

THE FORCE
MULTIPLIER

SMART SPENDING AT SPEED. IS THIS REAL?

How to Turn Procurement
Into Your (Not So) Secret
Growth Engine



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INTRODUCTION

Not long ago, a marketing leader at a global energy company decided to reach out to procurement for help. Generally speaking, it's an unusual request, since many marketers try to avoid procurement, dare we say, like the plague. But given today's marketing pressures, such as tighter budgets, leaner staff, higher stakes with marketing technology (MarTech), and expectations of increased and tangible return on marketing investments (ROMI), smart marketing sourcing has become a team sport.

The uncertainties emerging from the pandemic are accelerating these pressures. The good news: There are significant opportunities for procurement to help advance marketing sourcing.

However, prior attempts at marketing and procurement working together have often been challenging, as differing mindsets, goals, success criteria and processes have traditionally gotten in the way. There are now more significant reasons why CMOs and CPOs could potentially have an effective partnership:

DOING MORE WITH LESS.

Marketers are expected to generate more value out of less budget, fewer FTEs, etc., and deliver concrete results in the short term as well, while not losing sight of long-term goals.

NEED FOR AGILITY, COST AND INNOVATION.

The impact of successful marketing sourcing and vendor management can directly influence effort, agility, cost control, media transparency/measurement and ability to innovate.

CONSUMERIZATION OF B2B.

Many B2B companies are pivoting to meet the needs of changing consumer expectations by innovating their business model for superior customer experience. This requires a complex marketing ecosystem with effective global vendor management processes yet aligned to local requirements.

To further investigate the dynamics in play, the CMO Council and KPMG Consulting embarked on an extensive study to:

- **Understand the different ways marketing and procurement collaborate.**
- **Explore the impact of collaboration on the maturity and quality of marketing sourcing capabilities, governance and outcomes.**
- **Learn how marketing leaders can improve the overall sourcing process and unlock value in marketing spend.**

OUR METHODOLOGY

Our findings are based on a survey of over 200 marketing leaders across B2B and B2C industries. Additionally, we conducted in-depth interviews with executives at brands like E&J Gallo Winery, Commvault, Audacy and more. (Due to the sensitive nature of their comments, some interviewees requested and were granted anonymity.)

WHAT YOU'LL LEARN

Interestingly, we found a grassroots refresh of marketing's relationship with procurement — that is, marketing enlisting procurement to help it make better decisions. CMOs who more actively involve procurement in marketing sourcing enjoy a more positive impact on the overall maturity and quality of marketing sourcing decisions.

In this report, you'll learn the importance of reassessing your relationship with procurement in order to make smarter sourcing decisions, speed up time to value, and achieve outcomes for successful, modern marketing. Marketing sourcing, particularly with MarTech, lies at the heart of digital transformation, from mobile CX to e-commerce, and CMOs are poised to lead the way.

KEY FINDINGS

Companies where marketing actively involves procurement have more robust marketing sourcing and management capabilities and measures to assess performance. Consequently, quality of sourcing and its impact are potentially higher.

78% and 62% of marketing leaders in “very effective” and “effective” working relationships with procurement tend to involve **digital/e-commerce functional groups in marketing sourcing decisions**, respectively. This points to a greater maturity in digital.

Top three marketing sourcing areas that involve procurement are:

- Martech
- Marketing Event Services
- Media Agency Selection

Only 26% of marketing leaders actively partner with procurement in the identification, selection and negotiation of marketing vendors. This represents a sizable opportunity for the vast majority of marketing leaders to tap into procurement services, have a robust marketing sourcing process, and make smarter marketing sourcing decisions.

Among marketers who limit or avoid procurement involvement, **71% say procurement doesn't understand marketing**. Marketers should help procurement professionals learn how to better evaluate marketing vendors, especially creative agencies, and collaborate to create a framework for identification and selection criteria, performance metrics, etc.

ACTIVE INVOLVEMENT OF PROCUREMENT IN MARKETING SOURCING COMPLEMENTED BY AN EFFECTIVE RELATIONSHIP WITH MARKETING RESULTS IN:

STANDARDIZED VENDOR MANAGEMENT PROCESSES

BETTER PROCUREMENT CYCLE TIME*

VENDOR PRICE COMPETITIVENESS

FOCUS ON VENDOR INNOVATION CAPABILITIES

IMPROVED VENDOR PERFORMANCE MANAGEMENT

*Traditionally, marketers have viewed procurement as a speed bump to marketing sourcing, yet our report suggests that procurement can speed up time to value.

KEY FINDINGS (CONT.)

Bottom line: Think of procurement as a strategic partnership that spans planning, vendor analysis, selection and management, rather than a box marketers need to check in contract negotiations. A rudimentary level of involvement will likely not generate any significant value for marketing.

There is significant value to be gained by moving towards a model where procurement has a more active role in marketing sourcing. There is value in furthering the effectiveness of the working relationship with procurement.

“

Finding new vendors and negotiating contracts was tying up an exorbitant amount of time for the marketers who aren't contract professionals anyway. With procurement helping us, we ended up saving 25% to 30% in hard dollars. A lot of these cost savings were rolled back into the media budget.

— Anonymous Marketer

”

“

We needed to modernize our marketing organization three years ago, and agency procurement and management was one of our pillars. The quality of work and the ideas we're getting now are much more superior than what we were getting before.

— Amy Lund, Vice President of Creative and Communications at E&J Gallo Winery

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LET'S EXPLORE...

