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## | 7 Times Procurement Failed

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BY PASA ON JANUARY 11, 2019

TACTICS &amp; STRATEGY

**Author:** [Darren Woolley](#), Founder of TrinityP3.

No one is perfect.

And I certainly do not get it right 100% of the time.

But when I am wrong I will be the first to admit I made a mistake, apologise to those who were wronged and then do what I can to make it right. Admitting you are wrong is not easy, but it is important if you are going to develop and learn from the experience.

In the past 12 months there have been seven glaring examples of where procurement professionals have got it wrong. Each time I, and TrinityP3 were on the end of their mistake and felt unjustly treated. Yet in each case when we expressed our concerns and point of view we were met with either silence or denial, both of which resonated at the time as sheer arrogance.

In the vast majority of cases we have an excellent professional working relationship with procurement teams, marketers and their agencies and suppliers. But there have been a few examples where this has gone off the rails and on the basis of you learn more from your mistakes, I want to share each of these examples to provide a lesson for either the relevant parties if they are reading this, or as a lesson for others who may be tempted to make these mistakes some time in the future.



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I have deliberately made sure that the names of the individuals and their companies have been removed as they will know who they are and this is a matter for us to resolve. But for the rest of you, think of this as either a voyeuristic opportunity or a learning opportunity.

If you have a different perspective or disagree with my point of view here, then I'm happy to discuss directly or please share your views on our social media accounts.

## 1. Trying to negotiate the deal after the deal is done

We had been in discussions with a client for a couple of months about the specific needs they had in benchmarking a number of agencies. The discussions included preparing specific customised proposals and proposing and negotiating the outcomes, timeline and costs.

In the same week that the marketing team approved the proposal for the project to commence, a new procurement professional was appointed to the company and decided to get 'involved' in the discussion post approval.

They called up to negotiate the price. Not the outcomes or the scope of the project or the timelines. Their only focus was the price. Their opening negotiation point was they believed it would take less time than the price would indicate. Now that is a problem because we do not quote jobs on the number of hours and we do not work on an hourly rate, so it was difficult to understand how they would draw this conclusion.

They clarified this by saying that they could get it done for half the price by another consultant, without naming who that consultant was or if they had actually obtained a competitive quote for the work.

Clearly being their first week with the new company they were out to try and prove their value to the marketing team by getting us to halve our price. But the fact is we were not playing. Why?

First, they had not been part of the discussion to date and therefore clearly did not appreciate what was being contracted. This meant that second, their only focus was price and that their valuation was based on number of hours and hourly rates which we had not proposed. And third we had reached an agreement with the marketing team who were the budget holders.

But most importantly we choose to work with those people who see and appreciate the value we bring in rigorous methodology, extensive industry expertise and unique and statistically significant benchmarking data.

The marketing team apologised for the behaviour of their new procurement person, but they felt 'bullied' into letting them 'negotiate' after the fact. No apology from procurement. But I wonder if we were not willing to hold our position on this and had folded to this blatant bullying tactic of procurement, what would have been the outcome?

Sure they would have saved some money, but at what cost?

## 2. Issuing an RFP after receiving our requested proposal

We often get approached from marketing and procurement teams to come and discuss an issue or project with them and this is the 'sales' part of the consulting process. Likewise we will be asked to outline how we would specifically tackle the problem or develop and implement a solution. Again, something we are happy to share.



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Many times this has worked to our advantage as subsequent to these discussions we have received a RFP or RFT that has replicated our methodology in the request and therefore made it easier for us to provide a detailed and competitive proposal in response.

But on this occasion we were then asked to provide a detailed proposal including methodology, timeline and costs for consideration. This is usually a sign that the buyer is definitely interested in engaging us for the project, especially when it was made clear that this was not competitive.

You can imagine our shock when a few weeks later we received a RFP that not only reflected the methodology in our proposal, but requested that we prepare a response against two other consultants.

We had provided our best price based on the agreed methodology, meaning that if they were now going to tender for a lower price we had the choice of either sticking with that price, hoping they could see the value (unlikely as they were going to competitive tender so clearly they did not appreciate the value in the proposal), or lower the price and subsequently look for ways of lowering the cost of what we provided by way of less detailed analysis, insights and recommendation, which is an anathema to the professional standards we hold ourselves.

We protested the request, but were told it was procurement policy and that they had to follow policy. We offered to not participate but the marketing team that engaged with us in the first place were adamant that they wanted us to submit a response to the RFP.

We said we would consider our position and get back to them. In the intervening days the marketing team came back and informed us that procurement had over-reached their area of responsibility and that the RFP had been withdrawn. Marketing apologised on behalf of procurement (there is a trend starting here) and proceeded with the project.

