



Marketing procurement: Say “yes” to automation

During a meeting, a chief marketing officer (CMO) told me point blank that he was not necessarily interested in saving money. What he wanted was efficiency—for his marketers to stop doing procurement-related tasks and to get back to the business of marketing. This didn't really surprise me, because I'd heard it many times before, having worked in marketing procurement for over a decade. But what caught me off guard was his question about automation: “Can't we have a catalog of some sort where my team can simply select what they want, click a button, and the PO is generated?” Good question, CMO. Let me get back to you.

As procurement professionals, we're conditioned to focus on cost savings: where we can save money, how much we can save, how we can control spend to save, etc. But those who have sourced marketing services for any amount of time know that marketers aren't always concerned about costs. Rather, they prioritize speed-to-market. More than one marketer has told me in the past that he or she didn't have time to go through the purchasing process because *the campaign had to get started now*.

So how about that catalog? We use them all the time for things like promotional items such as coffee mugs, golf shirts, pens, and the like. They're also useful for printed collateral such as signage, displays, pamphlets, etc. But when we dig a little deeper into the complexity of this category, we find that the services we source can't be as easily commoditized as others. Creative? Market research? Production? While not everything can be driven to automated purchasing tools, much of it can be with the support of strategic sourcing, thereby making our marketing colleagues' lives a little bit easier.



IBM Cognitive Process Transformation

Executive Brief

The IBM Transaction Automation Initiative (TAI) has been working to solve for these more complex purchases for the past few years; we've been exploring how to move beyond the simple "punch-out" catalog made ubiquitous by online retailers. That's still an important approach, but by implementing cognitive analytics, natural language interfaces and deal management platforms, IBM is taking catalogs and automated buying to a new level. This discussion won't get into the details of the tools, but will instead illustrate examples where they can be applied to the marketing category.

Market research, both syndicated and primary, are strong candidates for automated purchase management. Most of the more respected market research providers in the industry offer reports on trends, market/industry status or other varied insights. If an advertiser relies heavily on such information, particularly from one specific provider, the advertiser's strategic sourcing group can negotiate firm pricing for these reports, which can then be loaded into the advertiser's catalog system. One suggested tactic would be to negotiate a single cost for each report type (allowing for variability), then use dynamic forms to indicate the specific report desired—pretty straightforward, really. Custom research is more complex, but can just as easily be added to a catalog by breaking down the elements of research being conducted: email copy testing, ad testing, focus groups, output development, etc. In instances like this, IBM uses a configurator catalog to select the required specific tasks from a menu that has been pre-negotiated with the supplier. It allows for more variable solutions than a standard punch-out catalog.

Elements of the production process can also be subjected to catalog buying. Larger advertisers may have the scale to negotiate rate card pricing for various production elements directly with their preferred production houses, if not already managed by their creative agencies. In direct-source instances such as these, where ideation is not in scope, a marketer could select in a catalog the elements needed based on the statement of work (SOW) provided by the production house. Furthermore, digital (non-video) production, with the exception of new website builds, can also easily structure elements such as banners and website updates in a catalog. And in truly advanced scenarios, the production house could select the elements in the catalog for the marketer, enabling the marketer to simply approve and initiate the PO. For advertisers with less scale and more infrequent purchases, production "packages" (a two-day shoot, particularly for lighting or sound configurations, etc.) could be sourced from preferred

production companies and loaded into a catalog, eliminating the need to worry about highly complex rate cards. Finally, an advertiser might wish to focus catalog usage on only one element of the production process—pre-press, for example. Elements such as retouching and mockups tend to be relatively standard from initiative to initiative, so establishing catalogs for scenarios such as these could benefit the advertiser as well.

It can even be argued that spend for the "sacred cows" of creative and media can be addressed via automation—granted, not for large-scale ideation or media purchases, and often only when there are multiple agencies in position to do the work. For instance, where there are repeatable smaller-scale tactical needs that are relatively straightforward—such as promotional packaging stickers that say "new and improved"—the sourcing manager can negotiate not-to-exceed pricing and enter it into a platform such as IBM® Deal Manager. Then, when such a need arises, the marketer can distribute the brief to the participating preferred agencies, who in turn upload their "bid" to the deal manager, enabling the marketer to simply select the desired supplier and issue the PO. Likewise, for those advertisers in positions to negotiate media purchases directly with property owners such as local outdoor advertising, pricing can be negotiated up front. Each time there's a need to purchase media from that property, the marketer can do so straight from the catalog.

Of course, there are many things that need to happen to make automated buying successful for advertisers. First and foremost, in most cases outside of promotional items and printing, agencies and suppliers don't have catalog capabilities. The catalog system must, therefore, be built by the advertiser or outsourced to a third-party catalog platform, such as what IBM can offer clients. Second, and just as important, is the need for a mature marketing procurement resource that can strategically source the required services. Remember, while procurement practitioners do help ensure competitive pricing, the bigger focus is obtaining buy-in from marketing leadership and ensuring this will make their dollars go further, particularly in a time when marketing budgets are under so much scrutiny. Finally, upfront involvement by—and integration with—the advertiser's IT department is critical. These catalogs will interact with procurement's enterprise resource planning (ERP) systems, so if a third-party provider is leveraged to host the catalogs, there must be ample coordination throughout the development of the model.



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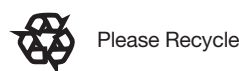
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Agencies may push back, claiming this is another attempt by procurement to commoditize their business. To an extent, it is—but only where it makes sense. Procurement professionals should look for those areas of spend that are repeatable, likely tactical, and that don’t require significant creative ideation and strategic direction. Those are the places that are ripe for automated purchasing processes. But notice there was very little said here about driving costs down: this effort to drive automated transactions is about addressing marketing needs in real time, while simultaneously ensuring budgets are optimized to their potential for both procurement and marketers. Let’s make life easier for them so they’re more apt to come to us for help developing strategic solutions rather than to just complain about how difficult it is to buy things.

So there you go, CMO. You can push a button and generate a PO. You just need to get creative about it.

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