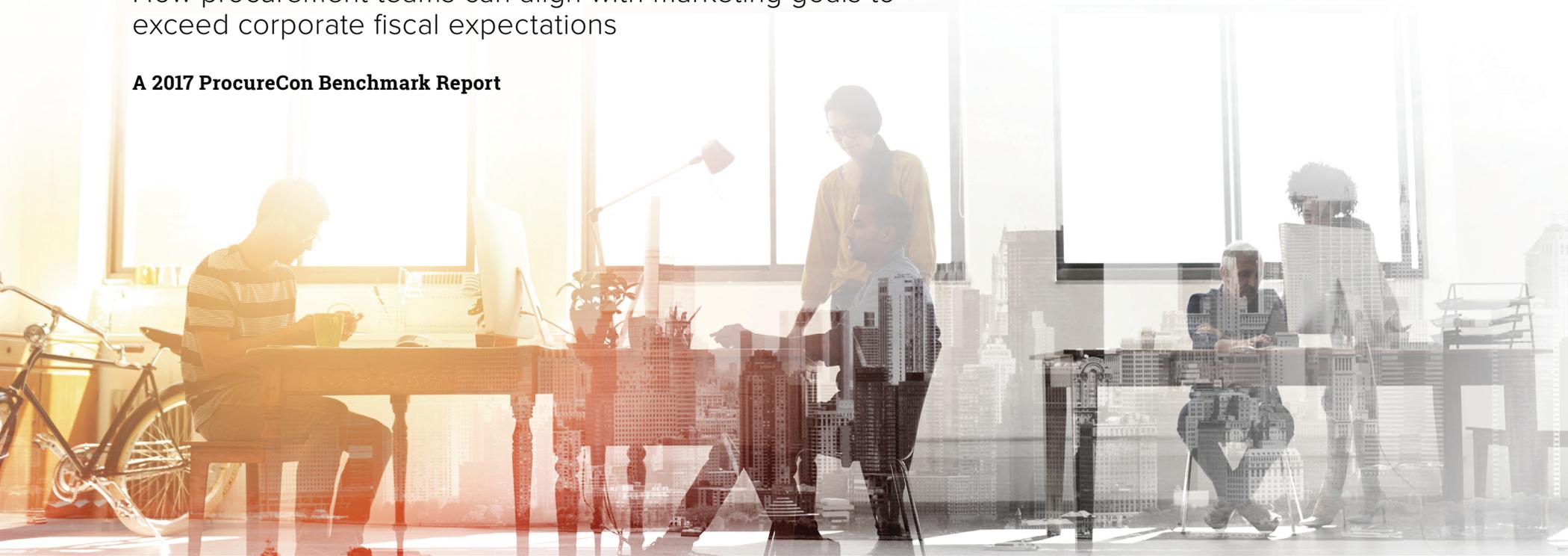


REVENUE RESPONSIBILITY AND THE EVOLVING ROLE OF EXTERNAL PROCUREMENT AND MARKETING CAPABILITIES

How procurement teams can align with marketing goals to
exceed corporate fiscal expectations

A 2017 ProcureCon Benchmark Report



FOREWORD – PERSPECTIVE FROM HH GLOBAL

A simple model used in marketing procurement discussions is the sourcing triangle, with cost, quality, and time at the angles. In theory, one angle—cost, for example—cannot change without affecting the other two and altering the shape of the triangle. Procurement professionals have performance objectives around reducing cost and their actions could negatively impact quality, time, or both. The marketer, on the other hand, has performance objectives around quality—measured in consistency and time-to-market—to reach prospects and customers in their buying journey. Traditionally, these tensions between procurement and marketing have made alignment a challenge.

New levels of accountability have been placed on marketing professionals driven largely by advancements technology. Revenue and ROI in marketing programs are now frequently placed performance metrics on the CMOs' scorecards.

What this research by WBR Digital shows is that this market shift, taken together with new technology-driven outsourced marketing execution solutions, enables alignment between procurement cost reduction goals while improving both quality and time-to-market goals of the marketer. When taken all together, the improvements in all three areas yield greater ROI. The triangle, then, does not change shape—all three sides get longer and the angles cost, quality, and time remain equal. ROI, the center of the triangle itself, increases.

We are pleased to have been involved in this research that reveals attainable ROI solutions for marketers with alignment for procurement objectives, and look forward to speaking with you soon about the results.

Mike Perez
CEO,
HH Global Americas



“HH Global is heavily invested in making sure... a campaign is done in a flawless way. Having this level of trust in a partner that puts so much emphasis on the quality assurance aspect of what they do, particularly when, for us, it can be very important and very sensitive. That’s a huge part of why we work with them.”

– Global Marketing Director
Fortune 50 tech giant



INTRODUCTION

In 2017, marketing teams across industries have been held increasingly responsible for revenue, transforming their roles with a new degree of performance expectations. Consequently, marketing teams have explored new methods to optimize their creative capacities, resources, and means of execution. In order to meet these demands, marketing departments are focusing on their core competencies and turning to procurement teams to outsource capabilities—known as business process outsourcing (BPO)—that will help them achieve requisite ROI.

Now, global brands are turning to innovative procurement partners to expand upon their in-house resources and meet business objectives. Their areas of expertise include supply chain knowledge, specialized technologies, print expertise, cost reductions, and specialized creative execution with international localization and personalization.

