

THE SPARK

Sourcing and Procurement Flash Report

MARCH 2021



MARKETING

When was the last time you evaluated your agency compensation?



In the last few years marketers have had to rapidly change their marketing strategy and their media mix to adapt to evolving consumer habits. What's more, as a result of Covid-19, many businesses had to revise their strategies completely. However, marketing has been especially affected, when, for example, driving traffic to retail can no longer be the primary objective.

"Online sales grew nearly 50% at the peak of the pandemic as consumers stayed home but continued to shop" - Forbes June 18, 2020

Others realized their customers were no longer available in the traditional mediums they once counted on to reach them. Large shifts to digital spend and less dependence on traditional mediums has shifted the market completely.

"More than 70% of brands plan to boost spending for digital advertising, social media marketing, and mobile marketing. Opposite this, 30% of brands plan to decrease spending in sectors no longer as relevant, such as offline advertising budgets." - Gartner CMO 2020 Spend Survey

Despite the large-scale changes to their marketing and media strategy, many marketers don't have the appetite to assess whether they're still paying fair market value for the agency partners they have. This is where a close partnership between marketing and procurement can be extremely effective. The marketing team can lean on their procurement partners to assess their agency fees, eliminate the time-consuming aspect of it, and leverage the benchmarking data from their partner to determine whether compensation is in line with the market rates.

An engagement with the right procurement partner goes beyond simply assessing the appropriate price and value of an agency relationship, but they can also provide perspective on the appropriate model (commission, retainer, hybrid, bonus compensation plan, etc.) based on the client's short and long term objectives and then work directly with the agency partners to make the relationship a win-win for both client and agency.

Assessing your agency partner's fees isn't an indication of a poor relationship, it allows for a more transparent understanding of how your business is being managed, identifies who priority players are on the team, and ensures fair market value for the services provided.



Teal Williams
Managing Director,
Marketing Sourcing Practice

We want to hear about your business challenges.

Contact thespark@logicsource.com to start the conversation.

