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Analysis: Procurement's influence growing as budget cuts continue

Most areas of spend have been hit hard since the onset of the global recession and marketing is no exception. The latest [IPA/BDO Bellweather](#) report, published in October, found that marketing spend contracted for the eighth consecutive quarter, and although almost half of those questioned (47%) predicted brighter times ahead, it's unlikely that budgets will recover significantly in the final quarter of what has, and continues to be, a turbulent year.



In recent months some of the biggest names in the corporate world have announced huge cuts to their marketing budgets. In August drinks-giant [Diageo announced plans](#) to slash its spend in Europe by 14%, while across the Atlantic, FedEx summed up the bleak mood at the turn of the year by announcing that - for the first time since 1997 - they would not advertise during the Super Bowl.

"The recession will no doubt have a long-term impact on marketing agencies but with intense competition and continued constrained budgets, companies will have to drive both brand and sales," said Jim Houghton, head of marketing services, BDO LLP, in response to the findings. "Well targeted marketing spend will be the key to achieving this objective."

Which is where procurement comes in. The implementation of tighter financial controls and the need to control maverick marketing spend has ensured that procurement's role in this area - one of the top five categories of indirect spend - is expanding, and could do so further in the future.

A recent study by German-based supply chain consultancy BrainNet in collaboration with the Supply Chain Management Institute (SMI) at the European Business School, ['Marketing Procurement - making the marketing budget go further!'](#), revealed the impact that procurement was having on marketing spend in Germany, despite continuing economic uncertainty throughout the EU.

In some cases, the report found, companies were increasing the efficiency of their marketing budget by as much as 18% - against an average of 10%, through 'cross-departmental marketing procurement and media buying management'.

With these kinds of figures, it's easy to see why the relationship between marketing and procurement has, out of necessity, become far more cosy. "Transparency and expertise in negotiating are the key advantages that marketing departments can draw from collaboration with purchasing," the report said.

Oliver Gruhn, Principal at BrainNet and co-author of the study, believes that the findings illustrate the fact that the reliance on media buying agencies to identify the best opportunities, for the best price, is waning. "Creative successes are not a product of coincidence, but instead can be controlled," he said.

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Gunilla Huddleston, marketing communications director at HH Associates, told Procurement Leaders that closer collaboration between the two disciplines had been seen, as budget cutting continues. "We have seen a sharp increase in the number of procurement-led reviews of the marketing category," Huddleston said. "The challenge is for procurement and marketing to work in unison to maximise savings, while also releasing capital for the activities that are critical for maintaining the brand's market performance."

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