



**GUIDING PRINCIPLES OF BEST PRACTICE FOR SELECTING AND  
WORKING WITH COMMUNICATIONS CONSULTANCIES**  
**Based on a round table consultation meeting held on 6<sup>th</sup> March 2008**

***Foreword from Julia Cook, Chair of the Procurement Consultation Group:***

In the course of the annual HCA benchmarking programme, the procurement process was identified some years ago as a prime business-critical issue for healthcare communications consultancies and their industry partners. As such, questions relating to the procurement process have become a core inclusion in the benchmarking programme and indeed, in 2006/7, became the subject of a special focus as the topic moved up the agenda of importance.

The results and implications of the latter were addressed in a special report 'Consultancy or Commodity?' which was subsequently the focus for debate at a special HCA evening forum in November 2007. (Both the 'Consultancy or Commodity?' report and the proceedings of the forum can be downloaded from the HCA website - see Document Archive and Benchmarking 2006-7).

Increasingly the need for a truly collaborative, partnership approach to the procurement process has been identified and so the pivotal next step, as agreed by all parties involved in the discussion forum in November, was for the HCA to set up a special working party to help define and drive best practice with respect to the procurement process.

So, in March 2008 a roundtable consultation meeting was convened to agree the guiding principles of best practice. Representatives of all relevant parties were included – from consultancies, in-house marketing and communications plus procurement functions. The results of their discussions have been drawn up in this special White Paper report *Guiding Principles of Best Practice for Selecting and Working with Communications Consultancies*. We hope that all HCA members will find this document helpful in optimising the procurement process and, indeed, would welcome individual members' feedback at this important stage.

## **Overview**

The HCA has consulted representatives from in-house communications, marketing, procurement and consultancies at a meeting held on 6<sup>th</sup> March 2008. The aim was to build on the key topics identified in the HCA 'Consultancy or Commodity' document and debate (November 2007) and to start to identify some principles of best practice in the process for selecting and working with communications consultancies, with particular reference to the procurement process.

The following sentence was agreed as a summary of mutual objectives of the various parties:

**Appropriate use of the right consultancy for the right type of assignment at a reasonable price, providing best value for the client's budget whilst allowing the consultancy to make the necessary profit to support their business and deliver quality services, thereby developing a mutually-beneficial, sustainable relationship.**

Whilst it became clear that the needs of different companies and different situations means there can be no prescriptive set of 'rules' for the optimum procurement process, consensus was reached on six guiding principles that were considered to represent 'best practice' and that companies and consultancies should therefore be working together to follow.

These guiding principles are:

- 1. All relevant parties should be involved from the start and throughout the process***
- 2. Transparency is important, but within limits***
- 3. Pitches should only be conducted when absolutely necessary***
- 4. There should be a commitment to the longer term***
- 5. Procurement arrangements should look for the 'win:win'***
- 6. Companies and consultancies should work together to make savings by buying 'commodities' at the best price***

The rest of this report outlines the guiding principles in more detail and looks briefly at the next steps that the HCA will be taking to progress this important initiative.

## **Areas of consensus from the discussion – Guiding Principles**

### **1. All relevant parties should be involved from the start and throughout the process**

- Procurement should be involved right at the start – e.g. reviewing potential suppliers, helping to write the brief – and throughout the selection and ongoing review process
- All relevant parties (in-house communications/marketing, procurement and consultancy) should be involved in financial decisions, focusing together on the scope and what can realistically be done for the budget. This should not be done with procurement and the consultancy alone (i.e. financial responsibility not 'handed over' to procurement).

