Define Where to Streamline
Making Marketing Supply Chains More Efficient, Agile and Enviro-Friendly
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The Define Where to Streamline Executive Summary does not include Detailed Findings or extensive Executive Insights provided by over 20 senior executives and key industry experts. To download the full 112-page report and review question-by-question detailed findings and complete executive interviews, please visit [www.marketingsupplychain.org/report](http://www.marketingsupplychain.org/report)
Introduction

With more than $1.5 trillion spent on marketing and communications worldwide, there are significant incentives for global enterprises to improve the way they source, select, manage, unify and align vendors, suppliers and service providers on strategic, creative, content, media, talent, distribution and production levels.

Major drivers for seeking greater efficiencies, process discipline, risk reduction, business value and competitive advantage in global marketing supply chains include:

- Cost-savings and economies of scale
- Waste, leakage and hidden costs
- Return on marketing spend and investments
- Better rigor, diligence and objectivity
- Heightened performance and responsiveness
- Tighter control and go-to-market velocity
- Brand image quality, consistency and uniformity
- Operational visibility, financial accountability and compliance
- Resource reduction and asset redeployment
- Enviro marketing and sustainability commitments

Most organizations today have complex, fragmented, geographically distributed, highly inefficient and overlapping marketing supply chains with hundreds of marketing suppliers and agencies in their ecosystem, thousands of channel partners, and scores of global markets, distributors and subsidiary operations to support. According to Interwoven, some 22 percent of marketing dollars are allocated for production, management and distribution of marketing content. Separately, Aberdeen Group reports that 64 percent of enterprises are instituting regular collaboration between procurement and marketing in the purchase of marketing materials and services.

Typical Marketing Supply Chain

Source: NVISION®
A significant percentage of spend is allocated for media insertions, trade shows and events, as well as physical goods such as packaging, documentation, sales collaterals, catalogs, premiums, signage, and channel merchandising materials, which frequently have to produced in large volumes, warehoused and shipped globally contributing to a company’s carbon footprint. The advent of global print on-demand service providers, end-to-end marketing supply chain management systems, marketing process integrators, marketing supplier management modules, and global sourcing platforms for talent, print production, creative services, and tactical marketing support are leading to greater marketing performance, accountability, yield, and operational visibility.

The Chief Marketing Officer (CMO) Council’s Marketing Supply Chain Institute is a continuity authority leadership program and knowledge transfer initiative that embraces a coalition of credible and notable consultants, industry research analysts, subject matter experts, academics, media partners, as well as a leadership committee of 30 senior marketing executives from multiple industry sectors worldwide.

Through a comprehensive Define Where to Streamline Audit and series of qualitative interviews digested and presented in this initial report, the campaign is taking a deep dive into the problems, pain points, challenges, obstacles, issues and disconnects facing global marketing decision makers seeking to fix, transform, or optimize global sourcing, spend management, value chains and supplier management. The audit was conducted in collaboration with the NVISION™, the Marketing Supply Chain Group of North American Corporation.

It is the first step in a process to benchmark, analyze and provide a report card on the state of marketing supply chain management practices, as well as highlight the business benefits, productivity gains and risk reductions to be achieved by embracing a standardized Marketing Supply Chain Model.

Optimized Marketing Supply Chain Model
Among the areas of investigation and evaluation are:

- Strategic value and role of marketing supply chains
- Supply chain responsiveness, quality and turnover
- Level of alignment with business needs and objectives
- Emerging marketing supply chain demands and priorities
- Marketing supply chain execution effectiveness
- Marketing-procurement group integration dynamics
- Spend analysis and ROI tracking
- Supplier performance measurement
- Supplier collaboration and integration
- Supplier network or portal use
- Contract management
- eProcurement
- Procurement outsourcing
- Sustainability initiatives across the supply chain
- Compliance and social responsibility factors
- Level of risk and vulnerability in the marketing supply chain

To underscore the importance of mastering the marketing supply chain, consider the CMO Council’s Marketing Outlook 2009 report. When asked to identify their greatest achievement for 2008, one of the top accomplishments marketers pointed to was improving the performance and accountability of their organization. This bottom-line achievement, marketers said, was accomplished primarily through a sharpening of focus and a reduction in spend. But while this is a predictable strategy, especially in tough times, it is still a temporary fix. Marketers must turn their attention to optimizing and streamlining broad operational competencies to realize longer-term savings and cost efficiencies.

The current recession has shaken business to its core. So steep and sudden was the downturn that businesses have begun to rethink the ways they deliver products and services and manage the customer experience. The marketing organization is no exception and marketers must examine how they provide their products and services to their constituencies. Any sign of waste or inefficiency in an age when every dollar is being accounted for and every program must yield a measurable return could have budget-slashing ramifications well out of the control of the Chief Marketer.

To their credit, marketers have largely stepped up to meet boardroom demands for key performance indicators (KPIs) and business metrics. In fact, many marketers have initiated exhaustive process improvement and vendor assessment campaigns in an attempt to streamline and manage marketing supply chain costs. Marketers must look beyond cutting and trimming traditional programs and campaigns to harvest deeper savings and greater efficiencies, turning attention to areas often viewed as being beyond marketing’s prevue including warehousing, logistics, transportation, shipping and procurement.

The marketing supply chain comprises a far-flung network of partners working from both inside and outside the organization. This connected and mutually dependent ecosystem ranges from marketers,
brand/product managers, services providers, sales teams, and procurement specialists to manufacturers, printers, transportation providers, warehouse managers, and fulfillment specialists. For a global brand, the partners can number in the thousands. This network produces the packaging, documentation, sales collateral, catalogs, signage, channel merchandising materials, as well as event and trade show equipment and services that drive revenues, acquire customers and help close deals.

Yet the marketing supply chain has been overlooked. Marketers have been slow to view managing their supply chain as a key operational competency. With its December 2008 milestone research initiative, “Calibrate How You Operate,” the CMO Council set out to examine the state of marketing operational models with a series of qualitative interviews and a global online audit of more than 400 marketers, as well as a series of workshops at the CMO Summit in December 2008.

During this process, the CMO Council discovered that just 13 percent of marketers view demand and supply chain synchronization as part of the marketing operational mix, and only 16 percent consider global procurement and vendor relations to be part of their agenda. These two competencies lagged far behind 19 other areas of focus. Marketers felt the same way about deploying marketing operational platforms, solutions or hosted services for eProcurement, as well as strategic sourcing and supplier management.
Marketers appear to be heeding advice delivered in the CMO Council’s “Calibrate How You Operate,” report which called for the alignment and integration of process and marketing operational platforms to better execute on a customer-centric, database-driven marketing mission. In this study, 47.8 percent of marketers reported that marketing supply chain management is an evolving functional area that needs more attention or is a discipline growing in importance of value.

This is notable considering the cost-savings, accountability and yield to be realized from tighter control over the marketing supply chains. NVISION estimates that up to 56 percent of marketing costs are related to such areas as fulfillment, shipping, storage, marketing consumable obsolescence and inventory management.

An Aberdeen Group study conducted in 2002 found companies could realize an average 26.6 percent increase in supplier performance by activating some kind of formal performance measurement system. In instances when the organization that did so and shared this information with suppliers, performance improvement was more than 60 percent. The study also found that companies using automation platforms to support their supplier performance programs realized gains that were 57 percent greater than companies that didn’t utilize technology solutions.