A MISSED OPPORTUNITY

Our study found that three out of four marketing leaders don't actively partner with procurement in the identification, selection and negotiation of marketing vendors. Too often, procurement is relegated to an administrative role and only called upon to sign off or redline a new contract.

At many large companies, procurement manages only big projects — \$250,000 or more. Marketing sourcing frequently falls below this threshold. It's also a reason why marketers at smaller companies are less likely to work closely with procurement. The onus falls on marketers to reach out and bring procurement into the fold.

This requires marketers to recognize marketing-sourcing capability gaps and to have a desire to fill them through procurement.

OVERCOMING MARKETING SOURCING INEFFICIENCIES

Marketing sourcing inefficiencies might show up as a runaway MarTech budget with redundant technology across marketing groups or a sprawling roster of creative agencies to deal with, each getting a sliver of work and charging different rates.

"We whittled down some 25 creative agencies to three," the marketing leader says. "We eliminate extra costs by driving more business through a select group of agencies on a pre-contracted rate. Our creative costs went from 25% of budget to less than half of that."

E&J Gallo Winery also saw a need to rein in agency spend and selection. Creative agency sourcing decisions were being made by some 60 people and based on personal conversations, not metrics. The company created a four-person procurement team skilled in project management and negotiation tactics inside the marketing organization to formalize the process.

"Bringing organization and metrics to selection and management is critical," E&J Gallo Winery's Lund says. "You can't rely on personal conversations in today's 'Great Resignation.' You might be in the middle of negotiations with someone, and they're gone the next week."

Takeaway: Assess marketing's relationship with procurement to make sourcing faster, more efficient and cost-effective.

KEY ACTIONS RECOMMENDED:

CONSULT AND INVOLVE PROCUREMENT TO DEVELOP YOUR GLOBAL AND LOCAL MARKETING SOURCING STRATEGY AND ESTABLISH PROCESSES FOR SOURCING MANAGEMENT.

INVOLVE PROCUREMENT TO REVIEW YOUR EXISTING AGENCY LANDSCAPE AND CONTRACTS, AND TO CONSOLIDATE RATES AND SPEND. GET LEANER AND MORE EFFECTIVE.

THE “CREATIVITY” BLIND SPOT

There's good reason why many marketers don't want procurement involved, especially when sourcing creative services. More than a few CMOs feel procurement has neither the marketing acumen to evaluate creative services nor the mandate to do so.

“The single biggest challenge of bringing outside creativity into the workplace is procurement,” says CMO Paul Suchman at Audacy. “Their primary filter is cost and benchmarked rates – though I'm not certain whose benchmarks.”

THE PROBLEM: CONTEXT AND PROCESS

Marketing often sources intellectual capital or needs fresh perspectives from a range of creative agencies. The value creative agencies bring to brand ideation at the top of the funnel is hard to quantify. Branding itself is more art than science.

But procurement mostly works through a standardized framework with quantifiable measurements to gauge value and return on investment. When procurement gets involved vetting agencies, marketing leaders say, creative value often devolves into time spent and hourly rates.

“It is really about playing towards the strengths of each department. Marketing has the expertise to lead the search, and procurement can tap into tools like market polls to provide us expertise on critical topics like pricing, ROI, and integration with the MarTech stack,” says Isabelle Guis, CMO at Commvault. “This information is extremely helpful and I'm also happy to have them negotiate once I select a short list of vendors.”

To make matters worse, in our study, agency executives said they've been poorly treated by procurement professionals. This ranged from strong-arm negotiation tactics to unrealistic margin pressure to being interrogated as if they're a suspect in a criminal case (yes, we actually heard this). During the selection process, for instance, one agency executive said procurement told him that he was no longer permitted to contact the client marketing department.

BRIDGING THE LACUNAE

Even marketing leaders in strong marketing-procurement relationships say procurement should go beyond what's easily quantifiable. That is, procurement needs to climb marketing's learning curve — and marketers can help.

“At the end of the day, we are one team, playing to win,” Suchman says. “Marketing should bring procurement in early and give them some ownership and pride in the brand. That way we're building our brand together, and often the best ways to do that may not be the cheapest.”

Takeaway: Help procurement professionals climb marketing's learning curve through shared ownership of outcome.

KEY ACTIONS RECOMMENDED:

DESIGN TRAININGS/WORKSHOPS TO HELP PROCUREMENT PROFESSIONALS APPRECIATE CREATIVE NUANCES AND DEMANDS OF MARKETING AND BRANDING.

INVOLVE PROCUREMENT EARLY IN THE PROCESS OF MARKETING SUPPLY CHAIN DESIGN.

SMART SOURCING — MARTECH AND AGENCY

Our survey found that procurement participates mostly in sourcing MarTech, which is a good thing considering MarTech is arguably the most important and difficult purchasing decision a modern marketer makes today.

Coming out of the pandemic, CMOs are fixated on unlocking revenue growth through MarTech. Seven out of 10 marketing leaders plan to increase their MarTech spend to help them hit their revenue targets. In the Harvey Nash-KPMG CIO Survey 2020, 44% of CIOs list customer experience/engagement technology among their top three areas of MarTech investment.

INTEGRATING MARTECH

Much is riding on CMOs making the right MarTech purchasing decisions. New MarTech needs to integrate into the stack and support a company's overall digital transformation strategy. It can't be underutilized, underperforming or redundant. Procurement provides a measure of confidence that MarTech purchasing decisions are made with due diligence.

"I'm seeing procurement get a more prominent seat at the table with MarTech, particularly over the last 24 months," Audacy's Suchman says. "Needing to save dollars, doing things smarter and putting processes in place have all become really paramount."

