



MAXIMIZING THE VALUE OF PUBLIC SPENDING IN MARKETING

2013



INTRODUCTION



Government agencies and organizations are among the largest purchasers of marketing in the developed world. The processes for tendering however are often poorly understood and opaque. This develops barriers to entry particularly for SME agencies. Reduced levels of competition can mean that purchasers do not receive value for money and the exclusion of the best qualified parties to deliver campaigns. This white paper examines:

THE CURRENT APPROACH

The size of the market, the impact on industry, a high-level overview of developed nation's tendering processes

THE PERCEPTION

How agencies see the process and how they meet the challenges they face in this sector

THE RECOMMENDED APPROACH

Best practices for ensuring a fairer and wider process with a focus on diversity and value for money

THE OUTCOME

Case Studies of how best practice has been applied in key markets

METHODOLOGY



This paper was developed through interviewing senior marketing and agency leaders as it relates to working for and with Government clients. We spoke to 13 media and creative agencies as well as several government agencies. We also draw on our own experience in developing government sector competencies for evaluating and improving the marketing tender process.

This report is designed to help further improve the government tendering process in the creative sector and to provide a best practice framework to drive these improvements.

EXECUTIVE SUMMARY



GOVERNMENT MARKETING SPENDING IS ATTRACTIVE TO AGENCIES

Agencies want government business. Yet, they feel constrained in their ability to approach the tender process. The key drivers for agencies are interest, reputation, recognition, development, relationships and of course return on investment.

With government agencies globally spending up to 20% of their budgets on marketing activities there should be no shortage of reasons for creative agencies to get involved with the process.

However there are reasons beyond spending. There is a sense of national pride in working for a government business. Whether it is communicating for the defense organizations like army or navy to recruit candidates or promoting your country to the world, marketing for a government organization gives agencies an opportunity to develop work that is altruistic and fans patriotic passions.

BARRIERS TO ENTRY

Despite this many SMEs choose to stay outside of the process. There's a strong perception that the tendering process is unclear in many respects and offers no opportunity to learn for future tenders. The cost of participation then becomes too high to be sustainable and governments lose the ability to access the broadest range of creative talent.

DEVELOPING A VALUE DRIVEN TENDERING APPROACH

The key is to invest in developing value driven tendering approaches. This means a move away from viewing creative disciplines as commodities and towards an understanding of how these disciplines think, work and add value to a government organization.

This requires a shift in mindset of government marketers to think beyond the 'check list' requirements to make way for the 'creative magic'. There needs to be combination of science and art.

It means recognizing some of the inherent weaknesses in the current process and investing in training and mentoring for those conducting evaluations of bids. Most importantly, the processes need to be transparent and equitable to encourage local talents to mix it up with established multi-national agencies to offer the best fit for local needs and demands.

One of the simplest means of achieving this may be to partner with an established, experienced consultant that can guide the tender development process, provide benchmarks for fee structures, and clearly communicate both with the government entity and with agency partners.

DETAILED FINDINGS



GOVERNMENT SECTOR OVERVIEW

It is difficult to compare apples with apples when it comes to the total spend on advertising by governments. Each nation reports its spending differently and while there are often figures for central government, local government and government agency figures are often harder to obtain.





Fox News reports that in 2010 the United States' government spent at least \$945 million on advertising services. The Congressional Research Service which provided the figure reported; "It is unclear how much the executive branch, let alone the federal government as a whole spends on communications each year."

The United Kingdom allocated £285 million (\$450 million) for central government spending on marketing in 2012-2013 according to Cabinet Office figures released to the BBC. This figure does not include local authority spending or the investment in marketing from Quangos (Quasi-Non-Governmental Organizations) all of which is subject to the same purchasing rules as central government spending.

The EU (as a government entity) refuses to classify its' marketing spend separately in its accounts preferring to include it in the information and translation line items in its budgets. Thus no accurate figure can be deduced for its total investment but estimates of 1 billion Euro (\$1.4 billion) or more would not be unreasonable. This of course does not take into account the individual spending of each member state in addition to EU spending.

Developing nations lack the proper reporting structures to demonstrate their overall investment in advertising and marketing activities. The rise of China, India, Brazil, etc. ensures that their spending may soon be reaching equivalent levels to developed nations.