To develop a better understanding of BPO trends—especially the outsourcing of procurement responsibilities—this 2017 industry benchmark

report provides analyses in the following areas of interest:

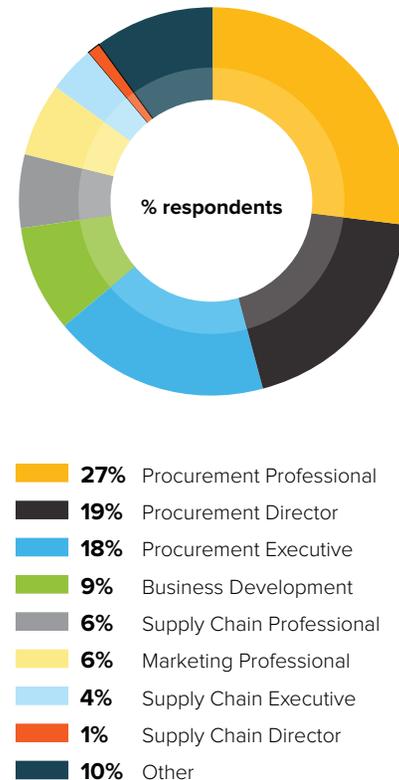
- ➔ Centralizing standards between procurement and marketing
- ➔ The best applications for business process outsourcing
- ➔ The alignment of outsourced processes and strategic marketing goals
- ➔ The relationship between outsourcing and budget growth
- ➔ The alignment of external print procurement and creative execution
- ➔ Solutions for achieving executive approval of marketing initiatives

ABOUT THE RESEARCH

64% of the respondents are in the procurement field, including procurement executives.

In partnership with HH Global, a global marketing execution partner providing outsourced creative production and procurement solutions, ProcureCon conducted a survey of 100 industry professionals to ascertain key aspects of the departure from agency relationships and adoption of procurement specialists; not only in print, but in packaging and creative production services as well.

What best describes your role?



The majority of respondents (64%) are in the procurement field, including procurement executives (18%), directors (19%), and professionals (27%). Additional respondents are from the fields of business development (9%) and supply chain (11%), including supply chain executives (4%), directors (1%), and professionals (6%).

Respondents were asked sixteen questions regarding their marketing budgets, procurement spends and activities, business process outsourcing (BPO), corporate alignment, and the advantages or disadvantages of managing print procurement internally and externally, among others. Additionally, respondents were asked to share their greatest frustrations with assorted aspects of the procurement process which are shared throughout

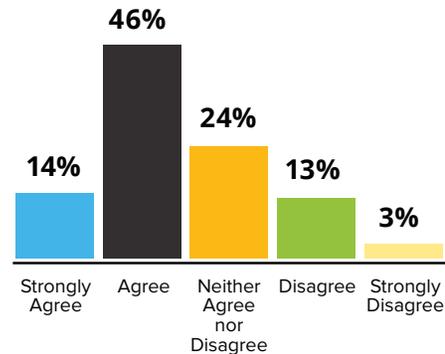
the report. They shared specific frustrations within each of the following subjects:

- ➔ *improving operations and performance*
- ➔ *acquiring stakeholder support*
- ➔ *achieving sufficient internal capabilities*
- ➔ *centralizing efforts between procurement and marketing*

Researchers also interviewed industry experts and included their insights throughout the report in key areas of the analysis.

ALIGNING MARKETING RESPONSIBILITIES WITH CORPORATE OBJECTIVES

To what extent do you agree with the following statement: 'Our company's marketing department is being held increasingly responsible for ROI and sales pipeline generated by its activities'?



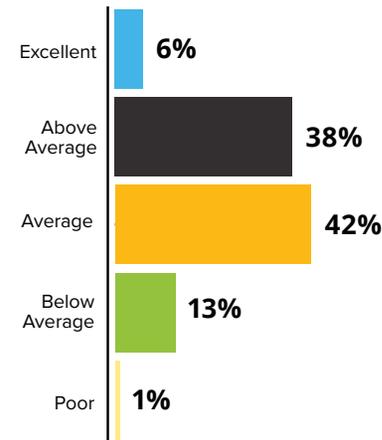
The ways in which marketing teams sit within corporate environments, and the ways they align with key corporate initiatives, are changing. While marketing teams may have delivered on expectations successfully using only agencies and in-house resources in the past, they are now held to be directly responsible in delivering direct returns as a business investment, shouldering this responsibility alongside other

departments more traditionally associated with lines of business.

In fact, when asked whether each company's marketing department is being held increasingly responsible for ROI and sales pipeline generated by its activities, a majority of companies (60%) either agree or strongly agree. About one-quarter of companies (24%) neither agree nor disagree, and very few companies (16%) disagree or strongly disagree with the statement.

With those greater expectations comes a need for greater resources and better performance; but insufficient internal resources put those marketing teams and their business success at risk. As a result, more marketing teams have outsourced business processes. Procurement teams are now called upon to determine what are the best marketing solutions—those that will enable marketing teams to deliver on their performance and financial expectations. This includes balancing the cost of resources more stringently in terms of the potential business outcomes within marketing.

Rate how well your marketing execution approach aligns with your corporate procurement objectives.



However, most companies do not feel that their marketing execution approach aligns well with their corporate procurement objectives. In fact, 56% of organizations consider their alignment average (42%), below average (13%), or poor (1%). Less than half of companies (44%) consider their alignment above average or excellent. Procurement professionals face a

great challenge: enabling marketing teams not only to meet expectations but to excel; and to provide the necessary resources to do so in a cost-effective way.