### **2. Transparency is important, but within limits**

- All parties should be transparent during discussions – for example consultancies need to be open about where time is spent and expenses incurred, whilst procurement should be transparent about any data sources cited during negotiations
- It is now the accepted norm not to add any mark-up on expenses such as travel and print, though of course agencies may charge a management fee for time spent organising such items. This removes any conflict of interest around sourcing the best value products and services
- Discussion of broad salary bands may be acceptable in some cases, but consultancies should not be asked to disclose specific details of individuals' remuneration packages. In a trusting relationship such questions should not be necessary
- Consultancies should not be asked to disclose their profit margins (in any case this may be share price sensitive and/or is not allowed to be discussed under holding company requirements).

### **3. Pitches should only be conducted when absolutely necessary**

- Companies should always ask whether there are good reasons for a pitch to take place. Procurement can play a role in challenging their communications /marketing colleagues. For example: 'Do you really need to pitch? Is there an existing agency that can be used?'
- Pitches represent a huge financial commitment both on the part of the consultancy (which ultimately the client pays for) and in terms of time spent by client company employees. If this time was measured and considered in financial terms (i.e. an hourly rate for the amount of time spent by pharma executives attending pitches and the cost of the learning curve for both parties) it may help companies to focus on whether a pitch is justified
- No more than 3 or 4 agencies should be involved in a pitch - procurement can play a role in helping narrow down the field earlier
- Looking to the longer term, when agencies are brought in to pitch, companies could think ahead – can the same consultancy be used for another area that's similar in requirements/in the same therapy area? This could reduce pitches in the future

- Another option could be the 'supercreds' presentation, where the consultancy talks through case studies of things they've done in similar areas, and top line thoughts on how they would approach the programme. The client gets the opportunity to see their thinking and the team in action
- Sometimes companies may want to invite consultancies to demonstrate their ideas, when there is no expectation of business being awarded. As it stands, this is unfair, but if it was transparent – with all parties understanding the basis, and a fee paid for the 'pitch' – then consultancies could make an informed choice about whether to participate.

#### **4. There should be a commitment to the longer term**

- Pharma companies can't realistically commit finances beyond a year, but a relationship based on trust goes beyond the budget year and means that the consultancy will do their best for the client despite this
- Currently there is a disproportionate amount of effort put into pitches. Agencies should be putting as much effort into each year's plan for existing business as they do into getting new business – and long-term commitment on both sides would encourage this
- An annual rolling contract was identified as the ideal arrangement in many cases - this means there is a check that the relationship is working and the outputs are being delivered, the client company does not have to be stuck with an agency appointed by their predecessors if they are not delivering and re-pitching should then only take place when there is a clear reason for it
- If companies put a value/cost on changing agency – i.e. the cost of the extra time on both sides to get up to speed – then what may look like a cost saving could actually represent an increase
- Long-term relationships can help to foster an atmosphere where open and honest discussions can take place – both in relation to any issues, concerns or even opportunities regarding the current programme - and on whether the consultancy is appropriate to be considered when a new piece of work comes up.

#### **5. Procurement arrangements should look for the 'win:win'**

- There was no consensus on a particular type of 'deal' that is best – this varies with each individual set of circumstances. For example arrangements that improve agency cash flow (e.g. shorter payment times/up front payments) may be more attractive to smaller consultancies than larger ones, an interesting one-off project with no commitment on either side beyond the short-term may be just as attractive as the promise of long-term business depending on the agency's situation and the fit with the team at the time. (However, the 2006-7 HCA Benchmarking Survey revealed that, in practice, volume-based discounts were still the most common type of arrangement)
- 'No-pitch discounts' is one area that's likely to attract a positive response from most consultancies

- Payment by results models may have the benefit of ensuring objectives are aligned between consultancy and client. But this can be difficult to manage, and to budget for, in practice. Any such arrangement has to work both ways – e.g. bonus for over-achievement as well as cut for under-achievement (or if not a fee cut then a review/termination of the contract)
- 'Cost-plus' and 'reverse auctions' were identified as 'no go' areas that do *not* help deliver a win-win solution\*

\*'**Cost plus**' = 'Bottom up' pricing based on breaking down actual costs of project without any mark-up (i.e. salaries, plus benefits plus offices costs etc.), then agreeing with the client an acceptable % profit to be added

'**Reverse auctions**' = an expression used to describe an online bidding process where suppliers compete to offer the lowest price.