The imperative for marketers to gain an upper hand on a towering assortment of new supply chain requirements and challenges is clear. They are now being pressed to audit, monitor, streamline and automate a highly complex system that can include hundreds, if not thousands of individual marketing materials and consumables. The new Define Where to Streamline report reveals over 46 percent of marketers are managing more than 500 marketing SKUs with 14.2 percent juggling the production, storage, fulfillment, shipping and obsolescence of more than 1,000 SKUs.

Despite this complexity, the study found just 25.2 percent of marketers have undertaken a comprehensive audit and analysis of costs and process efficiencies in their supply chain and only 25.9 percent track obsolescence of marketing and event management consumables. Companies that do track obsolescence indicate their average rate of obsolescence was 35 percent, whereas supply chain experts NVISION indicate that leading practice shows that efficient companies average 8 percent or less.

Underscoring the need for a more disciplined, coordinated and unified marketing supply chain are key findings from the Define Where to Streamline study, which included a survey of more than 500 marketers across companies of all sizes and industry sectors:

- Just 13.0 percent of marketers rated their supplier resources extremely well integrated and globally aligned.
- Only 11.5 percent of marketers report handling the global coordination of marketing services with a robust marketing operations platform that optimizes resources and processes.
- 35.3 percent of marketers said their organizations utilized multiple sourcing systems and platforms used by different functions.
- Just 10.8 percent of marketers are implementing new collaboration and workflow systems to reduce costs and inefficiency in their marketing supply chain.
- 40.7 percent of marketers blamed functional silos and resistance to operational marketing process as the greatest obstacle to marketing supply chain effectiveness.
32.5 believed established vendor and supplier relationships and loyalties were a significant contributor to supply chain cost and ineffectiveness.

Marketers have clearly identified the challenges and primary pain points in managing the marketing supply chain. These areas will be explored more fully as the Marketing Supply Chain Institute, under the leadership of the CMO Council and in collaboration with the Business Performance Management (BPM) Forum, continues to build upon its body of knowledge, insight and best practices.
Summary of Key Findings

The global online audit, Define Where to Streamline, is the first in a series of thought leadership programs by the Marketing Supply Chain Institute. This new think tank has been set up to assist chief marketing executives drive performance improvements, operational efficiencies and cost reductions across their service provider value chains and agency ecosystems.

The study was conducted by the Chief Marketing Officer (CMO) Council in partnership with the Business Performance Management (BPM) Forum (www.bpmforum.org) and the Institute for the Study of Business Markets (ISBM) – a global academic-industry consortium run by Penn State – to benchmark management effectiveness of marketing supply chains worldwide.

Sponsored by NVISION, the global online audit tapped the perspectives of 306 marketers from multi-national companies of all sizes across 23 different industry sectors. The goal was to provide the first comprehensive view of marketing supply chain demands, dynamics and deliverables, while also evaluating the productivity, value and level of integration and control in this vital marketing operational sector.

It appears marketers still need to gain a comprehensive grasp of their marketing supply costs, purchasing effectiveness and environmental impact. The market engagement process found a significant number of marketers did not integrate or align supplier resources across their organizations and many use multiple procurement platforms distributed across functional silos, not a single, integrated and transparent requisition system.

The study also revealed marketers are challenged to better manage, streamline and automate a highly complex and disconnected process that is essential to go-to-market effectiveness and competitive advantage. Too few are taking a strategic look at supply chain responsive and business value, auditing cost components, analyzing procurement data, or regularly reviewing supplier performance and yield.

The route to realizing sustainability gains and carbon footprint reductions in marketing supply chains requires more ownership, insight and accountability. The marketing supply chain is ripe for sustainability improvement and marketers need to be ardent innovators when it comes to reducing greenhouse gas emissions, natural resource waste, and energy consumption. There are many cost savings to be gained, while also being able to project a more socially responsible face to consumer, trade, regulatory and investor audiences.

Nearly two-thirds of respondents in the Define Where to Streamline audit – 63.6 percent – said they are targeting print production, warehousing and delivery of marketing consumables for greater sustainability improvements. And 37.1 percent said they were looking at transportation and logistics as a way to reduce carbon footprints.

Introducing lean and green business practices in supply chains will enable marketers to find cost-savings and efficiency improvements from many of the greatest areas of spend. Specifically, the production, storing, shipping and purging of print, promotional and point-of-sale materials that are a big part of marketing consumables spend. And while green is just one strategy to supply chain optimization, marketers overwhelming agree that more can be done to address global warming across the $1.5 trillion in marketing spend annually.
KEY FINDINGS FROM THE DEFINE WHAT TO STREAMLINE AUDIT:

Visibility & Process Optimization

- A surprising 62.9 percent of respondents admitted they have never undertaken a comprehensive audit and analysis of costs and processes efficiencies in their marketing supply chain, compared to 25.2 percent who said they had.

- While most admit processes are disjointed in many ways, a reasonable number of marketers, 21.2 percent, claim they have a good balance between central procurement and localized sourcing. However, a much larger population of marketers, 42.1 percent, said they were not satisfied and were moving to a more structured and systematic approach.

- Roughly one-third of marketers – 30.4 percent – revealed they weren’t realizing the value and potential of the Internet for collaboration and workflow across the marketing supply chain. But nearly the same number – 30.1 percent – have adopted an online approach, saying they were seeing major improvements in process, content access and digital asset management. And another 26 percent report they are enjoying much improved content creation, editing, versioning and tracking capabilities.

CREATING A GREENER SUPPLY CHAIN

TOP FIVE areas where the Marketing Supply Chain could realize sustainability gains

1. Print Production, warehousing & delivery
2. Transportation & logistics
3. Packaging & inserts
4. Meetings, user conferences & events
5. Merchandising & Point-of-Sale displays

- Too few marketers are adopting new technologies to bring greater efficiencies. Just 10.8 percent of marketers said they are implementing new collaboration and workflow systems to reduce costs and inefficiency in their marketing supply chain. Instead, 46.3 percent are taking the simplest approach by cutting back on unnecessary areas of spend and resource utilization to reduce cost or inefficiency.
Relatively few marketers – just 11.5 percent – said their companies are handling globalization with a back-end marketing operations platform that optimizes resources and processes. A slightly larger number of marketers – 14.2 percent – admitted that marketing is fragmented and defused globally with little centralized control. A great many more marketers – 28.5 percent – delegate to the regions and/or countries to source and manage their own vendors.

Integration, Alignment and Control

- Just 13.0 percent of marketers rated their supplier resources extremely well integrated and globally aligned while a significantly greater number of marketers – 37.7 percent – admitted their process for integrating and aligning supplier resources was either poorly linked, controlled and aligned (7.9 percent) or was fairly disjointed and isolated on functional levels (29.8 percent).
- The number of marketers who said they utilized centralized purchasing and procurement in one group – 34.0 percent – is almost equal to the number of marketers – 35.3 percent – who said their organizations utilized multiple sourcing systems and platforms used by different functions.

