

THE ANA MARKETING FINANCIAL MANAGEMENT CONFERENCE: FOCUS ON PROCUREMENT

As procurement is the core theme currently driving marketing businesses it is critical to all our business dealings in the marketing communication arena that we keep abreast of how this is developing around the world. The key issues, the challenges, and maximising opportunities were explored and debated at the ANA Marketing Financial Management Conference in April, at which Alan Rutherford, IAA World President and Chairman was a speaker, as was Sir Martin Sorrell of WPP.

Darren Woolley, Managing Director and Founder of TrinityP3 in 2000, which is now Asia Pacific's leading strategic marketing management consultancy with an international network of more than 30 industry professionals, reports to us on the ANA Marketing Financial Management Conference in Florida. His report is below.



MARKETING PROCUREMENT IS HERE TO STAY, IT IS JUST GETTING BIGGER & MORE SOPHISTICATED

A presentation on the "maturation of marketing procurement" by Steve Lightfoot from the WFA and Paul Duxbury from SPIRE Worldwide, identified through research and case studies, four stages of Procurement developing in the marketing category:

- Balanced Traditional
- Success Through External Partnerships
- Seamless Integration
- Balanced Emerging

The more mature, therefore the more the organisation had moved from Balanced Traditional to Balanced Emerging:

1. The more time procurement had been engaged (5 yrs+)
2. The larger the marketing budget (\$3 bill+)
3. The more of the marketing budget was under procurement management (75%) and
4. The more centralised the management of the marketing budget.

Global growth will continue to be patchy, so how do we maximise the opportunities? Presentations covered a view from four different perspectives:

1. Economic perspective - John Swadener, PwC & Larry Cristini, Eurasia Group
2. CPO perspective - Hans Melotte, Johnson & Johnson
3. CMO perspective - Paul Matsen, Cleveland Clinic
4. Agency CEO perspective - Martin Sorrell, WPP

Growth in global markets is patchy and unpredictable, with surprising figures showing that markets like the Middle East and Turkey are positioned for growth along with the traditional BRIC markets. So against this background the next three speakers had more in common than differences:

1. All talked about the importance of optimising growth and yield over shorter term cost cutting.
2. All reiterated the importance of metrics in not just measuring success, but to optimise performance.
3. All spoke about the importance of integration, not just across marketing strategy, but also within teams with finance, procurement and marketing needing to be aligned and then aligning agencies and suppliers. **Interestingly all recommended moving back to consolidating the number of agencies as a way of achieving alignment and the associated collaboration.**

Recent reports from the US have suggested this is a trend as marketers find it increasingly difficult managing multiple agencies with recent appointments by Bank of America, Pepsi, MillerCoors, General Motors and Sprint.

The real difference between the perspectives was in the focus on this change and approach.

The CPO focus was about achieving increased performance by building stronger partnerships and strategic relationships, defining success, ensuring contract adherence, evaluating performance and aligning incentives.

The CMO was focused on alignment and maximising performance across the multiple media channels including bought, owned and earned and monitoring activity and informing the strategy through metrics and financial performance.

While the Agency CEO was focusing on positioning agencies as junior partners, not domestic servants to marketing and the business, with a focus on leveraging their talent to maximise the value of their client.

A view of the industry from Wall Street was then provided by Brian Wieser, Pivotal Research and a panel discussion facilitated by the Media Audit Council.

Wall Street

From a Wall Street perspective there is no agency income crisis with most of the holding companies recording record profits in excess of market growth. However, there are different perceptions of the listed holding companies:

- WPP: A great futurist machine
- Interpublic: A ticking time bomb
- Omnicom: Safest investment choice

Media Trading Desks

A lot of discussion about the lack of transparency in regards to media trading desks, especially as many of these operate at the holding company level. The panel explained that if the focus moves from the business model to the benefits, marketers are in a better position using the Trading Desks because they deliver greater efficiency in buying, data analytics and insights on individual audiences, and overall better campaign performance.

Media Audits

The focus was the role of media auditing in driving performance. Rather than focusing on simply measuring past performance, all media audit users found the bigger benefit was the lessons and process improvement to be applied going forward. The biggest opportunity is driving the media value obtained over the market, rather than limiting agency payment - making the process a big carrot rather than the traditional stick auditing has previously been.

Focus on price rather than cost

Overall there was a change in focus from how much does advertising cost to looking for ways to measure the value delivered. Of course the next step is to start to recognise the value created and to reward for that.

The final day of the conference closed with a focus on the challenges shared by the CFO and the CMO, courtesy of IBM, the challenges of managing global marketing services and the on-going challenges of agency remuneration or, as the Americans call it, compensation.

The challenges of the CFO and the CMO

Ron Kline from IBM shared the findings of their recent Global CMO Study, and the parallels he pulled from the last IBM Global CFO study.

Both CMO and CFO are taking a broader role. The CFO is increasingly advising on all aspects of business strategy and yet feels under equipped in this role. Likewise the CMO is dealing with the broader remit caused by technology and increasing channels, the fragmentation of audiences and the pressure for marketing accountability and ROI. Both suffer from the fact that organisations appear to

rarely invest in the technology to provide up to date, real time data and analytics, with both in most cases relying on manual processes to provide this information.

But from the CMO perspective, they answer this challenge by looking externally for help and assistance in addressing this shortfall. They just need to convince the CFO that the cost is justified and here enters Procurement.

