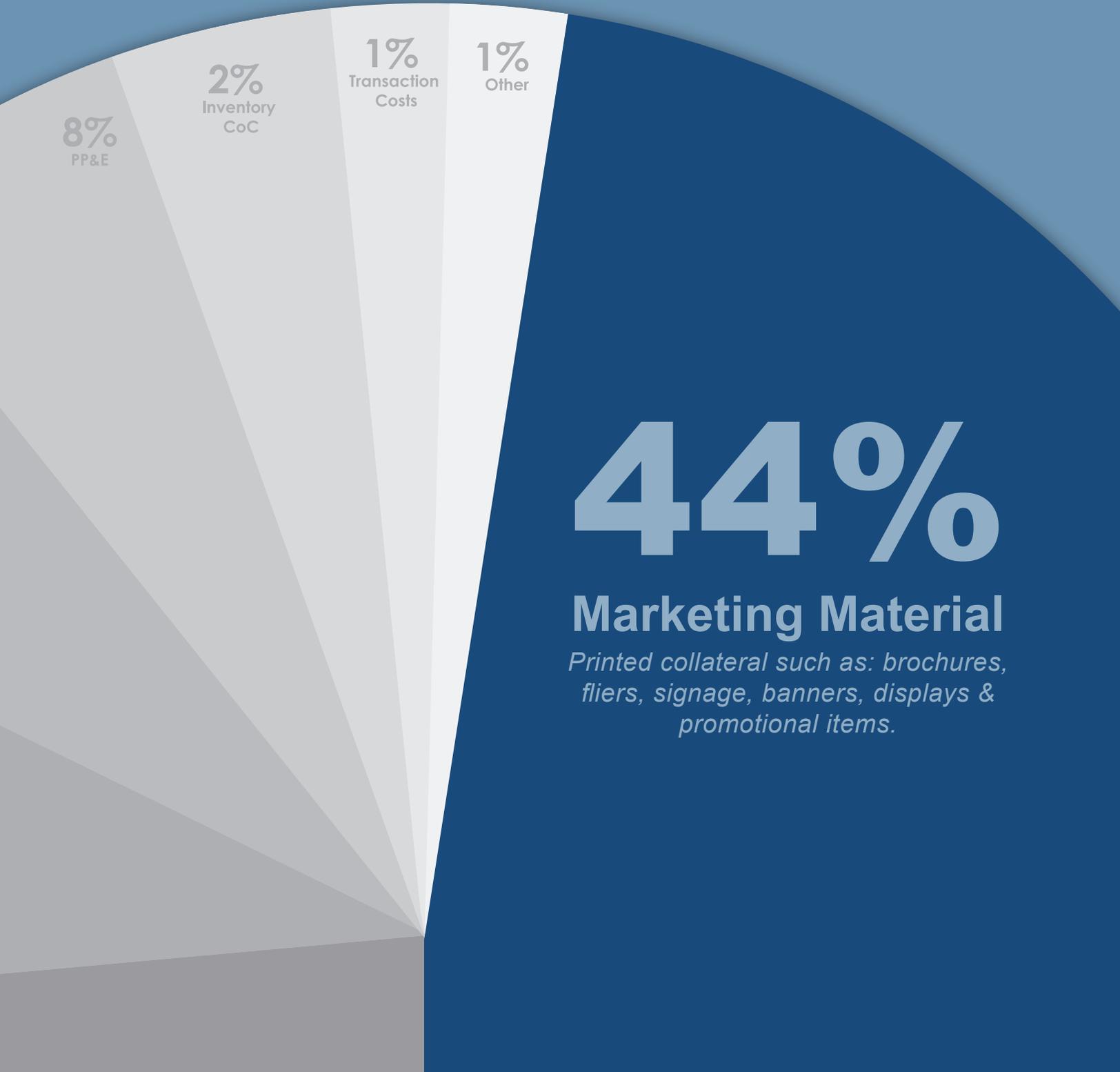


# Argyle Executive Briefing

by Argyle Executive Forum<sup>sm</sup>

**The Truth Exposed**



# 44%

## Marketing Material

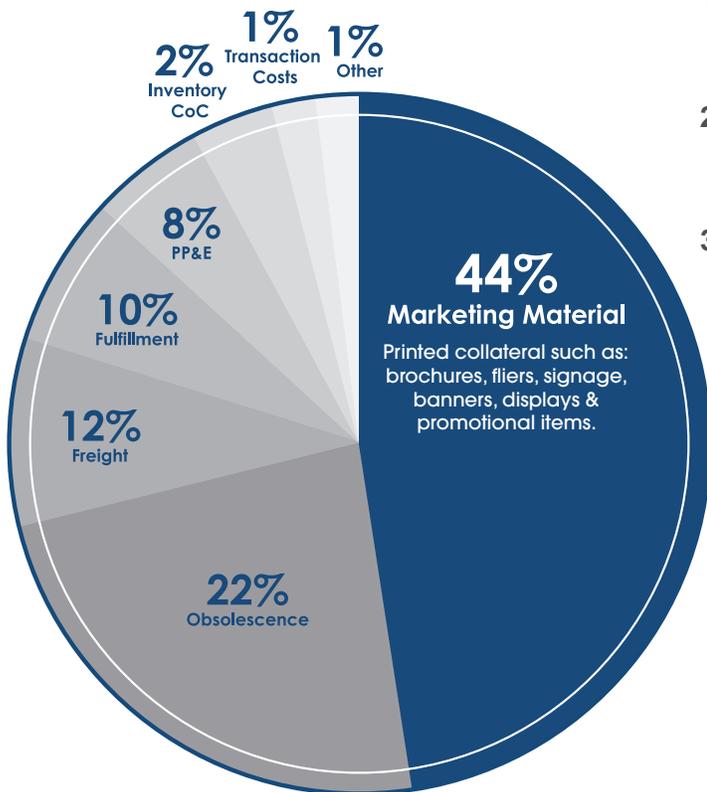
*Printed collateral such as: brochures, fliers, signage, banners, displays & promotional items.*

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## The Truth Exposed

### CMOs are Increasing their Marketing Budget without Adding a Dollar: 3 Strategies that Work

Argyle Executive Forum, in partnership with NVISION®, has completed an in-depth analysis of the supply chain of large marketing organizations. We sat down with the CMOs from over a dozen of the nation’s top brands who walked us through, in confidential detail, their purchasing activities. We asked the hard questions, we dug deep into both the CMO’s organization as well as the ecosystem of vendors and suppliers, and what we found was astonishing: Only 44 percent of every marketing dollar is actually spent on marketing collateral. The remaining 56 percent is going to non-product ancillary areas such as fulfillment, freight, storage, technology, inventory management, agency hidden fees, and other areas. We also share strategies the CMOs have begun to implement to reduce future waste. The results of the strategies employed include a large retailer saving more than \$1 million per year and a leading consumer packaged goods manufacturer cutting nearly \$7 million from its marketing spend, while improving productivity. What follows are three strategies that leading CMOs are implementing:



- 1) Having visibility into the sourcing of your Marketing Supply Chain can save up to 30% of your marketing budget
- 2) Utilizing technology to better manage marketing collateral inventory can reduce obsolescence over 50%
- 3) Aligning your business objectives with your 3rd party distribution incentives can increase your budget by 30%