COST REDUCTION INTENTIONS

TOP FIVE areas strategies to reduce cost in the supply chain

1. Cut back on unnecessary spend and resource utilization
2. Negotiating tougher terms, better prices and added benefits
3. Auditing and assessing supplier value
4. Consolidating business among fewer suppliers
5. Finding lower cost vendors, suppliers and materials

Centralizing disparate and diverse marketing supply chains is key to pinpointing waste, redundancy and improved sustainability. Yet just 17.7 percent of marketers pointed to these areas of focus driving the need for tighter control, integration and accountability. Illustrating this disconnect further is the 61.0 percent of marketers who said they were seeking to realize greater efficiency and cost savings by tightening marketing supply chain control, integration and accountability.
Functional silos and resistance to operational marketing integration is the greatest obstacle that marketers face in effectively managing their marketing supply chain. 40.7 percent of marketers pointed to this as a stopping block in their efforts, which 32.5 percent of marketers blame “playing favorites” or, established vendor and supplier relationships and loyalties for inhibiting improvements. Internal turf battles was the third greatest obstacle, with 27.8 percent of marketers saying reporting structures and operational responsibilities were getting in the way and wrestling with independent groups wanting to remain so.

Marketers seeking to make alliances in their organizations to help institute marketing supply chain improvement programs were calling on some obvious partners – the CMO (56.4 percent), heads of marketing groups and functions (52.3 percent), and marketing and communications teams (46.6 percent) – the individuals charged with controlling costs and making line-of-business decisions, such as the purchasing and procurement staff and the regional, country and line-of-business heads, should have been more popular. They drew 30.5 percent and 23.2 percent, respectively.

**BUSINESS GAINS THROUGH THE SUPPLY CHAIN**

**TOP FIVE Benefits to a Streamlined Supply Chain**

1. Improved realization of ROI from spend
2. Redirected savings into other higher-value marketing programs
3. Ensure consistent brand experience
4. Better equip sales force and channel
5. Improve caliber and quality of leads

**Business Value and Competitive Advantage**

A disheartening 7.9 percent of marketers do not view their marketing supply chain ecosystem as important to their business or market success. However, a slightly higher number of marketers – 15.1 percent – view their supply chain as a core competency and competitive advantage. On the plus side, 47.8 percent of marketers report that marketing supply chain management is an evolving functional area that needs more attention or a discipline, and is growing in importance and value.
More than half of marketers – 52.9 percent – acknowledge their supply chains fuel the business objectives of their organizations. They point to accurate and relevant content creation and delivery as most critical to the go-to-market process.

Marketers understand the ramifications of a poorly managed marketing supply chain. Slightly more than half – 51 percent – see improving time-to-market and time-to-value from marketing spend as the greatest business gain and brand experience improvement to be gleaned from streamlined marketing supply chain management.

Marketers appear to be clearly focused on where they can reduce carbon footprints and improve sustainability. Some 63.6 percent said they were targeting improvements in print production, warehousing and delivery followed by 37.1 percent who identified transportation and logistics.

Marketers pointed to bottom line metrics and KPIs when asked what criteria or measurements they use to formally quantify the value of their marketing supply chain partners. Forty-four percent of marketers are looking to cost-savings and efficiency improvements from their marketing supply chain partners, followed by 43.8 percent who are using marketing outcomes and accomplishments to formally quantify partner value.

Large Investments in Marketing Consumables

Posters, flyers, inserts, handouts, and other collateral – the materials that is used by sales and channel organizations to present products and messages – are by far the greatest category of consumables that demand resources throughout the marketing supply chain. Print production (offset and on-demand) was identified by 74.6 percent of marketers, followed by sales literature (71.6 percent) and direct mail (69.6 percent).

The majority of marketers (74.3 percent) pointed to creative and graphics services followed by web and digital content (68.4 percent) as the leading services they require. Two areas of potentially significant spend, however, were overlooked. Order fulfillment and warehousing and transportation, with 28.3 percent and 27.6 percent, respectively, ranked near the bottom.

The sheer volume of marketing consumables in the marketing supply chain spotlights the need for a firmer grasp of supply chain expenditures sourcing practices Some 20 percent of respondents report having more than 500 physical marketing SKUs stored with warehouse and fulfillment partners with 14.2 percent having more than 1,000. The production, storage, fulfillment, shipping and obsolesce cost of these physical materials represent a significance slice of marketing spend and challenge for marketers.

Obsolescence is a great mystery and significantly huge liability for the more than three-quarters of respondents – a shocking 74.0 percent – admitted they don’t currently track obsolescence.
on marketing and event management consumables or simply didn’t know if their organization tracks it, suggesting their organization doesn’t. In response to the qualitative question on obsolescence rates, the respondents who did track this gave figures as high as 35 percent.

Marketing Supply Chain Responsibility and Mix

- Marketers bear the primary responsibility for selecting the partners that ultimately comprise their supply chains. Key specifiers and buyers include: Corporate Marketing (37.4 percent), Marketing Communications (21.1 percent) and Brand Management (14.5 percent).

- Senior marketers have clearly put the responsibility of managing the marketing supply chain on themselves with 60.6 percent of respondents pointing to the Chief Marketing Officer or the Director of Marketing and above as owning the task within their organizations.

- The majority of marketers manage 10 or fewer services providers in their marketing supply chain (60.1 percent), 14.3 percent manage 11 to 20 providers, while 19.9 percent of marketers say they manage more than 20.

- Marketing has spread budgets thin across multiple suppliers distributing a significant portion of spend across a vast, unrelated and disconnected population. Nearly a quarter of respondents – 22.4 percent – are managing more than 20 consumables suppliers, creating a complex web of vendors holding little consolidated spend. However, slightly more than half – 51.5 percent – have 10 or fewer suppliers to manage, yet few are truly consolidating procurement across the organization to achieve maximized savings.

- Spending on event management providers appears concentrated, with 76.7 percent saying they work with just one to 10 companies, while 9.9 percent said they’re managing 11 or more. Surprisingly, 13.4 percent of marketers didn’t know how many event management suppliers played a role in their marketing supply chain, suggesting marketers have little visibility into this area of spend.

- Marketers become somewhat vague when it comes to admitting how much they rely on their marketing agencies to source and manage marketing consumables, services and event management. Nearly half of senior marketers – 47.3 percent – said they rely “somewhat” on their agencies for help in this area while just seven percent answered with a definite yes and 43.3 percent said no, they don’t rely on agencies.

- Creative may be the source of new rounds of cuts as a significant number of marketers – 40.5 percent – identified creative design and development as an area in the marketing supply chain
with the greatest potential for process, productivity and performance improvements. This is not surprising given marketers identified the sourcing and services related to digital elements of marketing consumables as commanding the greatest resources in their supply chain production and management.

- Slightly more than a quarter of marketers – 26.2 percent – are managing relationships in their marketing supply chain with three or more partners handling warehousing and demand fulfillment while 8.6 percent of respondents said they were managing more than 10 partner relationships. This area of spend has the potential to be considerable yet relatively few marketers identified this area as having potential for process, productivity and performance improvements.

**Conclusion**

Auditing the effectiveness of producing, storing and shipping marketing consumables is the first step towards a more integrated, efficient and streamlined marketing supply chain. Marketers are clearly recognizing that they can gain significant efficiencies and cost-savings, which will allow them to re-direct spend and resources to more gainful programs. But to do this, they need the right information systems, process controls, and physical infrastructure to better handle procurement, warehousing and just-in-time delivery of marketing materials worldwide. Often this is a competency that can be more cost-effectively outsourced.

