



HOW TO PROTECT YOUR BRAND IN THE AGE OF TRANSPARENCY: Practical Strategies for Marketing Procurement

By: Henrik Johansson



boundless™

© Boundless Network. All rights reserved.

ABSTRACT

The global trend of supply chain transparency is rapidly changing the landscape for marketing and procurement.

An increasingly transparent world in combination with the growing customer expectations and preferences for authentic brands, are creating both increased risk and unprecedented opportunity to add value for marketing procurement teams.

Marketing and procurement managers now have the unique opportunity to become leaders inside their organizations by creating a collaborative climate that drives sustainable innovation while reducing risk within their business.

This white paper will look closely at these potential risks and share frameworks that will empower marketing procurement to proactively respond to the trends in transparency and ensure that they are able to transform this potential risk into an opportunity.



boundless™

© Boundless Network. All rights reserved.

INTRODUCTION

The concept of supply chain transparency is rapidly evolving from an internal procurement initiative to gain visibility and control, to a global trend that is creating an inevitable and often uncomfortable transparent reality. In this new world, any company's supply chain can be exposed at any time, and both the probability and potential impact of negative exposure is increasing rapidly.

First and foremost, this reality is driven by the rapid global adoption of mobile and social technologies, multiplying the number of potential sources of supply chain information, and the reach of those sources growing exponentially.

Second, a generational shift is driving increasing consumer expectations on authentic and transparent brands, further raising the stakes and the potential negative impact of any incident.

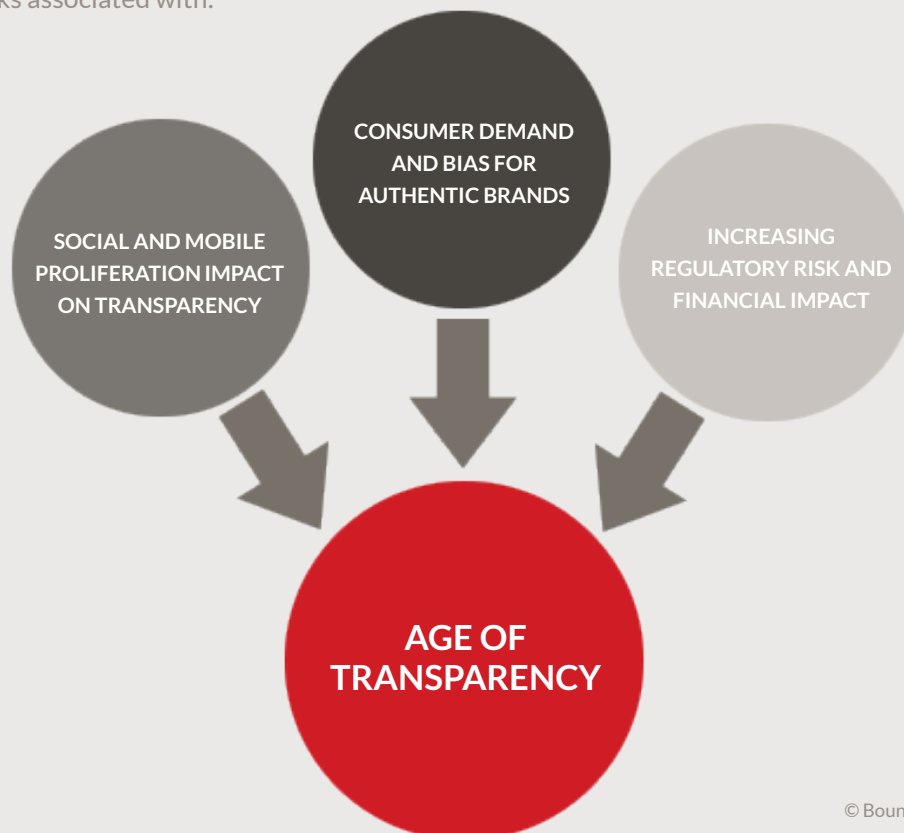
Third, increasing regulations and supply chain transparency demands from lawmakers add regulatory pressure and financial risk to the equation.

Dozens of Fortune 500 companies, including Apple, Nestlé, H&M, and McDonald's have recently experienced this first hand, suffering serious damage to brand perception from highly publicized supply chain scandals. However, the risk is not limited to the headline grabbing consumer brands. Every company must take steps to mitigate risk, both large and small.

Marketing procurement has an important role in helping their organization protect their brand by understanding and mitigating the inherent risks in the marketing supply chain.

TRENDS IN SUPPLY CHAIN TRANSPARENCY

There are three powerful global forces that branding, marketing and procurement professionals need to not only be aware of, but more importantly create plans to proactively address and manage the risks associated with:



© Boundless Network. All rights reserved.

