

RIGHTSPEND

3 PRIORITIES FOR THE CPO & CMO IN THE FACE OF RECESSION



The procurement world is changing, rapidly and in extremity. Inflation, interest rates, energy supply, commodity supply, growing risk – the markets are fluctuating it's affecting the industry. It's becoming ever harder for organizations to make decisions about spend both swiftly and with enough information to steer them. The need for good data is now more than ever crucial in helping ask the right questions that will yield the right answers to fuel our decisions. To do that, we need the technology that helps collect and hone the right data for our purposes.

When cash constraints threaten our business survival, it's often the non-hard-cash-generating functions that are first to see budgets slashed. But that's not always the right move, in fact, it can have quite the opposite effect.

As data analytics provider for procurers of marketing services, we have been discussing this topic in depth with the brands we work with from markets around the world. Some are already in recession, and some are heading that way.

Talk of cutting non-revenue-generating spend, like marketing budgets, is always the first to be aired in hard times. But according to Iain Seers, CEO, this is exactly what not to do if you want to navigate your way out of a recession, and for a good many reasons.

WE'VE BEEN HERE BEFORE

Iain speaks from experience, with a long history working at various ad agencies, he's seen what recession can do to a business,

having worked through the dot-com boom and bust of the late '90s and early '00s and the Global Financial Crisis (GFC) of 2008/2009. What it's taught him is this:

When markets change, we have to change *what we're doing* and *how we're doing it*.

"Downturns, currency fluctuations and inflation always makes organizations sharpen the pencil," he tells us. "It's a time when the C-Suite really start to concentrate on how they are operating and where they're spending their money, looking for new ways to optimize ROI and drive efficiencies.

Right now, CFOs are sitting in Board meetings in global corporations asking how they are going to plan for recession. They are thinking about what they've been doing for the past six months, and planning for the next 12.

When that question zooms in on the CPO and CMO, the inference is on getting all the marketing agency work procured for the same or less budget." And this applies to other functions that procurement works with too.

"A lot of those conversations have been going on for several months," Iain reveals, "but have recently picked up the pace. Brands are turning to tech providers, like RightSpend, for answers to how they can stretch their budgets and make them work more efficiently."

Tough times require a harsher look at performance, especially budget performance. In this Whitepaper, Iain shares his top three tips for procurement.

1. LOOK DEEPER: SO YOU CAN PICK YOUR BATTLES

“It’s not enough to make savings, you have to make them intelligently. Looking deeper at your costs will allow you to pick your battles. It may not make sense simply to make blanket cuts, you need to find out what’s working and what isn’t. When you know something is working well, that’s where you want to invest further. But the parts that aren’t working you need to be able to identify – and do that quickly – allowing you to revert that budget to something else.”

By way of example, just look at programmatic media buying, which has been a hot topic for years. “We found it interesting that some large brands, that had spent millions on automatic programmatic media placements, found that when they turned it off during Covid, nothing happened. The brand wasn’t affected. When they scrutinized that cost bucket further, of every \$10 spent on programmatic, only about \$1 actually made it through the funnel. The remainder gets lost in process and systems. That means you can lose track of 15% to 20% of your spend, which is madness in hard times.”

But looking deeper requires transparency. Fortunately, technology has come a long way since the 2008 financial crisis and now plays a large hand in making the whole process more efficient. “Technology gives us clarity across all cost centres. This is important, because as a CPO, you may be spending millions on your marketing budget. You need to be able to see where every single dollar is being spent.”

To understand how an agency actually spent (or will spend) your marketing budget to deliver on targets means asking the right questions. “Without the right questions, you

can’t get the right answers that will help you tackle market growth in a competitive yet slowing economy.”

“Any leader, whether CMO or CPO, will be looking for ways to improve the process in hard times. And we’ve found it’s not uncommon to get 20% savings across a continuous scope. This might simply be because the brand hasn’t looked at agency and people costs for several years and they’ve become inflated.”

It’s time to look hard and ask some fundamental questions: do we really need all these people on that project? What are the hourly rates of those people and what hours are they actually working? What is the overhead rate being applied? What are the agency’s business costs and do how they impact you? Where exactly is the work being carried out? – the list goes on. But the important thing is that you have transparency.

And by re-investing savings in more marketing, you don’t have to take that to the bottom line. “Firms under financial pressure are looking for cost savings – but it’s not just hard costs where a global brand might save 10% or 20% of their marketing budget, there’s also the soft side: you can strip hours out of a process with efficiency – another rock to look under” Iain shares.

2. DON’T UNDERESTIMATE THE IMPORTANCE OF DATA

“All of that transparency is possible because of data. You need your agencies, because they do all the great stuff you can’t and they increase your market share” Iain explains. “But you also want to make sure your master services agreement defines a fair, agreed and benchmarked margin. That’s an example of

where a good tool can give you that data and that transparency.

We've seen instances where procurement, through use of good tech, has found anomalies, like what you should be paying for a creative director in the real world. Of course, you might want to pay over the standard rate because you are confident in that person's skillset, and that's fine – but the point is you have assessed the benchmark and made an informed decision."

Data gives the visibility that allows you to compare what others are paying for the same service, and identify the areas to negotiate on. You need to know every detail, and while you do, you're ahead of those that don't.

"At the end of the day, you are only going to be able to protect your budget from the CFO's knife if you have visibility of the numbers, to be able to show where every element of your spend goes, whether you are selling widgets, mobile phones or cars. To make your budget work more efficiently you need to operate more efficiently.

To do that, you need to be able to run a very detailed analysis of spend. With scrutiny, you can show that even with a slightly smaller budget, you can perform the same quality of marketing. And this is important during an economic downturn, because you need to protect your budget, you need to keep advertising, because people still need to know about your brand" says Iain.

"You can show the CFO, by use of data for analysis, transparency and total clarity, including every breakdown, that you are being as efficient as possible. You've analysed

it, you've acted on it - maybe we didn't need 50 people buying media around the world and you now have 25. You can demonstrate, because you've done your due diligence, analysis and negotiated differently, that if your marketing budget is maintained, or even slightly reduced, you can get more bang for your buck. CFOs like facts and figures."

But the beauty of data is that it means you can make agnostic decisions, as Iain explains, "it means you can look at costs in tough times without prejudice or emotion. Solid facts help people understand better how they can operate more efficiently and bring them together in a like-minded way. You need to operate in a standard way across agencies and ask the same questions, otherwise you can't evaluate marketing spend correctly. You've got to be able to compare apples with apples."

3. DON'T WAIT – ACT NOW!

Act now – get the transparency you need. Don't wait for it to happen; "if you wait until you're in emergency mode, then you'll be fire-fighting, and that's when you'll be under pressure" Iain warns. "So get ahead now, because if you stop marketing, you won't survive.

You have to advertise to get out of a recession: continue with marketing & planning marketing budgets, but do it in a more efficient way to get ahead of the competition.

When money is tight, we are all looking harder at ways to be more efficient, and that's why brands are knocking on the door of data providers: they are looking primarily for transparency of their costs.

So don't cut back; spend what you've got - but better," Iain concludes.