

Love your shark:

How procurement can help you go experiential and save money

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Take this test: say the word “procurement” to a bunch of marketers. Kind of like shouting “shark” at the beach, right? Panic sets in. People frantically try to escape from what they fear will be a scary predator whose only goal is to reduce costs, or an RFP process they’re sure will be nothing more than a feeding frenzy for heartless bean counters with very big teeth.

But like the marine biologist who will tell you that sharks really are our friends, I am here to tell you that procurement is an invaluable part of the marketing ecosystem. I don’t just say that as an agency person heaping praise on procurement teams within brand side organizations—you know, in a transparent effort to ingratiate myself with powerful influencers on the client side. I say this to highlight what has been a neglected aspect of what I would go so far as to characterize as “the procurement debate” (sounds impressive, right?).

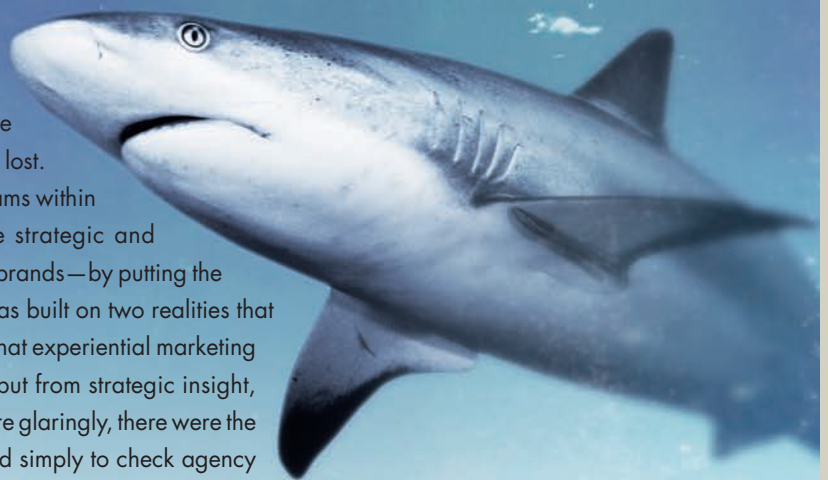
It’s time to renovate the procurement debate, for the terms have become overly simplified, and in the process an opportunity is being lost.

In the old days, the debate was about whether procurement teams within client organizations would detract from agencies’ ability to be strategic and creative—and thereby their ability to do good work for their clients’ brands—by putting the primary emphasis on reducing costs. The scary shark stereotype was built on two realities that contradict this emphasis. First and most fundamentally is the reality that experiential marketing is not a commodity; value is derived not from the cost of widgets but from strategic insight, creative inspiration and brand and business impact. Second and more glaringly, there were the flawed purchasing practices agencies grumbled about: RFPs issued simply to check agency rates, “reverse RFPs,” or procurement exercises that, to use an appropriate metaphor, functioned solely as “fishing trips.” According to an event agency CEO quoted anonymously in a May, 2006, article in *Event Marketer*, “This is going to kill marketing as we know it. Big ideas will be replaced by a Wal-Mart pricing structure, and event campaigns will cease to be as effective as they once were.” Scary stuff indeed.

But the debate today is, or should be, very different. The debate is no longer about procurement in client organizations, which at this point is an unavoidable reality—but a reality agencies can shape, both by standing up for themselves when they should and by taking responsibility for procurement within their own walls. Because what the debate today should be about is the role of procurement inside agencies. I would argue that the agency world needs to do a better job of building procurement expertise in our own ranks.

Yes, you heard me right: too few agencies themselves possess procurement know-how and the ability to “think like a shark.”

This is urgently true in sectors like experiential and event marketing. For with their heavy utilization of third party suppliers and materials, procurement within experiential agencies is especially relevant: we build experiences and campaigns with which customers and other stakeholders actually interact in real time and



space, which means, to put it bluntly, that we buy a lot of stuff. Venues. Graphics. Talent. Lights. Food. Staffing. Carpentry. Electronics. Vehicles. Clothing. Collateral. Transportation. You name it, we buy it.