## **6. Companies and consultancies should work together to make savings by buying 'commodities' at the best price**

- Pharmaceutical companies can often buy services (such as print, flights, hotels) at lower cost than the consultancy, so it makes sense if these aspects are 'carved off' from the services supplied by the consultancy
- On the other hand, some consultancies may be able to provide benefit for their clients by sourcing certain services more cheaply (and perhaps taking a share of the savings) or recommending where the client could source them
- Consultancies should be open with clients if they are worried that relinquishing control of certain aspects might compromise quality, so they can work together to manage any concerns
- Treating aspects of communications work as commodities (e.g. the French model of media houses to churn out press releases) may be acceptable in some cases - as long as everyone is clear on what they are paying for. But consultancies should not try to do both consultancy and commodity – with differential rates – or they will risk pressure to negotiate consultancy work down to commodity rates.

### **Next steps**

The working party also discussed *barriers* that could prevent these guiding principles being put into practice. Clearly the biggest barrier is a failure to put into practice the key principles outlined above – for example all three parties failing to work together or a lack of transparency. In addition, the following specific points were discussed:

- The fact that procurement are measured on how much money they save, not on how much value is delivered for the organisation
- Value is hard to measure, and to try and assess it requires a good understanding of exactly what is being delivered
- Inexperienced or changing brand teams may contribute to unnecessary pitches being conducted.

There are also potential opportunities for the HCA to work with other organisations to develop best practice initiatives.

*Specific next steps to be taken by the HCA to promote best practice, address the barriers and capitalise on the opportunities:*

- Communicate these principles of best practice to the membership
- Assess how current practice compares to these principles, through the HCA Benchmarking Survey
- Explore whether we can work with procurement to help drive a change in the way their performance is measured – i.e. to move away from just 'saving money'
- Look at how we can help to define the 'value' delivered by communications consultancies
- Explore potential alliances with other organisations – namely CIPS (Chartered Institute of Purchase & Supply), ISBA (Incorporated Society of British Advertisers), PRIME (the Pharmaceutical Marketing Training arm of the PM Society) – with whom there may be common issues and opportunities for joint training initiatives – e.g. for procurement and junior marketers.

**The HCA would like to thank the following people who contributed to the round table consultation in March 2008:**

Tony Bratt, Marketing Director, Nycomed

Ronan Carter, European Procurement Lead, Allergan

Emma Crozier, Director, Just:: Health PR

Colette Goldrick, External Affairs Director, Pfizer UK Ltd

Fiona Hall, Managing Director of European Operations, Chandler Chicco Companies

Sameena Mirza, Senior Communications Manager, Primary Care, AstraZeneca UK

Jennifer Roy, Senior Buyer, Novartis Pharmaceuticals UK Limited

Emma Sergeant, Group Managing Director UK Ogilvy Healthworld

Chris Venn, Marketing Manager, Pfizer

In addition, we would like to thank Sioban Shortt, Associate Director - Marketing EMEA, Bristol-Myers Squibb and Karen Winterhalter, Managing Director, Onyx Health Ltd, who spoke at the HCA discussion forum in November 2007, helping to stimulate further focus on this topic.

**HCA Benchmarking Sub-Committee:**

Chrissie Ashley, Ashley Communications

Aline Beresford, (independent market researcher)

Julia Cook, StepBack Healthcare (HCA DEPUTY CHAIR)

Fiona Hall, Chandler Chicco Companies

Angie Wiles, Virgo HEALTH PR

This document was created with Win2PDF available at <http://www.win2pdf.com>.  
The unregistered version of Win2PDF is for evaluation or non-commercial use only.  
This page will not be added after purchasing Win2PDF.