**THE MORE INVOLVEMENT BETWEEN MARKETING & PROCUREMENT,
THE MORE HOLISTIC THE APPROACH.**

LEVEL OF INVOLVEMENT COMPARED TO AVERAGE NUMBER OF DIMENSIONS CONSIDERED:



SMART SOURCING – MARTECH AND AGENCY (CONT.)

MEDIA AND AGENCY SELECTION

Our study also found that procurement participates in media and creative agency selection, media buys, marketing event services, among others. These, too, have a higher value today. For instance, media purchases with Facebook and LinkedIn play a critical role in brand awareness among self-reliant buyers in an increasingly digitalized customer journey.

Procurement's participation in media and agency selection gains even more significance, as marketers today face challenges in establishing transparency in media buying carried out by agencies and further its alignment to marketing and brand strategy.

Our study found that the average number of dimensions considered during the selection of marketing, creative or media service vendors is higher when procurement is actively involved, naturally resulting in better alignment.

Marketing should aim to leverage procurement's expertise to evaluate and select the right agencies/vendors that can provide value to the brand and can align media buying and other activities to the larger business strategy. Procurement's knowledge can translate into establishing agreement and better contract management capability that deliver the desired level of transparency.

Takeaway: Recognize that marketing sourcing, particularly with Martech, has become business critical in a connected enterprise.

KEY ACTIONS RECOMMENDED:

INVOLVE PROCUREMENT ACROSS MARTECH PLANNING, VENDOR EVALUATION AND CONTRACTING FOR BETTER INTEGRATION AND ALIGNMENT WITH THE OVERALL DIGITAL TRANSFORMATION STRATEGY.

SIMILARLY INVOLVE PROCUREMENT FOR AGENCY SELECTION, CONTRACTING AND LIFECYCLE MANAGEMENT FOR BETTER TRANSPARENCY AND ENHANCED AGENCY PERFORMANCE.

SHORING UP SELECTION

Procurement shows its value mostly during the vendor selection phase. Working with marketing, procurement sets up selection criteria, augments the vendor list, formalizes requests for information (RFIs) and requests for proposal (RFPs), negotiates terms, manages billing, establishes service level agreements (SLAs), handles costs and discount structures, etc.

MATURE SELECTION CAPABILITIES

Our study found that the more procurement is actively involved, the more mature the selection capabilities. There's more likely to be standard, documented and required selection processes across all brands, lines of business and geographies.

Dimensions for vendor selection, such as a vendor's industry standing, price competitiveness and secondary features (e.g., IT security and data privacy practices for MarTech), are more heavily considered.

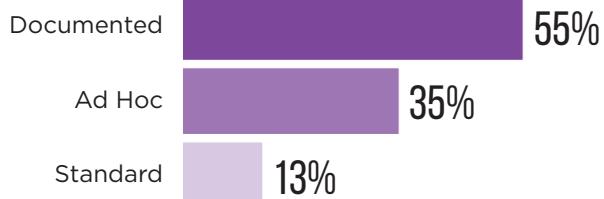
All of these selection capabilities lead to a smarter and faster process, which tend to result in better outcomes overall.

"They facilitate the whole selection process, helping us understand where we have gaps, running formal RFIs and RFPs, and speeding up the selection process by three to four months," E&J Gallo Winery's Lund says. "They don't always evaluate creative correctly, but they know how to interpret what the business unit is asking for."

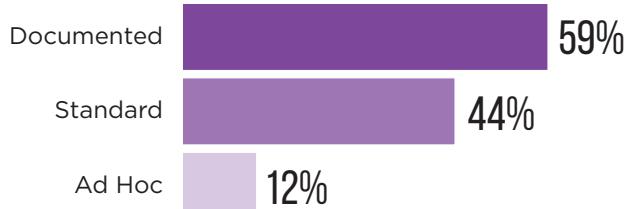
PROCESS USED FOR VENDOR SELECTION BY LEVEL OF PROCUREMENT INVOLVEMENT



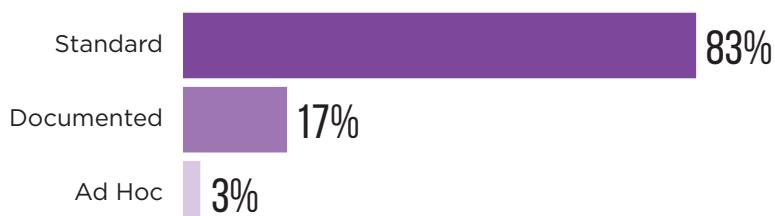
ADMINISTRATIVE INVOLVEMENT



CONTRACT NEGOTIATION



ACTIVELY INVOLVED



Conclusion: Companies whose marketing and procurement actively partner together are more likely to have standard, documented, and required processes used across all entities (brand, line of business, geography, etc.).

SHORING UP SELECTION (CONT.)

MARKETING-PROCUREMENT RELATIONSHIP

It's important to have a good marketing-procurement relationship. The teams need to collaborate closely to have a shared understanding of marketing's needs, expected outcomes, assigned budget and appropriate vendors so that procurement can research the market and come back with additional vendor options.

Procurement is vital in the creation of a standardized framework, including templates, scorecards, and language, for side-by-side vendor comparisons. Without a common language, comparisons would be difficult.

A vendor's quote might be much higher than competitors' quotes simply because the vendor assumed a webinar project required a full studio environment rather than a Zoom meeting environment.

