



#### MARKETING PROCUREMENT

## How long do we need to wait for the change in marketing procurement to make it to APAC?

By Darren Woolley

Are APAC countries being held back from delivering value in marketing through lack of specialist resource where the race to zero is alive and well? Darren Woolley of Trinity P3 explores the reasons why.

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*The realization that you cannot cut your way to growth has clearly hit home in the EU, driving the procurement focus, or at least intent, from cost cutting to value creation. But in Asia, and particularly China, there is a strong mandate to control and reduce costs.*

It is refreshing, possibly exciting, to read about the changes happening in marketing procurement. These changes appear to have started in the EU possibly a year or two ago. Suddenly the discussion from a small band of procurement professionals was about delivering value in marketing and not simply cutting cost. There was a recognition that marketing and advertising services were not a commodity, but part of a value and growth driving process.

Even better is that the World Federation of Advertisers (WFA) is supporting this trend through their Sourcing Forum and even [launched a Global Sourcing Board](#). But once you get outside the major brands in the major markets, very little seems to have changed. Cost reduction is still the often-hidden agenda and agencies and marketers are still increasingly trying to achieve more with less.

Don't get me wrong, marketing value is a terrific concept and one we have been highlighting and promoting for more than a decade. It is just that when you operate in markets that are not the EU, or the USA or even China, marketing procurement is fairly much business as usual, with cost reduction the main agenda point and the race to zero alive and well. So why is it so? Here are three issues we see constantly.

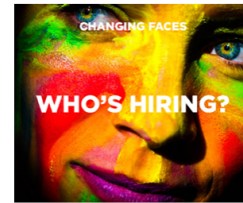


### 1. Company Size

When you look at the members of the WFA, it reasonably represents the largest global advertisers, which makes sense. Big multi national corporations (MNC) with major advertising spends. Therefore, if placing a procurement team to oversee the marketing component of the budget, you usually find there is a significant specialist resource in place.

The old joke – the procurement professional overseeing purchasing of pens and paper is now looking at marketing – does not apply to many of these companies. Their size and significant advertising investment means they will have a team of marketing procurement specialists, or at the very least one. But at least they are a specialist with understanding of the nuance of the marketing category.

But what about the world of relatively smaller local and regional advertisers? When I am smaller, I mean



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But what about the myriad of relatively smaller local and regional advertisers? When I say smaller, I mean the millions of advertisers spending millions of dollars a year on advertising who are not one of the 111 advertisers who are members of the World Federation of Advertisers?

Usually you will find their procurement department is hopelessly under-staffed. If there is someone assigned to cover marketing spend, the fact is they do that along with all of the other indirect spend such as travel, professional services and the like. One procurement person was complaining that they were responsible for more than \$50 million in media spend and yet they were also responsible for almost five times that on other indirect spend, so they had one day a week to focus on marketing. Not sure that left much time for keeping up to date with the latest trends in marketing procurement, much less the changes occurring in media and advertising.

Also by Darren Woolley: [Why getting the commercial relationship right between advertisers and agencies is critical](#)

## 2. Market Size

The size of the market also often determines the number of resources allocated to marketing procurement on a market basis. Even some of the larger advertisers, some of which are members of the WFA, ANA and ISBA, will have significant marketing procurement teams in their core markets, only to be very thin on the ground when it comes to the smaller markets in APAC. By smaller markets I am talking about Thailand, Indonesia, Australia and even Japan (the world's third largest economy).

These are still significant markets both globally and regionally, yet they are also where you are unlikely to find the depth of marketing procurement resources you find in the head office. So, you would expect – in the case of large MNC operating in these smaller markets – the head office resources would support the local market, or at least provide advice. But in fact, we have had many local under-resourced procurement teams tell us that all they get from the head office is a request to detail the 10% savings mandated by the company. Or to ensure that extended payment terms are negotiated into the contract.

It is understandable if small, non-specialist procurement teams are not on board with the 'growth and value' trend. But what is happening with these companies beyond the EU? Perhaps it has to do with the next point.

## 3. Market Maturity

Marketing procurement, or at least the involvement of procurement in marketing expenditure, has developed across the world from the UK and Europe to the US and all the way to APAC. I know from personal experience, hearing about procurement led production decoupling in the UK more than a decade before I even encountered a procurement practitioner in marketing down under. In fact it was in 2007 we changed the company name from P3 to TrinityP3 to acknowledge the prominence of procurement in the advertiser and agency relationship.

At the same time, significant growth has been a challenge in the established Western economies for most of this Millennium. But not so in Asia. (Remember when they were referred to as the Tiger economies?) But since the 2007 Global Recession it has been business practice to reduce business cost. Just as marketing procurement has evolved, market economics too have changed. The realization that you cannot cut your way to growth has clearly hit home in the EU, driving the procurement focus, or at least intent, from cost cutting to value creation. But in Asia, and particularly China, there is a strong mandate to control and reduce costs.

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The question is, is it just a matter of time before the APAC markets embrace this burgeoning change in focus for marketing procurement, or are there other cultural, economic or market factors? Or is the truth that the changes we are seeing in the EU are still at an early stage, and that it may be quite a while before procurement moves from a cost reduction strategy to a value creation and growth driving approach?

The fact is that with the increased pressure on marketers to contribute to company growth, their need from their procurement partner is not to cut their budget and deliver company savings, but to help them manage their supply chain (yes, that means their agencies) to improve productivity and ultimately effectiveness.

Is the procurement function up for that yet?

Time will tell.

About the author

[Darren Woolley](#) is founder and Global CEO of [TrinityP3](#), one of Asia Pacific's leading strategic marketing management consultancy with an international network of more than 30 industry professionals. Their client base includes more than 50 of the world's top 100 advertisers, with offices in Singapore, Sydney, Melbourne, Hong Kong and London.

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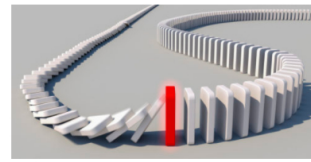
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