



Enlightened Marketing Procurement:

Maximizing Investment. Minimizing Waste.

December 1, 2011

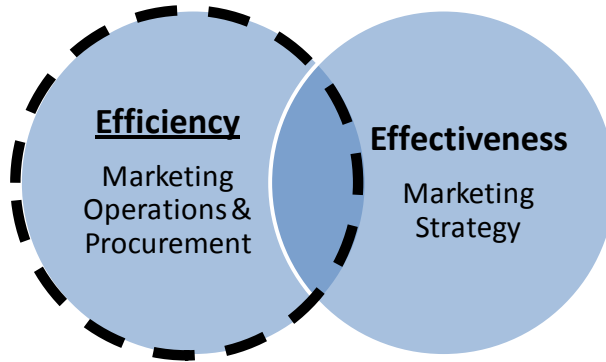


Today's Agenda

▶ **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

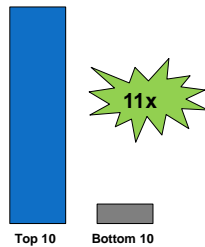
Top 10 US '10 Interbrand Brands

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

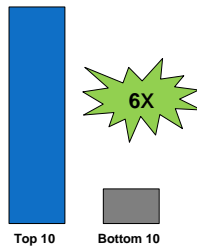
Bottom 10 US '10 Interbrand Brands

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”**

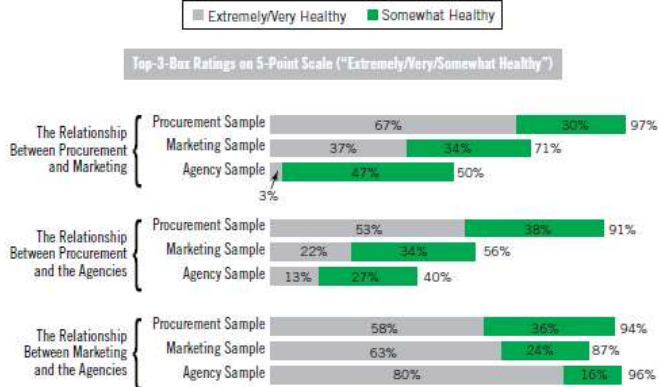


**Enlightened Perspective:
“Marketing is an investment to maximize”**

- ▶ 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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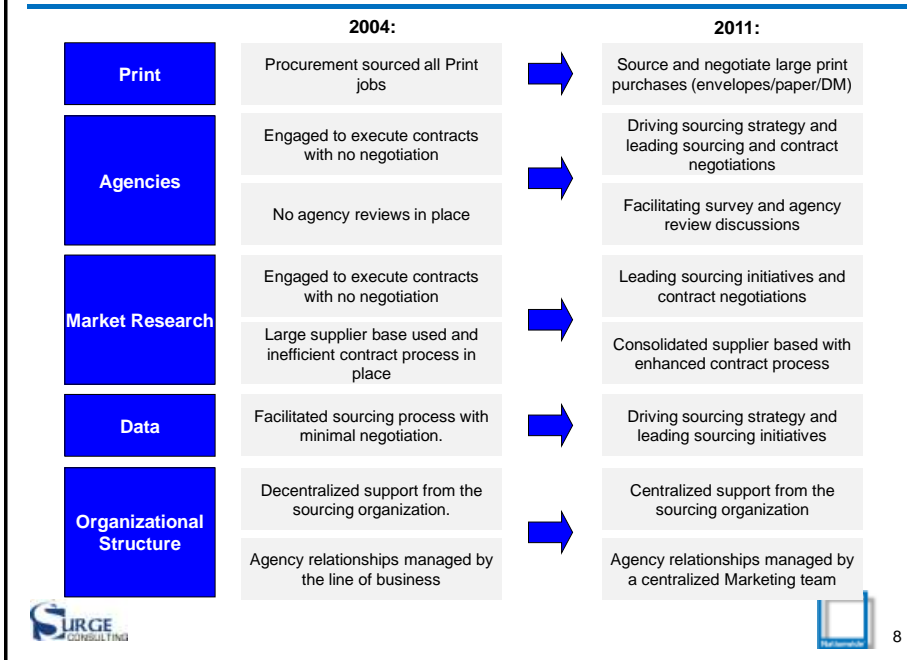
The Complexities of the Marketing Space

Topic	Marketing's Perspective	Finance's Perspective
Definition of Value	Defined by Customers	Defined by Shareholders
Functional Incentives	Revenue Growth	Cost Reduction
3 rd 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?