"When prices come in four or five times higher, it's usually because the vendor is bundling things and trying to infer our language," Lund says. "Common language and learning across our organization are priceless."

Takeaway: Expect to spend two weeks helping vendors understand the language in the framework.

PROCESS USED FOR VENDOR SELECTION



ADMINISTRATIVE INVOLVEMENT



CONTRACT NEGOTIATION



ACTIVELY INVOLVED



Insight: Across all levels of procurement involvement, the most common dimensions used to select vendors were vendor price competitiveness, and vendor's ability to scale quickly and provide innovative ideas.

Conclusion: The extent of procurement's involvement makes a difference in the dimensions used for vendor selection. At companies where procurement and marketing actively partner, a vendor's industry standing and IT security and data privacy practices were more heavily considered along with price competitiveness.

MANAGING FOR PERFORMANCE

After a vendor has been selected, procurement continues to bring benefits, from onboarding to performance management.

Our research shows the average number of metrics used for performance assessment increases with the level of procurement involvement, indicating procurement helps marketing unlock more value by helping improve agency and vendor performance. The average number of metrics is 3.8 when procurement is actively involved against just 2.0 when procurement is not involved.

“When procurement is actively involved, onboarding is organized and clear”, says E&J Gallo Winery’s Lund. “The vendor quickly learns the identities of the key stakeholders and their expectations for success. Time to value speeds up by months,” Lund says.

Through standardized and documented management processes, including SLAs and performance metrics, procurement also helps marketing make sure the vendor is delivering quality work. Our study found that 83% of marketing leaders who actively involve procurement tend to have standardized and documented management processes, compared to 51% or less who don’t actively involve procurement.

When problems with vendor performance arise, procurement can step in and make a case to the vendor that it’s not meeting the terms of the SLA and agreed-upon performance metrics.

AVERAGE NUMBER OF METRICS USED TO EVALUATE MARKETING PURCHASES BY LEVEL OF CMO-CPO INVOLVEMENT

LEVEL OF INVOLVEMENT	AVERAGE NUMBER OF METRICS USED
 ACTIVELY INVOLVED	3.8
 CONTRACT NEGOTIATION	3.4
 ADMINISTRATIVE INVOLVEMENT	3.1
 NOT INVOLVED	2

Insight: The average number of functions involved, average number of dimensions considered during selection, and the average number of metrics used are better and increase as level of procurement involvement moves from Administrative to Active.

Conclusion: Companies who actively involve procurement have more robust marketing sourcing and management capabilities and measures, and because they do, their quality of sourcing and its impact are better.

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“At the end of the day, we are one team, playing to win,” Suchman says. “Marketing should bring procurement in early and give them some ownership and pride in the brand. That way we’re building our brand together, and often the best ways to do that may not be the cheapest.”

— Paul Suchman, CMO at Audacy

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MANAGING FOR PERFORMANCE (CONT.)

Lund likens this to the “good cop, bad cop” scenario. “While my team are the ones with the day-to-day relationship with the vendor partner, they (procurement) are a nice outlet to speak openly with our partners, ‘This isn’t working well. Let’s talk about expectations again,’” she says. “It allows for a different level of relationship, transparency and candor with our vendor partners.”

Such transparency works both ways, too.

“Relationships with suppliers strengthen because procurement helps us set up how they will be measured,” the marketing leader says. “There will be consequences if they don’t meet their targets but also recognition if they overachieve.”

Takeaway: Set up standardized and documented management processes, including performance metrics, to help maintain quality of work.

KEY ACTIONS RECOMMENDED:

INVOLVE PROCUREMENT IN THE DEVELOPMENT OF THE PERFORMANCE ASSESSMENT PROCESS TO BE ABLE TO ARRIVE AT THE RIGHT MIX OF METRICS.

INVOLVE PROCUREMENT IN THE AGENCY DELIVERY ASSURANCE PROCESS TO IDENTIFY ANY SLA OR PERFORMANCE DEVIATIONS.

PROCESS USED FOR VENDOR MANAGEMENT

			
ADMINISTRATIVE INVOLVEMENT	CONTRACT NEGOTIATION	ACTIVELY INVOLVED	
STANDARD	25%	51%	83%
DOCUMENTED	48%	39%	14%
AD HOC	28%	10%	—

Insight: Processes used to manage vendors vary across level of procurement involvement.

Conclusion: Companies whose marketing and procurement actively partner together and companies where procurement is only involved in contract negotiation are more likely to have standard, documented, and required processes used across all entities (brand, line of business, geography, etc).

RELATIONSHIP DYNAMICS: PARTICIPATION

Marketing leaders reaching out to procurement is a good first step, but this alone won't make a "very effective" working relationship. Our study found that "very effective" relationships are governed in a way that goes beyond standard operating procedures.

Specifically, 86% of marketing leaders in "very effective" relationships with procurement say they have formally defined RACI (responsible, accountable, consulted and informed) models. RACI models define roles and responsibilities in cross-functional projects and provide clear guidelines for efficient and effective implementation. This is followed by predefined metrics to measure working-relationship performance (67%).

In comparison, less than 50% of marketers in less effective relationships with procurement say the same. RACI models, predefined metrics to measure working relationship performance and other disciplined governance techniques promote agility and speed, while slack governance can lead to delays and failure.

If RACI models are used in the best marketing-procurement relationships, why aren't more marketing leaders adopting them? The challenge comes down to shared decision-making. Governance techniques control how decisions are made and who's going to have the most impact at various stages in marketing sourcing, making them politically challenging to put into place.

