

## Unmasking the Procurement Executive While Some Really Know Marketing, Many Are Simply Focused on Cost

Posted by [Jack Neff](#) on [10.26.09](#)



BATAVIA, Ohio (AdAge.com) -- As marketers squeeze every ounce of fat out of budgets, agency executives are decrying the power of procurement executives, fearing that as the discipline grows, marketing -- already struggling to prove its value in an age obsessed with return on investment -- could see quality nickel and dimed to death.

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From Danone to UPS,  
Clients Pinch Agencies,  
Who Start to Push Back

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Yet the agencies that know so much about the CMOs, brand managers and marketing directors that are their clients are a lot less knowledgeable about the procurement people reshaping the business. Often, the assumption is that buyers of widgets and office supplies have been retasked to buy agency creative work.

As it turns out, those notions aren't far off the mark. An Advertising Age review of LinkedIn profiles of hundreds of marketing procurement people found that only a small handful, fewer than one in 10, list prior experience in marketing or agencies or even marketing degrees in college. To be sure, not all marketing procurement specialists are inexperienced paper-clip purchasers. The country's largest advertiser, Procter & Gamble Co., which began its first marketing procurement effort with about a dozen people in 1996, today counts 300 in the area globally. Ad Age also found several procurement executives with considerable marketing background and knowledge of the industry, commitment to the profession, and seemingly enlightened philosophies that the lowest price isn't always the best deal (see [sidebar](#)).

Yet while marketing procurement execs seem to be in demand -- Indeed.com shows a sharp increase in job listings for marketing procurement and sourcing candidates since the first of the year -- there remains a widespread lack of marketing experience among procurement people.

Miriam Frawley, a principal of e-Diner Design & Marketing, New York, "was there at the beginning of aggressive sourcing" when she created a standard rate card for print production services at American Express. She was chosen to lead the effort at AmEx because she had the background in the industry, but she acknowledges that's not often the case today. "The people doing a lot of the procuring today don't really have experience in the business," she said. "What's happening now is that it's all data-based."

### Dollar sense

Chuck Hatsis, president of Chicago-based Surge Consulting, who himself worked

in marketing for Bank One before turning to marketing procurement, including on the corporate side with Nationwide Insurance, said that having marketing experience "allows you to make more enlightened tradeoff decisions." But unfortunately, he said, it's also relatively rare in the industry, which leans toward treating marketing services "like another category to be managed like office supplies and travel." The tendency, he said, is to approach the job as a straight exercise in fee and cost reduction.

There's also a good chance procurement people at the negotiating table may not want to be there much more than the agency people on the other side of the table want them there. In fact, many career procurement people would rather be buying equipment or commodities on the belief that they can more readily get quantifiable savings that will help them advance their careers, said one former corporate procurement executive who is now a consultant.

None of this is necessarily good for agencies or marketers. The result, he said, is that marketing procurement people are often younger, less experienced and highly motivated to make a quick hit by negotiating big, easily quantifiable rate reductions that they can then leverage to earn a more desirable posting. All of which is contributing to a growing reservoir of industry horror stories about procurement practices -- like the large package-goods company that annually demands its global agency of record cut fees by 5%. That's actually an enlightened view according to others, who report demands for 20% fee cuts this year have been the norm. Beyond that are bold negotiating stances ranging from requests for detailed salary information to a demand, reported by an executive of one digital agency who'd already completed an assignment for a major marketer in one country, to retroactively cede global intellectual property rights for no additional fee.

Ms. Frawley cites a recent client who, in a request-for-quote process, noted that her hourly rate was higher than the average, but her hours required were lower. Though that still resulted in a lower cost than other competitors, she said the client's procurement person still asked that she lower the hourly rate.

Ms. Frawley, who now also consults for Morgan Anderson Consulting at times, said she's not going to be lowering the rate and will probably lose the pitch.

### **New systems**

The more sophisticated marketers with more experienced procurement people and larger brands -- the companies that tend to send people to Association of National Advertisers finance conferences -- are gravitating more toward compensation that is based on upfront-negotiated value of the work, something found in the new compensation models of Coca-Cola Co. and P&G, Mr. Hatsis said.

Their systems also tend toward less micromanagement of agency work, he added. "If I can get the result I'm looking for and the agency is able to staff it with

junior people and do it in two rather than four weeks, I don't want them to have to artificially add manpower. If they can make a higher margin and get the results faster, that's higher value to me."

Value, of course, is in the eye of the beholder, and the value of procurement executives themselves, might also be coming under scrutiny. Some in the industry say procurement people themselves are also starting to get the squeeze as corporate staffs that bulked up in recent years began thinning ranks.

**Source:** Advertising Age, October 26, 2009 Issue.