

Marketing Procurement Trends: Catalysts for Change 2024

A Report by R3

February 2024



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Marketing Procurement: Catalysts for Change

Marketing procurement professionals face a mighty challenge: managing a brand's need to remain progressive while keeping one foot firmly on the realities of finance and operations. On one hand, procurement teams are meant to advocate for optimization. On the other, to be considered a true advocate and partner of the brand, procurement teams must have a grasp on the more dynamic, less defined domains of creativity, innovation, and experience.

The marketing procurement trends we've identified for 2024 stem from the observation that, for companies, process is the bridge between ambition and reality. Process is the true catalyst for change within a marketing organization.

Process, in its most effective form, does not exist to dictate outcomes. Rather, it helps to uphold standards – in investment, governance, performance, and brand values. Effective process demands clear communication, opportunities for accountability, measurement and feedback, and a built-in framework that allows agility in changing the process itself.

Though this report is for people across the marketing organization, procurement teams are at the heart of process. Within this report, we highlight areas that call for attention in 2024. We hope these insights and recommendations are helpful and informative.

We welcome your feedback.

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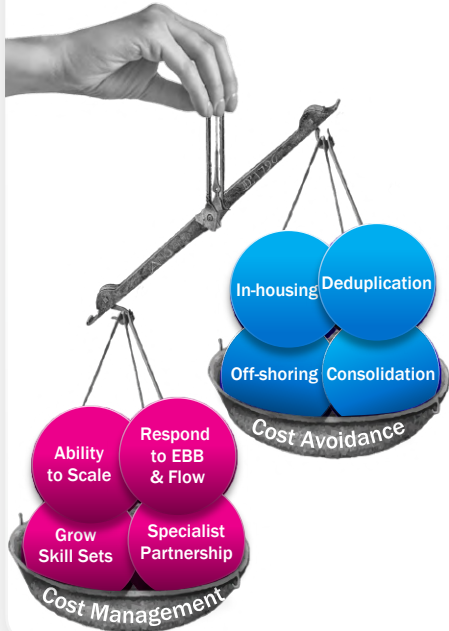
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Marketing Procurement Trends 2024

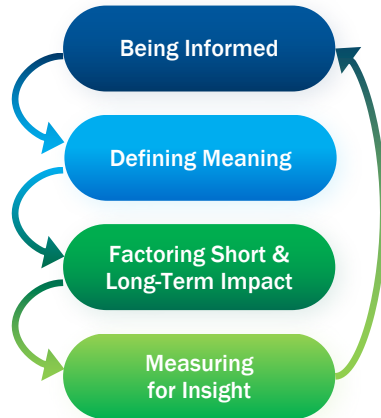
Trend 1

Finding the Right Balance: Spending vs Saving



Trend 2

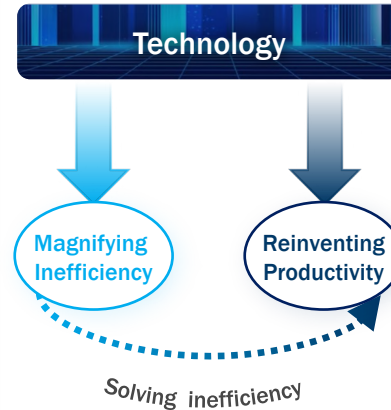
Marrying Marketing Procurement & Sustainability



Trend 3

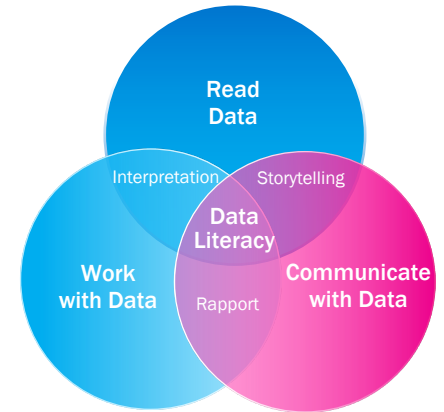
Understanding the Cost of Technology

How can the work be done better, faster, smarter and cheaper?



Trend 4

Data Maturity & Literacy In Marketing Procurement



Finding the Right Balance: Spending vs Saving



As “guardians of value” for the marketing organization, procurement teams have extended their roles beyond managing vendor relationships and negotiating contracts. They dissect data, unearth efficiencies, and unlock hidden potential – both internally and externally – all while having to manage what remains one of the biggest challenges of the role:

Maintaining the collaborative dance between marketing and procurement teams.