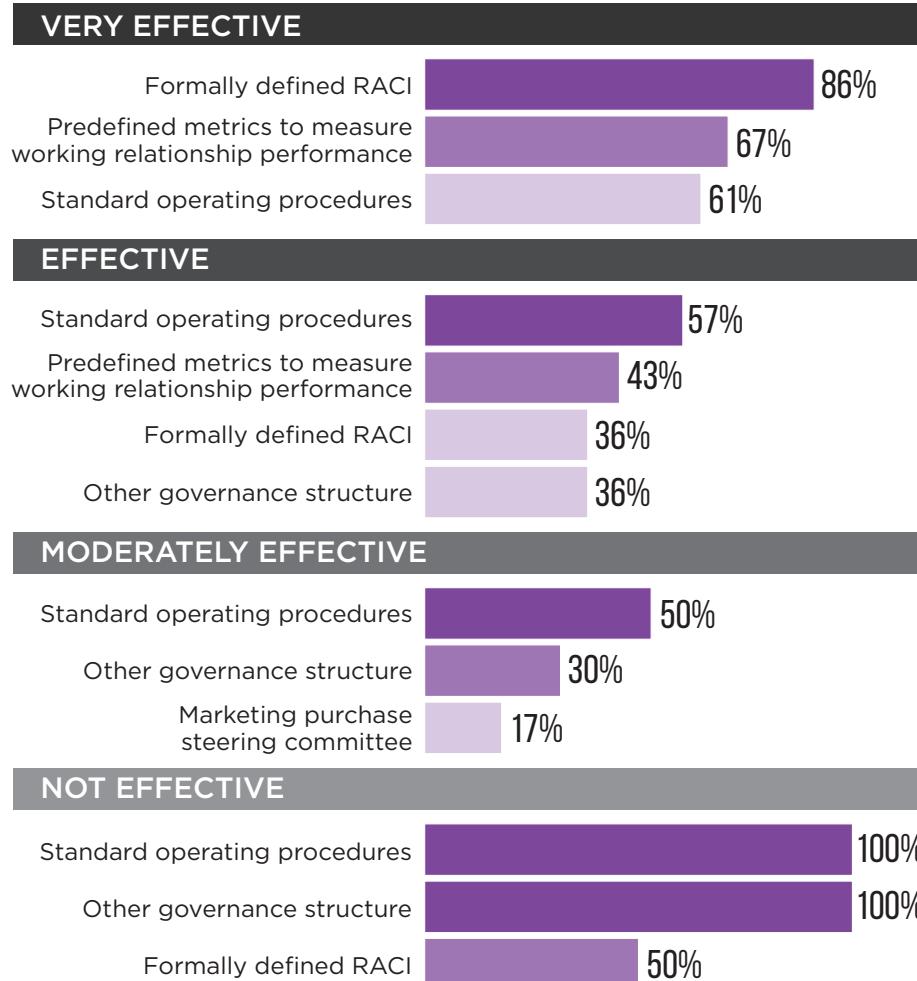
Takeaway: Focus on good governance and drive formal processes in vendor selection and management.

KEY ACTIONS RECOMMENDED:

SET UP A GOVERNANCE FORUM INVOLVING MARKETERS AND PROCUREMENT PROFESSIONALS TO EVOLVE WAYS OF WORKING (E.G., COLLABORATION RITUALS), REDUCE FRICTION, AND ENABLE CONTINUOUS ENGAGEMENT ACROSS SOURCING CYCLES.

RELATIONSHIP DYNAMICS: PARTICIPATION (CONT.)

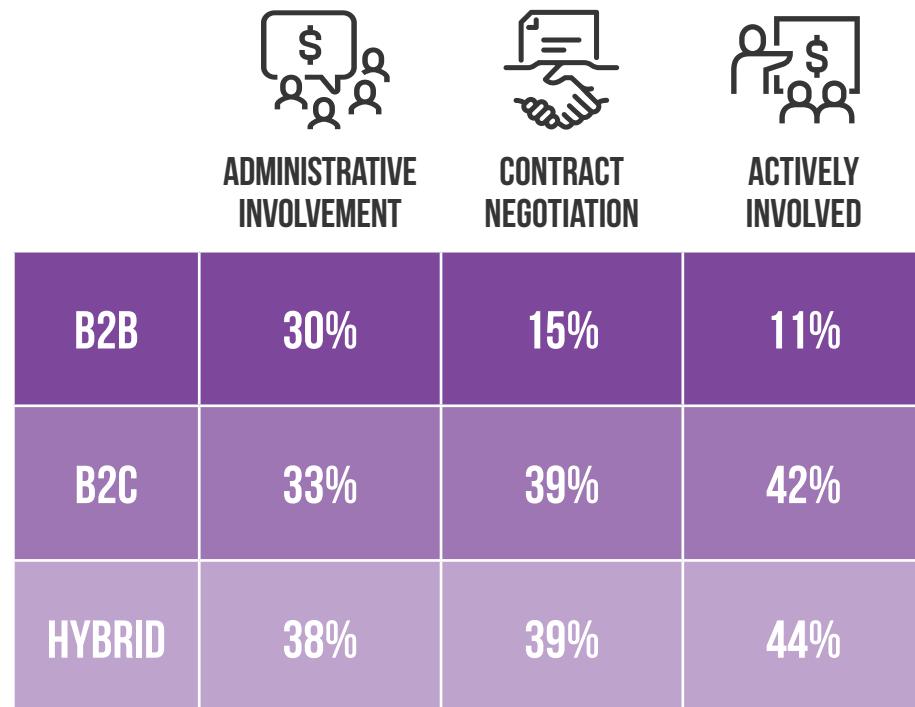
HOW THE CMO-CPO WORKING RELATIONSHIP IS GOVERNED



Insight: The way the CMO-CPO working relationship is governed varies across the level of effectiveness of the marketing and procurement working relationship.