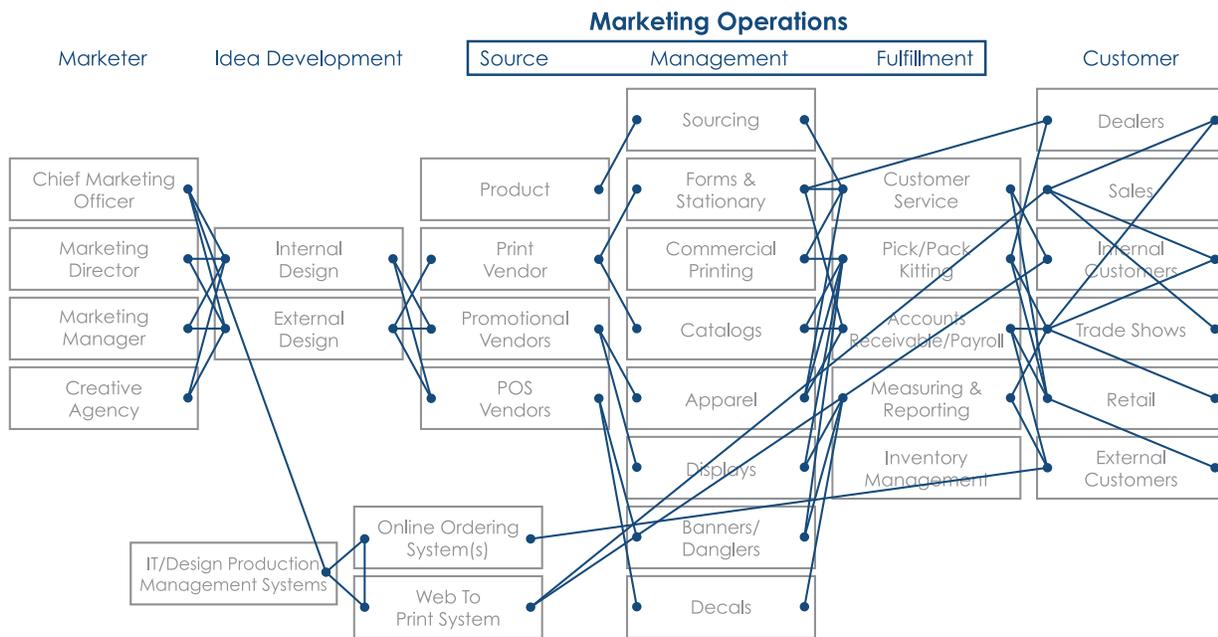
- Marketing materials represents only 44% of the spend
  - 56% of the spend is buried within operating processes
- How does your Marketing Supply Chain compare?

Source: NDEPTH™ programs completed from 2007-2011

**Priority #1: Streamlining Production – Who is Sourcing for Your Company?**

Marketers may have their own staff as well as agencies working on aspects of collateral projects (print, promotional product, point-of-sale) that simply aren't core to their area of competencies. As a result, pain points begin to reveal themselves quickly. Marketers are hit with significant economic losses that take away precious dollars from budgets. The more complex the supply chain—namely, the more vendors and marketing material SKUs employed—the more hidden costs there are related to vendor fees, and overall inefficiency in managing the process. In addition to print vendors, many from this particular study utilized advertising agencies to produce collateral. Since it is not a core competency of most agencies, they charge a premium to manage the process. In addition, not having print experts manage the onset of a project can lead to inefficient and cost prohibitive collateral materials to be produced, where as a print expert can offer slight modifications during the design process to save on production costs.

**Typical Marketing Supply Chain**



**Leading Practices:**

Leading practices call for outsourcing the procurement process to an expert who can consolidate vendors by their capabilities and closely communicate with them. Your outsourcing partner can make sure that all interactions with third-party vendors are transparent so that you know exactly what you're getting and what it is costing you.

Partnering with an expert will also ensure that your collateral is designed for production and fulfillment efficiency. To maximize efficiencies, production needs to be integrated with sourcing and fulfillment vendors, otherwise the process—and the time and costs involved—cannot be streamlined. Project timelines should also be managed via an online workflow management tool that is integrated with production and fulfillment; all manual workflow management should be eliminated. “An audit and assessment of the true state of your Marketing Supply Chain is invaluable,” says Pam Orlando, InClub Design & Communications for Sam’s Club. “Without complete visibility, there is a risk of ignoring unrealized savings that can be redeployed in other demand generation programs.”

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The savings that can be gained by using these best practices are significant. CMOs in this study have saved millions of dollars in purchased product costs that can be redeployed to other marketing programs.

## Priority #2: How Much of your Marketing Collateral is Wasted?

Many organizations spend hundreds of thousands, if not millions, of dollars creating and storing content that never reaches intended audiences. Most don’t have a handle on how much they’re wasting; they just have a general sense that unused—and sometimes unusable—materials are piling up. While some obsolescence is expected—8% of annual production spend or lower is considered best practice—marketers who do track obsolescence regularly report figures of 30% or higher. These stats are unacceptable in an environment where budgets are lean and ROI expectations are high.

### Leading Practices:

By adopting best practices for planning and strategy, as well as storage and inventory management, CMOs can minimize obsolescence by outsourcing to an expert. Your Marketing Supply Chain partner will be able to provide forecasting models that leverage multiple inputs to better predict demand and optimal production methods, and employ a proactive marketing distribution strategy that focuses on a planned balance between push, scheduled and fill-in orders where some backup stock is kept for mis-shipments and damages.

