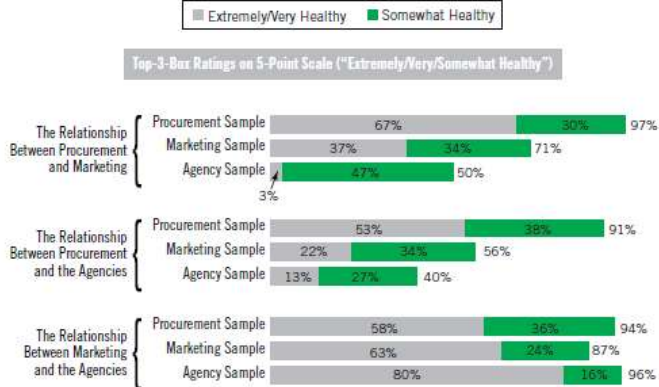


**Enlightened Perspective:  
“Marketing is an investment to maximize”**

- ▶ Enlightened Marketing Procurement
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## There's a "Disconnect" Between Marketing, Agencies, and Procurement

### Perceptions of Health of Relationships Between Procurement, Marketing, and Agencies



Source: ANA, 2010



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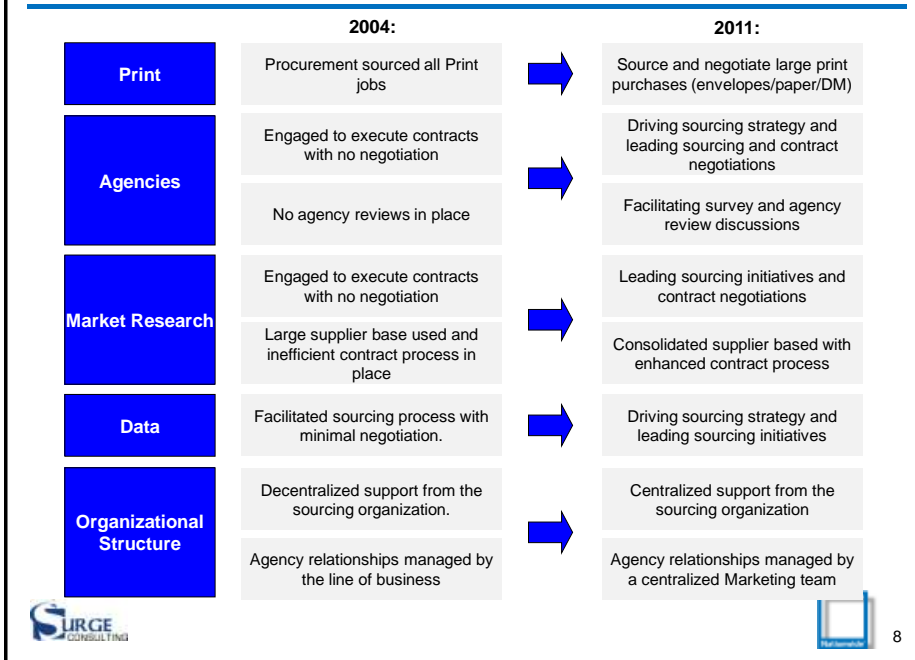
## The Complexities of the Marketing Space

Topic	Marketing's Perspective	Finance's Perspective
Definition of Value	Defined by Customers	Defined by Shareholders
Functional Incentives	Revenue Growth	Cost Reduction
3 <sup>rd</sup> Party Partnerships	Multi-year Retainers Extensions of Staff	Project/Deliverable Based
Skillset Strengths	Creative	Analytical
Accountability	Directional/Art	Black & White/Science



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## Marketing Procurement Transformation at Nationwide