Conclusion: How the CMO-CPO working relationship is governed seems to have some impact on the level of effectiveness of that working relationship. Among companies that note a very effective working relationship between marketing and procurement, 86% have a formally defined RACI governance model.

BUSINESS MODEL AND PROCUREMENT INVOLVEMENT



Insight: The above provides a breakdown of business model types by level of procurement involvement. Those who noted one of the above levels of procurement involvement also indicated one of the three business models. B2B needs to act more like B2C to be more successful.

B2B LAGS BEHIND B2C

B2B marketers often lag B2C marketers in delivering a seamless digital CX and need to catch up quickly. B2B buyers now expect a B2C buying experience, including data-driven personalization and solution recommendations.

As the B2B customer journey becomes increasingly autonomous and digitalized (i.e., online self-service research and e-commerce), marketing becomes more important at the top of the funnel. According to Forrester Research, 68% of B2B buyers prefer to seek out information online before talking to a salesperson, and 62% can finalize selection criteria or vendor list solely on digital content. The pandemic has only sped up this trend.

This means B2B marketers should be looking at B2C for best practices. One of the biggest areas they can do this is digital CX. Key to this will be making smarter marketing sourcing decisions, from MarTech to creative agencies.

Yet our study found that only 11% of B2B marketing leaders have procurement actively involved in marketing sourcing, compared to 42% of B2C marketing leaders. We view this as a huge opportunity for forward-thinking B2B marketers.

To be clear, B2B marketers shouldn't expect to close the B2B-B2C marketing gap by simply involving procurement in marketing sourcing. There first has to be a company-wide recognition that the B2B buyer journey is undergoing significant disruption requiring a new digital marketing mindset. Having procurement actively involved in marketing sourcing is a piece of this digital transformation.

Takeaway: Close the B2B-B2C marketing gap by acknowledging disruption in the B2B buyer journey and adopting B2C best practices, including involving procurement in marketing sourcing decisions.

KEY ACTIONS RECOMMENDED:

LEVERAGE PROCUREMENT'S EXPERTISE AND SKILLS IN DEFINING YOUR GLOBAL AND LOCAL MARKETING SOURCING STRATEGY AND REQUIREMENTS TO ENSURE A LEAN AND AGILE VENDOR ECOSYSTEM ALIGNS TO GLOBAL REQUIREMENTS WITH REGIONAL OR LOCAL SPECIFICITY.

CMO SHINES

CMOs in good working relationships with procurement tend to involve other functional groups as well, most notably, digital and e-commerce. Our study also found that procurement mostly participates in sourcing MarTech for digital CX and customer engagement. Taken together, it's a sign these same CMOs are leading the way in digital transformation. In our companion report, *Making MarTech Pay Off*, CMOs in "very effective" working relationships with CIOs tend to make better MarTech sourcing decisions, run the largest MarTech stacks, and spend the highest percentage of their marketing budget on MarTech. Clearly, high-performing MarTech warrants more investment.

By forging a similar relationship with procurement, CMOs can improve their odds that MarTech investments will result in better outcomes. Our study shows an effective marketing-procurement relationship can improve procurement cycle times, vendor price competitiveness and vendor innovation capabilities. "Organizations that maximize cross-functional relationships are often most successful at meeting customer expectations," says Jason Galloway, Principal, KPMG US Customer Advisory Leader and KPMG US Marketing Consulting Lead.

Another area that can potentially be influenced is innovation: a key focus area for CMOs and a growth-hacking tool. Our study found that companies most actively involving procurement consider "vendor innovation" as a key area to work on. Marketing is better equipped to design innovation processes and deliver tangible benefits for the business by leveraging the expertise of procurement and IT. CMOs who lead CX and digital transformation are more likely to play a larger role in the future of the company. The CMO Council found that 62% of business leaders consider the essential role of the CMO as CX advocate and champion, followed by digital transformation.

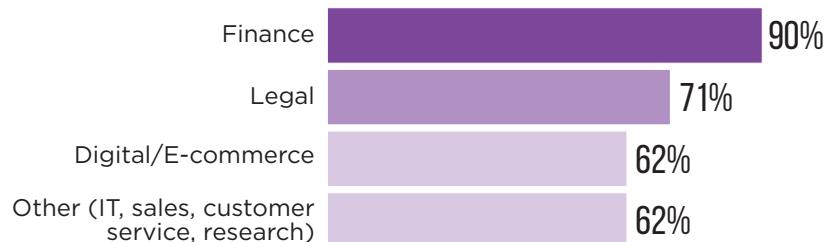
Takeaway: Involve procurement, IT and other groups in marketing sourcing decisions, particularly in MarTech, and take a leadership position in digital transformation.