COMPARISON OF TENDERING PROCESSES

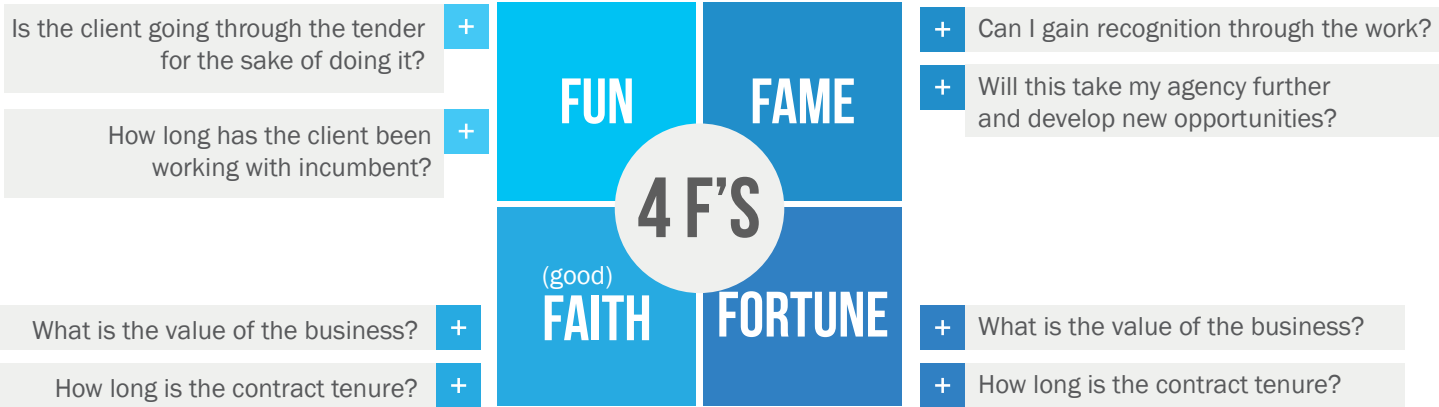
	USA	EU	UK	SINGAPORE
 CENTRAL SYSTEM	Multiple Electronic Systems Tenders over \$100 million face lengthy competitive processes	OJEU for tenders in excess of 130,000 Euro	GCN manages the communications roster of agencies involved with public work	Electronic system
 DECISION MAKERS	Opaque Process	Opaque Process	Board level for activities over £100,000 Departmental Communications directors	Opaque Process
 ADVANTAGES OF SYSTEM	Marketing partners are engaged on a retainer basis. Bid process runs every 4-5 years.	Provide detailed guidelines for advertising and transparency.	Centralized approach. Guidance provided to tender owner including evaluation criteria.	Some guidelines provided.
 DISADVANTAGES OF SYSTEM	State and Federal spending are divergent. Fragmented approach.	Lengthy process. Vague guidelines.	Central set up cost. Bureaucracy still present.	Vague guidelines. Opaque evaluation process. Lengthy process and delayed schedules.

Developing nations are also beginning to invest heavily in marketing. However, their processes tend to be far less transparent. When competitive tendering does occur, participants for the process may be selected in advance for their strong ties to government. Corruption may be a factor in the decision making process. Guidance is generally weak and evaluation completely opaque. These governments often fail to attract the right talent for their marketing and usually do not get value for money from their tendering arrangements.