SOCIAL AND MOBILE PROLIFERATION

On November 23rd, 2015, the world's largest food manufacturer, Nestlé, grabbed front page headlines by publicly disclosing that slave labor was being used to produce its seafood from its supply chain in Thailand. While the announcement was both shocking and surprising, the most interesting thing about the announcement was why Nestlé decided to make it in the first place.

It's safe to assume that Nestlé came forward to the public because they knew that it was only a matter of time before someone else did it for them. If they did not announce it themselves, they would lose the ability to control the message. The background story reveals that several reports from multiple sources outside of Nestlé had first highlighted the use of slave labor in Thai fishing operations, and it was only in 2014, after the mounting pressure that Nestlé decided to do something about it.

As in many of these cases, claims from individual workers and relatives were picked up by local nonprofits and watchdog organizations. Investigations were initiated and findings were publicized through online media and press outlets. Passionate activists also picked up the message and it was further magnified through social channels. The Nestlé example is just one out of many.

Today, social and mobile technologies are readily available to the world's population, even to factory workers in third-world countries. As a result, unethical supply chains are revealed and made public at increasing speeds. An issue can go from an individual worker complaint to a global social media storm in a matter of hours or days, not months or years. Every human being now has the authority to share their view of a brand, including sensitive information that could cause irreparable damage.

The marketing supply chain is not safe from scrutiny. While the majority of marketing procurement is for services or intangibles, there are still risks to be managed. It is not just unethical supply chains that pose a threat, any issue that is unveiled can damage a brand or expose brand discord.

Recent supply chain scandals that spread through social media and made brand damaging headlines include¹:

- Presidential candidate Donald Trump's campaign promotional caps with the message "Make America Great Again", being exposed as manufactured in China.
- Beyoncé's fashion line being exposed for using sweat shops to manufacture the clothes
- McDonald's recalled Happy Meal exercise wrist bands that caused a burn to some customers
- Fashion giant H&M being accused of systematically firing pregnant workers in factories
- Mars recalled M&M toy jewelry containing lead that was used in a promotion

Incidents like this can create backlash from customers, employees, and partners, and send conflicting messages about what the brand really represents. In the past, such discord may have existed without much exposure, but not in this new increasingly connected, social world. Brand image and perception can no longer be dictated from the CMO office, as it is changing continuously based on real-time conversations between customers, employees, media, and the general public.



MILLENNIAL DEMAND AND BIAS FOR AUTHENTIC & TRANSPARENT BRANDS

What makes this environment even more ripe with risk and opportunity is that the next generation of customers and employees care more about these issues than any of their predecessors. Both Millennials, the even larger Generation Z class consumers, and B2B buyers, care about the purpose of the companies they buy from and work for. As a result, they are naturally sharing their preferences and opinions through social channels. Over 50% of millennials say that they “are willing to share their brand preferences on social media or online”. More than 50% of younger millennials agree that “brands say something about who I am, my values and where I fit in”, and over half of all millennials agree that “people seek me out for my knowledge and opinions about brands”.²

In addition, Millennials have higher expectations of brands and expect a holistic, authentic experience across all interactions with a company, online and offline. They are attuned to inconsistencies and can spot a fraud in an instant. Research consistently shows that millennials are willing to spend more on products and services from companies who are committed to positive environmental and social change and a growing segment is willing to pay more for products from brands that share their values.³

Millennials also want to be good citizens of the world and believe that collective action can make a difference. They believe that working for a cause is an integral part of life and are drawn to global issues. Instead of making one-off charitable donations, they’re more likely to integrate their causes into daily life by working for, and buying products from, sustainable brands that they trust.

This generational shift significantly increases the stakes for brands, and as a result for marketing procurement. The majority of older consumers would care less about a negative supply chain discovery and only 1 in 4 would share their opinion on the issue online. Compare that to a young millennial who is twice as likely to have an opinion on the matter and express that opinion on social media. Multiply that with the number of other millennials in their network, that likely share their views or are at least influenced by them, and you have an order of magnitude larger impact on the brand compared to the “old world”. Finally, multiply that with the reach of all their collective networks, and you may have to deal with an issue going viral.



REGULATORY IMPACT

In addition to the increased probability and impact of any compromising supply chain discovery, there are also potential legal and financial consequences due to a growing body of national and state regulations. These regulations are generally focused on physical goods sold or distributed to the general public. In the eyes of the law, that includes anyone that comes in contact with one of your promotions, i.e. every prospect, customer, event participant, employee, and whoever they may share it with.