FUNCTIONAL GROUPS INVOLVED IN MARKETING SOURCING DECISIONS

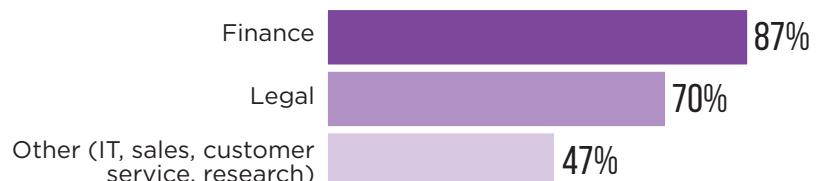
VERY EFFECTIVE



EFFECTIVE



MODERATELY EFFECTIVE



NOT EFFECTIVE



EXPERT COMMENTARY FROM KPMG

More than ever, CMOs are under pressure to do more with less. Marketing needs procurement to make better sourcing decisions. Our study shows that CMOs who more actively involve procurement in marketing sourcing enjoy a more positive impact on the overall maturity and quality of marketing sourcing decisions.

However, the CMO-CPO relationship has been challenging. Differing mindsets, goals, success criteria and processes have traditionally gotten in the way. Can the CMO-CPO relationship be improved? To answer this critical question, we asked leading authorities from KPMG on CMOs and CPOs — Jason Galloway and Patrice Gilles — to give their perspectives.

**PATRICE GILLES**

Advisory Managing Director
Procurement & Outsourcing Advisory

**JASON GALLOWAY**

Principal
KPMG US Customer Advisory Leader and
KPMG US Marketing Consulting Lead

WHAT IS DRIVING CMOS TO SEEK PROCUREMENT'S HELP IN Sourcing? WHY NOW?

GALLOWAY:

Marketers face added pressures on marketing opex and capex, as well as pressure to get tangible return on marketing investments. This requires marketing to look at sourcing differently. They must derive more value and impact from partners while creating tighter alignment to strategy across the enterprise. To consistently drive tangible business value, marketers need to have faster time to market and be more responsive to market changes. This calls for effective MarTech implementation and better agency and vendor partner management.

WHAT ARE SOME OF THE MYTHS CMOS HAVE ABOUT PROCUREMENT AND VICE-VERSA?

GALLOWAY:

CMOs largely believe involving procurement slows down the marketing sourcing process and thus time to market. On the contrary our study indicates, if CMOs involve procurement more actively at a strategic level, they will witness a faster and a more robust marketing sourcing process. Procurement on the other side believes marketing seldom assesses impact and performance in a manner that is comprehensive, more tangible and material to business impact.

WHAT DOES EACH NEED TO DO TO HAVE A BETTER WORKING RELATIONSHIP?

GILES:

There are several key factors that are critical for CPOs to successfully build a strong working relationship with their marketing stakeholders.

EXPERT COMMENTARY FROM KPMG

The first is recognizing that marketing is indeed a special category that requires a specific skillset and demeanor in their procurement resources. Ensuring that the right talent is in place and has a deep understanding of the marketing ecosystem and the different value levers is a critical need. We have seen some of our clients have success by bringing resources from their marketing organization into procurement and teaching them the procurement skills necessary to be successful.

The second key factor is recognizing that lowest price is not the measure of success in marketing. New ways of measuring value must be deployed to ensure that marketers continue to receive great creative at a fair price that is consistent. Finally, procurement organizations must build trust by proving to their marketing stakeholders that they can execute projects that capture value without upsetting the delicate relationships between marketing and their agencies.

On the CMO side, a good relationship with procurement starts with the recognition that there can be a balance between good creative and good value and that mature procurement organizations have the skills to capture that value and ensure that the creative process is not compromised.

As marketing budgets continue to get squeezed, procurement can be a valuable ally in finding dollars to reinvest. CMOs that have built strong relationships have also partnered with their procurement teams to build a set of consistent, shared goals that align the creative needs of marketing with the value proposition of procurement, ensuring that all involved are incentivized to make the relationship work.

Finally, CMOs can lead by example by building value-based elements into their annual plans and long terms strategies so that they align with the goals of their team members.

THERE ARE AREAS OF CONFLICT BETWEEN MARKETING AND PROCUREMENT, SUCH AS USING RFPS AND ASSESSING CREATIVE SERVICES. HOW CAN THEY BE OVERCOME?

GALLOWAY:

While there is no one-size-fits-all solution here, marketing and procurement need to establish governance structures and processes that allow teams to maximize inherent synergies. A great place to start is cross-training workshops to bridge capability and skills gaps mutually. The key is to involve procurement right from the beginning to capture efficiencies in the upstream activities of marketing supply chain.

GILES:

Communication is the most critical component to building a solid working relationship. Many successful companies create a marketing management ecosystem complete with regular checkins between procurement, finance, and marketing to ensure that communication happens in near real time. Senior leadership buy-in is also a key component for both groups. CPOs and CMOs must set the tone of cooperation and be clear in expectations that their teams work closely and toward common goals.



EXECUTIVE PERSPECTIVE



PAUL SUCHMAN

Title: Chief Marketing Officer
Company: Audacy
Industry: Broadcasting



At the end of the day, we are one team, playing to win. Marketing should bring procurement in early and give them some ownership and pride in the brand. That way we're building our brand together, and often the best ways to do that may not be the cheapest.



CMO Paul Suchman has worked with procurement teams at all stops in his career and understands their value and sometimes, limitations. He also acknowledges the growing importance of procurement to help marketing make smart MarTech sourcing decisions.

"I'm seeing procurement get a more prominent seat at the table with MarTech, particularly over the last 24 months," Suchman says. "Needing to save dollars, leverage investments across the enterprise, doing things smarter and putting processes in place have all become really paramount."

MarTech needs to integrate into the stack and support a company's overall digital transformation strategy. It can't be underutilized, underperforming or redundant. Procurement provides a measure of confidence that MarTech purchasing decisions are made with due diligence.