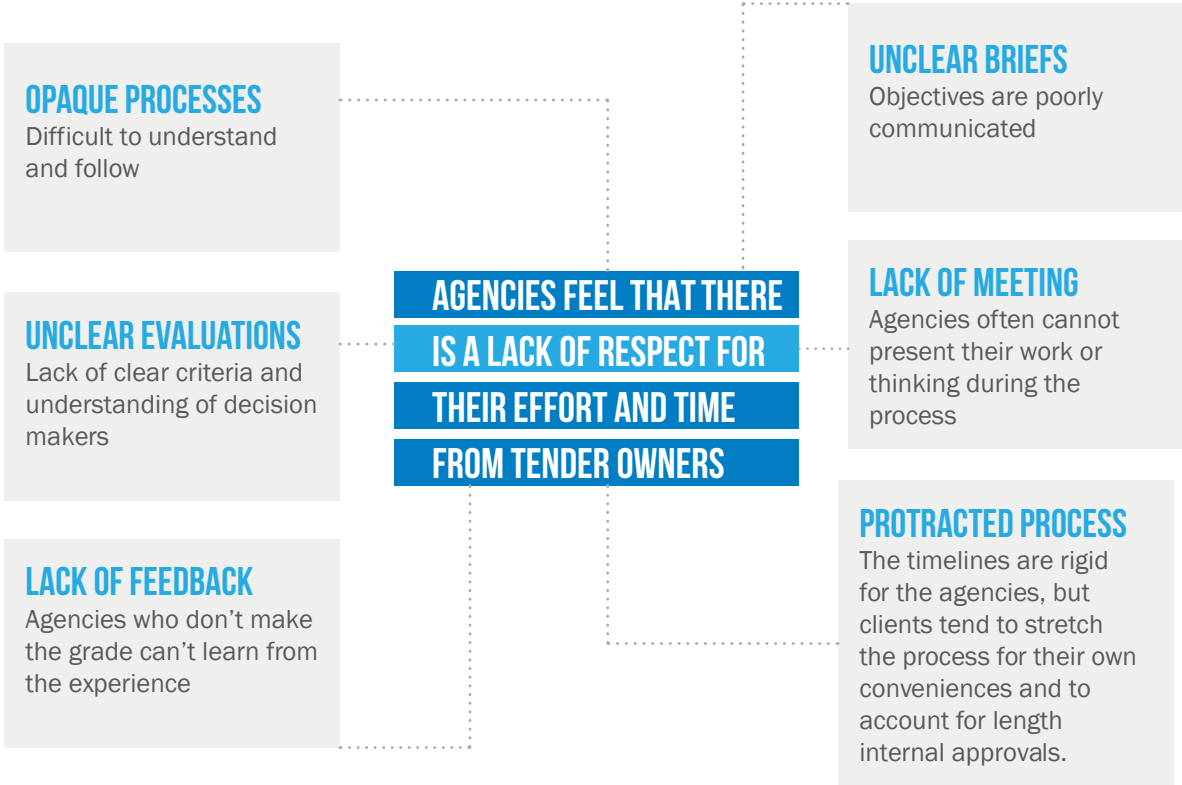
THE VIEWS OF AGENCIES

Agencies learn about government tenders in 3 ways; they either use the electronic portals provider or learn about tenders through their informal and professional networks with government agencies or they learn about specific tenders in the trade press.

When it comes to considering whether or not to participate in the process there are four key factors for agencies: Fun, Fame, (Good) Faith, and Fortune.



We've found that typically agencies around the world identify similar barriers when it comes to the tender process.



Agencies have told us that there are; “unclear selection criteria, unclear decision makers, limited access to those decision makers, rounds of re-presentations to new and more senior audiences, unclear budgets and thus unclear profit potentials. Our rule of thumb is that government accounts lose money in the first year. They only start to make money thereafter. However, most tenders are for limited period and then they must be re-pitched.”

They've also said; “What's most frustrating is that there is absolutely no feedback whatsoever. We put in weeks and weeks of effort and let's not forget money into the process. Then agencies have no idea of where their hard work sits in the pile until the selection or shortlist is announced.”

It's these frustrations that deter agencies from participating in the tender process. In particular, SMEs find that they cannot develop their offerings due to the lack of feedback and have to walk away from government tendering activities even when it is clear they can contribute.

Agencies identified four other major areas of concern; relationships with tender owners, the low level of marketing competency of some tender owners, the levels of bureaucracy coupled with lack of transparency and the low return on investment in the overall time and effort spent on the process.

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COMPETENCY IMPROVEMENT

INCREASED TRANSPARENCY

AN EXAMPLE ON EVALUATION CRITERIA THAT CAN GO IN A RFP

Evaluation Criterion	Percentage
PITCH CHALLENGE	40%
FEE	20%
CLIENT PROFILES CASE STUDIES	20%
AGENCY NETWORK	10%
TEAM DYNAMICS	10%

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INCREASED RETURN ON INVESTMENT

“Agencies don’t normally make money in the first year of a new win because of the time required to learn the business and get the relationship working. So we look for a minimum 2 year commitment and ideally 3 or more years.”