The CMO Council study suggests that a trend toward greater sustainability and carbon footprint reductions may lead many marketers onto the right path for gaining a deeper understanding of their supplier network and value chain. Delving into these areas will enable marketers to exact cost-savings and efficiency improvements from many of the greatest areas of spend within their marketing supply chains.

The marketing supply chain is clearly not a strategic area of focus for many marketers, yet there are significant improvements that can be driven by change-minded executives willing to dig deeply into the operational side of the marketing function. As a result, we are going to see a much tighter linkage between the CMO, CFO and CPO (chief procurement officer) going forward and more involvement by the CIO to integrate back-end information from ERP systems to better synchronize marketing supply operations and partners.

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**By better aligning the supply and demand we could move our focus from that cost per piece to the overall expense to the company.**

– Business line director, Global Consumer Pharmaceutical Company
Demographics

**Q 01** What is your title?

- Chief Marketing Officer: 15%
- SVP/EVP Marketing: 12%
- VP Corporate Marketing: 10%
- VP Marketing Operations: 3%
- VP Marketing and Sales: 7%
- VP Marketing Communications: 4%
- Director of Marketing: 17%
- Director of Corporate Communications: 2.3%
- VP Corporate Communications: 0.3%
- VP of Purchasing: 4%
- Director of Purchasing: 7%
- Other: 13%

**Q 02** What is your company size?

- Less than $50 million: 46%
- $51 million to $100 million: 10%
- $101 million to $250 million: 3%
- $251 million to $500 million: 7%
- $501 million to $750 million: 4%
- $751 million to $1 billion: 3%
- $1.1 billion to $5 billion: 11%
- Greater than $5 billion: 16%
Q03  Where are you located?

- North America: 60%
- Europe: 22%
- Asia Pacific: 13%
- Africa: 3%
- South America: 1%
- Middle East: 1%

Q04  What sector best describes your industry?

- Professional Services: 18%
- Technology: 17%
- Consumer Packaged Goods: 7%
- Retail: 5%
- Industrial / Chemical / Mining / Heavy Manufacturing: 5%
- Media & Entertainment: 4%
- Banking/Investing: 4%
- Transportation: 3%
- Telecommunications/ISP/Wireless Operator: 3%
- Education: 2%
- Insurance: 2%
- Building & Construction: 2%
- Internet & eCommerce Services: 2%
- Medical & Health: 2%
- Consumer Durables: 1%
- Travel & Hospitality: 1%
- Non-profit: 1%
- Foodservice/Restaurants: 1%
- Pharmaceuticals / Life Sciences: 1%
- Automotive: 0%
- Oil and Gas: 0%
- Utility: 0%
- Government: 0%
- Other: 19%
Q 05 Number of employees in your company?

- Under 50: 32%
- 50 - 100: 7%
- 101 - 500: 20%
- 501 - 1,000: 4%
- 1,001 - 5,000: 12%
- 5,001 - 10,000: 6%
- 10,001 - 20,000: 5%
- 20,001 - 50,000: 5%
- More than 50,000: 10%

Q 06 What percentage of your marketing budget is spent on marketing consumables, marketing services and event management (Based upon average totalling 100% of spend)?

- Marketing services: 30%
- Marketing consumables: 34%
- Event management: 16%
- Other marketing spend: 20%
Define Where to Streamline In Action: 
The Franke NDEPTH™ Analysis

Franke, the world's leading provider of domestic kitchens and professional food service solutions, believed that there were moderate savings they could realize from the streamlining of its marketing supply chain. The brand, which includes Franke's flagship namesake brand, Kindred and FrankeUSA, accounts for a supply chain with a baseline cost of over $1.4 million dollars for its North American based businesses. The goal of the NVISION assessment was to map the existing nature of the Franke supply chain, identify inefficiencies and opportunities for consolidation and outsourcing, and develop a roadmap for achieving true savings through a streamlined marketing consumables supply chain.

Marketing Supply Chain experts, NVISION®, were brought into the pilot assessment to map, audit and recommend a course of action to streamline Franke's marketing supply chain, based on leading practices to optimize process and performance, and identify key areas of savings that could be derived through an optimized process. NVISION, with over 30 years of experience working with companies like Monsanto Company, Abbott Nutrition, and Wrigley, has developed a proprietary marketing supply chain assessment known as NDEPTH™. This audit leads companies through a series of strategic assessments of the supply chain, gathering business data from across the enterprise to truly understand the state of the supply chain.

NVISION laid out a list of objectives including the revision of the current state of the supply chain and the construction of a custom marketing supply chain solution to support Franke's current requirements. NVISION outlined the current process, identified key pain points, benchmarked the current process against industry leading practices and estimated savings opportunities found in a custom outsourced solution for Franke's marketing consumables.

The assessment gathered critical data and information from key stakeholders in the Franke supply chain, reaching from marketing to purchasing and finance. This cross-departmental participation provided a view of the total supply chain that included creative, sourcing, fulfillment, ordering and even product destruction. By mapping and auditing the current state of the supply chain, NVISION was able to create a custom marketing supply chain solution that solved key pain points for Franke and Franke customers, streamline process and create efficiencies in the supply chain that could deliver true budget savings.

Mapping the Supply Chain

The first step of the assessment began with getting a true understanding of what materials were spread across the Franke brands. Across three business units, Franke prints, manufactures, ships, warehouses and maintains a total of 1,543 individual items, or SKU’s, 81 percent of which belonging to the flagship Franke brand. Within the 1,249 SKU's assigned to the Franke brand, 68 percent are spare parts. At this point, a decision was made to focus attention onto the consumables portion of the mix, specifically the marketing materials (84 SKUs) and displays (71 SKUs).
Within the current system, Franke materials were primarily owned by three key stakeholders: Marketing, including Product and Marketing managers, Purchasing, and Manufacturing. Both marketing and purchasing engaged with the design agency for creative, shuttling proofs between departments and printers. Also part of the proof shuffle was the web of merchandising and promotion suppliers.

Once needs and orders were determined, purchasing would typically manage the primary vendor relationship with the agency determining print production, with the materials being delivered to one of 6 locations: third party kitting locations, Franke customer service, or two fulfillment locations (Ruston, LA and Hatfield, PA). The two fulfillment locations included one corporate headquarter site where marketing materials were managed, and another site based in the manufacturing facility. Unfortunately, a key point of pain for customers, reps and distributors arose from damaged materials shipped from the manufacturing site with the end result of a less than optimum collateral presentation to the customer.
Distribution spread these consumables across another web of destinations, often fulfilling one request from a customer or sales rep from two locations. While sales reps often requested materials, Franke also distributed marketing consumables to its customers, primarily made up of distributors and showroom or retail vendors who manage marketing material flow to contractors, industry influencers, consumers, even the media and editorial contacts.

**Key observations derived from the mapped supply chain:**

1. Budgets were tracked internally by marketing using excel spreadsheet, but did not include the total costs of shipping, warehousing or fulfillment

2. Print sourcing, an area that could derive savings through consolidated procurement, was managed by the design agency

3. Print vendors would ship to two primary fulfillment locations adding incremental shipping costs and allowing for hidden “handling” charges to be included with a lack of stringent negotiation and oversight of printer invoicing

4. Customer Service managed orders and marketing material requests via manual order entry, creating significant shipping and handling delays, lengthening the time between order placement and delivery of materials to customers. By manually entering orders on a weekly basis, marketing material orders experienced an average delay of two to three days between order receipt and entry in the order management system.