But when it comes to sourcing creative agencies, media investments and spend on innovation, Suchman doesn't necessarily want procurement to take a leading role. With creative agencies in particular, marketing is looking for fresh thinking, outside perspectives and big ideas. These can't be measured solely on hourly rates.

"The single biggest challenge of bringing outside creativity into the workplace is procurement," Suchman says. "Their primary filter is cost and benchmarked rates – though I'm not certain whose benchmarks."

The tension, he says, is procurement's underlying mission to rein in marketing spend. This strains the marketing-procurement relationship, and CMOs have to decide when to push procurement toward making the investment and when to step aside.

"I tend to defend spends in top-of-the-funnel, market-defining brand ideas, more so than bottom-of-the-funnel, tactical services where internal teams can be leveraged for strategic and executional work. Suchman says. "The bottom line is that procurement's KPIs are not always aligned with ours."

However, marketers can bridge this divide by helping procurement professionals appreciate creative nuances.

"At the end of the day, we are one team, playing to win," Suchman says. "Marketing should bring procurement in early and give them some ownership and pride in the brand. That way we're building our brand together, and often the best ways to do that may not be the cheapest."

EXECUTIVE PERSPECTIVE



AMY LUND

Title: Vice President of Creative and Communications
Company: E&J Gallo Winery
Industry: Food, Drink and Tobacco



E&J Gallo Winery

“Common language and learning across our organization are priceless. Bringing organization and metrics to selection and management is critical. They don’t always evaluate creative correctly, but they know how to interpret what the business unit is asking for.”

Three years ago, E&J Gallo Winery began modernizing marketing, and agency procurement and management was one of its pillars. The winery needed to rein in agency spend and selection, as some 60 employees were making creative agency sourcing decisions based largely on personal conversations and relationships.

And so E&J Gallo created a four-person procurement team skilled in project management and negotiation tactics inside the marketing organization to formalize the process. Now the Napa, Calif., winery is reaping the rewards.

“The quality of work and the ideas we’re getting are much more superior than what we were getting before,” says Amy Lund, Vice President of Creative and Communications at E&J Gallo Winery. “They facilitate the whole selection process, helping us understand where we have gaps, running formal RFIs and RFPs, and speeding up the selection process by three to four months.”

The procurement team produces a standardized framework and language. Without a common language, side-by-side comparisons

would be difficult. If a vendor’s quote is four or five times higher than competitor quotes, Lund says, it’s usually because the vendor isn’t inferring the language correctly and thus bundling services.

“Common language and learning across our organization are priceless,” Lund says. “Bringing organization and metrics to selection and management is critical. They don’t always evaluate creative correctly, but they know how to interpret what the business unit is asking for.”

Even after vendor selection, the procurement team plays a vital role. If problems with vendor performance arise, procurement can step in and tell the vendor that it’s not meeting the terms of the SLA and agreed-upon performance metrics.

“While my team is the one with the day-to-day relationship with the agency partner, they (procurement) are a wonderful outlet to speak openly with our partners, ‘This isn’t working well. Let’s talk about expectations again and vice versa,’ ” she says. “It allows for a different level of relationship, transparency and candor with our vendor partners.”

EXECUTIVE PERSPECTIVE



ISABELLE GUIS

Title: Chief Marketing Officer
Company: Commvault
Industry: Technology



Balancing budget considerations with the needs to compete in a very competitive market is a fine line. That's why it is so important to work with our colleagues in procurement to articulate our needs in a very transparent way.



CMO Isabelle Guis's marketing sourcing needs have changed dramatically over the last two years. Given the rise of the digital channel, her digital marketing team needs a lot of technology—everything from CRM to database tools. Additionally, the new era of hybrid events (simultaneously virtual and in-person) means sourcing new creative assets, adding even more complexity.

Let's start with MarTech.

When sourcing foundational MarTech, like CRM and email marketing, there are a lot of considerations. Guis relies on the company's IT procurement team to provide their expertise on a product or service. This includes making sure vendors meet technical requirements, negotiating competitive rates, establishing service level agreements, and considering secondary features like compliance and security.

"It is a great collaboration between marketing and IT procurement to ensure that we are getting the right services for our needs, and also doing what is best for the company," Guis says.

For more specialized marketing functions like creative agency sourcing related to, say a hybrid event, Guis prefers to rely on her marketing team's assessment of vendor candidates. It's incredibly hard to gauge creative value, she says, which is why it requires a marketer's intuitive eye. Same goes with customer experience and engagement, which requires more marketing expertise.

However, IT procurement can also play a significant role in the creative department. They conduct extensive research to understand the vendor landscape and market rates. This helps marketing uncover vendors that might have flown under the radar and understand the market value for services.

"It is really about playing towards the strengths of each department. Marketing has the expertise to lead the search, and procurement can tap into tools like market polls to provide us expertise on critical topics like pricing, ROI, and integration with the MarTech stack," Guis says. "This information is extremely helpful and I'm also happy to have them negotiate once I select a short list of vendors."

IT procurement might require marketing to reduce its budget, which is another reason for marketing to lead sourcing. Marketing, for instance, has a better grasp on switching from outsourcing creative design work to hiring an in-house graphic designer. This matters, in terms of budget, because headcount is a fixed cost whereas a creative agency is 30% more expensive.

"Balancing budget considerations with the needs to compete in a very competitive market is a fine line. That's why it is so important to work with our colleagues in procurement to articulate our needs in a very transparent way," Guis says. "I'm lucky enough to have a wonderful partnership that is built on trust, and together we are always working to do what is best for the business."

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