Deciding where to spend and where to save is still a point of friction within the marketing organization. Differing KPIs for performance and definitions of success can bring financial priorities into conflict.

To support alignment on areas of Cost Management and Cost Savings between stakeholders, marketing procurement leaders can:

- **Communicate priorities through robust business cases**
Business cases need to be supported by fee analysis, and industry, operational and competitor insight. Highlighting cost and benefits and getting a clear idea on where you stand through benchmarking will support conversations in a way that all stakeholders can understand.











- **Interrogate opportunities for cost management across all marketing cost centers**

Cost management is not just about negotiating agency fees or implementing AI-driven technology. Look at the full marketing funnel for your organization and ask the right questions at each stage to uncover areas for further Return On Investment. Assessing best practice across the end-to-end process can also unearth unexpected or less apparent costs (e.g., onboarding and handover, lags in recruitment).











Aligning on Priorities: Cost Management vs Cost Savings



 Short-term Goals VS  Long-term Goals	 Quality VS  Efficiency	 Employee Impact VS  Financial Targets	 Innovation VS  Cost Controls	 Communication &  Buy-in
<p>Cost management focuses on maintaining efficient, effective and optimal spending within existing budgets. The goal is to achieve financial stability and control cash flow.</p> <p>Cost savings often involves cutting costs, sometimes significantly, to achieve immediate financial gains. This can impact investments, innovation and employee morale in the long term.</p>	<p>Cost management seeks to optimize operational efficiency without compromising quality standards. Finding inefficiencies and streamlining processes can be done while maintaining satisfactory outputs.</p> <p>Cost savings may emphasize immediate reductions, leading to shortcuts, reduced quality, or delayed maintenance. This can backfire by affecting productivity, customer satisfaction and future costs.</p>	<p>Cost management seeks to optimize workflows and utilize resources effectively without compromising employee well-being.</p> <p>Cost savings may prioritize immediate financial targets with less consideration for employee impact.</p>	<p>Cost management balances resource allocation while allowing for some flexibility for innovation and research. Investing in the future can lead to long-term cost reductions and competitive advantages.</p> <p>Cost savings may focus solely on minimizing current expenses, neglecting investments in research and development or new technologies. This can lead to stagnation and missed opportunities for future growth.</p>	<ul style="list-style-type: none"> • Clear communication and employee buy-in are crucial for both cost management and cost savings initiatives. Understanding the goals, the process, and the potential benefits can mitigate resistance and encourage cooperation. • Lack of transparency or forced implementation can breed resentment and undermine the effectiveness of both approaches.

What's Impacting Marketing Cost Centers?

	 Agency & Partners	 Media	 MarTech	 Operations	 Digital Commerce	 Multichannel Campaigns	 Marketing Analytics
Hubbing	✓	✓		✓		✓	
In-housing	✓	✓		✓		✓	
Off-shoring	✓			✓			
Production Decoupling	✓			✓		✓	
Automation & AI	✓	✓	✓	✓	✓	✓	✓
Platform & Tools	✓	✓	✓	✓	✓	✓	✓
Data Analytics		✓	✓	✓	✓	✓	✓
Privacy & Data Protection		✓	✓		✓		✓
User Generated Content	✓				✓	✓	
Influencer Marketing	✓				✓	✓	
ESG Commitments	✓	✓		✓		✓	
Responsible Marketing	✓	✓		✓			

7 Questions to Optimize Marketing Operations Costs



1. Eliminate

Can this cost be completely removed from current or future spending?

E.g. Removing technology that is found to be unused and unnecessary



2. Simplify

Is there a way to reduce operational complexity or remove duplication?

E.g. Ways of working can be streamlined with new roles and responsibilities, and supported by technology



3. Utilize

Can we get more use or value from existing resources?

E.g. Extending a technology platform that is already used by a different department to the marketing organization



4. Standardize

Can we deliver greater efficiency by defining common tasks and processes?

E.g. The use of briefing templates can minimize iteration and deliver greater consistency and clarity, which saves time and money



5. Centralize

Can we more effectively leverage resources through centralization?

E.g. Hubbing can be implemented for media or production for greater efficiency and sharing of data and insights



6. Automate

Can we reduce or eliminate manual procedures?