There are three things to be aware of as a buyer of any tangible goods used in the marketing supply chain, whether they're promotional products, branded merchandise, consumer products, gifts, rewards, or incentives:

- The supplier of the product is legally responsible, but the brand represented may still be exposed
- Different laws apply for giveaways versus reselling the product
- In California, any individual can bring suit for a violation, and there are people doing it for a living



There are many laws and regulations that apply, but in particular every marketing procurement manager should be aware of the following three:

The Consumer Product and Safety Improvement Act (CPSIA)⁴ is a US law that puts the responsibility of product safety and compliance on the supplier of the product. So, in the event of an incident that results in a product recall or a lawsuit, the vendor that sold you the goods is ultimately responsible. That being said, if you purchased goods directly from a vendor online, or if you are working with a local mom-and-pop store down the street, your ability to hold that vendor accountable for any issue is likely very limited. If you can hold your vendor financially accountable, odds are that you will still never be fully compensated for the brand damage caused by the incident.

Often, branded merchandise is purchased for resale in company stores or retail businesses. When that is the case, **the California Transparency in Supply Chains Act⁵** may apply to you, whether your business is located in California or not. The Act requires large retailers and manufacturers doing business in California to disclose what they are doing to ensure that their supply chains are free from slave labor and human trafficking. Any product purchased from a vendor and resold to the public will be subject to the same disclosure requirements. Currently this law only applies to companies with over \$100 million in sales, however, that is likely to change in the years to come to include progressively smaller companies.

Finally, and maybe the most difficult to manage to, is the **California Proposition 65⁶**. Originally passed as “The Safe Drinking Water and Toxic Enforcement Act”, it is now most often referenced to as Prop-65. It is a “right to know” law that creates a right for consumers to be informed before being exposed to any chemicals known to cause cancer or other harm. This law is particularly challenging in a couple of ways: First, any amount of such a chemical, even in small doses that are unlikely to be harmful if the product is used as intended, requires disclosure. Secondly, any individual can file action against an alleged violator



boundless™

© Boundless Network. All rights reserved.

in a state court. This structure has created incentives for individuals and law firms to actively search for possible violations and file lawsuits, even if there has been no injury or harm. The reality is that most businesses decide to settle rather than to risk public exposure, and expend the effort and money to fight the issue in court.

In fact, it was a California attorney using a XRF-gun (a portable technology device that identifies the chemical make-up of any product using an X-Ray beam), that a few years back detected small levels of cadmium in McDonald's Happy Meal drinking glasses featuring characters from the movie Shrek. This led to a very large and costly recall of 12 million glasses nationwide . McDonald's still took action even though the levels of chemicals found were not considered harmful to humans, and despite the fact that they were in compliance with all state and federal laws.



In conclusion, the regulatory landscape is constantly changing, and it varies from state to state, by product category, and intended use case. Marketing procurement teams should ensure that they have a general knowledge of the issues at hand, to understand potential exposure and ensure internal compliance working only with trusted partners with deep expertise in the area.

SOLUTION

So how do you respond to these global and unstoppable trends? What can you do as a marketing procurement manager to mitigate risk and help protect and promote your brand the right way?

Direct procurement has always spent considerable effort managing supply chain risk, as any disruption in the direct supply chain will have a direct impact on that company's ability to service customers and generate revenues. In marketing, risk management has historically been less of a priority, but recent research shows that as marketing procurement organizations mature, they place a greater focus on risk mitigation than younger practices. In fact, the same report identified Risk Mitigation as the second highest ideal priority to marketing procurement executives, only behind *Improve Marketing ROI*.

Risk management is an area where procurement can add substantial value to their marketing organization, who may not be as well versed in risk management.

Let's explore three best practices for marketing procurement to use to proactively respond to current supply chain transparency trends:

1. Consider risk as a key variable when prioritizing resources
2. Make transparency a key variable in the supplier selection process
3. Ensure transparency is maintained for the duration of the supplier relationship



boundless™

© Boundless Network. All rights reserved.

1. Consider Risk when allocating resources - Identify, Quantify and Prioritize Areas of Risk

There are many definitions of risk based on the application and situational context, but a useful and generally accepted definition of Risk in the supply chain is the product of Probability and Consequence:

$$\text{Risk} = \text{Probability} \times \text{Consequence}$$

Thus the categories with the largest spend may not be the most important when it comes to risk management.

For the purpose of this white paper, we are focusing on a definition of risk as potential exposure to the chance of damage or loss. Accordingly, as an example, we are not defining a failure in maximizing marketing ROI as a risk.

With many competing priorities, it is often difficult for marketing procurement to properly allocate resources. To use total spend per category as the only prioritization criteria, without considering risk, is woefully inadequate. Every organization should assess potential impact/consequence and probability to determine risk for each spend category, and adopt a more nuanced approach to prioritization.

Promotional products is one of the few marketing categories that manifests itself into physical products, which creates a unique set of risks and opportunities that must be managed. While it is rarely the largest category of marketing spend, these types of marketing materials are highly visible, widely distributed, and have staying power long after their distribution. The recipients can be anyone from employees, customers, to the general public, so it is critical that there are processes in place to ensure the brand is always represented properly and is only on safe and compliant products.