"It's hard to generate consistent year-over-year savings if you don't have the resources internally or the expertise in the space. Having somebody who can focus on those pieces of the business and really do them well is key."

– Maree McMinn
Procurement Manager, Marketing IT & Supplier Diversity
[Valvoline](#)

Aligning Marketing Responsibilities with Corporate Objectives, continued

By incorporating greater expertise and cost-effective solutions that are unavailable in-house, marketing teams can increase their likelihood of success and achieve sufficient ROI; however, both identifying appropriate solutions and acquiring requisite internal support to adopt them strategically represent barriers to many marketing teams' success.

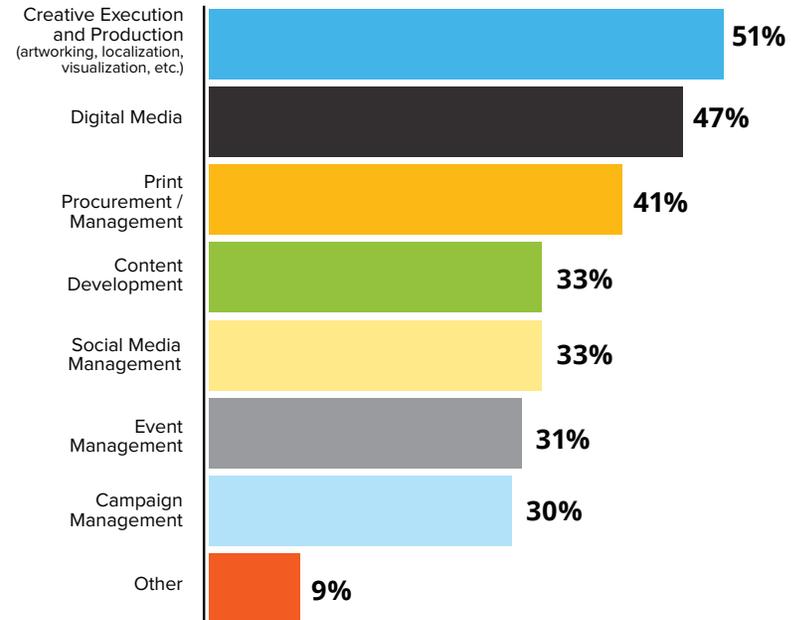
Procurement officials utilize business process outsourcing (BPO) to improve performance in a cost-effective way by outsourcing select marketing responsibilities to third parties. In many cases, as we will find, these officials are outsourcing procurement responsibilities themselves to develop more agile marketing solutions with greater access to external resources otherwise unattainable by internal teams. In fact, our survey data shows that almost half of organizations (41%) implement BPO for marketing execution of print procurement and management alone.

Most marketing teams use some form of BPO for creative execution as well. Fifty-one percent are currently implementing BPO for creative execution and production, including artwork, localization, visualization, and more.

Almost half of organizations (47%) implement BPO for execution of digital media; and in every case, about one-third of organizations implement BPO for execution of content development (33%), social media management (33%), event management (31%), and campaign management (30%). Nine percent of organizations implement BPO for other purposes.

Companies capable of successfully outsourcing the responsibility of acquiring third-party capabilities have greater opportunities for acquiring capabilities to meet any business objective; however, companies who aim to achieve these productive powers may find familiar, internal obstacles to overcome in order to acquire them—budgets, capabilities, alignment, and executive support.

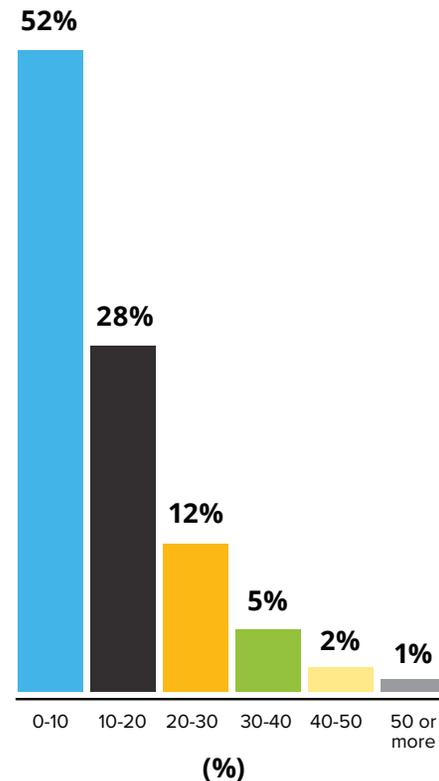
In what areas are you currently implementing business process outsourcing (BPO) for marketing execution? (Select all applicable.)



ALIGNING MARKETING SPEND WITH OUTSOURCED BUSINESS PROCESSES

We observed that two of the three most commonly outsourced business processes for marketing execution are both creative execution and production, and print procurement and management.

What share of your company's marketing budget is spent on print production?



In fact, over half of companies (52%) spend 10% or less of their marketing budgets on print production. Just over one-quarter of companies (28%) spend between 10% and 20% of their marketing budget in this way, and 20% of companies spend 20% or more.

This indicates that marketing teams are realizing the importance of print and its impact on their marketing budget, especially among those who are managing print procurement in-house—nearly half of companies (48%) spend 10% or more of their marketing budget on print production alone.

How much of companies' overall revenue goes to print production?

According to the [August 2017 CMO Survey](#), all companies spend an average of 11.1% total revenue on marketing. Upon incorporating our findings, we can determine that 48% of companies are spending more than 1.1% - 1.69% of their revenue on print production—a substantial portion considering all other possible applications.

