

# Marketer's Toolkit

## How Much Are You *Really* Spending On Marketing Collateral?



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- *More than half of the total spending associated with marketing collateral results not from design and printing costs, but from product obsolescence and from collateral management activities like procurement, fulfillment, and inventory management.*
  - *One key to gaining control of your marketing collateral spend is to make the “invisible” costs of collateral management activities visible. This article will show you how.*
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Prompted by growing demands from CEO's and CFO's for greater accountability, marketers have become very focused on improving the productivity of marketing. For several years, marketers have been working to improve the effectiveness of marketing campaigns and programs by using data analytics and personalization to more precisely target marketing campaigns and to make marketing messages more relevant and persuasive.

*Improving the effectiveness of marketing operations is a powerful way to stretch marketing dollars. The dollars saved by improving effectiveness can be used to fund other campaigns and programs.*

More recently, marketers have begun to focus on improving the efficiency of marketing operations. Marketing operations refers to all of the activities and processes that are required to perform the marketing function, such as coordinating the work of external marketing services firms and managing the procurement, production, and distribution of marketing collateral materials. Marketers now recognize that improving the efficiency of marketing operations is one powerful way to stretch marketing dollars. The equation is simple: The dollars saved by improving the efficiency of marketing operations can be used

# Marketer's Toolkit

to fund new or expanded campaigns and programs. So today, companies are putting operational activities and processes under close scrutiny, and they are looking for ways to make those activities more productive.

One area that offers huge opportunities for improvement in most companies is the procurement, production, storage, and distribution of marketing collateral documents and other marketing materials such as promotional items and point-of-sale displays. The potential for cost savings in this area is substantial because of the number of people and firms that request marketing materials and the number of unique marketing items that companies use.

For example, a company may have dozens of outside sales reps and hundreds of channel partners—dealers, wholesalers, distributors, etc.—all of whom make frequent requests for marketing collateral documents. That same company may use dozens of collateral documents. In these circumstances, it's easy to see that the company could be processing and fulfilling thousands of requests for marketing collateral documents every year.

*Over half of the total spending associated with marketing collateral documents and other marketing materials results from product obsolescence and from other collateral management activities.*

How much cost savings are possible by improving collateral management operations? Recent research has shown that over half of the total spending associated with marketing collateral documents, promotional items, and point-of-sale materials can result from product obsolescence and from activities such as procurement, storage, fulfillment, shipping, and inventory management. Given the size of the opportunity, why aren't all companies aggressively pursuing these cost savings?

The main reason is that many of the costs related to marketing collateral documents and other marketing materials are invisible to company managers. Most companies can easily identify what they're paying to outside suppliers such as marketing services firms, graphic designers, and printers for marketing materials. But, the same visibility doesn't exist for many other collateral-related costs.

Take, for example, product obsolescence. A recent survey by the Chief Marketing Officer (CMO) Council revealed that only 25.9 percent of survey respondents said they track the obsolescence of marketing collateral documents and other marketing consumables. ("Define Where to Streamline," CMO Council, 2009)

# Marketer's Toolkit

Other collateral management costs are invisible because they aren't treated separately for accounting purposes. For example, the labor costs associated with processing and fulfilling requests for marketing materials are often placed in broad general ledger accounts like "Wages and Salaries," "Payroll Taxes," and "Employee Health Insurance."

So, how can you determine how much you're really spending on marketing collateral documents and other marketing materials? To get an accurate picture of your real costs, you have to identify all of the collateral management activities your company performs and then assign costs to those activities.

Suppose, for example, that you want to estimate your annual labor cost of processing and fulfilling requests for marketing collateral documents. To develop this estimate, you'll need to pull together some basic information.

- The number of requests for collateral documents you process and fulfill on an annual basis
- The time required to process and fulfill an average request
- The average hourly labor cost of the employees who are involved in processing and fulfilling requests for collateral documents
- Square footage devoted to inventory storage

Now let's add some example numbers to illustrate how the process works.

- *Number of requests processed*—Suppose that your company has 150 outside salespeople and that, on average, each salesperson submits one request for collateral documents per week. This means that you are processing and fulfilling about 7,800 requests per year (150 requests per week X 52 weeks per year = 7,800 requests per year).
- *Average request processing time*—Assume that the average request requires 20 minutes to process and fulfill. This means that you are devoting about 2,600 hours per year to processing and fulfilling requests (20 minutes per request X 7,800 requests = 156,000 minutes per year) (156,000 minutes per year / 60 = 2,600 hours per year).

# Marketer's Toolkit

- *Hourly processing labor costs*– Suppose that the average base wages of the employees involved in processing and fulfilling collateral requests is \$45,000 per year. To get an accurate picture of total labor costs, you'll need to consider other labor-related costs such as payroll taxes and employee benefits. If these costs amount to 20 percent of base wages, then the “all-inclusive” labor costs would be \$54,000 per year ( $\$45,000 \times 1.2 = \$54,000$ ). Assuming that employees work 2,000 hours per year, the hourly labor cost would be \$27 ( $\$54,000 \text{ per year} / 2,000 \text{ hours per year} = \$27 \text{ per hour}$ ).
- *Annual request processing cost*– Using these example numbers, your total annual labor cost of processing and fulfilling requests for marketing collateral documents is \$70,200 ( $2,600 \text{ hours per year} \times \$27 \text{ per hour} = \$70,200$ ).

As this example shows, collateral management costs can be substantial. And, keep in mind that this example only covers one component of these costs. A comprehensive analysis of your marketing collateral supply chain would also look at product obsolescence, procurement management, shipping costs, as well as other factors. As noted earlier, over half of the total spending associated with marketing collateral documents can result from product obsolescence and other collateral management costs. Put another way, if you're spending \$250,000 per year with advertising agencies, graphic design firms, and printers for marketing collateral materials, it's likely that collateral management activities are adding another \$250,000 to your costs.

The good news is that there are effective ways to reduce your collateral management costs. A marketing collateral management system can automate the process of ordering, producing, and fulfilling requests for marketing materials and thus streamline your marketing collateral supply chain.

If you'd like to learn how marketing collateral management systems work and how they can benefit your company, contact

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