

Top 10 tips for a productive approach to procurement by creative agencies

1. Be clear about your value proposition

Why would your ideal client choose you over the competition? If you don't have a compelling answer to this question, or cannot identify your ideal client or the type of need or work where you can add most value, then you don't have a clear value proposition. This puts you in a vulnerable position when dealing with procurement.

If you are not qualified for the specific project, if you do not have appropriate expertise, cannot articulate the value added or cite a relevant track record, say 'no' and move on to a more productive activity for your business.

No one forces you to tender.

2. Be targeted

Market yourself to those companies and organisations where you can demonstrate track record, expertise, relevance and added value. Successful tenders and relationships with procurement take considerable time and effort and must be tailored at every stage. It pays to be selective. Without a clear value proposition it is hard to be selective.

Target your marketing so that you can develop understanding and build relationships outside of the tender process. Demonstrate thought-leadership to underline your specialism and expertise.

3. Be informed

Build bridges with the procurement departments of existing clients. Explain how you work. Find out what they are looking for and understand the challenges they face.

Offer seminars, open days and training for clients and procurement people. Explain the key drivers of your costs. This way you can work together to take out costs (not margin) and improve added value.

4. Have a tender tool-kit

Few tenders are the same or use the same format but they do often ask for the same information. Keep this information and the policies that are most frequently requested electronically and ready to compile to save time. You should answer the award criteria explicitly but if you find yourself describing your agency in a completely different way for different tenders it is unlikely that you have a clear and compelling value proposition. Many public authorities use Pre-Qualification Questionnaires. Having PQQ material on tap and tailoring it for each tender will save time and money. Revise your tool-kit regularly based on tender de-briefs.

5. Be prepared to negotiate

Procurement people are trained negotiators; you need to be their equal. Get a naturally good negotiator on your senior team trained in negotiation skills. Your negotiator should not be engaged in the creative. This will give your negotiator the objectivity to represent you effectively and listen to the point of view of procurement and client.

If you are delivering the same outcome and service then you should only be prepared to negotiate a few % points on the price. Generally, procurement is targeted to deliver 4-8% savings on total spend.

Until you push back or say 'no' procurement will assume you remain open to negotiation.

6. Be commercial

Lack of commercialism by creative agencies gives procurement huge leverage. Know your target profit and margin required to remain viable as a business. Understand the key drivers of your costs.

Procurement must be willing to let you make margin but equally they want to know exactly what their money buys. Feedback from procurement professionals suggests 12% net profit would be considered high and 4% would be considered low.

If you agree to deliver the same outcome for a much reduced price then procurement will assume your costs were inflated to begin with. Run your business on a commercial basis and make this explicit in your approach to tendering and budgeting.

7. Be open and transparent in budgets

Lack of transparency in budgets gives procurement huge leverage. Line by line transparent budget breakdowns based on time and expertise aid understanding of the drivers of costs. This gives you a sound basis to negotiate and enables you to work together by reducing costs (not margin) and improving added value.

You must be able to explain what is required for a project to be profitable and be able to make bench mark comparisons with other creative agencies.

8. Demonstrate effectiveness, measurement and ROI

Procurement departments appreciate KPI's, ROI, numbers and measurement. This is a hot topic. Procurement professionals are actively looking for new approaches to the evaluation and impact of creative agencies. As appropriate, develop your own models, processes and tools to build in effectiveness and measure results.

9. Keep the client involved

Don't let the client vanish from the discussion. Most misunderstandings with procurement arise because the creative agency is aware of failings in the specification and wary of the client's ability to respond and builds in extra time based on bitter past experience. Whereas for their part, procurement do not understand why a project should take so long. A three-way discussion on improvements in specification and approval processes can take out time and thus costs (not margin) without affecting the outcome. However, the client must be involved to make this approach viable. Most agencies underestimate the time taken on creative development, research and insight whereas this is potentially where they add most value.

10. Be prepared to walk away

You must be prepared to walk away from a pitch if it becomes unprofitable. If you feel procurement is being unreasonable explain this and stand your ground.

If you are negotiating with procurement the client is interested in what you have to offer. You do have leverage. Procurement rarely has the power alone to place or withdraw work. Reiterate your added value. However, you must be prepared to say 'no' and walk away.

This may mean you do less business but the business you do will be profitable.

Every Sense

Every Sense is a specialist business consultancy. We help creative companies – specifically digital media, film, video and live event agencies – to grow, prosper and achieve their potential.

Every Sense provides the Eventia-IVCA Member Support Service for Business Consultancy. Our consultancy work with numerous Eventia-IVCA members and Televisual Corporate Top 50 companies over the past 10 years has given us an in-depth understanding of the sector and its challenges.

Having run our own successful creative companies and seen them through the cycles of growth, acquisition and value realization, **Every Sense** understands the specific challenges faced by owners and managers of creative companies.

Drawing on exceptional insight into what makes creative agencies likely to succeed or fail, we provide objective analysis, direction-setting and practical, relevant solutions. Above all, we help create the clarity and focus to drive your business forward.

Digital media, film, video and live event agencies all face similar business challenges. These sectors are highly competitive, volatile, relationship-driven and people-dependent. If a creative company is to grow and prosper in a mature, overcrowded market-place, it needs to clarify what it is, where it wants to go and how it is going to get there. A clear sense of direction, a thought-through business plan and a team focussed on achieving the plan are vital for success.

If you want to improve performance, develop your service and brand, achieve growth, or realise the value of your company, then we can help.

We are happy to have initial conversations with no obligation and treat all client conversations in strictest confidence. Eventia-IVCA members receive a complementary one-hour session as part of their Eventia-IVCA membership and a discount on consultancy.

To clarify your thinking, or get an independent and knowledgeable perspective, call Peter Wrigglesworth or Angela Law on 01491 412094.

See the website for thought-leadership and useful free resources.