

The Marketing Maturity Matrix

Marketing procurement comes of age



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Introduction

The Double Bind

The conventional wisdom, according to almost every business and marketing textbook, is that when recession hits, companies need to market their way out of trouble.

Despite the cost-cutting instinct that takes over in a tough climate, slashing marketing is the very last thing the business gurus recommend. As customers become more discerning about what they spend, the need to sell your brand in order to stay top of mind becomes more crucial than ever.

The reality, however, is invariably different. Marketing budgets are usually the first to feel the squeeze, and are often among the hardest hit.

This time around is no different. As the post-crisis economic uncertainty bites well into a third year, Charterhouse took stock of the impact on marketing funding and the implications for procurement departments among Europe's top brands.

We interviewed procurement professionals in 200 of Europe's 500 largest companies by turnover.

We found buyers struggling in a double bind: under pressure from senior management to reduce marketing spend, but lacking influence over an expenditure that is subject to little or no central control. At the heart of the problem lies an inconsistent approach to marketing purchasing across European businesses.

This report examines these inconsistencies, and sets out a new approach to driving cost efficiencies when buying marketing products and services: the Marketing Maturity Matrix.



Section One

Downward Pressure

As markets shrink, inevitably, so do marketing budgets. The current economic slowdown is no exception. And the axe is falling on procurement as well as marketing as both are tasked with reducing the cost of promoting their company's offerings.

Charterhouse found that almost half (42%) of procurement professionals at Europe's largest businesses are experiencing pressure from senior management to bring down the cost of the marketing products and services their firm buys. Those experiencing this have seen marketing budgets cut by some 16% on average.

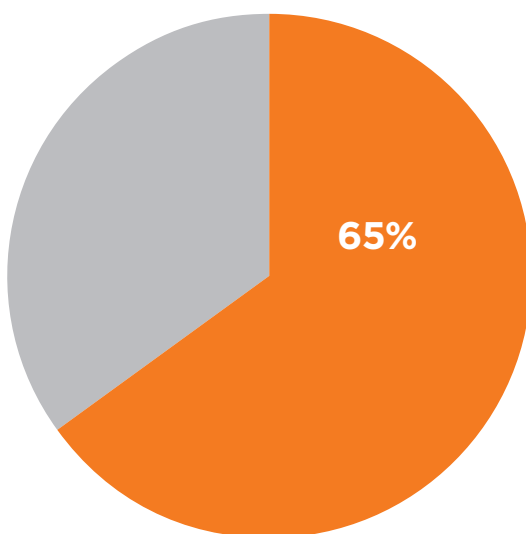
This downward pressure is not without good reason, in the eyes of the buyers themselves. Over four fifths (81%) claim their organisations could be leaner. And they are refocusing on marketing spend, as savings in other purchasing areas dry up.

Last Bastion

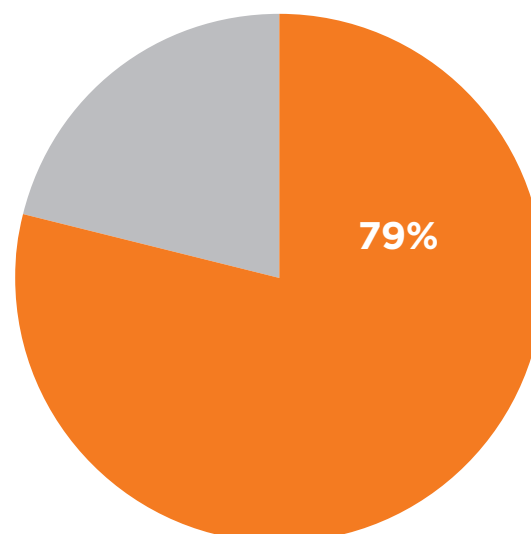
Traditional procurement categories are yielding fewer savings than ever before, according to two thirds (65%) of procurement professionals. At the same time, four fifths (79%) believe that marketing spend could be managed more efficiently by their company.

As a result, almost two fifths (39%) see marketing as a *significant opportunity* to drive procurement savings. A quarter (21%) characterise the opportunity as 'very large'. Significantly, more than a third (35%) describe marketing as the last real opportunity for procurement to drive significant new cost reductions.

Fig 1



Proportion of procurement professionals who believe that traditional categories are yielding fewer savings



Proportion who believe marketing spend could be managed more efficiently

The potential savings identified by buyers lie in the inefficiency of many existing marketing buying practices. Just 13% describe their company's purchasing of marketing goods and services as effective – a mere 1% as *highly* effective.