To keep a handle on inventory, an outsourcing partner can analyze inventory movement to determine how much of the content created is utilized. For instance, after analyzing 30-, 90-, 180- and 360-day historic usage and drawing comparisons to like items for new materials, one CMO in our study found that their organization moved as little as 5% of some inventory classes and no more than 50% of others. Better forecasting enabled them to reduce obsolete/excess inventory and destructions by 46%, saving over \$240,000 annually. Other best practices for cutting obsolescence and improving inventory management include setting obsolete dates as a literature specification, instituting a depletion

planning process before reorders, and eliminating automatic storage fees by providing incentives for vendors to minimize bin space instead of over-stocking. In addition, sustainability is on the minds of many organizations and by working with an expert you can make a meaningful contribution to your organization's own sustainability and "green" initiatives, as waste also impacts landfills.

Furthermore marketers should implement an e-commerce ordering system that offers best practice capabilities and make such a system standard across the entire organization. The system must be web accessible with secure, unique and traceable log-in structures, real-time inventory to avoid stockpiling and provide for automatic order controls and approvals to lessen over ordering, as well as automated, consolidated scheduled orders for field locations.

“...implementing a robust, easy to use on-line technology”

In addition, utilizing a store profiling technology is key to ensuring that only the appropriate items are sent to individual store locations based on needs and requirements. This will provide stores with exactly what they need, and create less waste to throw out. CMOs have realized better planning, inventory management and more targeted marketing utilizing profiling for their retail locations. The technology allows greater visibility on when materials will arrive, what needs to be displayed and how many are to be stored. By implementing a robust, easy to use on-line technology, CMOs in the study have reduced their obsolescence rates on average, by 50% while improving the efficiency and accuracy of their operations.

### **Priority #3: Are your Incentives Aligned with your Suppliers?**

What motivations do your printers have to produce the appropriate amount of collateral? What incentives do your fulfillment providers have to hold less on hand inventory? The simple answer is they have none. By fragmenting your supply base, and separating the operations of production and inventory management, incentives have been created to increase production beyond what is necessary, and to hold higher inventory levels than are practical.

Additionally, companies which maintain relationships with separate printers and fulfillment providers generally lack the necessary data to make informed forecasting decisions. Multiple reporting systems, separate account managers, and competing interests lead to an unintelligible view of what is really going on in the Marketing Supply Chain.

### **Leading Practices:**

The leading practice companies are pairing up with a supplier who can offer an end-to-end solution. By managing the production of marketing collateral, the fulfillment and transportation of those materials to the end users, and offering reporting that ties the entire system together, you can increase transparency and make more informed decisions. In addition, programs should be created to align incentives between company and supplier; more suitable production levels and lower inventory on hand leads to cost reduction and limits obsolescence.

**The Bottom Line:** The state of the marketing profession is constantly changing due to the new challenges presented by the economic climate. Because of this, the typical marketing budget is also under scrutiny as organizations attempt to do more with less. By outsourcing your Marketing Supply Chain function, you free your staff to address core business initiatives and gain a number of benefits;

- Taking a holistic supply chain (total cost) approach creates a new forward looking strategy to reduce cost and improve efficiency
- Real time data is now easily accessible to track and measure performance
- Program metrics are key to easily understanding your Marketing Supply Chain excellence
- Realizing program efficiency:
  - Double digit cost savings
  - Better linkage between marketing and sales

For additional case studies, please go to [www.nvision-nac.com](http://www.nvision-nac.com). Have questions or concerns on your Marketing Supply Chain? NVISION® is offering a limited number of complimentary audits and assessments to CMOs that are members of Argyle Executive Forum. To inquire on availability, please contact:

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**About Argyle Executive Forum:** Argyle Executive Forum is one of the nation's leading peer to peer networks for executive education and learning. Over 40,000 executives participate in our communities, with over 700 new members joining each month.

**About NVISION:** NVISION is a division of North American Corporation, a leading Marketing Supply Chain solutions provider, helping organizations outsource their Marketing Supply Chain. By leveraging North America's leading marketing supply chain consultancy practice, NVISION streamlines and manages print, promotional products and point of sale material for corporate clients by way of proprietary sourcing technology and supply chain expertise. Over the past five years, NVISION has saved over \$50,000,000, an average of 20% in Marketing Supply Chain costs, for leading fortune 500 corporations. [na.com/nvision](http://na.com/nvision)

