



# How Smart Procurement Can Help Companies Unlock ROI from Marketing and Improve Spend Management?

## Introduction

With evolving technologies, changing customer demands, and proliferating marketing channels, it has become difficult for CMOs to keep pace with market needs and manage marketing spend. Companies are focusing on market penetration strategies to increase revenues and strengthen market presence. However, this is an arduous task. Rising competition, increased reliance on suppliers and stakeholders, and the need for a consistent brand presence require CMOs to maximize value from every dollar.

Most companies do not possess documented performance standards for their suppliers and lag in conducting regular audits of media. Firms turn to procurement experts to improve cost efficiency when the financial global crisis hits. This leads to poor quality work, ineffective negotiation strategies, and delayed business decisions, thus questioning the role of procurement in marketing. By working together, CMOs and CFOs can improve marketing spend management and be responsive to changing customer and market demands.

Multiple buyers existing within a marketing organization deal with numerous suppliers and agencies over a period of time. With so many services providers and suppliers, it becomes difficult to maintain transparency in spend management.



## Putting marketing and procurement on the same scale

Procurement plays a key role in balancing the sourcing requirements of the marketing team. It serves as a middle ground between agencies and brands. Despite sharing such strong affiliation, there have been many views that consider that procurement techniques can hamper the relationship of marketers with their agencies, thereby affecting the performance. In such a scenario, procurement teams' can apply their core techniques such as supplier relationship management and strategic sourcing. Procurement can empower the marketing team by providing marketing spend management solutions while measuring the value and the creative side at the same time.

Bridging the gap between marketing and procurement functions can help companies to:



Analyze the potential of new service providers and channels.



Quantify how effectively marketing spend can be utilized.



Conduct targeted fact-based data analysis and cash in on new sources of values.



## Evaluating external marketing resources

We agree that decisions such as selecting partner agencies and campaign designs should be taken by the marketing teams. But agency or supplier performance should be the primary metric in evaluating outside marketing resources. Procurement teams should be leveraged to develop links of collaboration and help marketing achieve its objectives.

They can build closer working relationships, identify potential suppliers, find the right capabilities and help businesses drive value and innovation by curtailing media spend and fees. Nurturing long-standing relationships with several media agencies can consolidate purchasing and ensure the best prices and capabilities for the company's media budget.

Forging collaborative relationships between both functions can help firms to:



Identify the right agency with the best cultural fit.



Curb excess media spend and fees.



Consolidate purchasing and ensure the best prices for the media budget.



## Optimizing media spend

Optimizing media spend does not mean procuring media placements at cheaper rates. Indeed, securing the lowest CPM can completely be the wrong strategy. A good media buying is a mix of quality and quantity and requires a robust procurement strategy.

As a marketing head, you should not spend the entire budget on marketing buying. Rather, partner with procurement experts to improve marketing spend management and consolidate the buying process to better serve the company's needs. This collaboration with the procurement team will help you negotiate commission rates on an ongoing basis and minimize spend. Moving the company's collective media buying to a single source will bring savings of millions of dollars.

Key points to consider while optimizing media spend:



**Create an incentive-based compensation structure for the ad agency.**



**Take the help of procurement teams to negotiate contracts better.**



**Manage the agency's performance and work through cost issues with marketing counterparts.**