The Size of the Prize

In this context, respondents estimate that greater involvement from procurement could help save marketing almost 10% from its budget - equivalent to a combined €716m across Europe's top 500 businesses.

To drive the necessary savings and introduce more efficient purchasing, businesses need to adopt a new approach to marketing procurement.

More than two thirds (67%) of procurement professionals agree that marketing will struggle to improve cost efficiency without the involvement of the procurement function. A similar proportion (69%) fear that marketers will struggle to cope with dwindling budgets without their involvement.

“Just 13% describe their company's purchasing of marketing goods and services as effective – only 1% as highly effective.”

“Over 80% of procurement professionals claim their organisations could be leaner.”



Section Two

The Efficiency Challenge

Despite the cost-saving potential, our research highlights two key challenges when it comes to improving the efficiency of marketing procurement: a lack of control over spend and the absence of sophisticated purchasing practice. As a result, almost two fifths of procurement professionals (37%) describe driving down marketing spend as a 'struggle'.

Out of Control

Buyers identify a widespread lack of control over marketing procurement among Europe's largest brands. Purchasing is carried out ad hoc in two thirds (67%) of Europe's biggest companies, while tendering of all marketing spend occurs in only 15% of businesses.

Little wonder, when 58% of procurement professionals have no remit over marketing expenditure whatsoever – a function that

should be within their job description, according to the majority (56%). Only a fifth (21%) have overall responsibility for marketing spend at their organisation.

Shockingly, only 2% have full visibility of the marketing supply chain.

Just one third (34%) have any input into the selection of creative agencies, though almost three quarters (71%) believe that they should be involved.

Fig 2

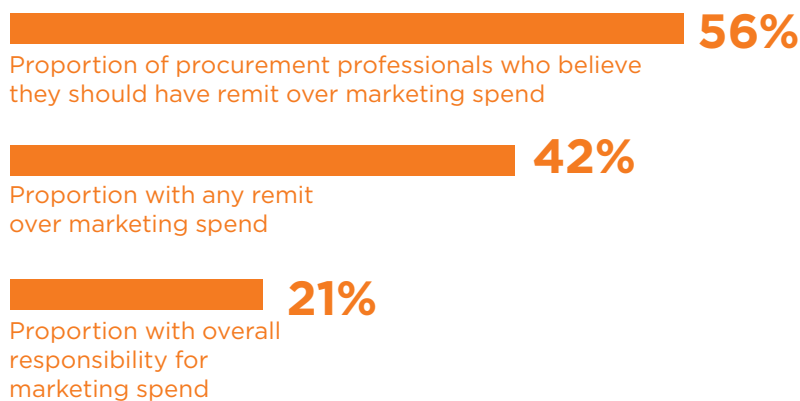
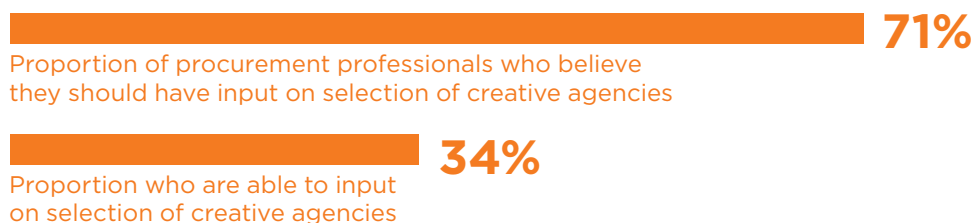


Fig 3



Fear of Influence

For a significant minority of firms, a damaging division between procurement and marketing is exacerbating the apparent lack of control over marketing spend that our research unearthed.

Around a third (30%) of procurement professionals have experienced conflict between their department and the marketing function. Close to a fifth (17%) have encountered resistance to their involvement in marketing procurement.

Lack of Sophistication

Uncontrolled purchasing in many of Europe's largest businesses is symptomatic of an inconsistent approach to marketing procurement.

Full categorisation and consolidation of marketing purchasing occurs at only 12% of companies.

A third (30%) fail to evaluate long-term value and savings from external marketing providers. More still (36%) admit having no mechanism to measure return on investment in marketing products and services.

“Only a fifth of procurement professionals have overall responsibility for marketing spend. Just 2% have visibility of the whole marketing supply chain.”

“Full categorisation and consolidation of marketing purchasing happens at just 12% of Europe's largest companies.”



Section Three

The Marketing Maturity Matrix

Ad hoc purchasing; inadequate input from procurement; a lack of categorisation and consolidation; failure to evaluate ROI. Our research amply demonstrates the need for a more sophisticated approach to marketing purchasing, even among Europe's leading brands.