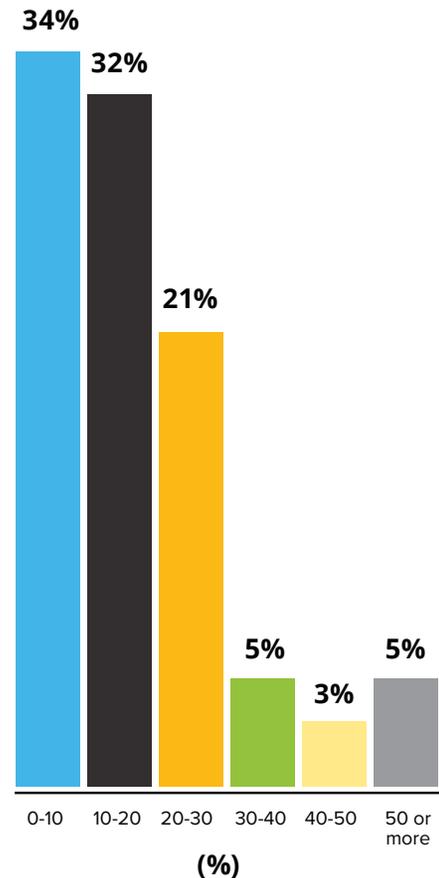
Aligning Marketing Spend with Outsourced Business Processes, continued

When compared to print production, more companies spend larger portions of their marketing budget on creative execution and production—artworking, adaptation, transcreation, localization, retouching, visualization, or reformatting for various media.

Thirty-four percent of companies spend 10% or less of their marketing budgets on creative execution and production—18% fewer than those who spend 10% or less on print production.

Unlike print production, a majority of companies (53%) spend from 10% to 30% of their marketing budgets on creative execution and production; and 13% of companies spend 30% or more on creative execution and print production.

What share of your company's marketing budget is spent on creative execution and production.



How much of companies' overall revenue goes to creative execution production?

The findings show that 66% of companies spend 10% or more of their marketing budgets on creative execution and production. Therefore, upon revisiting the August 2017 CMO Survey, 66% of companies are spending more than 1.1% - 1.69% of their revenue on creative execution and production; and at least 14% of companies are spending 2.2% - 3.38% of their revenue on both print production and creative execution and production combined.

Each company's print production or creative execution and production spend fits differently into its overall marketing strategy. For example, companies spending 40% or even over 50% of their marketing budgets on print production likely focus on print marketing as a primary tool—if

not their only tool—for delivering marketing ROI. In other cases, 10% of a total marketing budget applied to either processes—upon considering all other possible applications within that marketing environment—is substantial. So as nearly half of companies spend 10% or more on print production, and a majority of companies spend 10% or more on creative execution and production, it's clear these two processes make up an important part of marketing spends for companies represented in the study.

In considering the importance of these spends, **achieving visibility into efficiency, reliability, and cost-effectiveness is the first step towards identifying the best possible solutions for marketers.** But few procurement teams show readiness in understanding of how they are spending their marketing dollars, how they can increase business benefits, or how they can better align print and creative initiatives with broader corporate objectives.

DETERMINING THE COST BENEFIT OF BPO FOR CREATIVE PROCESSES AND MARKETING PROCUREMENT

Perhaps the most obvious and easily attributed benefit of BPO is cost savings, and both print production and creative execution and production represent opportunities in this regard. Procurement teams can realize these benefits starting with better visibility into their creative processes and marketing procurement spends; however, many companies have not engaged in a requisite formal assessment to do so.



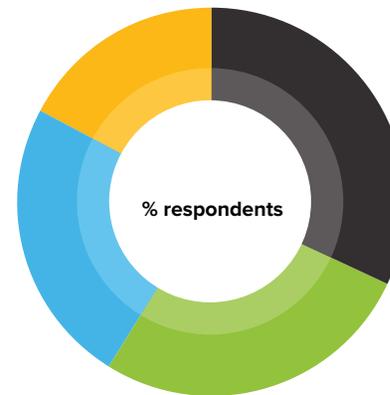
Improving Operations and Performance

Some of the greatest frustrations among procurement teams in terms of operations and performance include:

- Prototypes don't match the final product
- Slow development and implementation
- Lack of real-time spend information

Greater visibility into procurement processes can identify weak points within internal operations and opportunities to outsource efforts to more efficient external parties.

Have you undertaken a formal assessment of your creative process and marketing procurement spend?



- 32% No
- 27% I don't know, or this does not apply
- 24% This is in progress
- 17% Yes

Only 17% of companies have undertaken a formal assessment of their creative processes and marketing procurement spends, while 24% claim those assessments are in progress. The largest group to respond (32%) claim they have not undertaken a formal assessment of their creative processes. 27% claim they do not know, or that this question does not apply to them.

This holds true despite the proven benefits of executing a formal assessment of this kind, which is reflected in this study. The results show that overwhelmingly, companies who have executed formal assessments have received greater value in their visibility of spend, brand control, quality, inefficiencies, technology, and more.

Formal Assessment Advantages

69%
of companies have received value from their visibility of spend.