This is what agencies are looking for before they begin bidding on a tender. However, far too many government agencies try to conducting their marketing tenders on an annual basis. It puts off many agencies from joining the process and those that do often need to add additional financial costs to offset the risks of single year contracts.

In order to maximize the relationship for both parties; government agencies should be considering an increase in the length of commitment to 2 year (+2 year) contracts.

DILIGENT PROCESS & SCHEDULES

Even though all tenders would state the timeline from the onset, not many actually stick to it. On many occasion agencies are given tight turnaround times. This is not necessarily a bad thing, as it offers the client to gauge how the agencies perform in time sensitive situations. However it is unfair to the agencies when clients take longer than the scheduled time to make their evaluations and subsequent decisions. It gives agency the indication that there was leeway in the schedule which only the client benefited from.

Clients should set clear milestones and add in sufficient buffer for their interval reviews and potential delays. Thus the agencies will be aware from the onset on how long the process will take and when the final decision be reached.

IN ESSENCE

Advertising and marketing services should not be treated like a commodity. It’s a creative industry and the best work is derived from the passions and emotions of the people involved.

That’s not to say that creative strategic ideas can’t be measured tangibly, they can. However, the process requires rigorous discipline and experience. That’s a skillset that many government organizations have yet to develop.

It’s vital that face-time and proactive communication are given their weighting in developing a tendering process that allows agencies to communicate their strengths effectively and for government organizations to better outline their wants and needs.

In many instances government bodies are going to need to partner with an expert in tender management for creative agencies. This will allow them to receive impartial advice, improve the skills of their own talent and give those bidding, confidence in the overall process.

There needs to be a move from the ‘lowest common denominator’ approach that ticks most boxes by the most number of people, to an approach which enables appointing an agency that is most suited to the client’s needs. And can help clients leverage the best opportunities and thus have a partner in business growth.

BENCHMARKING & FEES

Finally, there is an opportunity to benchmark the process against similar processes and to develop fee structures which balance the risks of investment between the agency and the government entity. This means identifying and implementing the tools necessary to determine the value of an agency’s performance, an equitable reward structure which is adaptable in the right circumstances, which can be adequately administered and delivers results.

CASE STUDIES

R3 has worked with several government entities to help develop their tender processes.



SINGAPORE AIRLINES

Singapore Airlines have worked with the same supplier of marketing for over 35 years. They few years ago moved to an open tender with the intention of total transparency to see if their work could be handled more effectively. Given their long-established relationship they needed to bring in an independent body to help them develop their skills to bring the right results from the tender process. Together we developed an independent framework for the process that offered total neutrality to ensure transparency. Benchmarks and criteria were put in place that emphasized a mix of financial and non-financial targets. A communication strategy was adopted to ensure that senior management was completely aligned throughout the tender management process. External communication ensured that agencies received timely and consistent messages from the team. The industry responded enthusiastically; the tender was rated at the highest level by the agencies involved. Singapore Airlines were able to live up to their reputation for responsiveness in relationship management.

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EDB (ECONOMIC DEVELOPMENT BOARD) SINGAPORE

EDB saw that agencies are evolving to offer increasingly similar marketing solutions. They wanted to develop a tender process that allowed agencies from any discipline to respond to their needs for creative, media and digital services.

They turned to us to ensure that the participants in the process met their tender requirements. They wanted to ensure that they had regular meetings to develop “chemistry” with potential agency partners and to give them a better understanding of the talent and cultural fit of those partners. Then once the shortlisting process was completed they developed a highly specific scope of work, resource allocation schedule and fee structures.

The process allowed EDB to remain objective and use easily understood criteria to evaluate bids. They used competitive benchmarks to better develop fee structures. They asked us to manage all communication between EDB and the agencies to ensure fairness and transparency.

The result was that EDB Singapore was able to uncover daring local talent in a home-grown boutique agency that fully met their needs and objectives.