5. Customer Service lacked automated or web based systems to manage the process. In fact, it was determined that no fewer than six separate printed order forms were maintained to support the ordering process.

6. From the nature of the manufacturing facility in Ruston, managing the quality of marketing materials was difficult and stockouts were common as inventory management focused on core products, with marketing materials “playing second fiddle”

7. Marketing team members were spending a significant portion of time manually fulfilling orders placed into the Hatfield facility.
Dissecting the Budget

The Franke marketing supply chain was estimated to cost $1.4 million. Through the NDEPTH analysis, this budget was broken into six key areas of spend: Product, Obsolescence, Fulfillment, Freight, Inventory and Other. The large area of spend for Franke lay within the Product category with up to 46 percent of spend being spread across print, promotional items and displays.
The Franke marketing supply chain was estimated to cost $1.4 million. Through the NDEPTH analysis, this budget was broken into six key areas of spend: Product, Obsolescence, Fulfillment, Freight, Inventory and Other. The large area of spend for Franke lay within the Product category with up to 46 percent of spend being spread across print, promotional items and displays.

Functions and systems beyond product made up 54 percent of spend. In fact, 20 percent of spend was consumed by order entry costs, third party management fees, purchasing and inventory management, taxes and revisions. Of this ancillary spend, nearly 37 percent of this cost was dedicated to order entry.

Seventeen percent of spend could be attributed to inventory, specifically the storage and inventory control costs of both Franke facilities. Within this area of spend, the company was carrying the cost of obsolete, damaged or over-purchased materials. Upon analysis, the NDEPTH assessment revealed that over 12 percent of the costs specific to Inventory could be attributed to obsolescence.

The assessment went on to review the product spend, revealing that literature (catalogues, brochures, flyers, point of purchase cards) represented 87 percent of the total product spend. On average, Franke was ordering 4.8 print jobs per month. Production of all materials was highest in the first four months of the year. Some of this front loaded ordering was due to staffing as a key member of the marketing staff who managed fulfillment of materials was on maternity leave.
TOTAL ANNUAL PRODUCT SPEND = $632K – LITERATURE = 87% OF TOTAL

Across all marketing materials, 20 percent of items accounted for 96.5 percent of usage, leaving 124 items of the total 169 marketing material SKUs earmarked as slow moving materials. With the fast moving materials, inventory tended to be a challenge as 68 SKUs have no inventory on hand, while 77 SKUs had inventory in excess of 12 months. This analysis highlighted three key areas where savings might be achieved. There was a clear opportunity for inventory rationalization on the 124 slow moving items, potentially making the decision to discontinue or digitize these materials saving on costs across production, inventory and fulfillment. Inventory management could also reveal savings as the two extremes swinging between excess to no inventory called out two potential costs risks: Out of stock risks necessitating expensive rush production and potential overbuying leading to excess inventory spend and potential additional obsolescence.
Tracking Obsolescence

NVISION identified two key areas of obsolete inventory, destructions (specifically inventory destructed between June 2008 and May 2009) and excess or obsolete inventory. Excess inventory was defined as materials with inventory with more than six months worth on hand. Obsolete inventory was defined as materials with fewer than six units shipped in the last six months. On a weighted average, and mapping current inventory that had been accrued over 1.6 years, obsolete inventory that could be attributed to one annual cycle totaled $275,000/1.6 year cycle. Annual obsolescence was then calculated to equal $172,000 or 27 percent of annual production costs across all product categories.

Through years of experience in optimizing marketing supply chain solutions, NVISION estimates that obsolesce rates among supply chain leaders should be eight percent. By tracking obsolescence in the Franke process, NVISION revealed a staggering 27 percent rate of obsolescence, but also uncovered a key opportunity for savings. Through this tracking, there are clear opportunities to eliminate up front costs of printing these obsolete materials by converting to either a print on demand or digital deliver format.
ANNUAL OBsolescence for literature and displays estimated at $172K – 27% of annual production costs

Two Locations Impact One Budget

Marketing materials had been ordered by, shipped to and fulfilled by two locations, Ruston and Hatfield. Ruston, the Franke manufacturing facility, struggled with quality and inventory management, often finding materials shipped in less than perfect quality. Marketing material order fulfillment from both locations equaled 1,794 orders per year with an average of 4.2 lines of material ordered per order.

With Franke’s distributed production environment, inbound freight was adding significant cost. The model included shipments from vendors primarily in the Toronto and Philadelphia areas, both over one thousand miles away from the Ruston facility. NVISION offered a comparison of shipping and savings. By consolidating within a specific location (NVISION is located in Chicago), Franke would be able to realize a 65 percent savings in freight by reducing costs from ~ $2.57/lb to ~ $0.58 to $1.07 /lb.
In addition, Franke’s two distribution locations were also creating scenarios where two outbound costs could be generated when customers requested materials and samples/replacements or displays. Rather than shipping from a single, consolidated solution, or separating the process of shipping replacement units and marketing materials, Franke was often doubling costs for freight and fulfillment.

Order Fulfillment Impact Budget and Customer Experience

Within the current marketing process, orders and requests for material were all faxed or phoned into customer service, and then re-entered into Franke’s internal system. Upon closer inspection, the total time required to enter each order was nine minutes. With an estimated hourly rate of $20 per hour in wage, it was determined that the average cost per order was $3.00 for marketing literature alone.
However, when the total entry cost was calculated, a significant portion of cost was actually due to the manual entry of spare parts and accessories into the Franke “4th Shift” order system. In fact, spare parts represented 54 percent of entry costs. Once each individual component was calculated, it was estimated that the manual order entry process costs Franke an estimated $102k/year.

**SIGNIFICANT MANUAL ORDER ENTRY COSTS INCURRED BY FRANKE - $102K / YEAR**

![Diagram showing order entry costs](source: LineItem Report_2007_2009YTD.xls, PARTS ACCESS Line Item Order Report 2009_trailing.xls)

Notes: 1) Includes Literature, Displays, Spare Parts, and Accessories orders entered in 4th Shift
2) ~10 minutes follow up required on 20% of orders

Another key area of concern for Franke was the time from order to fulfillment. After already determining the time and financial waste incurred through the manual order system, the outlook for the total time to fulfillment was not optimistic. And, in fact, NVISION found that Franke’s system lagged far behind industry standard. According to leading practice, 98 percent of orders should ship within 48 hours from order. Unfortunately, only 21 percent of marketing material and display orders and only 58 percent of spare part and accessory orders would ship within 48 hours. The median days to ship marketing materials was seven days, with accessories and spare parts shipping in two days.
NVISION tracked these dates from the order entry date, but quickly determined that there was additional delay from the point of order to the point of order entry. On average, it took an additional 2.5 days between order fax receipt to entry into the 4th Shift system. In total, this extended the time to ship to nine to 10 days to ship for marketing materials and displays, four to five days for spare parts or accessories. In fact, over 37 percent of marketing materials were being shipped over 10 days past order fax.

This delay in order could have consequences beyond budget and costs, with customers waiting in excess of 10 days to receive requested materials. As Franke’s brand promise hinges on exemplary quality of product and delivery of service, a 10 day delay fell far outside the realm of the promise.