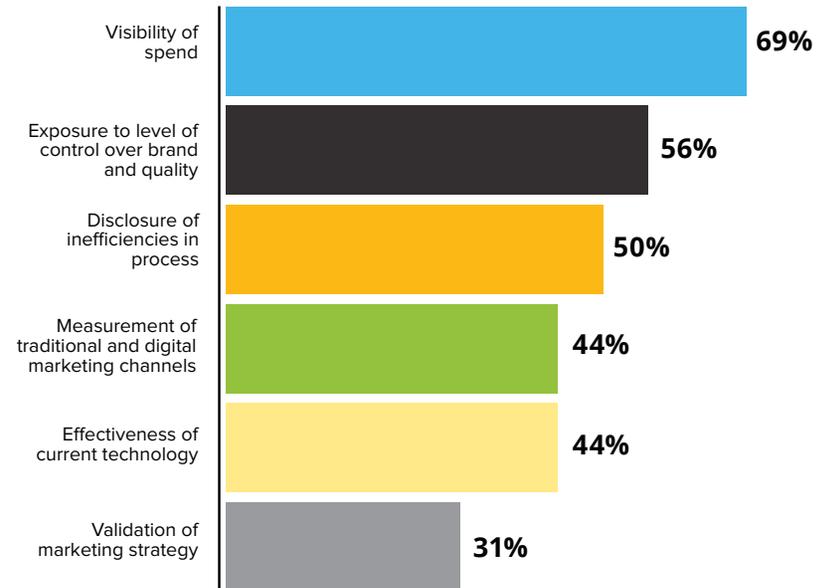
Among those companies who have undertaken a formal assessment of their creative processes and marketing procurement spends, most have received value from both their visibility of spend (69%) and their exposure to a level of control over brand and quality (56%).

Half of organizations have received disclosure of inefficiencies (50%), while almost half of organizations have found value in both measurement of traditional and digital marketing channels (44%) and effectiveness of current technology (44%) from the results of their formal assessment of their creative process and marketing procurement spend. Almost one-third of organizations have received validation of their marketing strategy from the results of their assessment.

Using these new insights to improve procurement strategies and execution is not only advantageous from an operational standpoint, but by increasing internal support at both the team and executive levels as well. What's more, many of the struggles procurement professionals associate with acquiring stakeholder support for their initiatives involve shortcomings from a lack of formal assessments, such as:

- No control over brand and quality, which prevents a centralized approach between marketing and procurement
- No visibility of spend, which jeopardizes contract negotiations
- No visibility into performance and technology, which prevents any ability to make improvements in these areas

Since you answered "Yes" to the previous question, what value have you received from the results of the formal assessment of your creative process and marketing procurement spend?



Formal Assessment Advantages, continued



Acquiring Stakeholder Support for Procurement Initiatives

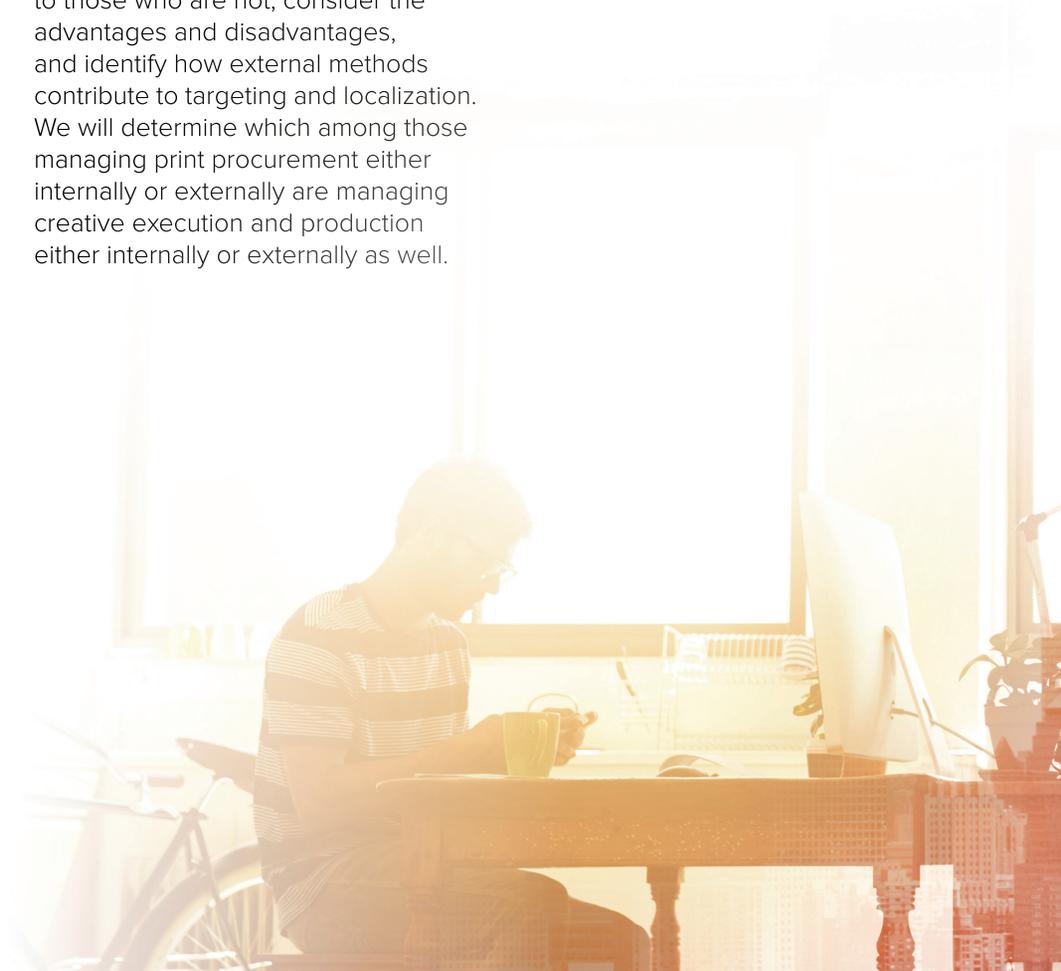
Some of the greatest frustrations among procurement teams in terms of acquiring internal support include:

- Contract negotiation and competitive bidding
- Difficulty aligning with stakeholders
- Lack of willingness to make changes
- Getting different marketing teams on-board with a centralized, outsourced approach

A formal assessment is a good place to start in terms of acquiring internal support for procurement efforts. The two most-cited benefits in the study—spend visibility and brand quality—and their corresponding departments—procurement and marketing, respectively—demonstrate that a formal assessment by procurement can be a key component for acquiring that support.

