

Dealing with the Downturn

Are you squeezing the most out of your marketing dollars — or just being squeezed?
By Brad DeHart

FOR MARKETERS, the dilemma of marketing during a downturn is obvious and wide-spread: They are being pushed harder than ever to produce greater results while also facing ongoing cuts to their marketing budgets. They are being asked to do more with the same or even fewer marketing dollars.

According to a recent ANA member company survey about marketing plans and expectations, more than two-thirds of marketers say they are under pressure to reduce spending. Most marketers are cutting costs by reducing travel (87 percent) and cutting media spending (77 percent) and production budgets (72 percent), according to the survey. At the same time, marketing organizations are charged with delivering even greater sales and share results to offset declining margins and a continued lull in consumer spending. As marketing expectations continue to grow, yet budgets remain static or continue to tighten, delivering on these high expectations is no small task.

Doing More with Less

A recent study conducted by The Hackett Group found that while marketers are being pushed to reduce costs, many are not passing on that pressure to their suppliers. The study, which surveyed a cross-functional group of executives, focused on large, one-time purchases of services and related promotional goods to support key initiatives (experiential marketing, event PR or guerrilla agencies, and large trade show displays, for example).

The study found that 89 percent of these purchases are not being professionally managed using a combination of deep marketing category expertise and sourcing rigor. This is driven by the fact that marketing teams often invest their time and resources in managing these types of purchases, essentially “self sourcing,” due to purchasing departments’ lack of capacity and specialized marketing knowledge. As a result, savings and additional supplier value are left on the table. As one marketing executive said: “Our estimate is that about 80 percent of purchases have no rigorous sourcing process to support them.”

Optimizing Time and Budgets

These purchases present a unique set of challenges to marketers: identifying new suppliers, evaluating them, and negotiating the best deal — all of which distract from core business activities. To capture savings without sacrificing valuable time and focus, marketers at leading companies, like Kimberly-Clark, Hertz, and Whirlpool, are leveraging a new solution to help them meet their aggressive timelines while optimizing cost and value.

These companies are tapping ICG Commerce’s CAPS Desk, staffed with marketing procurement experts who apply a rigorous but accelerated sourcing process to identify qualified suppliers that meet their unique requirements while stretching their project budgets by 15–20 percent — and enabling them to stay focused on marketing. These

marketing teams are still deciding which suppliers to work with, but they are relying on the CAPS Desk to assist with the evaluation and negotiation process and to arm the teams with the information they need to ultimately select the best possible suppliers to support their programs.

Moving Full Speed Ahead

As a Hackett study participant explained, “In marketing, we move full-speed ahead, so many things spring up that are unplanned. It is the nature of the category.” With the need to continually keep up with changing consumer preferences and an evolving marketplace, while expectations remain dim that budgets will soon return to prerecession levels, marketers will need to find innovative ways to do more with less. Gaining greater control over vendor costs may be one way to do this without sacrificing the marketing activities that are so critical to driving sales. The cost savings achieved can help you deliver bottom-line impact in support of corporatewide cost-reduction goals or can be reinvested in additional programs to support top-line growth. ■

Brad DeHart is the U.S. marketing practice lead at ICG Commerce, where he and his team help marketing organizations at leading companies work with and realize significant value from their agencies and other marketing suppliers. Previously, he led a team responsible for \$700 million of marketing spend at Wyeth Pharmaceuticals.

Sidestepping the Budget Squeeze

With a 3-month deadline to get 200,000 USB drives on Walmart shelves across the globe, a marketing team tapped the CAPS Desk to help it identify and select the right supplier. Through an accelerated sourcing process, the marketing team selected a supplier that could meet its product specifications, quality standards, and product launch deadline, while achieving savings of 56 percent, or \$511,000. An executive summed up: “Despite continually changing requirements and huge market challenges, the team delivered outstanding results.”

NEXT STEPS

To read The Hackett Group’s executive summary of the study cited in this article or to learn more about the results marketing teams are driving in partnership with the CAPS Desk, visit www.theadvertiser magazine.com.