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How agencies can work with procurement and avoid a race to the bottom on price

By John McCarthy · 23 October 2020 08:00am



How to work with procurement and avoid the 'race to the bottom' on price

Procurement is often a dreaded word for agencies - but it needn't be. As part of The Drum's Agencies4Growth festival, Trinity P3's Julian Barrans and Essence's Alex Woodford explained how the two sides can strike up a mutually beneficial relationship and even ditch the pitch.

The relationship between agencies and procurement teams is often depicted as a culture clash between creative free spirits and hard-nosed pragmatists. As Alex Woodford, vice president, client partner, APAC at Essence, put it: "Some agencies will think procurement will hold up the process, make us do more, jump through more hurdles, or slow things down and make life a little bit tricky."

But despite being on the agency side of the fence himself, Woodford argued that's the wrong assumption. "Now the world is a bit tougher for everyone concerned, and agencies need to see it as an opportunity. See procurement as someone who can smooth things over."

The need for agencies to get savvy about working with procurement departments was illustrated by a warning from Julian Barrans, business director, Asia at TrinityP3. His research found that the majority of agency incumbents that go to pitch lose the client. "Four out of five clients move to greener pastures because they can't resist the offer that's made or the freshness of a different agency," he says. But, he adds, a constructive relationship with the client's procurement team can help them avoid that fate.

Barrans' research of the top 25 advertisers in the US over the last 10 years found that while compound growth is 2% per annum, the share price gross average is 10% per annum. What this means is that in many cases, what seems like growth in profit is actually purely manufactured by cost-cutting, rather than a real-term growth in business. "What's driven the 10% growth is not the gross, it's cost-cutting," he says.

Agencies need to better evidence their effectiveness to avoid the lance of the chief finance officer, who sees savings where value isn't so visible.

Barrans says: "Agencies should avoid going into a pitch situation, if you've got a client that you value, engage with procurement. The client needs data points, they need to understand how they're going to develop the next contract. engage with them as humans, and have some kind of performance assessment

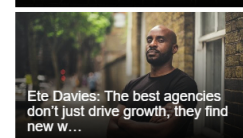
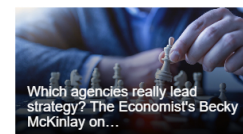
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carried out so that the human can see where things can be improved, use that to satisfy them that they do actually need to go to a pitch situation, they can actually just produce a new contract using the performance assessments."

The alternative is the contract goes to pitch and as it often goes, "a race to the bottom on price". In 2020, "that situation is even more tempting because budgets have been... there's still a massive number of agencies out there, too many for the business that is around today."

For Woodford, agencies need to get better at talking about and displaying their value, which is something procurement is more suited to help with. If the agency appeases procurement KPIs, the client will soon know.

"Get in early and build up a strong rapport. During the pitch process itself, treat treating procurement just like any other stakeholder in the process. Be close, be open, be honest." After a historically difficult what we will get. We've had a delightful conversation, where the agencies were incredibly honest to say and said 'with this level of pricing, this is what you get, but with a slightly different pricing setup, here are the more experienced service levels you will get.'

Barrans shares another hint of light. "Things have been very much price-focused but a few enlightened procurement teams have started to move more towards value."

The panellists spoke with The Drum at Agencies4Growth Festival, a week-long online event celebrating the power of agencies to support businesses. You can [watch the interview in full here](#). Sign up to watch forthcoming sessions and [see the full Agencies4Growth schedule here](#).

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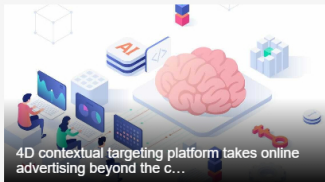
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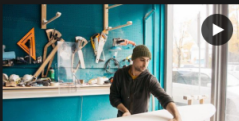
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