### 3. Pretending we are providing a service we are not

While we prefer to manage the tender process, we are usually very happy to support either procurement or marketing behind the scenes if they want to lead the process. In this particular case a global company asked us to provide a proposal to fully manage a pitch process to select a 'full-service' agency and in subsequent negotiations, our involvement became more as a support function assisting with market search, financial analysis and developing some specific templates for capturing agency proposals in a way that facilitates like for like evaluation.

We highlighted that the analysis of the feedback provided by these templates required specific industry knowledge and methodology to get maximum insights but were told that the company had 'a number of analysts that could provide this'. Therefore the specific scope of our involvement was detailed and the cost of this assistance agreed and approved with purchase orders raised.

Once the project commenced it was clear that the broader team managing the pitch for the client wanted a higher level of involvement from TrinityP3 with regular requests for assistance and advice outside of the agreed scope of work. Each time we explained that we were not engaged to provide those services and that we were happy to do so for the additional costs detailed in the original proposal.

This would have represented incremental costs for the incremental services requested and provided. Each time the additional costs were denied and we were unable to assist the team with what they requested.



Tweets by @procureandsupp

Again imagine our surprise when we were contacted by the agencies asking for advice on the templates as they had been instructed to complete the templates and submit them to us for analysis. This was specifically part of the service not required of us by the client but they had communicated to the agencies that we would be providing it.

We contacted the client and were told it was an oversight, which appears difficult to understand considering they had specifically negotiated what we were to provide and very clearly what we were not to provide. Our concern now was that the agencies would think we were doing the evaluation of their proposals when in actual fact data analysts with unknown experience or knowledge of the category were assessing it in house.

#### **4. Using competition as a veiled threat**

When we sit down with a marketer or procurement professional we are looking for where we can add value, either by helping solve a particular issue or deliver value to the process. Therefore it is always a little disconcerting when in a meeting with a potential new client that most of their discussion is referring to the fact that they are also talking to our competitors and therefore what ever the outcome we need to be highly competitive on price.

Firstly, this was before we had even defined the details of the problem or project and second, we treat every project as if it is competitive, because it usually is. But we also value the work we do and the value we deliver and therefore we do not devalue that work by effectively giving it away.

One of the stumbling blocks for many procurement people when working with us is that we rarely propose hourly fees. Instead we prefer to scope the project, define and agree the specific outcomes and then propose a fixed fee for delivering those outcomes or deliverables irrespective of the hours it takes.

Therefore when the buyer tries to compare hourly rates it is difficult because the project could take 100 hours or it may take 250 hours, but with our proposal the cost is the same. Comparing an hourly rate here with a consultant that charges by the hour is pointless.

While most marketers prefer this, this approach has worked against us with some procurement people, who have accepted the lower hourly rate and the lower overall project cost of our competitors up front. Then later on we hear from the marketers that the cost on the project blew out when our successful competitors came back asking for more money after they were appointed because it took many more hours than originally considered.

Don't get me wrong, we are happy to package proposed costs based on either sharing responsibilities or to reflect economies of scale. But when we prepare our proposals we do so assuming that while it needs to reflect value for us and our client it also needs to be favourable to a market competitive equivalent. So there is no need to waste time in our meetings labouring over the competitive circumstances. It is always nice to know, but we only need to be told once.

#### **5. Insisting payment based on delivering savings**

I would be very rich and possibly retired if I had set up TrinityP3 to be paid on savings. Very early on I had a client who insisted on paying us on a percentage of savings only to back down and not pay when it resulted in effectively paying more than 20 times our original proposed fee.

I know a few pure procurement based consultancies who have done this and are now enjoying early retirement having sold very profitable businesses based on delivering millions of dollars and sharing in a percentage of those savings. We have also delivered millions of dollars in savings over the years but savings has never been our prime motivation and therefore it is not

savings over the years but savings has never been our prime motivation and therefore it is not part of our fee model.

We have actually profited from the fact that often delivering savings in marketing has left the client / agency relationship and process moribund. Therefore we have been engaged to help set it right again because our focus is developing enduring, sustainable and highly productive relationships between marketing and their agencies and suppliers.

But recently we were asked to undertake a review at zero or minimal cost, where we would be paid on the saving identified. If we didn't care about the medium to longer term outcome this would be easy. As it was media, we could have easily provided a report on innumerable ways to deliver literally hundreds of thousands or even millions of dollars in savings, even if those savings would have significantly damaged the media effectiveness.

The problem is that the procurement person involved thinks of media as a commodity and therefore what they were asking for was simply a report that would show where they could save money buying a cheaper commodity. But under the consultant remuneration model they were proposing, the only possible report would be one that suggests buying cheaper media and therefore potentially risking increased brand safety issues, viewability issues and ad fraud to the brand, not to mention a significant drop in media effectiveness.

Of course if we were just focused on charging fees we could have easily made a killing here, but instead we spent more than an hour explaining the flaws in this approach.