E.g. The use of Generative AI can improve the speed and quality of ad testing



7. Renegotiate

Can we restructure relationships, adapt scope, or recalibrate fees?

E.g. Benchmarking agency fees to understand if you're getting best deal and providing leverage for contract negotiation



Marrying Marketing Procurement & Sustainability

It's easy to get overwhelmed by big sustainability commitments and miss the structural-actions that lead to real change within an organization.

It's certainly important for businesses to have broad sustainability ambitions, e.g., to reduce overall carbon emissions. However, meaningfully integrating sustainability into the marketing organization's operations is another undertaking altogether. To pursue the latter requires reframing the organization's view on sustainability – as less about compliance, and more about proactive cost and risk management.

In the context of agency and vendor relationships, procurement teams can embed sustainability in three ways:

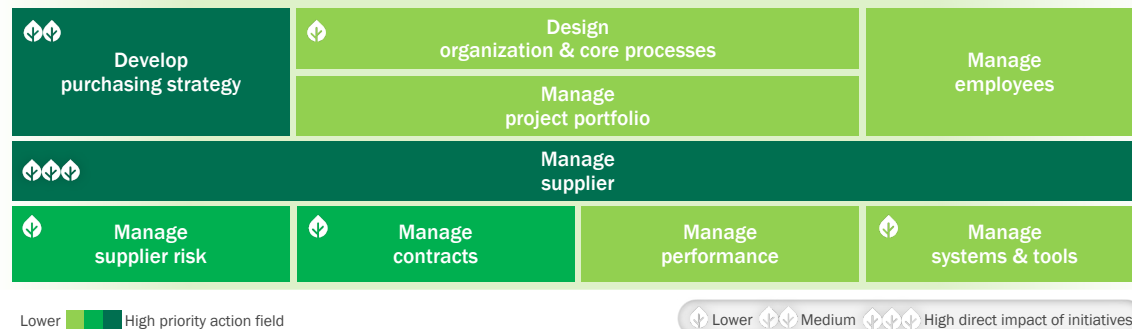
- Evaluate and prioritize sustainability practices
- Encourage more sustainable options and closed-loop systems in vendor agreements
- Incorporate sustainability considerations into contract and performance management

Sustainable procurement is more than just complying with laws or the industry standard

Sustainability focus for Marketing Procurement



Ways to action change



Adapted from "How Companies Can Benefit from Sustainable Procurement", Roland Berger

Bringing Sustainability Considerations Into Agency Evaluations



What Evaluate and prioritize sustainability practices

How

- Launch a supplier improvement strategy to expand your pool of accredited and responsible suppliers.
- Expand your knowledge of how agencies are making their businesses more sustainable (*more info on the next page*).
- Categorize and prioritize sustainability practices by long-term impact, short-term impact, and impact by proximity (local community, people within your company/your agencies).
- Where can you achieve quick wins and the most notable savings? Developing a business case can encourage other business units to sit up and take notice of how sustainability can be embedded within procurement processes.



What Encourage more sustainable options and closed-loop systems in vendor agreements

How

- Identify gaps in existing supplier certifications and establish roadmaps to help reach required accreditation.
- Create guidelines for suppliers in operations, creative and content production, as well as media.
- Explore modularity where materials can potentially be reused (i.e., exhibition stands, retail displays).
- Challenge your agency partners to create and/or suggest more sustainable options; recognize their efforts in contributing to your overall sustainability goals .



What Incorporate sustainability considerations into contract and performance management

How

- Identify where sustainable practices can contribute to cost efficiencies in the long-term; discuss your ambitions with agency partners and set mutual goals and rewards.
- Ensure that any evaluations and weightage in scores align with company ESG goals while considering local limitations.

How Agency Practices Can Impact Your Brand's Sustainability Goals

An agency's direct and indirect carbon emissions can impact to a client's net zero score. The first step to improve sustainability management for marketing procurement is to be aware of what your partners are doing and how they measure up in their category.



PRODUCTION

Examples

- Virtual studios and live-set technology remove the need for location shoots.
- Green-screen environments allow for real-time feedback, which means changes can be actioned quickly.
- CGI and 360-degree camera technology allow for greater options and flexibility in staging.
- Assets can be reused through AI technology.



DIGITAL

Examples

- Look at website hosting with renewal energy certificates (RECs), carbon offset certificates, or commitments to voluntary emission reductions (VER).
- Reduce carbon emissions, energy consumption, and digital waste with optimized assets (i.e., reducing the size of images).