Experiential agencies that build procurement departments inside their own walls are offering clients the opportunity to save money on all that stuff they buy—with no risk to their marketing impact or creative freedom. Agencies that do not build procurement know-how in their operations are doing a disservice to their clients—it's a case of abuse by neglect, in this case neglecting to develop a centralized and specialized procurement capability which leverages an agency's entire global spend, utilizes supplier relationship management and institutes procurement best practices to reduce costs for the agency's entire client portfolio.

Until my agency brethren learn this lesson and begin to build their own procurement teams, I am happy to be the big fish—the procurement lead at an agency that has built this expertise inside our ranks. And of course, I am happy to remind those on the client side why they should seek out agency partners that possess procurement expertise. There are three simple reasons:

1. MATH

Clients (and their procurement departments) spend a lot of time negotiating agency rates. Not surprising, but in the experiential and events sector, that means they focus 100% of their procurement analysis on only 20 to 40% of total spend. The other 60 to 80% of the spend is wrapped up in third party costs—costs that agencies are entrusted to manage and assumed to maximize. What happens if the agency lacks procurement best practices and therefore the ability to maximize their clients' third party spend? Now imagine an agency that does indeed boast procurement skills—that has that shark culture. They are able to leverage preferred supplier relationships across the entire spectrum of their client work to maximize savings—sometimes very substantial savings. At Jack Morton, our procurement team has been able to secure significant savings through responsible negotiations with suppliers based on a variety of factors, including most prominently our sheer buying power as a global agency that produces thousands of events each year. Factor in multi-year deals and ample time for discovery and planning, and the savings rise to double-digit levels.

2. EXPERIENTIAL PROCUREMENT IS DIFFERENT

Agencies with fully loaded production procurement departments have the expertise, knowledge and tools required to meet the unconventional and creative world of experiential and event marketing. Client procurement departments—however sophisticated and accomplished—are most often lacking in specific experience required to optimize third party contracts in this creative and nontraditional marketing arena. Client procurement might be great at commodities and widgets, but that's not what experiential and event marketing is, however many commodities and widgets may go into it. And even if the client organization has the specific procurement expertise needed for the experiential and event marketing world, it's likely that their spend in the category is dwarfed by that of their agencies. An agency that creates experiences for many of the world's top companies can leverage economies of scale for the kinds of stuff that goes into creating events, conferences, tradeshows, mobile tours and other kinds of experiences. A client's best opportunity to achieve maximum value is to search out the agency with the biggest and best shark tank.

3. PARLEZ-VOUS PROCUREMENT ?

It's safe to guess that client-side marketers are not always eager or able to engage in the procurement dialogue with purchasing staff at their own companies. It's a question of speaking the same language. After all, the stereotype of the purchasing person is someone without a degree in or deep appreciation for brand management; conversely, the brand people don't always excel at Excel. So what better way to address this reality than to have an agency that can serve as a "translator" by having your procurement people talk to their procurement people? That frees up client-side marketers and their agency account teams to really focus on developing effective experiential programs based on strategic insight and planning and breakthrough creative. Ultimately, such a relationship between the two procurement teams may help the client organization to build up their own experiential procurement specialization. (In case you think I'm worried about contributing to my own obsolescence and extinction, I'm not: above and beyond the fact that sharks have survived and thrived since the time of the dinosaurs, I'm happy to report that working with brand-side experiential procurement specialists can make the client-agency relationship even more successful.)

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Prevailing Industry Norms

Based on interactions and interviews across business categories, I've seen two norms for managing indirect spend in experiential and event marketing:

Client Procurement Led Approach

Indirect third party experiential and event spend led by client's procurement department with little input from marketing team that owns program. Typically hyper-focused on cost reduction rather than agencies' strategic, creative and management capabilities. Precludes client marketing team from creating selection criteria based on true needs. Can lead to antagonism between procurement and marketing as well as inefficiencies and missed opportunities to save money and achieve strong ROI.

Client Marketing Led Approach

Indirect third party experiential and event spend led by the internal marketing team with minimal assistance from their procurement colleagues. Often creates confusion about procurement rules and objectives. Fragments overall indirect spend and dilutes company's leverage, again leading to missed opportunities to save money and achieve strong ROI.

