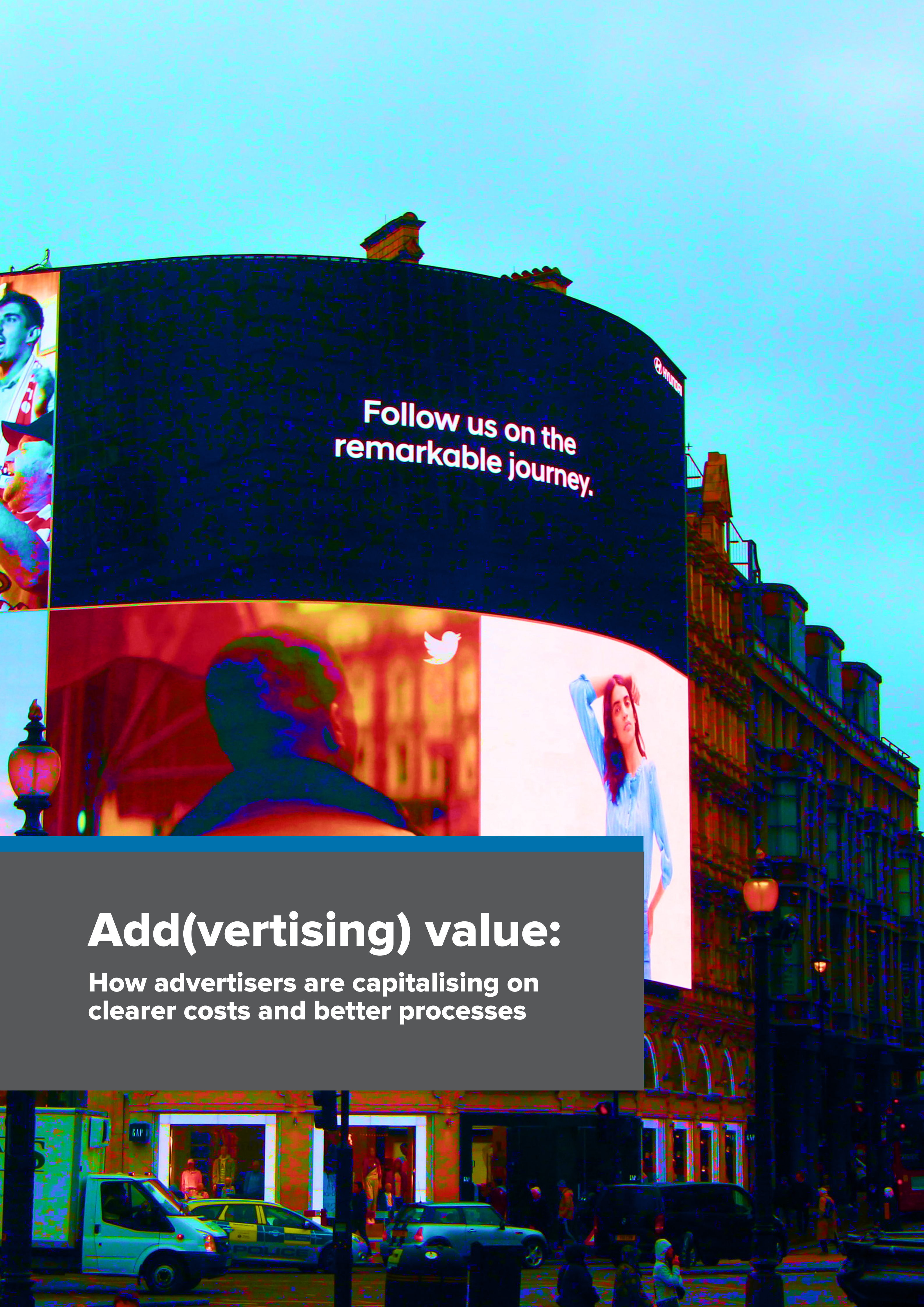

Add(vertising) value:

How advertisers are capitalising on clearer costs and better processes

Over the past couple of decades, the advertising industry has become much more complex, creating the need for sophisticated costs insights and processes to understand the value being delivered.

EXTRACTS

- Under pressure from intense competition across the market, and with increasing customer demands, proliferation of marketing channels and devices – marketers are being required to do more with less.
- To make truly informed decisions, stakeholders need clearer cost information to communicate return on investment to report campaign success for internal review and assessment.
- Statements of work – or scopes – are often articulated poorly, with different entities using different taxonomies to describe work and measuring by hours and roles as opposed to output, which allows drift to creep in and difficulty in reconciling estimates with actual spend.
- Those advertisers at the forefront of the market have realised it is crucial to baseline and track the cost of deliverables - informed by industry benchmarks and protocols. By doing so they are standing out from their nearest rivals, and creating clearer ROIs, allowing for much more informed tactical campaign assessment – while creating clearer communication channels with procurement, finance and agency partners/vendors.

TOOLS THAT DRIVE EFFICIENCY ARE FUELLING GROWTH

In recent years, technology and marketing have advanced hand-in-hand. As technology has given us the Internet of Things and digital ad trading, marketing has become more customer-focused and data-driven. Advertisers now have the tools to reach customers in the right places, with the right messages at the right times and to track with needlepoint precision the success of their marketing tactics.