MEDIA

Examples

- Capped frequency, which limits how often an ad appears, can drive efficiency for audiences and campaigns, as well as reduce energy consumption.
- Manage data waste to reduce energy consumption. Review excess data through the lens of reducing non-viewable impressions. Explore if vanity data can be better managed through review of creative requirements.



OOH

Examples

- Use of renewable energy like solar panels to power equipment.
- Use of sustainable materials in the manufacturing process of equipment.
- Repurposing OOH in ways that go beyond just advertising. Some recent campaigns have used OOH to purify air and add greenery to urban areas.



EVENTS

Examples

- Responsible venue sourcing that considers locations with sustainable and environmental policies (i.e., Eco-Management & Audit Scheme, BS 20121) in place.
- Responsible suppliers – from catering to entertainment – who have processes for reducing waste and using recyclable materials.

Sustainable & Cost-Effective Studio Production

A case study on treading lightly on the planet by shifting to virtual studio production

“For me this is a pivotal moment... Our objective now is to get to a global scale and to produce more than 80% of our production volume in this way in the future.”

- Becky Verano, VP for Marketing Operations and Capabilities, Reckitt

Reasons for Change

- Rising costs of production
- Increasing shift toward sustainability
- Exciting opportunity as virtual studio technology unlocks new possibilities creatively

Approach

- Reckitt has begun shooting ad content in its own virtual studio, where live actors act front of LED screens instead of a traditional set.
- Actors can be transported to any setting without the need for multiple sets or on-location shoots.
- Reckitt now aims to create more than 80% of its production volume in a virtual studio.

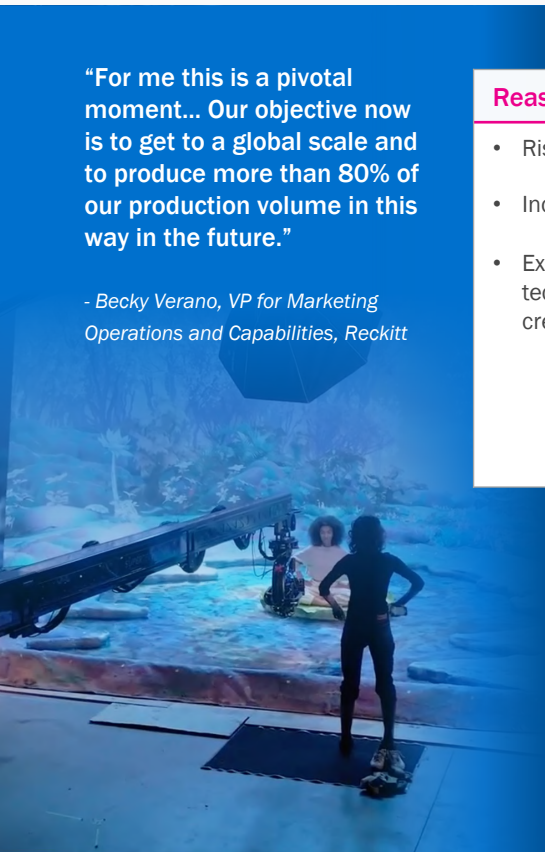
Results

By limiting offsite travel and set creation, the virtual studio **saves about 75% in carbon emissions and reduced time spent on shoot by 20%** with each shoot.

Pilot Facility in France

Although the virtual studio was promising on paper, the Reckitt marketing team needed to prove that the technology delivers on its potential to get approval from the wider organization.

Reckitt partnered with its long-standing agency partner, Havas, to run a pilot studio in France. Reckitt also partnered with OTO Film in Poland to produce the campaigns shot in this facility – drawing on the latter’s expertise in both traditional and virtual production.