## What Have I Learned?

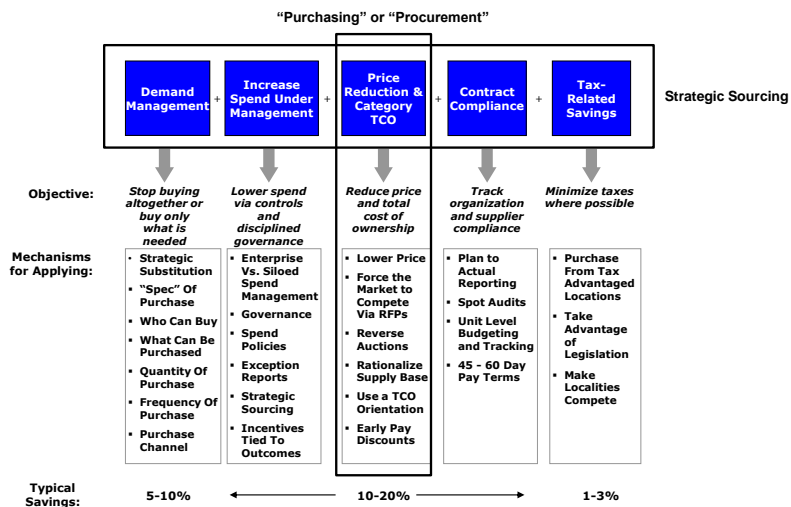
### KEY LEARNINGS

- Gain alignment with marketing on needs
- Understand the industry
- Prioritize focus and choose your battles
- Gain alignment on sourcing strategy
- Leverage industry resources
- Align team to support the entire marketing organization
- The right procurement team magnifies effectiveness

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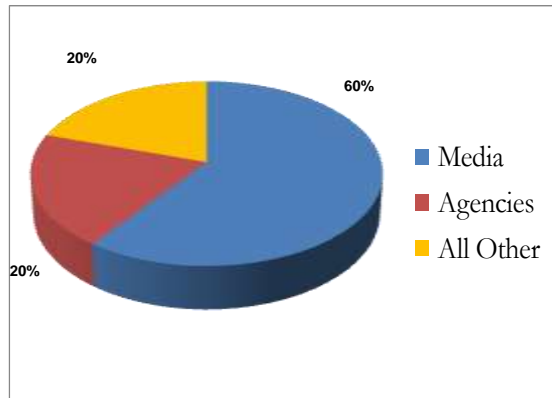


Strategic Sourcing vs. "Purchasing"



Note: Savings are not additive





Are you actively managing the 60% "slice" or the 20% ones?

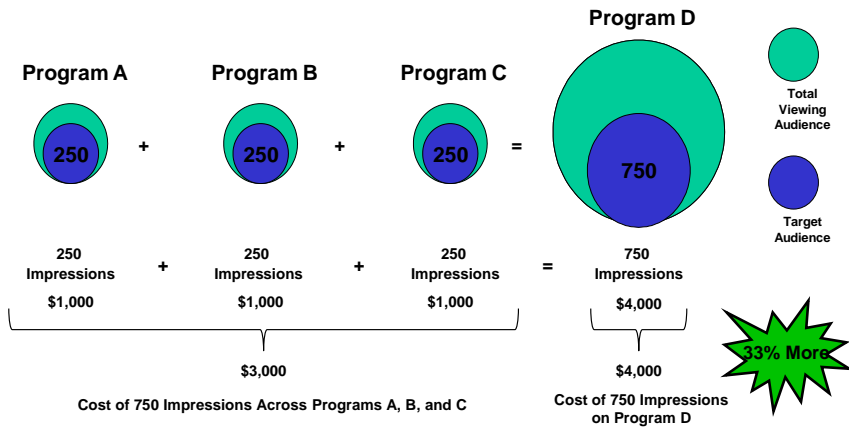
**The Multi-Billion Dollar Question:**

Do Viewers Remember the Program Attached to the Creative?

**An Even Larger Question:**

Do we still watch TV commercials?

