



## ***POV: PROCUREMENT AND MEDIA BUYING – OPTIMIZING FORESTS, NOT TREES***

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Marketing procurement has become an increasingly crucial aspect of the advertising industry. This should be unsurprising given the scale of expenditures involved: for some companies advertising is the largest single budget line-item they manage. As a benchmark of its expanding importance, registration for the ANA’s annual marketing procurement-focused Advertising Financial Management conference more than doubled between 2008 and 2018, rising from 337 to 739 people over that time.

Procurement teams lead processes to support and improve the efficiency of functions across their companies, including marketing. However, procurement professionals’ goals are often viewed in contrary to the goals their marketing colleagues have, as well as those of the constituents they work with including agencies, media owners and other related suppliers. Procurement is often decried for failing to understand the industry and the value tied to longer-term brand investments, and instead for prioritizing costs alone. It can sometimes appear procurement is focused on the industry’s proverbial trees rather than its forests in which their brands exist.

Consequently, it may appear surprising that a media agency would argue marketing procurement should be recognized as symbiotic and complimentary to all other marketing-related activities. This is because procurement and many aspects of media management are ultimately very similar. Arguably, media agencies are the original marketing procurement function.

Consider the procurement-related competencies emphasized by one of the field’s educational associations, the Institute for Supply Management, in its ISM Mastery Model, which we summarize here:

Competency	Edited Description
• <b>Business Acumen</b>	• Judge business situations informed by analysis.
• <b>Category Management</b>	• Oversee and maximize the financial and operational value of a group of related services.
• <b>Corporate Social Responsibility</b>	• Benefit the workplace, the individual, the organization and the community as they relate to diversity and inclusiveness of the supply base, workforce, environment, ethics, financial responsibility, human rights, health and safety, and sustainability.
• <b>Cost &amp; Price Management</b>	• Control expenses and monitor predicted and actual costs.
• <b>Financial Analysis</b>	• Analyze financial data, benchmark metrics and supply data to develop and execute on supply chain strategy.
• <b>Legal</b>	• Handle legal services within companies, oversee the bidding process, ensuring proper drafting and adherence to SOX, contracts and related documents. Oversee continued contract performance including any nonconformity and amendments to document.
• <b>Logistics Management</b>	• Manage all activities that take place after a product is finished and approved.

• <b>Negotiation</b>	• Plan, prepare and execute negotiations, and review personal and team negotiation performance. Influence personal and team negotiation capabilities and outcomes.
• <b>Project Management</b>	• Coordinate, organize, plan, schedule, control, monitor and evaluate activities so that the objectives of a project are met.
• <b>Quality Management</b>	• Implement supply chain quality systems to define and monitor product and service quality standards from suppliers to customers, with an eye on the cost of quality and its impact on the business.”
• <b>Risk</b>	• Systematically analyze and assess risk throughout the global supply chain in terms of probability with options generated to reduce or mitigate perceived risks.
• <b>Sales &amp; Operations Management</b>	• Forecast anticipated demand, inventory, supply and customer lead times based on the sales forecast, actual demand and capacity forecast.
• <b>Sourcing</b>	• Obtain the best quality at the best price, including specifications development, value analysis, supplier market research, negotiation and buying activities, to meet objectives identified through category management.
• <b>Supplier Relationship Management</b>	• Partner with internal stakeholders to segment and manage supplier relationships. Identify and execute relationship strategies with stakeholders and suppliers to improve overall efficiency, performance, accountability, compliance and value.
• <b>Supply Chain Planning</b>	• The strategy and management of continuous, value-added processes across organizational boundaries to meet the needs of the end customer, while incorporating a structured approach, combined with the use of best-practice tools, to enable the development of comprehensive sourcing strategies that deliver maximum long-term value.
• <b>Systems Capabilities &amp; Technology</b>	• Demonstrate an understanding of what technology is available and how best to make use of them and when.

*Source: GroupM summary of the ISM Mastery Model*

While some of these skills are relevant to all business functions, most overlap significantly with the work performed by marketer-side media directors and their external media agencies, especially including media planning and buying.

With so many similarities, it is important to consider that an entire academic discipline exists around procurement, full of frameworks and other approaches to establishing best practices. In many cases, the challenges procurement professionals face are the same as those faced by media professionals, except that procurement may have been trained differently in their undergraduate or graduate studies and may use differently specialized language.

For example, the academic and management consultant Peter Kraljic conceived of what is called the “Kraljic Matrix” to describe different supply management strategies to help reduce costs or improve a company’s strategic position. All goods which can be purchased can be grouped on dimensions of strategic value (high or low) and scarcity (high or low). Strategic and scarce products are called “Strategic”, strategic and plentiful products are categorized as “Leverage” purchases, non-strategic but scarce products are described as “Bottlenecks” and non-strategic and plentiful products are called “Noncritical.” Different negotiating strategies follow for each category which will all look familiar to media professionals immersed in this work on a daily basis, even if in a language they do not typically use.

Despite the widely noted failings of some applications of business concepts often associated with marketing procurement (Zero-Based Budgeting as applied by Heinz, for example), procurement will not diminish as a force in marketing oversight. If anything, ongoing expectations for profit improvements among the largest marketers will more likely cause greater reliance on the function.

Certainly there are ways to improve how media and procurement work together. For example, embedding procurement within a company's marketing function or increasing procurement's accountability to the marketing function (for example, by establishing shared KPIs) or focusing on outcomes and value rather than pure cost savings or cost avoidance would help. Further, procurement professionals need to continuously ensure that they maintain a heightened degree of sophistication around marketing given its ever-changing nature. However, as the true experts in this field (and ultimately as the suppliers of products and services), practitioners focused on media buying and selling must continuously work to help procurement; using their language and frameworks would probably help. So too would a general appreciation of the similarities of these functions.

Procurement has demonstrated that it can be very effective optimizing the industry's trees. This may be because the trees are the easiest things to see in the wilderness. If media professionals more commonly used the language of procurement to describe their actions and procurement professionals were tied more tightly to marketing than they are today in many instances, procurement may be better able to understand how to optimize the forests their companies inhabit, to the benefit of everyone involved.