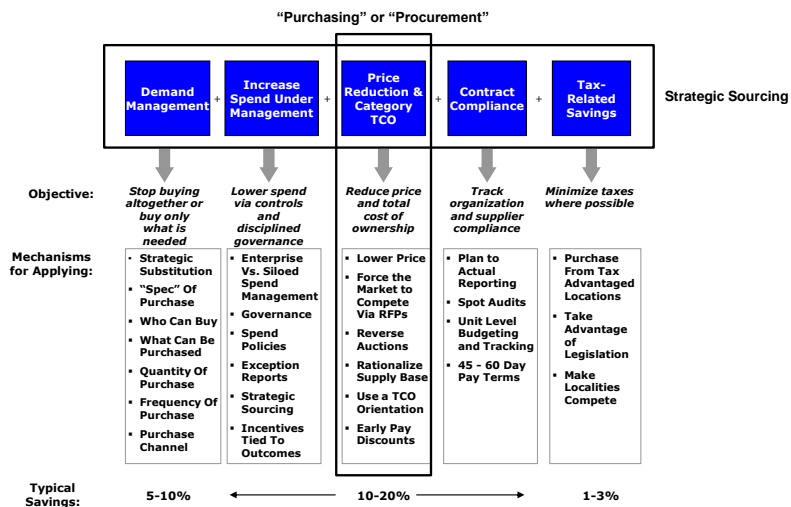
KEY LEARNINGS

- 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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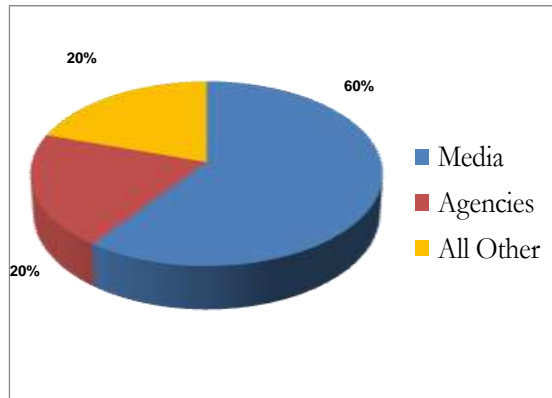


Strategic Sourcing vs. "Purchasing"



Note: Savings are not additive





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

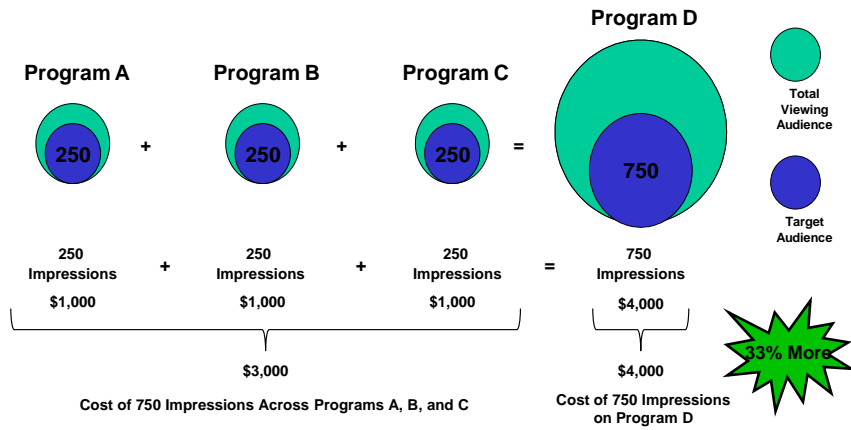
The Multi-Billion Dollar Question:

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



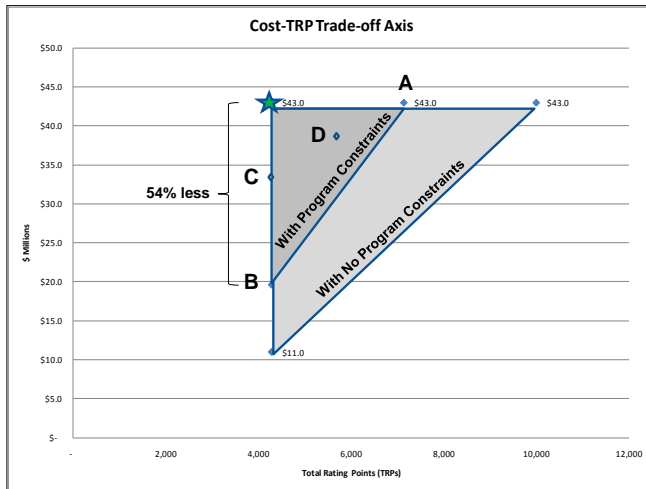
Programs that cluster the target audience, or that everyone else isn't chasing, too, are the most cost efficient.



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



- ★ - Agency portfolio
- A - more for the same
- B - same for less
- C - usually chosen
- D - more for less



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Marketing Procurement Maturity Spectrum

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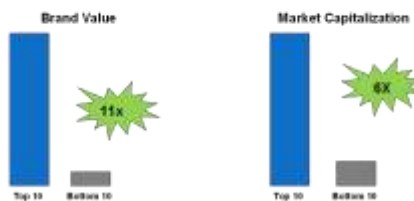
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In Conclusion

Strive for “Strategic Efficiency”



Marketing, Done Right, Is Extremely Valuable



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Any Questions