NVISION determined that the use of an online ordering system could significantly streamline the order entry process, while consolidation of marketing materials and outsourcing of fulfillment could speed time to delivery within the timeframe of industry standards.
Recommendations for Improvement

NVISION highlighted several areas for improvement and process management that would help recover costs currently being wasted within the supply chain. To recap, NVISION identified the following key pain points:

- Planning and Strategy: Significant marketing time was being spent on order fulfillment
- Production: Print sourcing was managed by design agencies
  - Ordering: Weekly manual order entry results in shipment delays
  - Fax/phone orders based on six separate order forms
  - No unified web-based order platform
  - No automated order / ship confirmation system
- Logistics/Distribution: Excess inbound freight and fulfillment
  - Low on-time shipment rate in excess of 48 hours
- Storage / Inventory Management: Difficult to maintain material quality in manufacturing facility
  - Inventory management focused on core product, not marketing materials
  - High obsolescence rate in marketing materials, well above leading practice
- Management Reporting: Budget tracked on excel spreadsheet with limited visibility across all functions

NVISION crafted a custom supply chain solution that would streamline ordering, consolidate procurement, optimize vendor management and consolidate warehousing and fulfillment costs. The streamline map also applied a web-based ordering system that allowed for online ordering, product search and custom content ordering, real-time inventory, order and usage history, shipment tracking and a dashboard that could track return on marketing investment within the supply chain.

NVISION™ PROGRAM PROPOSAL IS INTEGRATED AND EFFICIENT
Through consolidated vendor management, NVISION was able to identify $124,000 in savings specific to product procurement, management of inbound freight and addressing the rate of obsolescence. Additional savings were identified across fulfillment, freight, and inventory totaling a potential savings of 25.3% of costs through this optimized model. It was further estimated that over the course of five years of program implementation, nearly $735k in net present value could be saved.

**NDEPTH STUDY IDENTIFIED 25.3% MARKETING SUPPLY CHAIN SAVINGS OPPORTUNITY - $184K ANNUALLY**

**LIFE OF PROGRAM SAVINGS OPPORTUNITY IS ~ $735K + ADDITIONAL OPPORTUNITY**

Calculated as Net Present Value (NPV)
Leading Practice Checklist

As part of the NDEPTH assessment, a checklist of current action against industry leading practice was developed. NVISION has provided this checklist to demonstrate where and how Franke’s supply chain met, exceeded or fell short of leading practice.

### LEADING PRACTICES ASSESSMENT WILL EVALUATE PROCESS AND METRICS PERFORMANCE

<table>
<thead>
<tr>
<th>AREA</th>
<th>LEADING PRACTICES</th>
<th>CURRENT PRACTICE</th>
<th>RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Marketing focused on brand strategy over project execution</td>
<td>• Significant marketing time spent on order fulfillment, kitting, and production management</td>
<td></td>
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<tr>
<td></td>
<td>• Print quantity and # of print runs determined using multiple inputs (e.g., end-use points and timing, historical usage data)</td>
<td>• Print quantities based on annual run rate, price breaks</td>
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<td></td>
<td>• Consistent spec / estimate format – electronic</td>
<td>• Specs / estimates managed by design agency</td>
<td></td>
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<tr>
<td></td>
<td>• “Smart” literature and item numbering system; all forms and artwork files use common naming / archiving convention</td>
<td>• Inconsistent item numbering format - Item numbers determined on individual basis</td>
<td></td>
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<tr>
<td></td>
<td>• Quality of messages / campaigns &gt; quantity of collateral</td>
<td>• Marketing determines all order quantities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Scheduled printing and replenishing cycles</td>
<td>• Items produced on individual basis</td>
<td></td>
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<td></td>
<td>• Proactive marketing distribution strategy – planned balance between push, scheduled and fill-in orders</td>
<td>• Initial distributions used at item launch</td>
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<tr>
<td></td>
<td>• Vendors segmented and utilized by capabilities</td>
<td>• Vendor relationships owned by design agencies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Total print and fulfillment spend &gt;$25MM; cross region sourcing capability</td>
<td>• Total print and fulfillment spend ~ $548K</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Vendor feedback to design collateral for production / fulfillment efficiency</td>
<td>• Vendor feedback to collateral design incorporate through design agencies</td>
<td></td>
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<tr>
<td></td>
<td>• Project timelines managed backwards from in-hands date</td>
<td>• Production timelines managed by design agency</td>
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<tr>
<td></td>
<td>• Combo-run opportunity captured via scheduling</td>
<td>• Print runs sourced individually</td>
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<td></td>
<td>• Risky or low volume jobs run digitally – variable content printing (on-demand)</td>
<td>• Digital printing rarely utilized for inventory items due to need for strict adherence to PMS colors – some items for binders printed on color laser printers</td>
<td></td>
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<td></td>
<td>• Unique-login e-ordering capability (Intra, Internet); “partner” login to track usage to reps</td>
<td>• Orders received via fax, phone, and email by customer service and marketing, then manually entered in 4th shift or fulfilled by marketing</td>
<td></td>
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<tr>
<td></td>
<td>• Automatic order controls and approvals</td>
<td>• No automatic order controls – manual review only</td>
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<td></td>
<td>• B2C-style functionality and flexibility (e.g., multiple ship-to, images, pre-loaded address book, management reporting)</td>
<td>• Phone/Fax ordering based on 6 printed order forms</td>
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<td></td>
<td>• Consolidated monthly orders – “scheduled order” – for reps, 75% of lines on scheduled shipments</td>
<td>• Orders entered on weekly basis – no effort to combine separate orders by destination</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Lines / order &gt; 5.0; % orders direct to web &gt;90%</td>
<td>• Marketing Material Lines / order = 4.2</td>
<td></td>
</tr>
<tr>
<td>AREA</td>
<td>LEADING PRACTICES</td>
<td>CURRENT PRACTICE</td>
<td>RATING</td>
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</tbody>
</table>
| Logistics / Distribution    | - Kitting and fulfillment vendors targeted regionally to minimize inbound freight cost  
                              | - Automatic ship confirmations and order tracking with links to carrier websites    | - Kitting vendors located near fulfillment house – printing vendors located near advertising agencies, requires additional freight  
                              | - Inbound freight costs minimized via FOB destination strategy                     | - No automatic order or ship confirmations – faxed only upon request               |
|                             | - Freight spend per total shipment value < 15% on printed material                 | - Inbound freight charged as additional line                                        |
|                             | - Multiple shipping speed selections at checkout                                    | - Freight spend on printed material ~ 8%                                             |
|                             | - Rush orders < 5% – accountability managed to the rep level                        | - Orders entered on a weekly basis – no rush option                                  |
|                             | - 98% of orders ship within 48 hours, Fill rate > 95%                              | - No rush capability – median days to ship = 11 days                               |
|                             |                                                                                   | - 21% of marketing materials and displays orders ship within 48 hours, Fill Rate = 91.9%  |
| Storage / Inventory         | - No automatic storage fees – vendor incentives to minimize bin space rather than maximize storage fees  
                              | - Obsolete dates set as a literature specification                                 | Storage fees @ Alliance One $9K / year                                             |
| Management Management       | - Automatic, item-specific low-stock notification with follow-up or defaults to protect against no reply  
                              | - Multiple safety stock methodologies                                               | - Obsolete items identified upon redesign                                            |
|                             | - Obsolescence factor < 8% for collateral                                          | - No consistent low stock notification                                              |
|                             | - Dedicated inventory management team, vendor service                               | - Low stock calculations base on preset stock reorder quantity by item              |
|                             | - Depletion planning process before reorder                                         | - Marketing materials obsolescence = 27%                                            |
|                             | - Stocking Unit of Measure = Ordering Unit of Measure                               | - Inventory management team primarily focused on product – collateral is secondary concern  
                              |                                                                                   | - Obsolete items identified with "DWO" flag                                        |
|                             |                                                                                   | - Stocking UOM = Ordering UOM                                                      |
| Management Reporting        | - Item usage reports / order data available at user level to drive accountability for materials usage down to local level  
                              | - Built-in budget management process that adjusts availability based on sales results | - Item usage reports available upon request                                         |
|                             | - Self-service and web-enabled reporting options                                   | - Budget managed manually by marketing via spreadsheet                              |
|                             |                                                                                   | - All reports defined with IT – can be scheduled or run on demand                  |        |
Among key leading practices companies must strive to achieve in order to have an optimized supply chain:

**Planning & Strategy**
- Forecast for optimization: Base print quantity and number of print runs on multiple inputs (e.g. end-use points and timing, historical use data)
- Strategize for proactivity: a proactive marketing distribution strategy should include a planned balance between push and pull activities and those scheduled fill-in orders

**Production**
- Get expert opinions: Obtain vendor feedback to design collateral for production and fulfillment efficiency
- Transition risky or low volume jobs to print on demand or digital formats: this will also allow for the introduction of variable data print and personalization opportunities

**Ordering**
- Install automatic order controls and approvals
- Leverage web-based ordering that also allows for partner login to track usage by all constituents, including field rep usage and storage patterns

**Logistics/Distribution**
- Minimize inbound freight charges by consolidating fulfillment locations and utilize consolidated local purchasing
- Implement a standard of 98 percent of orders shipping within 48 hours

**Storage/Inventory Management**
- Set dates and standards for managing obsolete materials
- Deploy a dedicated inventory management team to establish plans and processes to set order and re-order dates based on inventory and usage metrics

**Management Reporting**
- Deliver item usage reports and order data to individual users to drive accountability for material usage
- Set measurements and metrics that are built into the process and adjusts based on sales results

**Conclusion**
Franke’s supply chain was thinly distributed, sluggish to respond to customer demand and rife with inefficiencies that added cost and time to the process. However, by shifting mindset and resources, it is clear that the significant savings and delivery improvements available to this supply chain could deliver savings that could be redeployed into new marketing programs. More importantly, addressing the human cost of the supply chain could also free resources to provide enhanced customer service and execute new marketing programs. Franke is far from alone in facing these struggles. In fact, it is clear that few companies have undergone an assessment such as this to truly map and assess their supply chain. With dollars and customer perception on the line, an audit of the supply chain cannot be put off. Nor can it look at a select segment of the process. An audit of the supply chain must include both physical cost and human resource expense. Only through understanding the flow and process of the supply chain can we truly understand where it resides within our overarching marketing operational mix and strategy.
Executive Commentary

Optimizing the Supply Chain to Maximize Budget Opportunity

A Commentary by NVISION®
By Mike Perez

Marketing budgets have been dramatically impacted by global economic conditions. Current estimates indicate that budgets have been reduced by over 20 percent in 2009 and are unlikely to rebound in 2010. Yet, the mandate from the C-Suite for marketing to facilitate business growth through robust demand generation and brand building activities has not slowed while budgets have been slashed. In fact, now, more than ever, marketing is being called on to increase awareness, strengthen customer experience and accelerate lead flow into the organization.

In order for marketing leaders to achieve both budget savings and business growth, they must look beyond short term resource reductions and tempered spending as ways to reduce spend. Instead, marketing must focus on cost and waste reduction, striving for process optimization within the marketing supply chain to restore and potentially revitalize marketing budgets. Change minded executives are focusing on how to leverage their marketing supply chain to realize greater efficiency and cost savings, using these “hidden” funds to refuel budgets and revitalize once-defunct demand generation activities. Yet, even for those executives who have opted to apply process management principles to optimize the supply chain, they must first map, audit and assess the process. Sadly, this is where marketing seems to stumble.

The global audit “Define Where to Streamline” highlights that 62.9 percent of organizations have never undertaken a comprehensive audit and analysis of the cost and process efficiencies opportunities within their marketing supply chain. Under pressure to reduce costs, the study also shows that 46.3 percent of marketers are cutting core marketing activities and resources. Such cuts are well-intentioned but misguided. They reduce marketing effectiveness, limit marketing’s ability to achieve growth, and most importantly, fail to draw out the substantial savings found hidden in the marketing operating process.

The marketing supply chain for Marketing Consumables – print, promotional and point of sale materials – is typically comprised of numerous internal and external partners – including marketing services personnel, agencies, direct sales teams, buyers, printers, promotional products providers and fulfillment houses to name a few. These interconnected networks of vendors and partners are often very complex relationships with little to no measurements in place or metrics in efficiency. With such a complex network of staff and suppliers, it comes as little surprise that 42.1 percent of marketers surveyed said they were not satisfied with their supply chain and were moving to a more structured and systematic approach.

Marketing consumables are by far the largest category that demands resources through out the marketing supply chain. This sizeable area of resource and budget drain is the natural first step to conducting a fact-based audit how marketing sources, manages and distributes its consumables. To maximize savings, marketing must focus beyond the cost of the product to reduce marketing supply chain cost.
Traditionally, marketers have predominantly been measured by their talents in creative execution and not by their operational aptitude. When you look across any lean manufacturing organization, teams of strategists and experts have applied process management strategies to optimize flow and output. That is, everywhere except marketing, where few experts in supply chain management are employed. In fact, the audit revealed, that one third of marketing leaders have no internal resource or expert focused on the marketing supply chain, suggesting that it is time for marketers to bring in experts and outside resources for support.

Define Where to Streamline also reveals that among companies that have undertaken a comprehensive review of their marketing supply chain, marketers are realizing substantial efficiency improvements and cost reductions in excess of 30 percent. But beyond savings, marketers also understand that transformed supply chains can ensure a unified customer experience. In fact, 51 percent of marketers believe that a primary benefit of a streamlined marketing supply chain is improved time to market and accelerated time-to-value from marketing spend, and an additional 35 percent believe they will also ensure a unified brand experience.

Over the last five years, NVISION® and its team of marketing supply chain analysts have discovered that as much as 56 percent of marketing supply chain budget is being spent on non-product expenditures ranging from fulfillment, people, freight, storage, obsolescence, technology, inventory management, and beyond. NVISION is a leading marketing supply chain solutions provider, utilizing proprietary sourcing technology and supply chain expertise to source, manage and fulfill print, promotional and point of sale material for corporate clients. And, over the last five years, our proprietary marketing supply chain assessment, NDEPTH™, the assessment seen in the pages of this report, has helped organizations save over 42 million dollars. Our work with organizations like Franke, the subject of the Define Where to Streamline pilot assessment study, is based on years of expertise in managing complex, custom marketing supply chain solutions.