Future Recommendations

Based on experience and insight, I suggest two (not necessarily mutually exclusive) approaches to better managing indirect spend in experiential and event marketing:

Establish an Internal Experiential and Event Marketing Procurement Role

Filled by an individual with hybrid skill set: extensive event marketing experience paired with fluency in procurement best practices. Would work as an ambassador for client's marketing and procurement teams.

Would adapt purchasing tools and processes for experiential and event marketing spend. Would also interface and monitor work performed by external experiential agencies.

Hire Experiential Agencies with Demonstrable Procurement Competencies

Extends agencies' economies of scale for indirect experiential and event marketing spend to client organization. Marries deep specialization in experiential marketing strategy and implementation with mastery of procurement best practices. Creates efficiencies in operations and processes as well as significant savings on third party spend.



Case study: What? We saved 15%?

A leading enterprise software company engaged Jack Morton as their experiential marketing agency of record. In addition to a rebranding and a new strategic approach to their ambitious calendar of customer and user events, the client was also eager to reduce costs and save money—while improving quality.

Jack Morton's procurement team worked in parallel with the core account team as it developed the strategic objectives, experiential platform and creative concepts for the brand. The procurement kickoff followed an extensive audit of the client's existing event calendar, with Jack Morton's procurement team hosting a kickoff meeting involving the client and the core account people. Our task was to formulate basic objectives for involving procurement—again with the core goal to maintain or increase quality of service while reducing costs.

Working with the results of the event audit, we identified 25 distinct third party categories where procurement best practices could be applied. We established goals for each category—both qualitative goals as well as target savings goals. We identified a minimum of three suppliers that met quality standards.

We developed an RFP and pricing template specific to each category, formally invited each supplier, reviewed all the responses and presented a

recommendation to the client based on weighted criteria. With final group decisions in place, we negotiated with the chosen suppliers and finalized contracts. If this sounds a lot like procurement, that's because it is.

Two factors were critical positives. First, we started with relationships and buying power that made suppliers eager not only to make a good deal but to do a good job. Second, we had time on our side. The client had engaged Jack Morton on a multiyear basis and we recommended negotiating a two-year, performance-based contract with each third party supplier for their biggest and most important event.

The end result was more than the client had dreamed possible. For their business critical annual conference, we achieved a 15% reduction in costs over a two-year period. Yet quality improved, based both on attendee feedback as well the client's assurance, having been responsible for the event for 10 years, that "This was the smoothest and most well produced event I have ever been associated with."



MOVING FORWARD

Any marine biologist will tell you that the odds of being attacked by a shark are about one in 260 million. Lesson: don't live in fear of sharks, or procurement. Sharks are essential to helping maintain a balanced and healthy ecosystem.

So how can you love your shark, embrace experiential procurement and save money for your organization?

On the client side, marketers charged with responsibility for experiential should take the bull by the horns (wait, that's another metaphor). They should look for experiential agencies with well established procurement capabilities (naturally). They should become influencers in the procurement process in their organizations by ensuring that experiential specialists from their own teams as well as their agency's (preferably both) are driving the procurement process and not merely passive bystanders. They should ensure that one of the outcomes of that process is the establishment of benchmarks for cost, quality and ROI across their experiential touchpoints—it's this knowledge that provides the essential foundation of any intelligent procurement approach.

In the agency world, we should prepare ourselves to be the best partners we can be. At Jack Morton, we've built a highly developed "shark culture" with global procurement expertise relevant to our category. By doing that, on top of creating effective brand experiences, we've saved our client organizations money while simultaneously improving quality. And by doing that, we've helped our individual clients be more successful within their organizations.

Eric Samuelson is VP / Director of Production Procurement at Jack Morton.

☉☉☉ JACK MORTON

As a leading global experiential marketing agency, Jack Morton Worldwide creates experiences that deliver on brand promises—inspiring key stakeholders to new insight, action and advocacy. We integrate live events, branded environments and interactive media, thereby helping clients improve performance, increase sales and, ultimately, make their brands behave.

Jack Morton has a staff of 600 employees throughout the United States, Europe and Asia-Pacific, and is part of the Interpublic Group of Companies, Inc. (NYSE: IPG).

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