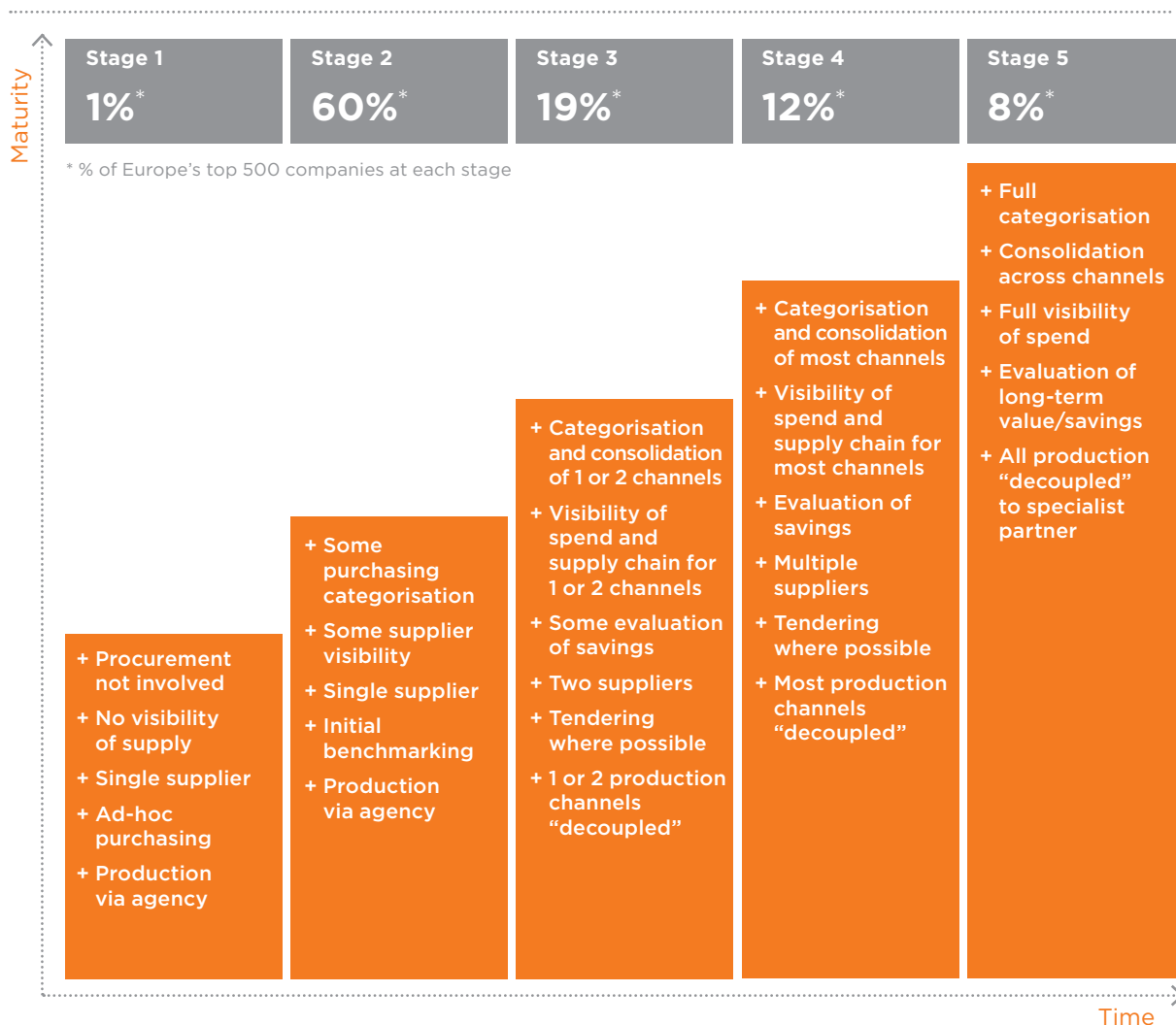
The maturity of a firm's marketing procurement is reflected in six key characteristics:

1. Involvement of procurement in purchasing decisions
2. The visibility procurement has over the supply chain
3. The sophistication of procurement processes

4. Categorisation of products and services
5. The measurement and evaluation of savings generated
6. The extent to which production is decoupled from marketing agencies

To evaluate a company's maturity when it comes to buying marketing support, Charterhouse has developed the Marketing Maturity Matrix model and diagnostic tool (see fig 4).