Procurement teams must start with a formal assessment to get a better picture of how they can improve processes, choose what processes to outsource, and align those new resources with potentially better business outcomes to achieve internal support. But most importantly, these teams can identify opportunities for improvement, which will often include outsourcing business processes where better alternatives to in-house resources are available.

Outsourcing procurement responsibilities, as opposed to only marketing processes, provides new opportunities to procurement teams in their effort to increase business success. In the next section, we'll compare companies who are managing print procurement externally to those who are not, consider the advantages and disadvantages, and identify how external methods contribute to targeting and localization. We will determine which among those managing print procurement either internally or externally are managing creative execution and production either internally or externally as well.



BUSINESS STRATEGIES FOR MANAGING PRINT PROCUREMENT



“How do we create content that stays on message and on brand when it is pushed from a brand architecture perspective into different countries to keep them compliant where they’re headed? It’s easy to say, but when you start looking at all these things as they line up, you have got to have a broader strategy around how you connect the people and the solutions to a process that allows you to execute more efficiently.”

— Maree McMinn
Procurement Manager, Marketing IT & Supplier Diversity
[Valvoline](#)

Depending on the company, the ways in which it manages their procurement initiatives—either internally or externally—can provide identifiable benefits to marketing teams reaching their ROI objectives. But while some companies may find advantages in exclusively managing print procurement internally, our findings show that companies managing print procurement partially or entirely externally have found substantial benefits in cost reduction, time-to-market, and even strategic objectives like targeting and localization. The data suggests a correlation between the ways in which these companies manage both print procurement and creative execution and production as well.

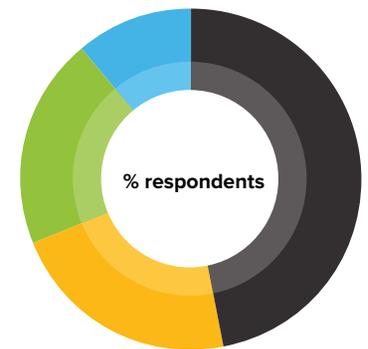
A majority of companies (58%) manage print procurement externally to some extent. Almost half of companies (47%) manage print procurement both internally and

externally, and 11% of companies manage print procurement externally only. (More companies manage print procurement internally only (22%) than those managing print procurement externally only.)

However, a majority of companies (69%) manage print procurement either entirely or partially internally, where 22% of companies manage print procurement internally only. 20% of companies claim this question does not apply to them.

The following results compare the advantages of at least partial external management to those of companies managing print procurement on an internal-only basis. Respondents indicating they manage print procurement at least partially externally were asked to identify the advantages of external strategies, while respondents managing print procurement on a strictly internal basis were asked to identify key pain points associated with this approach.

How are you currently managing print procurement?



- 47%** Both Internally and Externally
- 22%** Internally Only
- 20%** I don't know, or this does not apply
- 11%** Externally Only

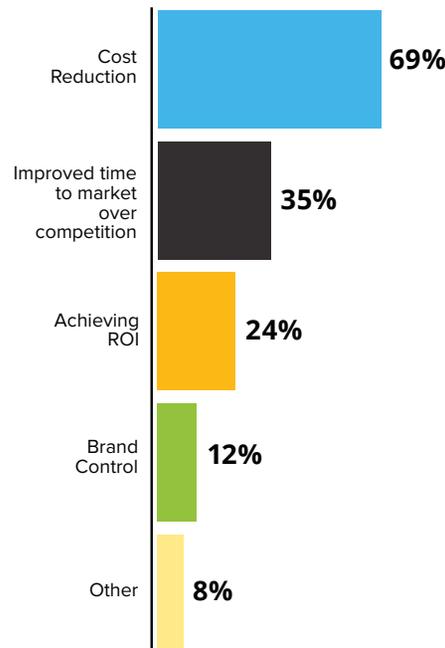
Managing print procurement externally provides clear benefits to marketing business performance and suggests a correlation to outsourcing creative execution and production.



“Companies are leaning more toward external procurement services as they’re brought to the realization that they need more simplicity, visibility, and control. For me, it’s something that the people internally in the organization can use to be more focused on their everyday activities. On the procurement side of needing that simplicity, visibility, and control, it’s also about lowering the cost in the overall activities of the company.”

– Erik Lopez
Procurement Manager
[Heineken Mexico](#)

Since you manage print procurement at least partially externally, what are the advantages of managing print procurement externally?



As previously stated, cost reduction is perhaps the most notable benefit to outsourcing any business process, including print procurement, as the results indicate. Sixty-nine percent of these companies claim cost reduction is an advantage—the most cited advantage among the options available. But while this is clearly the greatest singular procurement benefit among companies, the next top three most-popular advantages—**time to market, achieving ROI, and brand control**—align directly with marketing, creating an aggregate marketing advantage to 71% of businesses managing print procurement externally.