Marketers clearly recognize the ramifications of a poorly managed marketing supply chain, so why are too few marketers not focusing on their supply chain as a strategic opportunity to reduce cost and improve operational efficiencies? Knowing there is a challenge is the first, critical step. The next is engaging in an honest assessment of the scenario in order to apply proven strategy to realize savings, improve time to value and return from marketing consumables budget and to eliminate waste across the marketing mix.

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Executive Insights

Ana Dan
Director, Glucerna Brand
Abbott Nutrition

Ana Dan has an extensive career history in the automotive and pharmaceutical fields, plus stints at various advertising agencies. Prior to her role with Abbott Nutrition, she held positions with Ford Motor Company, managing the Ford, Lincoln and Mercury brands and Merck Pharmaceuticals. As the Director of Glucerna Brand, she manages websites, databases and customer relationship management programs, as well as the fulfillment systems and supply chain systems that provide material to Abbott Nutrition’s sales force.

In her two year tenure as Director of Glucerna Brand at one of the world’s most respected pharmaceutical providers, Abbott Nutrition, Ana Dan has had vast experience managing a range of marketing supply chains and marketing consumables.

She enlists a broad definition of her company’s marketing supply chains, describing it as an entity that is about “creating and distributing materials for the purpose of supplying our sales field force, as well as direct to the consumer”. Her definition includes the use of creative agencies, distribution warehouses and printers.

In regard to alignment of these numerous resources, she believes that Abbott has made significant progress in recent years. “Within the last two years, we have brought some things together that were previously very disparate. We also have multiple sales forces and many, many brands – as all pharmaceutical companies do – which makes the whole task a little more complex” she says.

As with most large-scale marketing operations, Dan acknowledges that Abbott often faced challenges around excess materials. “There was a lot of mismatch of demand for materials and our supply of them, as well as poor recognition from the field sales force of what was available. We often had outdated material and were simply not forecasting well and not matching up what was needed with what we produced” she says.

Dan claims these inefficiencies and wastage of materials became the focus of their alignment process. “The primary reason we wanted to consolidate our supplier resources across the marketing supply chain was because we had identified that it needed some order. We were able to clean up our wastage, save some money and also provide better service to our sales field” she says.

Another innovation Dan has introduced is the increased electronic distribution of marketing materials, claiming it has allowed Abbott to better anticipate the needs of clients in a timely manner and has also reduced excess and waste, which she says “is also good news for sustainability, which is an area Abbot is always trying to make improvements in”.

On-demand technology has changed the way Abbott approaches the production of their marketing consumables. They still undertake pre-printing but now undertake smaller runs, utilizing the option
to produce material faster. Dan says this technology has also allowed them to create more customized sales material. "We don’t customize everything we send out, but we take advantage of the ability to match up specific sales people, institutions or clients with customized material. We have grown that practice in the last few years because it’s become more affordable and much easier to execute," she says.

Dan’s final challenge remains the outsourcing and decentralization of some elements of her marketing supply chain, explaining that this move often forces her to relinquish a certain amount of individual control. “There’s a great deal of autonomy that every internal brand manager had before creating and distributing materials and when we transitioned into this new system, there was the initial perception that there would be some loss of freedom of managing that process,” she says. However, she says this is an area of focus for the future.
Logan McDougal has a diverse background, starting as an academic pursuing a Ph.D. in economics and working as an investment banker. He later returned to business school and entered a six year consulting period in the consumer products industry, focusing on value creation. He joined Wrigley over five years ago in a business development position and since then, has undertaken a range of roles in the sales and operations space, currently running four groups for Wrigley in customer support, operational, insight organization and category management.

The time Logan McDougal commenced work with Wrigley in 2004 was a tumultuous one – there were numerous operational issues plaguing the company that they were looking to solve. McDougal says the company has come a long way since then, even recently introducing the rollout of a business management team corporate model, used by industry leaders like Kraft.

McDougal defines the marketing supply chain as a model that is “concept through to execution”, encompassing “the selection of a concept and the creation of a saleable item out of that concept – plus the planning, support, merchandising, execution, shipment and tracking of marketing consumables”.

He says that despite Wrigley’s previous challenges, the company has utilized a range of methods to streamline and align their marketing supply chain. “We’re like any other company, with the same tension between cost, flexibility and performance and the challenge of measuring variables against each other. But with strong systems in place, they are no longer the obstacles they used to be” he says.

McDougal says one of Wrigley’s best practices is the engagement of a small pool of external agencies. “We have agencies attached to groups of brands, so there’s certainly some synergies from the fact that we don’t have a differentiation of 12 different agencies for individual brands. We also have one agency relationship for media which gives us great buying power and a cost-effective spend” he says.

Interwoven with this policy is the minimal amount of outsourcing undertaken by Wrigley. McDougal claims the primary reason behind this is Wrigley’s dominance of the industry, being the largest gum producer and marketer of gum products in the world. “There’s no one else out there who we can outsource that production to who can do it more efficiently than we can do it ourselves” he says.

However, this approach seems to have room for movement as the industry shapes and grows. “There’s certainly a cultural bias towards wanting to do things in-house, but this has been changing a little as we’ve recognized that the cost of technology is increasing. Outsourcing could be a good way to test how those new technologies work without blowing your budget. But in a way, we’ve lagged behind the curve in terms of outsourcing, it’s still a very small percentage of our total production” he says.

Obsolescence remains an area of focus for Wrigley, with much of McDougal’s focus at the beginning of his career with the company concentrated on inventory management, reducing waste and improvements in efficiency. He says “We track our consumables very consciously – obviously our samples have a limited window of time and we also have marketing materials that can potentially
become obsolete. McDougal insists that proactive auditing and specific goals against performance are key components of tracking and reducing obsolescence rates.

McDougal highlights sustainability as an opportunity for the company, describing not only aspirational goals, but also financial results in terms of waste reduction. “Many companies look at it in terms of emissions, transportation or packaging perspective – I think we’ve broadened a little since then, so to us, it’s become about reduced waste through efficiency. We set goals for percentages of decreases, but it’s a mindset more than anything else”.

From the perspective of a marketing team who has taken leaps and bounds in the alignment of their marketing supply chain, McDougal has this final advice for senior-level marketers: “You need to look at the big picture, but also at the small picture so you can see what your goals are. Some marketers get bogged down in the aspiration and spend too much time in the mindset of reducing costs and percentages, finding that they have to fundamentally redesign their whole process. It’s great to have an overall aspiration, but within that, identify a number of different steps along the path. By doing that, it creates legitimate stepping stones to your goal”.
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BPM Forum™

The Business Performance Management (BPM) Forum is dedicated to advancing performance accountability, process improvement, operational visibility and compliance in global organizations. It provides support to thousands of senior executives and practitioners representing enterprises with more than $500 billion in combined annual revenues. The BPM Forum’s C-level members engage in research, thought leadership, and knowledge exchange programs around a variety of strategic issues and challenges. More information is available at: www.BPMForum.org.

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NVISION is a leading Marketing Supply Chain Specialist, an exclusive offering of North American Corporation. NVISION works with companies to simplify and organize tangled web of agencies, vendors and distributors – creating a customized Marketing Supply Chain Solution. Over the past five years, NVISION has saved over $42,000,000, an average of 20% in Marketing Supply Chain costs, for leading fortune 500 corporations. www.nvision-nac.com.