## Free Up Funds By Assembling A Cost Optimal Portfolio



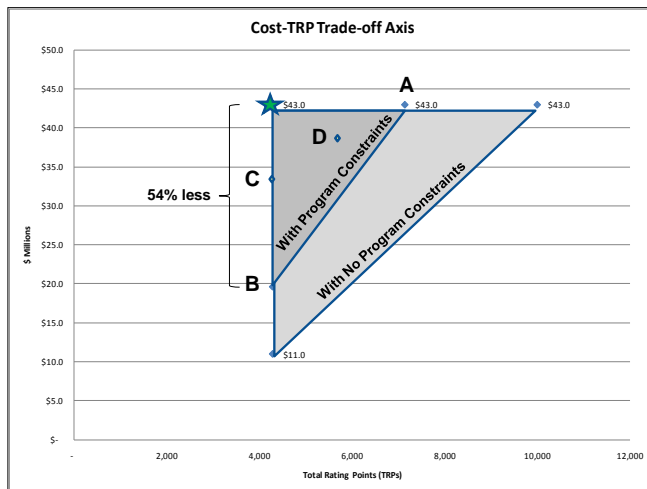
Programs that cluster the target audience, or that everyone else isn't chasing, too, are the most cost efficient.



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## "More for the Same" or "The Same for Less": You Choose



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Marketing Procurement Maturity Spectrum

	Low Maturity	Medium Maturity	High Maturity
<b>Executive Support</b>	No "C" Level Sponsorship	Primarily CFO/COO Sponsorship	CMO & CFO Sponsorship
<b>Mktg. Procurement Staff</b>	- Little Mktg. Sourcing Experience - No Mktg Experience	Experience with Marketing. Apprentice model.	Advanced Degrees/Certifications, Capable of Taking on Line Marketing or GM Role
<b>Function Leading Most of Procurement</b>	Marketing	Mix	Mostly Procurement
<b>Spend Management</b>	Decentralized	Centralized or Center-led	Globally Centralized or Center-led
<b>Mktg Procurement Training</b>	Generic procurement training	One or two conferences per year	Continuous Education. Peer Functional Committees
<b>Representative Mktg Categories Sourced</b>	Commercial Print	Agencies	Media, Ad Production
<b>Technology</b>	Excel Spreadsheets	Stand Alone Systems	ERP Integrated Systems
<b>Supplier Management</b>	Minimal	Segmentation, Audits, Burn Reports	Strategic Partnerships, KPIs, Exception Reports, Standardized Forms/Templates
<b>Marketing View of Procurement</b>	An obstacle. Bureaucratic. Low value add.	Consistently valued and leveraged	Trusted advisor Key business partner
<b>Sourcing Techniques</b>	3 Bids and a Cloud of Dust	RFPs, e-Procurement, Auctions, Strategic In-Outsourcing	Advanced Analytics Demand Mgmt Advanced Production Cost Mgmt.
<b>Orientation</b>	"Marketing is an expense to be minimized"	"Goal is to deliver objectives within budget"	Enlightened Procurement: "Marketing is an investment to be optimized"

Source: "It's Time to Take on Marketing Procurement," Supply & Demand Executive, C. Hatsis



## The Marketing Procurement Strategy You Should Take

### Low Maturity

- Obtain “C” level support
- Aggregate and analyze spend centrally to identify traditional opportunities
- Source a non-strategic category to build credibility momentum
- Invest in Marketing function training (e.g. ANA)
- Consider outsourcing or a Marketing Procurement “apprentice” model

### Medium Maturity

- Invest in advanced functional continuing education and conferences
- Leverage spend management tools beyond Excel
- Facilitate agency supplier reviews and continuous improvement sessions
- Consolidate spend within country borders and selectively, globally
- Increase productivity via tight creative briefs, clear, repeatable processes

### High Maturity

- Ensure aligned functional goals and reward systems
- Re-evaluate execution model (e.g. de/centralize, hybrid, co-locate, etc...)
- Move up the category value chain to address production costs & media
- Invest in continuous education, peer forums, conferences, etc...
- Develop and recruit top talent at all levels of the category team
- Source globally



Source: “It’s Time to Take on Marketing Procurement,” *Supply & Demand Executive*, C. Hatsis

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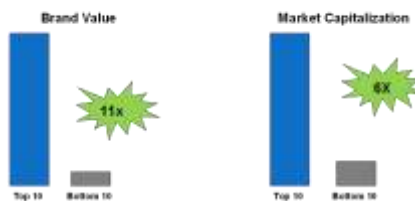
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## In Conclusion

### Strive for “Strategic Efficiency”



### Marketing, Done Right, Is Extremely Valuable



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## Any Questions