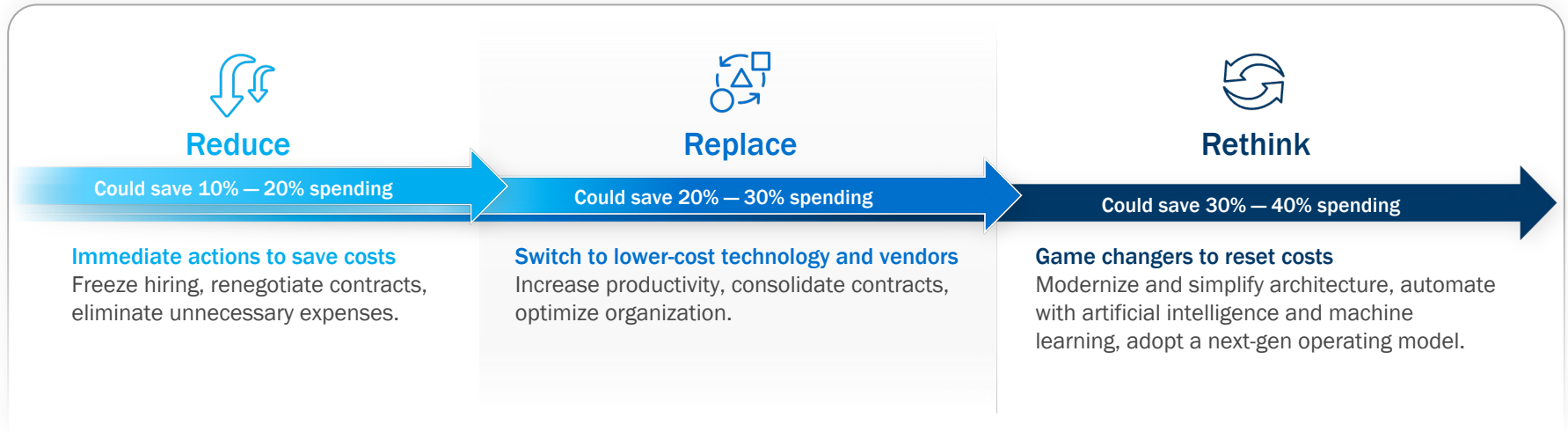




Understanding the Cost of Technology

Efficiencies provided by AI and the significant role of data in defining the consumer experience will continue to fuel investment in marketing technology in 2024 and beyond. Research consultancy Forrester forecasts spend on MarTech to surpass \$215 billion by 2027 (+13.3% annual growth), with B2C marketers already spending 18% of their budget on technology.

The promise of cost savings from technology can be significant. Reduction in resource through automation can save marketers up to 20% in spend, while next-gen operating models can deliver up to 40% savings. However, the unseen costs of technology adoption hides in the retention of outdated technology, replacement of existing technologies, and the onboarding of users in how to use new technologies effectively.



Source: Bain & Company

Avoiding MarTech Stack Underutilization



A company generating \$250 million in revenue could potentially squander nearly \$4 million if they allocate 9% of their revenue to marketing and then spend a quarter of that marketing budget on underutilized technology. - Gartner, 2022



MarTech underutilization is a problem for marketers because the number of useful technologies available will almost always be much greater than the marketer's resources and ability to take the best advantage of them. - Gartner, 2023



When to audit marketing technology for a deficit in use

Change in Leadership: Much has been said about the falling tenure of CMOs (3.3 years according to leadership advisory firm Spencer Stuart in 2023), but with every new leader comes a new vision and strategy, which might render existing marketing technology stacks redundant.