Further EDB appointed R3 as Agency Consultants to evaluate agency performance and monitor scope and fee tracking for the period of the contract demonstrating their commitment to the overall client-agency relationship,



SINGAPORE TOURISM BOARD

Singapore Tourism Board wanted to completely restructure its agency partnerships and the remuneration model in light of changes in their marketing objectives. They also wanted to ensure value for money in light of rising fees from their existing agencies.

They worked with us to redevelop their client-agency process model across 3 types of agencies- Creative, Media and Digital. Their tender documentation provided specific scope, dates, decision makers and evaluation criteria. All shortlisted partners were involved in the specification of final scope of work, resource allocation and fees.

Throughout the process they drove higher levels of transparency and a more aggressive margin range. They used us to serve as a single point of contact for total clarity and equality in communication with all agencies. All bids were reviewed fairly and consistently based on the criteria defined.

The returns were spectacular; the Singapore Tourism Board received a return on investment of more than 70 times the fees spent on managing the project. The process has also been replicated internationally.

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TOURISM AUSTRALIA

Tourism Australia (TA) initially contracted DDB Worldwide back in 2009 for 3 years. When it came to 2012 they threw the process open again with a clear tendering process. This process was so open that even the local commercial press could report on who had made it to the shortlist, when bids would be submitted, what the evaluation process would be and how that process would work.

TA spends nearly \$250 million annually on marketing and it was essential to get the best value for that investment. The final contract was awarded for a year but with two single year extension periods available if the work was successful.

The result? Despite strong competition from Clemenger BBDO and Droga 5 (with Ogilvy) TA decided to retain the services of DDB. DDB recently developed an online campaign for TA called; “There’s nothing like Australia.” The \$4 million production budget resulted in over 20 million views on the internet. TA say “it’s the most successful advert ever.”

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VISIT ENGLAND

Visit England followed a similar path when they were looking for creative agencies to partner with during the 2012 London Olympics. With a £4 million budget dedicated to boosting tourism during the games.

Despite M&C Saatchi handling the global campaign Visit England wanted to diversify their options. They held an open pre-selection process to result in a shortlist of 3 agencies.

The contract was awarded to Manchester’s Red C. The result? The United Kingdom saw over 4 million additional visitors and over £1 billion in tourist spending during 2012.

ABOUT US



R3 is a global, independent marketing consultancy whose aim is to improve the efficiency and effectiveness of marketers and their agencies. Founded in 2002 with its heart in Asia, the company has 10 years on the ground experience serving regional clients such as Samsung, VISA, Johnson & Johnson, BMW, Coca-Cola, VISA, Samsung, Fonterra and Singtel.



GOH SHU FEN

Principal and co-founder
SINGAPORE

Shu Fen has twenty years of sales, marketing and agency experience across blue chip brands like Coca-Cola, Unilever and BMW. She cut her teeth in advertising at Ogilvy working on the agencies' top FMCG clients. The entrepreneurial spirit in her could not resist joining start-up M&C Saatchi. As New Business Director, she was responsible for driving some of the agency's most high profile wins like Coca-Cola and SingTel. ShuFen cofounded R3 in 2002 and has led major global assignments for Singapore Airlines, Fonterra and VISA. Outside R3, she has been championing marketing innovation, effectiveness and exchange through the regional APPIES and in her capacity as vice president of the IAS.



GREG PAULL

Principal and co-founder
CHINA

Greg began his career in Australia and has lived and worked in Singapore, Hong Kong, London, New York and now China. He spent 20 years as a marketer and an advertising professional, most recently at Bates, Ogilvy and in several roles at Interpublic. 10 years ago, he founded R3, a specialist consultancy focused on improving marketing efficiency and effectiveness. At R3, Greg has led the group's expansion into China, as well as global assignments for JNJ, Coca-Cola and Remy Martin.



DAVID BEALS

CEO/President
USA

Dave has led R3:JLB for 10 years, providing counsel to a diverse group of clients including the U.S. Army, Walmart, Whirlpool, Cisco Systems, J&J, Welch's and Visa. He is the author of the Association of National Advertisers' triennial Trends in Agency Compensation surveys, and the latest ANA editions of Evaluating Agency Performance, Agency Compensation: A Guidebook on Selecting An Advertising Agency.





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