In the on-going battle for attention this has been critical. Competition is intense and the efficiencies brought by AdTech tools has helped fuel steady increases in marketing budgets over the last five years from an average of 6.6% of company revenue in 2015 to 9.8% in 2019. With the impact of COVID-19 in 2020, budgets have leapt again to an all-time high of 11.4%. (CMO Survey, Deloitte.)

UNDERSTANDING AND CATEGORISING SPEND IS THE FIRST STEP TO MEASURING ROI

The evidence of results has led to greater investment in marketing. And with greater focus and transparency on ROI to fund aggressive growth targets, it's more important than ever for marketing and procurement departments to work together to ensure they're receiving the right deliverables from their agencies at prices to match their value.

Procurement teams are skilled at analysing spend and getting the best for their budgets. However, this isn't an easy task when buying marketing services. They need to be able to understand what's being spent in different categories, by whom and with whom in order to create a baseline that can be tracked and benchmarked. This information is notoriously hard to obtain – especially in multi-national, multi-market organisations where there is significant spend across hundreds of agencies and vendors.

In a recent interview with Marketing Week, David Wheldon, the former RBS CMO commented: "There are relatively few marketing procurement people that understand both disciplines, so good marketers can educate them on what agencies do and the value they bring."

adidas's senior director of marketing procurement, Barry Byrne, agrees: *"To truly maximise value, the answer is to align marketing, procurement and agencies behind a unified set of KPIs. This ensures all parties work together to deliver the required outputs."* In the same article, Marketing Week's columnist and agency growth specialist Robin Bonn says that "change needs to be systemic – from how [agencies] market, sell and price, to how brands choose, pay and evaluate. Clearly everyone on the client side needs to contribute."

Acknowledging the challenge and what needs to change, the World Federation of Advertisers recently launched Project Spring, an initiative to engage and focus procurement departments on brand investment and achievement of KPIs rather than cost savings.

ENSURE SOWs ARE CRAFTED TO PROVIDE A HIGH DEGREE OF CLARITY

A major challenge for everyone involved is the fact that scopes of work are still for the most part, alarmingly inconsistent – written in spreadsheets where silos of information can't connect to give a bigger data picture. Subject to variance in knowledge, version mismanagement and human error, it's possible for the same marketing deliverables to be planned, described and priced differently on every separate occasion – even when purchased from the same agency.

Because marketing services have historically been bought by the hour, there hasn't been an industry-wide benchmark of deliverables or a shared language to enable marketers to compare and analyse what they're receiving. Tracey Shirtcliff, the founder and CEO of The Virtu Group who have developed a new breed scoping tool, has a unique perspective on the challenges that exist for agencies and marketers: *"You can only tell exactly how well a piece of marketing or a tactic has performed when you know what you had on the spend. If estimates are talking about hours, rates and people that's extremely difficult to quantify."* With a previous SaaS success under her belt (the award-winning resource planning tool TrafficLIVE acquired by US tech giant Deltek in 2014), she spotted the inadequacies of the existing scoping process and tools.

DEVELOP BASELINES THAT CAN BE TRACKED AND BENCHMARKED

So, as they say, necessity is the mother of invention. For those keen to move towards a deliverable-based commercial and operational model, a new software solution has emerged. Scope is a SaaS platform where agencies, marketers and procurement teams can collaborate and work together for a win/win on value-based outcomes.

"I believe it's about a better process," says Shirtcliff. *"If you don't have a baseline cost for the tactics or outputs that are being delivered, then how do you accurately get an ROI? We believe you need to develop baselines and you should analyse these - not hours and resources - as that makes the most sense in line with what is being delivered."*

And it looks like big brands agree. Increasingly, marketers are focusing less on rate cards and timesheets and more on outputs. Coca Cola, American Express and Microsoft were exploring this shift as far back as the early noughties and they've been joined in this mind set in recent years by the likes of Diageo, Barclays and Nestle.

SCOPES NEED TO BE FLEXIBLE AND ITERATIVE

"It's not just the individual talent of the people that matters when assessing costs," Shirtcliff goes on to say. "It's about the whole idea and how it's all brought together, not the people who are doing the work. That's the difference between hours, roles and rates versus the deliverable, the output, the actual tactic. The agency knows the best team to put on the work, that's their role for the client. It shouldn't be a selling point, or even up for discussion with the advertiser."

Ultimately, when CMOs are able to buy deliverables instead of hours, KPIs can be agreed, expectations can be managed, and performance can be evaluated more fairly and accurately. Deliverable-based scoping allows for more flexible, agile working. When new business priorities emerge, redundant work can be swapped out and replaced with new, allowing marketers to quickly pivot in a way that is more organised and less wasteful.

What agencies, marketers and procurement are looking for is a win/win/win. Innovation in scoping software looks to be the catalyst for that outcome. Where procurement teams need a way of categorising spend and benchmarking against market rates, the Scope platform offers a taxonomy of deliverables and real industry data. As a result, procurement gains credibility as a strategic, value-driving function – a win for procurement. Better marketing procurement will in turn lead to greater delivery of ROI and more efficient use of budgets – a win for marketers. Strong ROI leads to re-investment into ongoing brand growth – a win for agencies.