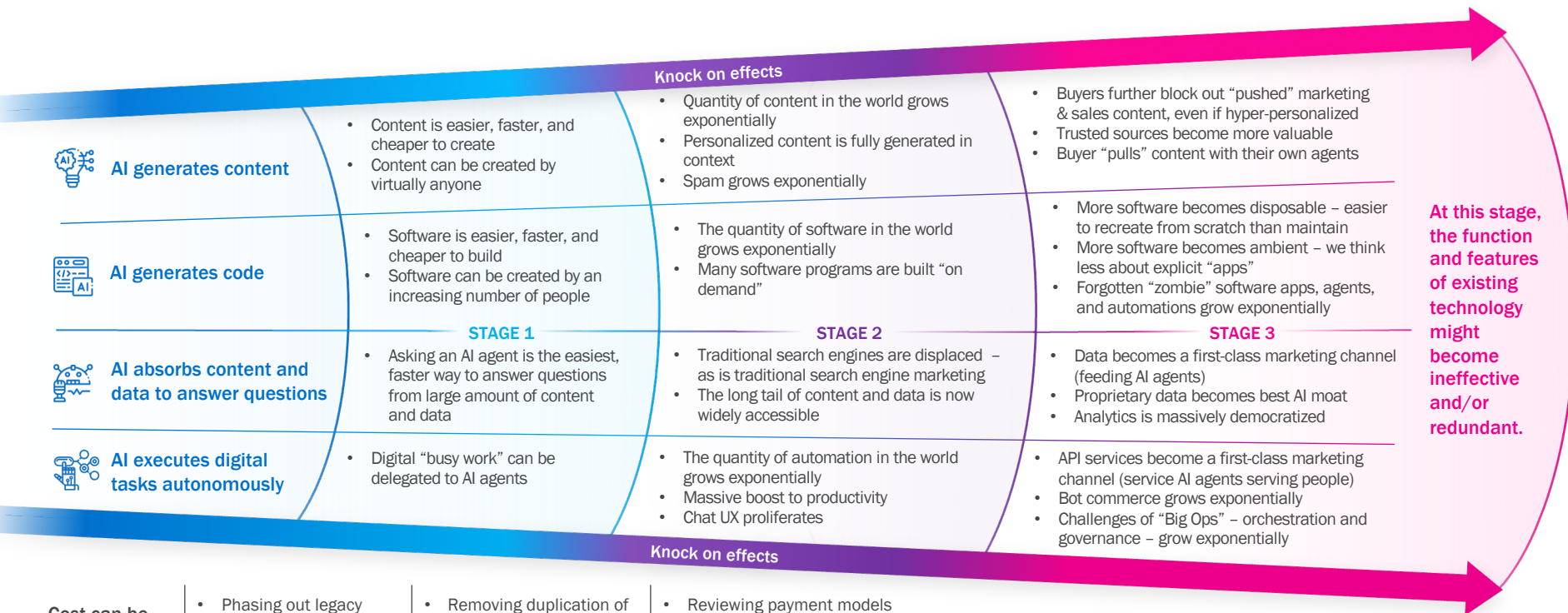
Change in Organizational Structure: Technology can get left behind when roles and responsibilities change, and lines of reporting get diverted. Re-organization might result in increased efficiency between teams, making certain platforms (previously used to bridge gaps) redundant.

Disrupted Customer Journeys: A disrupted customer journey may make customers hesitant to adopt and/or continue to use new technologies or features, especially if they have had a negative experience. They might also seek additional support or assistance to navigate through challenges.

Unsatisfactory Reporting: If a marketing organization has implemented marketing technology but the reporting is not satisfactory, either technology has not been properly set up and integrated, or there is a lack of use.

Adoption of AI Technology: As AI technology advances, the cost of implementing and maintaining AI solutions may decrease over time. This will not only make older technologies economically unviable in comparison, but also less effective, resulting in non-use.

Increasing AI Adoption Requires MarTech Re-evaluation



At this stage, the function and features of existing technology might become ineffective and/or redundant.

Cost can be managed by:

- Phasing out legacy technology as they become replaced
- Removing duplication of functions and features in current technologies
- Reviewing payment models (i.e., subscription, licensing) to align with actual need and use

Source: ChiefMarTech, April 2023

Diageo, Measuring & Optimizing Creative Campaigns

Unlocking new pathways to media efficiency using AI

“We have many examples of addressing some of the simple basics and the performance of the content is substantially different, which is fantastic. We will continue expanding the application of AI.”

-Cristina Diezhandino, CMO, Diageo



Reasons for Change	Approach	Challenges	Results
<p>Diageo sought to increase media efficiency in face of:</p> <ul style="list-style-type: none"> Rising costs of production Content fatigue Platform-specific algorithms that dictate the reach of ads 	<ul style="list-style-type: none"> Ran its marketing assets through CreativeX's AI to understand the correlation between specific creative decisions and media efficiency. Used this exercise to understand inefficiencies in its existing media spend strategy to develop best practices that drive ROAS. 	<p>Tools like CreativeX might be necessary for marketers to navigate a saturated and algorithmized digital world, but they aren't a sufficient arbiter of great ideas and inspiring content.</p>	<p>CreativeX helped halve Diageo's Cost Per Mille. The AI continues to analyze their creative output and optimize media spend every three minutes.</p>

AOR + Best-of-breed service provider model

Omnicom Media Group's PHD is Diageo's agency of record. Simultaneously, Diageo has been investing in best-of-breed service providers to boost its capabilities. Besides CreativeX, Diageo enlists analytics tools like Catalyst and Sensor to optimize their media spend. Through these partnerships, Diageo keeps up with the latest trends and transforms the effectiveness of their marketing efforts.

