

---

## **The marketing services supply chain: delivering the best for less**

Charles Kirchner

Marketing Supply Chain International Ltd

Despite some significant blips, melt-downs and 'black weekdays of one sort or another, the last meaningful recession took place in the late 1980s and early 1990s. This means that it is unlikely that anyone under 40 will have had practical experience of operating in any other business environment than the recent relatively happy past.

For those of us who have been there before, there seem to be two principal options in this situation. The less heroic one is to take flight, dig in and look forward to donning the T-shirts emblazoned with 'I survived the last recession and I'm going to survive this one too'.

The other more challenging option is to reflect on personal experiences of the last major recession and see if there are any potentially useful hints and tips which may be relevant to the next year or two.

My memories of the early 90s recession as a Marketing Director of a branded FMCG company are disappointingly fragmentary. But I was a newly-minted marketer and I recall the marketing focus swinging from sales and volume to market share and increasingly tenuous share-of-voice measures.

The reality gradually dawned when brands which had always been regarded as mainstream were subtly re-positioned into a newly defined 'premium sector'. The low price sector brands, hitherto referred to as 'price-fighters', increasingly occupied the middle ground both in consumer perception and share of market.

General market profitability nose-dived accordingly: marketing budget and headcounts followed suit. The standard response to this development was to adopt victim status: resisting all budget cutting through attritional guerrilla skirmishing, while bemoaning the short-sightedness of finance.

In a slightly panicked response to tumbling budgets and the rapid development of technology, efforts were focused on finding more effective means of communication than the conventional routes which at that time were heavily weighted towards traditional broadcast media such as TV, press and posters.

However, our efforts to develop direct marketing 'one-to-one' campaigns were constrained by a lack of understanding and experience. As it turned out, this was compounded by our agency partners who, despite protestations to the contrary, were heavily reliant on third-party suppliers whose comfort zone lay in technology and data management rather than in brand marketing.

### **OPPORTUNITY LIES IN THE 'BACK OFFICE'**

In retrospect, the most dramatic impact of the last recession on the marketing world was undoubtedly on the marketing communications supply side – the 'back office' that drives the operational delivery of all marketing campaigns.

With bewildering rapidity the long-standing conventional agency remuneration of 15% commission was first questioned and then overthrown, to be almost wholly replaced by fee-based structures. Client marketers were required to master entirely new and often mind-stretching skills, both in defining the scope of agencies' work as well as linking different aspects to commercial negotiations and performance bonus metrics. Agencies also struggled with the unfamiliar concept of linking remuneration, however tenuously, with marketing outputs.

Media buying and planning was rapidly divorced from the creative agencies and placed with a growing group of independents such as TMD and PHD on grounds of eye-watering cost reductions and the less persuasive promise of specialist skills and new media insights.

In reality the people behind the independents were often the same and in due course the independents became less so, reverting back to shared ownership with the creative agencies.

### **SLASH AND PRESERVE**

What is of interest to the current generation of marketing leaders is what will happen over the next few months, and maybe years.

Are there lessons from the last big downturn some 15 years ago that have the faintest relevance to the present, or have the intervening massive changes, particularly in technology, invalidated any comparisons?

It is a truism that in a recession 'big brands get bigger'. The reality is that in a climate of weak consumer confidence, falling demand and price warfare, the ability of marketing to influence purchasing behaviour is likely to become a great deal more reactive and tactical.

It seems that the single biggest culpable error made by marketers last time around was the failure to realise that, in a recession, proactively controlling cost becomes as important a marketing skill as great creative insight and visionary pricing strategies.

Traditional marketers are still inclined to view cost cutting as 'a bad thing with little differentiation between "working" spend (that which influences the consumer) and "operational" spend that goes to generating and delivering the marketing assets, of whatever type'.

### OPERATIONAL SPEND UNDERNEATH THE MICROSCOPE

So what avenues are open for the modern marketer anxious to maximise 'working' spend?