Fig 4



The model sets out five stages of evolution based on the six attributes. As a company achieves greater degrees of visibility, categorisation, process, evaluation, procurement involvement and production decoupling, its marketing purchasing practices become more cost efficient.

The model diagnoses where a firm lies on the continuum and identifies the savings to be achieved by buying marketing products and services more efficiently and effectively.

Behind The Curve

For each of the 200 businesses we studied, Charterhouse analysed marketing procurement practice against the six elements of the matrix.

We found only 20% – to be at a mature level (Stage 4 or 5, see fig 4).

Worryingly, this means that four fifths (80%) of Europe's leading companies are saddled with unnecessary costs due to immature marketing purchasing.

Maturing Your Marketing Procurement

However mature their marketing purchasing may be, many firms lack the strategic view that will take them to the next stage.

Too often, procurement professionals realise the need to take control of marketing purchasing, but their attempts to do so are short-term: running a few tenders, seeking a closer relationship with the marketing function – a challenge in itself, as we saw in Section Two.

Charterhouse's Marketing Maturity Matrix offers businesses the tools and understanding to place a strategic procurement lens on this particular area of spend. This provides the vision of how to evolve purchasing to a greater level of maturity, whatever stage they are currently at. This evolution is achieved by creating a strategy for all marketing buying initiatives, ensuring that these are no longer conducted ad hoc by marketing, but led proactively by procurement.

“Four fifths of Europe's largest companies are saddled with unnecessary costs due to immature marketing procurement practices.”

“For a major brand, as little as 20% of marketing agency costs may be fees. The rest is bought-in production.”

The Decoupling Effect

Perhaps the most telling indicator of a mature approach to marketing procurement is the separation of purchasing from the agencies a company employs.

Marketing agencies buying marketing products and services on a client's behalf can be a recipe for inefficient purchasing, as it locks out the strategic buying expertise of the procurement function.

Typically for a large business, as little as 20% of agency costs may be actual fees. The rest is bought-in production: collateral and services sourced and marked up by the agency. Repeat this picture across four or five agencies employed by a major brand, and the scope for inefficient buying becomes enormous.

Companies need to work with marketing agencies to understand production spend and test how efficiently it is being bought. As they evolve along the marketing maturity curve, companies need to work with their agencies to understand production spend and test how efficiently it is being bought, via tenders and by benchmarking agencies' buying performance.

Inefficiencies identified can be eliminated by decoupling production purchasing from the agency relationship. At its most mature, the model sees all production spend taken away from marketing agencies and sourced via a specialist production partner.

Far from threatening the relationship between the marketing department and its agencies, this approach enhances it, and improves the performance of all three functions: marketing, production and procurement. Production is delegated to a dedicated production expert. Marketing continues to benefit from its preferred agency support. Agencies are left to focus on what they do best. And crucially, procurement controls cost.



Conclusion

A New Relationship

In an environment that continues to put pressure on costs, marketing budgets are coming under the spotlight at Europe's major brands. Yet €716 million of potential cost savings remain frustratingly beyond procurement's reach.

To bring spend under control requires a more strategic approach to the purchasing of marketing products and services – a practice currently carried out ad hoc across most organisations. Less than a fifth of Europe's largest companies benefit from mature marketing procurement processes.

The Charterhouse Marketing Maturity Matrix model guides companies through five key stages of evolution from reactive buying via agencies to strategic, procurement-led purchasing of all marketing production. At the most mature end of the spectrum lies a new relationship between marketing, procurement and production.



About The Study

This report is based on in-depth research amongst procurement heads at 200 of Europe's largest 500 companies by turnover.

Charterhouse analysed data from the research and employed the Marketing Maturity Matrix model to calculate potential marketing procurement savings.

About Charterhouse

Charterhouse is a leading marketing services production company that delivers cutting-edge communications for global brands.

Charterhouse brings its clients' creative ideas to life through expertise in: Print Management; Digital Marketing Production; Studio Services; Data Management; Permanent POS; and Promotional Merchandise.

Passionate about the quality of its service, Charterhouse focuses on its clients' marketing goals and delivers cost-effective, sustainable solutions.

For more information please visit:
www.charterhouseproduction.com

Credits

This report and the study were conceived and executed by Man Bites Dog.

www.manbitesdog.com

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About Charterhouse

Charterhouse is a **marketing services production** company that manages the sourcing, production and final delivery of printed and digital communications on behalf of world-leading brands.

We work with top brands across multiple territories, striving to truly understand their marketing goals and delivering the most cost effective and sustainable solutions for them.

For more information please visit:
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