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16/07/2019 Tue 09:31 in Indonesia by Avelyn Ng

## Procurement's involvement in media pitches: What is it costing agencies?



As more businesses opt to involve their procurement team in media pitches, agencies are getting themselves used to the new client-agency dynamics and inevitably, new set of evaluation criteria. According to the World Federation of Advertisers' Global Agency Remuneration 2018 report, 81% of marketing-procurement experts surveyed expect a continued shift towards performance-based remuneration models, with a focus on outcomes in the next 12 months.

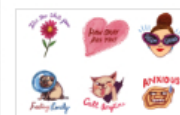
The number of respondents using output-based fees as the main corporate remuneration contract has risen to 28% (from 20% in 2011), while a further 15% (up from 9% in 2011) combine performance with a labour-based payment. However, the definition of "performance" is often debated, as agencies campaign for the contributions of non-quantitative output to be considered.

While the focus on price-led models has brought about much contention, agencies have also widely acknowledged the advantages of procurement-led pitches, such as higher transparency and clearly-defined briefs. Knowing so, is the involvement of procurement team in pitches a trend to be welcomed, or a cause for concern for agencies?

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In a conversation with *Marketing Interactive*, Nadya Tamara, associate media director at Carat said that in Indonesia, more and more, the procurement departments are getting involved in the pitch process. The involvement of these teams has helped to standardise KPIs and measurement used to score the agencies, ensuring fair comparison, Tamara explained.

However, the requirements and considerations are “mostly quantitative”. She added: “Clients should be able to set the right balance between quantitative and qualitative aspects, where by account management and services come in to place.”

**“After all, this is a service industry, not just commodity trading.”**

Similarly, TrinityP3 USA CEO Darren Woolley, pointed out that the procurement’s selection criteria tends to be one-dimensional – specifically price-led. Procurement-led media pitches differ from those led by marketers, where focus is placed on getting performance and media quality at the best price, rather than the lowest cost, he explained.

Such pitches are also more rigid, with “very little opportunity” for agencies to meet the client, except under tightly-controlled circumstances. He explained that procurement professionals often do not have a hands-on understanding of the service they are procuring and are under pressure to prove their value by bringing in higher cost savings. As a result, they do not recognise the value of media and the consequences of simply driving a low price.

Wooley said: “Just as how an external consultant should not lead the process but simply manage the process for the end user, procurement should not lead the pitch. They are not the ultimate end users – the advertisers and marketers who own the budget.”

On the flip side however, involving the procurement colleagues in the process, however, can bring much benefits to the table. Procurement teams can help to identify and minimise risks for both stakeholders, ensure the contract is complete and complied, and deliver a fair and thorough selection process, he said.

#### Making it work

The rise in procurement-led pitches, according to Rajat Basra, Indonesia CEO of Omnicom Media Group, is in part due to the “significant pressure” when it comes to budgets, on Indonesia’s marketing landscape in recent years, as retail slows. As more companies place scrutiny on commercial governance, procurement has been moving beyond media into areas such as data, technology, and ROI and attribution.

But that may not be a negative development. According to Basra, dealings with procurement teams make expectations and conversations black-and-white, removing any ambiguity. It also allows agencies to enhance their understanding of clients’ businesses, and gain a deeper understanding of the roles they need to play on tangible metrics. He explained this type of business dealings result in water-tight contracts, which isn’t prevalent in Indonesia. “I take it as a big advantage as relationships have to be based on clarity,” he added.

To make the relationship work, Basra said companies cannot simply “map brand leads on procurement conversations”, as the commercial focus and the outcomes expected are two different roles. Rather, the conversations need to be driven by agency members with procurement knowledge that allows for “more sensible, succinct and diligent conversation” that benefits both parties.

As the media and communications industry quickly evolves, Basra said it is important for procurement teams and agencies to create a bridge of alignment through transparent conversations in pitches, and maintain a spirit of trust and collaboration.

“The models we created yesterday, may not work tomorrow. Past references in procurement should not be taken as the starting point to outline discussions for the future, as they may no longer be relevant or valid,” he added.

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