Marketing Teams Excel With External Print Procurement Management

71% reduce time to market, achieve greater ROI, or improve control of their brands.



Centralizing Standards between Procurement and Marketing

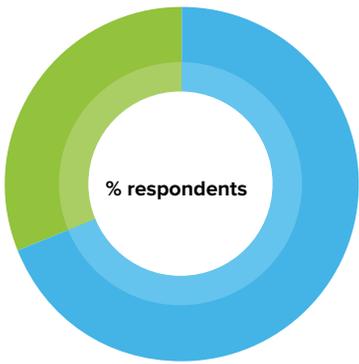
Some of the greatest frustrations among procurement teams in terms of centralizing efforts with marketing teams include:

- Overcoming business-unit centricity
- Lack of communication
- Failed RFX collaboration
- No brand compliance and standardization

Three of the major pain points among teams managing procurement internally only—achieving ROI, market responsiveness, and disparity of brands—are directly tied to marketing. These inefficiencies both drive up costs and prevent teams from taking advantage of shared outsourcing opportunities. A formal assessment is essential for procurement teams to provide visibility to marketers, identify those opportunities, and drive down costs for the company.

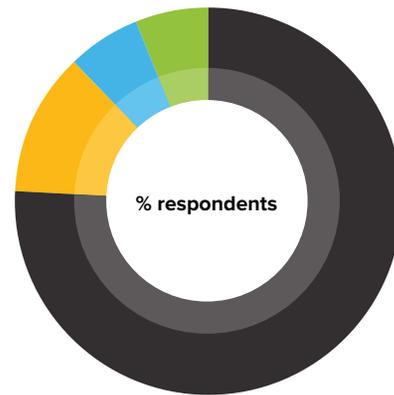
Managing print procurement externally provides clear benefits to marketing business performance and suggests a correlation to outsourcing creative execution and production, continued.

Since you manage print procurement at least partially externally, does print procurement contribute to your targeting and/or localization?



- **69%** Yes
- **31%** No

Since you manage print procurement at least partially externally, how are you managing your creative execution and production (artworking, localization, visualization, etc.)?



- **76%** Both Internally and Externally
- **12%** Internally Only
- **6%** Externally Only
- **6%** I don't know, or this does not apply

External print procurement provides additional benefits to marketing teams who cannot find requisite expertise for key marketing functions in house. Sixty-nine percent of companies managing print procurement at least partially externally claim print procurement contributes to their targeting, localization, or both. These advantages are afforded by hired procurement experts to manage this category who have access to better resources for these purposes.

Additionally, among these companies there is a clear correlation between outsourcing print procurement and

outsourcing other marketing capabilities, at least in the case of creative execution and production. Over three-fourths (82%) of companies who manage print procurement at least partially externally report that they manage their creative execution at least partially externally as well. Only 12% claim they handle creative execution only internally while the remaining 12% either handle creative execution externally or do not know. Interestingly, and as we will see, companies who exclusively manage print procurement internally tend to exclusively manage creative execution and production internally as well.

Companies exclusively managing print procurement internally cite pain points that counter the same benefits gained by companies managing print procurement externally, and to a similar degree.



Achieving Capabilities for Managing Print Procurement

Some of the greatest frustrations among procurement teams in terms of internal print procurement capabilities include:

- Insufficient knowledge and training
- Inaccurate specifications
- Lack of repeatability
- Time consuming, especially given spend

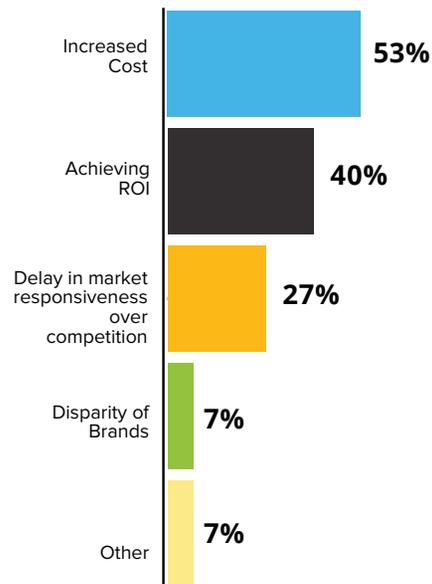
Acquiring internal support is difficult for companies when procurement teams are not up to operational standards. But internal procurement teams that transition from an operational to purely strategic department may gain access to more external resources, effectively becoming a business entity.



Marketing Teams Suffer With Internal Print Procurement Management

74% struggle with achieving ROI, brand disparity, or time to market against their competition.

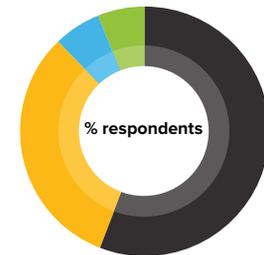
Since you manage print procurement internally only, what are your greatest pain points when managing print procurement internally?



Many of the issues internal procurement teams struggle with are the same issues overcome by those managing print procurement externally, and to a similar degree. For example, among companies that manage print procurement internally only, more than half (53%) claim that their greatest pain point with doing so is increased cost. As stated, 69% of 'external' companies claim cost reduction is an advantage—the most cited advantage among the options available.