Data Maturity & Literacy in Marketing Procurement

Technology-derived analytics and insights form the basis of many decision-making processes in marketing supplier relationship management. Platforms that marketers use to access data-driven insights need to be interrogated in terms of quality and value.

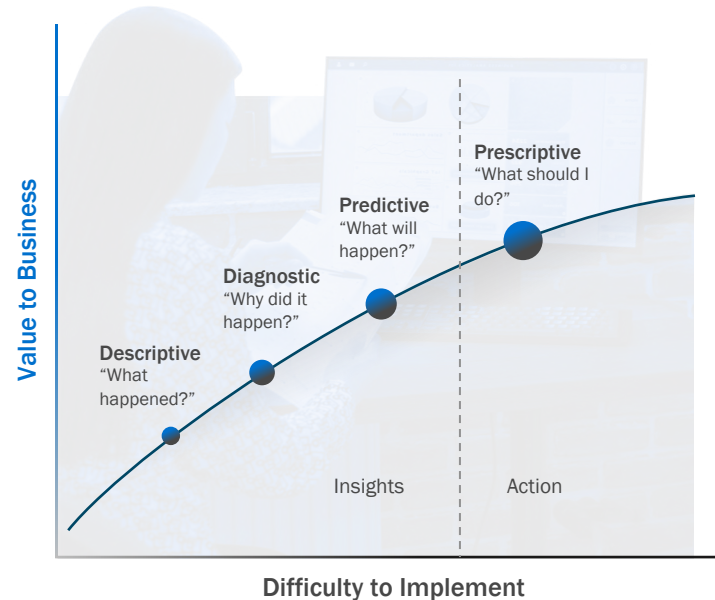
Users of data platforms need to consider how to meaningfully apply data-derived insights to org strategy and ways of working, how to discern the quality of an insight, and how to create a system of accountability around its use.

Data can be useful for providing some direction, substantiated with proof. However, data has its limitations – it fails to account for the dynamisms of human behavior. The responsibility lies with procurement teams to balance dependence on data with practical knowledge of client-agency dynamics, operating models and scopes of work.

When working with data, marketing procurement teams need to ensure that:

- They are working with reliable data
- They have access to relevant and accurate data
- They can receive data insights in a timely and meaningful way
- They have the capability to translate data into action
- There is governance over the collection, use and storage of data

How data literacy can help marketing procurement teams add value to the business and move insights into action



Source: Sievo

The Challenges of Data in Marketing Procurement



Getting reliable data

What

Internal data

- Supplier-provided data (i.e., invoices, POs)
- Transactional (ERP) data
- Tactical (Excel)

External data

- Public information (i.e., supplier information, currency rates)
- 3rd Party Proprietary (i.e., databases, indices)
- Proprietary (i.e., benchmarking, pools)



Accessing data

How

- Ensuring data security
- Maintaining data privacy
- Ensuring data interoperability
- Managing data volume
- Ensuring data accuracy and integrity
- Navigating regulatory landscapes
- Overcoming organizational silos
- Addressing trust concerns
- Cost implications of data sharing



Timely application of data insights

When

- Overcoming the paradigm of traditional reporting cadences (daily, weekly, monthly)
- Confidence that the data is correct; flawed data analysis and interpretation can have far reaching financial impact



Meaningful application of data

Why

- Data paralysis: Being rich in data but poor in information leads to inaction





Having data and analytics capability on the team

Who

- Ownership of data literacy; deciding where marketing and procurement teams sit on the org chart
- Defining skills needed by teams
- Hiring for capability while investing in organization-wide upskilling



Creating A Data-Driven Culture Within Marketing Procurement

Ensure that Literacy, Integration and Governance is addressed	
 <p>Without Data Literacy</p>	<p>Reaching the wrong conclusions Tactical marketers may misread the insight by looking at decontextualized data.</p>
 <p>Without Data Integration</p>	<p>Missing the Big Picture Individual reports often focus on narrow silos – the forest is often missed for the trees.</p>
	<p>Cherry Picking of Data Decision makers may take what aligns with their worldview and ignore or dismiss the rest.</p>
 <p>Without Data Governance</p>	<p>Accuracy and Completeness will be Compromised Ingested data may be incorrectly formatted, leading to ingestion issues, or wrongly tagged, leading to accuracy issues.</p>

Best Practice When Developing a Roadmap



Do not rush into trying to manage as much of your own procurement data as possible. Crawl, Walk, then Run. Get stakeholder buy in early and **plan for change management**.



