

# How do the best marketing people contribute to their agencies producing profitable ideas?

CIPS in collaboration with IPA and ISBA have created the Value Framework Initiative and produced a white paper Magic and Logic which identifies how marketing, procurement and marketing agencies can work together to achieve optimum results.

**There are two basic elements to the procurement of marketing services, magic, the creative part that agencies produce, the ideas that develop brands and grow business; and the logic, the project management, financials and procurement of third party services element. Procurement and Marketing have had to confront their prejudices, recognise each others' differing skill sets and through collaborative working they can crack the dichotomy between budgets and the creative process. Neither department in isolation can achieve optimum results. Historical opinions have been formed from both parties mainly due to a lack of understanding of the departments and a resentment of the intrusion of procurement. Procurement have previously tried to apply inappropriate manufacturing techniques to services and placed too much emphasis on negotiation and price.**

**One question posed was, how do the best marketing people contribute to their agencies producing profitable ideas?**

Both Marketing and Procurement teams have an essential contribution to make towards helping their agencies produce profitable ideas. The rewards for clients who operate best practice can be enormous: on the one hand, they get ideas that transform their brands and businesses, or that can produce revenue in their own right; and on the other, those ideas can be produced in less time, with less waste, hassle and pain, and at a lower cost. The impact of the marketing department on an agency's ability to run a successful business is equally significant, especially in relation to clear briefing and avoiding wasted work. It is no coincidence that the best clients tend to work with the best agencies: broadly speaking, each gets the partner they deserve.

From a survey the following characteristics were identified as good working practices for marketing departments:

1. They are professional, disciplined, and well organised.
2. They understand and respect the agency's contribution and champion it internally.
3. They know what they want and are demanding.
4. They are committed to quality and expect to pay for it.
5. They are honest and fair dealing.
6. They regard agencies as partners, not just suppliers.
7. They have a constructive relationship with Procurement.

## **1 Professional, disciplined and well organised**

The following list outlines what good working practices look like for a well developed marketing function.

- Teams are well organised and disciplined
- They are strongly led by senior professionals
- They develop adult business relationships
- They have clear, quantified objectives aligned against sensibly set budgets
- They have established metrics and measure and monitor performance in order to grow and improve.
- Standardised processes are in place for new assignments, pitching from suppliers and general internal and external communication.

## **2 Understand and respect the agency's contribution and champion it internally**

Best practice marketers have a strong belief in the ability of agencies to deliver the *magic* that can transform their brands and businesses. This means they trust and respect the agency's ability to create value, their expertise, and their creative judgement about what will work.

Key characteristics include:

- Being aware of differing roles from client to agent and knowing where to draw the line
- They feel a sense of ownership, co-authorship and responsibility for the ideas generated by the agency.
- They are committed to defending, reporting and proving the effectiveness of the agency to the organisation, the bottom line, culturally and through its reputation.

## **3 Know what they want and are demanding**

Having a good relationship with the agencies where there are clear communications links is paramount for ensuring you are getting exactly what you want. The survey revealed the following key characteristics that are usually deployed amongst best practice marketing teams:

- They give direction, and are clear with agencies as to what is expected of them in terms of both outputs and results.
- They are good decision makers, with good judgement about ideas, balancing rational and emotional reactions.

## **4 Committed to quality and expect to pay for it**

Best practice marketers are looking for the best ideas they can get for their business. Key characteristics here include:

- An appreciation that quality comes from the best people and the best processes and at a price and that it's worth paying more for.
- Agency fees are only a small part of the budget compared to what those fees can deliver.
- An understanding of the difference between price and value for money and are prepared to make the trade-off where it matters.

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## 5 Honest and fair dealing

The research uncovered some unethical behaviour regarding bonus payments, entertaining and pitches etc. Integrity and transparency are key ingredients for good practice behaviour.

Characteristics of good working practices include:

- Dealing honestly, both commercially and personally, with their agencies.
- Having clear, published terms of business
- Honouring agreements and contract terms with their agencies, especially in paying out performance related bonuses.
- Regular performance reviews carried out honestly and openly.
- Providing a clear processes for formal and transparent pitch assessment, debrief unsuccessful agencies, and not using ideas without paying for them.
- Where multiple agencies are used, clear and open communication is used to ensure equality.

## 6 Regard agencies as partners, not just suppliers

Best practice marketing believes that 'profitable ideas' are more likely to be created by agencies if they treat them as true business partners rather than simply as suppliers.

Partnership is exhibited in:

Long-term relationships: there is a general belief that the best ideas will only be produced if the agency really knows and understands the client's business, and that this can only happen over a period of time from the accumulation of learning, not only in the account team but in senior agency management. It is also more likely that the agency will develop long-running campaigns.

Openly sharing information: understanding of the business is accelerated if clients involve the agency early on as strategic partners, sharing financial information, business plans, performance, etc.

Seeking to resolve problems rather than change the agency: if the general philosophy of the company is 'Don't change the agency unless you really have to', it requires marketing actively to resolve problems. One client had used a mediator to resolve differences that occurred with one of its agencies. Together, they produced a series of personal commitments that people signed up to, and a set of protocols about how to work together. This had worked extremely well.

Aligning the agency's remuneration with that of the marketing department: this incentivises the agency to work to the same goals as the client.

Awarding business without a pitch: best practice marketing understands that pitching is a time consuming and wasteful way of deciding who to work with. Much better is to get to know an agency and work with them to produce the desired outcome.

## 7 Have a constructive relationship with procurement

Finally the degree to which Procurement has penetrated the marketing function varied enormously between companies. In some companies procurement plays no role in marketing, in some it has only recently been introduced, and in others it has been established for some years. In this last group of companies, it is generally well integrated into the marketing function and welcomed for the additional perspective and skills it brings.

Marketing see procurement's role as being to support marketing by taking responsibility for the logic part of the relationship with agencies, this generally includes:

- Contract and fee discussions
- Clarification of the scope of work required
- Unpicking the agency's costs to make sure Marketing is getting what they want (for example, there's the right balance between creative and planning time)
- Ensure third-party supplies are purchased more cost effectively.

In some cases the company has a specific 'marketing buyer' who sits in the marketing department, and who reports in to marketing, but with a dotted-line relationship with Procurement. The relationship works best for Marketing where Procurement's Key Performance Indicators (KPIs) are the same as Marketing's - friction is more likely to occur if Procurement is only targeted on reducing cost.

The responsibility for improving relationships between Agencies, Procurement and Marketing is a joint one, and there are some things that individual clients or agencies cannot do on their own.