The obvious first step is to instigate (often in tandem with procurement colleagues) a thorough review of the marketing cost base, taking the range, scale and frequency of activities as a 'given' and assuming that quality standards and speed to market are also sacrosanct. This will rapidly isolate the 30% of 'non-working' operational marketing spend that is dedicated to campaign delivery.

The key question will be whether this 30% of marketing investment (and associated activity) is transparent and capable of being broken down in meaningful terms. The sad reality is that for many marketers the operational processes that stands between their approval of a creative concept and final delivery are woefully opaque. In most cases they have not been systematically tackled in the last 15 years or more.

There really is no substitute for detailed analysis to ensure that significant sums are identified, ring-fenced and re-deployed to brand support in a way that is clear and convincing to the non-marketers on the management team. The guiding principle is that the better understood and clearly defined areas of spend will yield less than the more arcane and seemingly 'black boxed' operational budget pockets.

By this token, agency fees (both creative and media) despite being relatively high ticket areas are unlikely to be the first priority as they have usually been closely examined by both marketing and procurement over a number of years and through bruising negotiation cycles. Paradoxically the opposite is true of the performance-related elements of agency remuneration (especially media) which have usually been grossly neglected, poorly managed and can provide a very rich return in comparison to the effort required to unlock their potential value.

HINTS AND TIPS		
Rule	Do	Don't
Get the right mindset	Think about 'working' spend in particular i.e. the 'behind the' scenes operational cost	Act like a victim and put up the barricades to protect all spend at all cost
Select the right areas to focus	Pick the elements you really can control i.e. through budget ownership or internal influence	Treat marketing headcount (both internal and agency) as sacrosanct
Understand the full spend picture	Demand full transparency on all marketing processes and spend	Round up the 'usual' suspects to avoid focusing on 'difficult' areas that have been neglected
Share and mitigate the number crunching	Ensure that available technology is being used to support efficiency	Be afraid to involve your marketing partners. Agencies will be open to suggestion and will help
Small quick wins are better than anything	Capitalise on opportunities as they arise	Retreat to a marketing ivory tower

In contrast, the intimidating areas of advertising production and the range of marketing materials from POS to 'trinkets and trash' will provide a ripe target for swift efficiency gains, particularly when third parties (primarily agency partners) are involved in the supply chain

It is important to keep front-of-mind that these are non-creative activities and the costs incurred will be highly sensitive to both volume (through cross-brand and ideally cross-market aggregation) and origin (through low-cost countries which are often the ultimate source for more local intermediaries).

As a general rule it is possible to free 5–8% of the overall marketing budget through streamlining these 'non-working' operational elements. In recessionary times, re-deploying these finds can make a very real difference to the fortunes of a brand, particularly when competitors are throttling back on their support programmes.

The reduction of marketing headcount is still often a taboo subject for marketers. But marketing is a people-intensive business, particularly when direct (employed) resources are added to the agency and consultancy resources. So removing unnecessary cost in this area will also provide a significant boost to sustaining brand performance during hard times.

Finally, in the operational arena, marketers and agencies alike have been reluctant adopters of proven and easy to operate technology solutions, geared to both speeding up laborious and time-consuming manual processes, as well as reducing the necessity to reinvent wheels.

### FIVE SIMPLE RULES

In summary some simple tips may be helpful to guide the willing marketer who has so far enjoyed the summer days of operating in a non-recessionary environment.

The last recession indicated that marketing is not exempt from a wintry economic climate. This time around, it will be better to anticipate and actively manage controllable operational variables rather than passively reacting to events and watching the inevitable budget cuts arrive.

---

**© Copyright World Advertising Research Center 2008**

World Advertising Research Center Ltd.

Farm Road, Henley-on-Thames, Oxon, United Kingdom, RG9 1EJ

Tel: +44 (0)1491 411000, Fax: +44 (0)1491 418600

All rights reserved including database rights. This electronic file is for the personal use of authorised users based at the subscribing company's office location. It may not be reproduced, posted on intranets, extranets or the internet, e-mailed, archived or shared electronically either within the purchaser's organisation or externally without express written permission from World Advertising Research Center.



[www.warc.com](http://www.warc.com)