Additionally, 40% of internal-only companies report their greatest pain point is achieving ROI; 27% claim delays in market responsiveness over competition; and 7% claim disparity of brands is their greatest pain point. So, in aggregate, 74% of internal-only companies claim their greatest pain points are marketing related. Previously we showed that 71% of companies managing print procurement externally claim at least one of these marketing-related goals is an advantage to managing externally.

Since you manage print procurement internally only, how are you managing your creative execution and production (artworking, localization, visualization, etc.)?



- 56% Both Internally and Externally
- 32% Internally Only
- 6% Externally Only
- 6% I don't know, or this does not apply

Additionally, companies who exclusively manage print procurement internally have a greater tendency to exclusively manage creative execution and production internally. Among companies that manage print procurement internally only, more than half (56%) are managing the creative execution and production both internally and externally. Managing creative execution and production strictly internally accounts for 32% of the respondents, while only 12% handle print procurement externally, or claim they do not know.

THE FUTURE OF BPO IN PROCUREMENT



“I see a lot of the big retailers trending towards external procurement services. People who produce a lot of print are absolutely leaning in that direction. For us, we went that way for resource purposes because we didn’t have the expertise in-house. We thought it was an interesting way to create that optimization around that bend and to free up some of our resources—let the creative team be creative and stop having to chase print.”

— Maree McMinn
Procurement Manager, Marketing IT & Supplier Diversity
[Valvoline](#)

When considering the greater responsibility placed upon marketing to drive business goals, alignment with procurement becomes a clear necessity in order to achieve the degree of expertise, cost savings, and time-to-market efficiencies to meet

business requirements. As we have seen, the procurement teams who are most successful in these areas identify outsourcing print procurement and creative execution and production as a means to achieve these goals while freeing up in-house capabilities to focus on internal responsibilities.

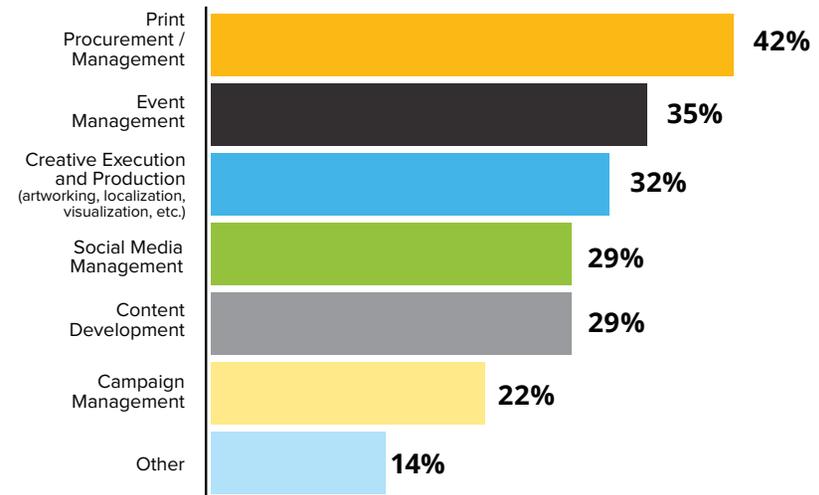
Consequently, procurement professionals are shifting their priorities in the next five years in order to outsource important processes for these purposes. In fact, 42% of respondents report that they plan to outsource their print procurement/management capabilities in this way. Creative execution and production (32%) is also an outsourcing priority in the next five years, along with event management (35%).

Companies are outsourcing additional marketing-oriented processes as well. 29% are looking into both social media management and content development in the near future, with campaign management trailing right behind at 22%. Fourteen percent of respondents selected other areas not mentioned as places to potentially implement BPO.

But if procurement departments are not in the right stage internally within the organization, it will be difficult to move in the right direction with their BPO objectives. It’s critical that procurement and marketing teams engage in a formal assessment of their creative processes and marketing

procurement spends in order to determine opportunities to improve how marketing operates in a greater corporate environment. Only then can companies take advantage of the cost reductions, improved time to market, increased ROI, and brand control cited in this report.

In what areas do you plan to implement business process outsourcing (BPO) over the next five years?



AUTHORS



HH Global Ltd., founded in 1991, is a leading, independent marketing execution partner to prominent brands in over 40 countries. The company offers innovative and tailored solutions for the outsourced procurement of all types of printed marketing materials, packaging, and creative production services, that drive down cost, speed time to market, improve quality, and increase sustainability. Every HH Global solution utilizes HHub, a best-in-class marketing execution application, an expansive list of suppliers, proprietary processes, and the deep expertise of over 850 employees. The company also operates HH Labs, the center of its innovation program, that brings fresh, new ideas to clients. With more than \$500M in spend under management, HH Global maintains a razor-sharp focus on cost and quality, combined with an industry-leading sustainability program, offering improvements that provide both fiscal and environmental value. For more information, visit www.hhglobal.com



ProcureCon started with a single conference in 2001—a direct materials purchasing event for manufacturing companies. As corporations started giving corporate and indirect spend over to procurement to manage, ProcureCon Indirect was created in 2008. In 2011, the Indirect event split into Indirect East and Indirect West to give procurement practitioners a choice to attend in the fall or winter, based on their schedules. The Indirect events are big picture, senior-level, strategy-setting educational and networking events that cut across all industry verticals.



WBR Digital connects solution providers to their target audiences with year-round online branding and engagement lead generation campaigns. We are a team of content specialists, marketers, and advisors with a passion for powerful marketing. We believe in demand generation with a creative twist. We believe in the power of content to engage audiences. And we believe in campaigns that deliver results.