Integrate data and reporting to tell one seamless story.
Democratize access to the data to minimize operational roadblocks.



Consolidate strategic decision-making with people who have the necessary expertise and the right data.



Invest resources upfront in feasibility assessment, and resource planning to prevent wastage down the line.

4 Trends, 3 Things To Do

Trend 1

Finding the Right Balance: Spending vs Saving

- ❑ Work with marketing to define and align on priorities for Cost Management and Cost Savings
- ❑ Explore how agency models, organizational structures, and technology can positively impact cost management across your Marketing Cost Centers
- ❑ Think about cost management across the marketing organization through 7 approaches: eliminate, simplify, utilize, standardize, centralize, automate, renegotiate

Trend 2

Marrying Marketing Procurement & Sustainability

- ❑ Evaluate and prioritize sustainability practices
- ❑ Encourage more sustainable options and closed-loop systems in vendor agreements
- ❑ Incorporate sustainability considerations into contract and performance management

Trend 3

Understanding the Cost of Technology

- ❑ Identify if it's time to audit your marketing technology for underutilization
- ❑ Assess how AI is, and will, affect the utility of your current tech stack
- ❑ Evaluate how AI is being used by your agency partners, and how you might be able to leverage their platforms for greater cost savings

Trend 4

Data Maturity & Literacy In Marketing Procurement

- ❑ Determine the level of Data Literacy within your marketing procurement team
- ❑ Assess the level of Data Maturity within your marketing organization and/or agency partners
- ❑ Explore how data can be better utilized marketing procurement decision-making

How We Can Help

The "right" processes are never static. The right processes are data-driven, grounded in expert analysis and insight, and continually evolving to address the marketing landscape's challenges and opportunities. Here's how R3 can help.



FEE BENCHMARKING

Are your compensation structures competitive and motivating?

A successful client-agency relationship requires periodic check ins to align on scope and costs.

R3 can help ensure a sound compensation structure is in place for greater transparency, accountability, and growth.



CAPABILITY BENCHMARKING

Is your marketing org designed to deliver on ambition and strategy?

Evaluating internal resource structures creates visibility into performance across the marketing org and enables the forecasting of talent needs.

R3 can help with capability and organization planning, drawing on insights best-in-class organizations.



COST SCENARIO ANALYSIS

How much could you save with a new agency model, ways or working, or AI?

Before making big commitments on transforming their org structure or agency model, or invest in new technology, R3 encourages clients to validate cost scenarios.

R3 can forecast cost savings using our proprietary data pool and deep industry knowledge.



FINANCIAL AUDIT

Are your contract arrangements ready for dynamic areas like influencer marketing, or outsourcing by agencies?

To ensure best practice that reflects current operating and regulatory environments,

R3 conducts audits on key projects and related invoices to establish more transparent client-agency relationships.



DATA MATURITY/LITERACY ASSESSMENT

Where is marketing procurement on the data maturity and literacy journey?

Understanding how to source and translate marketing-related data are important skills for marketing procurement teams.

R3 can conduct an assessment of your team's data maturity and run training on data literacy for marketing procurement professionals to build base and more advanced capability.

Driving Transformation for Marketers and Their Agencies

WHAT WE DO

Return on Agencies

We help marketers find, pay and keep the best possible agency relationships.

Return on Media

We offer professional analysis of the media process to set and measure performance. We conduct financial audits to validate and benchmark transparency.

Return on Investment

We help benchmark and provide insights into how your marketing strategies perform in your category and across categories.

HOW WE DO IT



INDEPENDENCE



EXTERNAL
BENCHMARKS



BEST PRACTICE
INSIGHTS

WHO WE DO IT FOR

We are retained by 12 of the top 20 marketers – covering 60+ markets on six continents.

SAMSUNG



P&G

TOYOTA



Microsoft



Pfizer

The logo consists of the letters 'R3' in a bold, sans-serif font. The 'R' is blue, and the '3' is dark grey. The logo is centered within a white circle, which is itself centered on a blue background. On the left side of the image, there is a vertical decorative border made of a repeating pattern of light blue geometric shapes, including hexagons and diamonds.

R3