## **6. Thinking tendering is the only solution to agency problems**

Although many agencies only think of us as pitch consultants, no matter how much we share the scope of our work, the fact is that we believe pitching or tendering should only be used to address specific issues. Increasingly we find that requests to run a tender often are transformed into different projects based on the discussion we have with the marketer where we focus on defining the specific problem or issue they are trying to address.

But for this procurement professional, they had made up their mind that running a tender was the only way to deliver the savings they had promised to the organisation and the marketing team. Because of the size and the complexity of the proposed tender it was agreed that they would also tender for a consultancy to assist in the management of the tender.

Interestingly even though it was a competitive process, (see point 4) we responded with the requested tender and added some key questions we wanted to ask to understand the context of the project. It was only when it came to the presentation meetings where it became clear that the whole strategy here was simply to go to market and have the media agencies compete with each other in a process to drive down the media cost.

In the meeting we challenged the thinking because of the inherent dangers in this approach of increasing risk to the advertiser in regards to brand safety, ad fraud and viewability wastage and the decreased effectiveness that comes from cheap media.

Being a competitive process, we were informed that the other consultancies focused on managing a pitch. Now I know that rule number one of an RFT is to answer the brief but we do not see our role as simply a service provider. We call ourselves marketing management consultants because we do not simply manage pitches, or benchmark fees and contracts, instead we see that our role or purpose is to manage the marketing structure and process to eliminate waste, improve productivity and drive effectiveness and performance.



## 7. Applying a global benchmark standard to every market

This has gone on for years but recently it has become a major issue as more and more global clients are using procurement teams to negotiate media cost and agency rates on a global basis. Of course you would think that when it comes to benchmarking or accessing across countries that there would be significant variables to take into consideration such as market size, competition, legislation, market maturity, cost of living, inflation, spend size and more.

All of these variables come into consideration when comparing markets and costs within those markets. But time and again we have run into procurement people that take a standard global metric or benchmark and try to apply this across multiple markets for convenience and simplicity.

While these global benchmarks are common in all areas of marketing, media and advertising, such as average cost per FTE etc, most recently and also problematically for the local media agency and the local operation of this organisation was the media metrics CPM and GRP.

To the credit of the procurement team managing the global media pitch, they had the foresight to engage a regional market consultant for their global pitch they were managing. It became clear that while they wanted local insight they were not willing to listen to that insight if it was counter to their objective of reducing media costs. In our initial meetings and the subsequent RFP we prepared, we outlined the need to not strictly apply a global CPM or GRP to each market, but to use the global benchmark advised and to use a local metric as well.

The problem was we believed that that the global benchmark had come from their largest media market and was being applied to markets a fraction of the size with every different media infrastructure and cost base. The danger we saw was that using this low global benchmark would force media agencies to reduce media costs to an unsustainably low level in some markets and potentially put the advertiser at risk. It would encourage non-transparent media practice (in contravention of the stated objective of the RFP) as media agencies would need to embrace non-disclosed media buying practices to compete on the benchmark price.

### Working with procurement

We have been working with procurement teams around the world for more than ten years and in the majority of cases these have been valuable and rewarding experiences for everyone involved, marketing, procurement, the agencies and TrinityP3. That is because the way we work is one of open communication, shared and agreed objectives and mutual respect and acknowledgement of the roles of all parties involved.

Where it goes wrong is where any one party has a secret agenda that they drive. For procurement this still appears to be a rampant desire to measure results as cost reduction even in the face of evidence that it will be detrimental to the ultimate outcome. For marketers it can be the desire to deliver a specific end state, such as the appointment of a specific agency, but under the guise of a robust and fair process.

No matter what the hidden agenda, it invariably ends up impacting on the success of the outcome. All we ask when working with our clients is you be open and honest in what you are wanting to achieve. And if you make a mistake or change your mind, be willing to share that with us and discuss the implications and work through the solution.

Luckily these seven are isolated incidents. But when they happen it creates a negative attitude not just to the people involved, but also the company and the professions involved. The bottom

line here is play fair and play nice. Or don't expect us to play at all.

*Procurement needs to be a commercial partner to marketing to assist in optimising productivity and improving growth. For more than 15 years we have been helping marketers do this and helping marketing procurement teams address and solve these challenges, so the question is how can we assist you?*

- Darren Woolley is Founder & Global CEO, TrinityP3 Marketing Management Consultants.



In 2000, **Darren Woolley**, a scientist and advertising creative director, founded TrinityP3 in Australia. His purpose was to help people to achieve commercial purpose through creative process. You can buy a copy of Darren Woolley's book 'Top 50 Marketing Management Posts of 2014' here: <http://www.trinityp3.com/marketing-management-book/>

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MICHELE on JANUARY 17, 2019 10:16 AM



It would be good to hear to other side of the story (procurement, marketer) as not everything is black and white as stated above. The world is more complex than that. Interesting read however nevertheless.

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But what they all have in common is that they are a great place to share knowledge, ideas and experience, to learn from and benchmark yourself and your organisation against your peers, and to make new contacts and build networks.


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