The challenges of managing global marketing services

Alan Rutherford, Global President of the IAA and chairman of consultancy group Axiology talked about how to select a consultant. In increasingly diverse and complex marketing environments, with multiple cultural and political agendas, media channels, increased levels of governance and accountability it is important to ensure the quality and professionalism of the consultant match or exceed the relationships and transactions they are assessing.

Rutherford pointed out the low cost of entry for consultants and the lack of rigor in their methodology. Some consultants are known to use the agency's own data as benchmarks back against the agency or to share the data of one client with other clients.

The challenges of agency remuneration

David Beals, JLB presented the ANA Compensation Survey, which looked at Global arrangements and the differences and similarities with US practice.

The findings were that the world follows a generally US centric approach with fee based payments, but in some countries outside the US, like India, Japan etc. there was a higher incidence of a combination of commission and fee.

One highlight was the fact that in 2 years, the level of Value Based Compensation had risen from 0% to 4% showing the growing start of a trend in this area.

The discussion moved to the general failure of PBR and the fact that only 3% of Agency Holding Company revenue was composed on performance based payments. The consensus being that PBR is largely used as a stick to reduce agency fees, rather than a carrot and so was no incentive at all when used this way.

The ANA Marketing Financial Management Conference is a great annual opportunity to spend 3 days with 500 procurement, marketing, agency finance professionals and consultants from the US and increasingly overseas and find out that everyone is facing the same challenges, but there is interesting progress and trends in many of the business challenges facing the industry.

About Darren Woolley & TrinityP3

[Darren Woolley](#) has been solving problems between marketers and their agencies since 2000. With his background as an analytical scientist and creative problem solver, Darren brings unique insights and knowledge to the marketing process. He has regularly been named in Australia's AdNews Power 50: The Most Powerful People in Advertising since 2005 and is a regular industry commentator to trade and industry magazines and forums around the world. Darren founded TrinityP3 in 2000, and it is now Asia Pacific's leading strategic marketing management consultancy with an international network of over 30 industry professionals.

[TrinityP3](#) assists marketers, advertisers and procurement with agency search & selection, agency engagement & alignment and agency monitoring & benchmarking to ensure maximum performance in efficiency and effectiveness of their advertising and marketing budgets, across Asia-Pacific with offices in Sydney, Melbourne, Hong Kong, Singapore, Auckland and London. For more information please visit <http://www.trinityp3.com/>.

APAC CONSUMERS TRUST "EARNED" MEDIA MOST. NEW MEDIA IS ON THE UP: NIELSEN REPORT

Word of mouth recommendations and online consumer reviews - so called 'earned' media - as a form of engaging consumers has increased significantly in recent years with a recent study undertaken by Nielsen finding that this was ranked as the **most-trusted form of media by consumers in Asia Pacific**.

The Nielsen online study into consumers' level of trust in various forms of media and advertising and the relevance of information contained in media and advertising, found that **94% of Asia Pacific consumers' trust earned media, such as word of mouth and recommendations from family and friends, ranked above all other forms of media and advertising**. Consumer opinions posted on line ranked second with 76% of Asia Pacific consumers indicating they trust the experiences of others' shared online. Significantly consumers trust in "earned" media has increased exponentially in recent years with word of mouth in 2011 up 15 points compared to 2007 and online consumer reviews up 14 points over the same period.

Television, which enjoys the lion's share of advertising expenditure in the APAC region, ranks as the most trusted form of "paid" advertising for Asia Pacific consumers, with 55% indicating they trust ad messages delivered via TV. This was followed by advertising in magazines (54%), newspapers (52%) and ads on radio (47%). Although paid advertising on new media platforms, such as

social networking sites, text ads on mobile phones and online banner ads still trails traditional forms of advertising in terms of the degree of consumer trust, this appear to be shifting with text ads on mobile phones and online banner ads posting some of the highest gains in consumer trust levels since 2007 - up 18 points and 13 points respectively.

The Nielsen study found that owned media, such as company websites, were widely trusted by Asia Pacific online consumers (63% said they trusted branded websites). A further 53% of consumers in the APAC region find content in emails they consented to receive to be credible. Overall, brand sponsorship resonates well with Asia Pacific consumers with 55% trust in this form of advertising.

"These survey findings highlight the rapid fragmentation of media across the region, and the degree to which consumers' attitudes towards all forms of media - paid, owned and earned - have shifted in a relatively short space of time," notes David Webb, Managing Director of Advertising Solutions for Nielsen in Asia Pacific, Middle East & Africa, part of the company's Marketing Effectiveness Practice.

"It is interesting to note the number of new advertising categories which either did not exist, or were too small to list when Nielsen first conducted this study in 2007, such as social media advertising or display ads on mobile devices."

Webb notes that this continuing media fragmentation poses both opportunities and challenges for advertisers: "While advertisers are increasingly facing the dilemma of how to allocate their marketing budgets across a growing number of media platforms, the good news is that there have never before been so many opportunities for brands to engage with consumers. The real challenge marketers will face in the years ahead will be pinning down how to execute truly effective cross-platform campaigns, which utilize the unique benefits of each form of media and drive brand awareness, trial, loyalty and, ultimately, greater sales."

Consumers across the Asia Pacific region also regard "earned" media content as the most relevant when it comes to looking for information on products and services, with information delivered via word of mouth and online consumer reviews ranking as the two most relevant forms of product information. In contrast, information delivered via ads on newer media platforms such as online video and banner ads, ads on social networks and mobile ads held less relevance to consumers than more traditional forms of advertising, a possible indicator that the messages contained in these ads is not yet hitting the mark.

"The level of trust consumers place in various forms of ad-