In addition to the laws and regulations covered in the prior section, there are a large number of product category specific and state specific laws that can apply to a promotional product, and may change based on the intended use and recipient. These laws and regulations are continuously evolving so it is unreasonable to expect any buyer of promotional products to keep track of all of them.

We recommend that category buyers leverage existing tools to help them identify, quantify, and prioritize areas of risk. By simply answering a few questions about the intended use of a promotional product and the intended target audience, they can identify which laws and regulations apply in the various states of the country. Armed with that information buyers can verify that vendors have done their homework to guarantee that the product is safe, compliant, and responsibly sourced.

To see a tool that follows this recommendation: [click here](#).

2. Make transparency a key variable in the supplier selection process - Tailor your supplier selection process by category and risk profile

Standardization is essential to drive efficiency and consistency in the supplier selection processes, and this is an area where procurement has deep expertise and can add significant value. However, sometimes standardized procurement processes can be taken too far, especially in a complex category of spend like marketing. Here, cost is just one part of the equation and the ROI on Marketing spend is often a better measurement, however it is also more complex to measure.

A digital agency managing online advertising obviously requires a different skill set than a branded merchandise agency managing fulfillment of physical goods and the sourcing of products overseas. So, while some parts of the process can be consistent across the board, it is equally important to recognize differences between spend categories and to customize the supplier selection criteria and process to ensure they reflect the unique requirements and risks of each category.

Just as progressive procurement professionals recognize that total spend should not be the sole determinant of where focus is directed, they also recognize that cost cannot be the only criteria applied to select a vendor. Ability to drive impact, spur innovation, and manage risk are critical variables in the marketing vendor selection, and generally these things don't come free.

For example, the online ad agency that delivers the lowest cost traffic or cost per click may not be reaching your target audiences. How do you know that your ads are not showing up on sites that you would never want to associate your brand with? There are discount brokers in every category of spend, and it is imperative to ask the right questions to weed out the bad seeds in the supplier selection process.

In the area of promotional products, the suppliers and manufacturers that apply strict compliance and testing protocols, are not likely to be the least expensive. You will almost always be able to find a similar product at a lower price somewhere, but you will get what you pay for. Is it worth putting your brand's reputation in jeopardy because you didn't verify where the product came from just to save a few bucks?

In addition to asking the right question, procurement managers must establish an objective criteria for how to properly evaluate the answers. Without such a criteria, any answer that is well crafted and seems reasonable may be given a passing grade, without verifying that the supplier can actually back up stated claims.

Best-in-class organizations use a "trust but verify"⁸ approach, and we recommend formalizing that approach into a two-step process:

1. Customize the supplier questionnaire to reflect the unique requirements and risks of each category
2. Establish a specific verification criteria for key questions that are critical to risk mitigation

Category specific questions should cover both the potential upside and downside. For example, how success will be measured as well as the risks identified in the prior section. Ask suppliers to provide specifics on how they plan to achieve stated goals, and help mitigate identified risks.

Verification criteria for each critical question should include specifics on how the response will be evaluated, including what type of documentation that is expected, what level of transparency that is desired, how references will be checked, etc.

As you enter into your next RFP consider using a template with this two-step framework, defining both supplier questions and verification criteria. By making sure your RFP template is specific to the category, and knowing what responses you are looking for, you will get the information you need to properly assess candidates.

To see what a guide like this would include, [click here](#).

3. Ensure transparency is maintained throughout the relationship – Implement a vendor management process that manages risks over time

Once the vendor selection process is completed, many procurement managers quickly transition the relationship to the marketing owners and become much less involved. While a transition obviously is required, the marketing procurement manager must ensure that proper knowledge transfer happens. They also need to maintain sufficient involvement to ensure that risk mitigation strategies and transparency levels determined and verified in the supplier selection process are actually maintained post selection and implementation.

One of the most important factors in ensuring a successful transition and ongoing relationship is to have a very clear and well documented definition of success up front. This may seem obvious, however in our experience it is often not given the appropriate level of focus, thus resulting in a lack of clarity for both procurement and the vendor. Particularly in a category as difficult to manage as promotional products, in which historical spending may not be well tracked or managed. Both parties may enter into the relationship with the best intention, but miss the mark just because they are not aligned on how success should be defined and measured.

Best-in-class organizations leverage three key tactics to address this:

1. A thorough Discovery and Implementation process
2. Clearly defined and measurable Program Success Metrics
3. A well-defined Program Management Process to continuously review and refine plans to achieve program objectives

The **Discovery and Implementation Process** is critical to uncover the needs of the organization to ensure that the solution that is built meets the needs of all stakeholders. In a category like promotional products where often every department, division, and location have authorized buyers, it is critical to understand the needs of each buying group up front to ensure buyer adoption post-implementation.

Success metrics should ideally be documented at the beginning of the RFP process, included in the RFP, and specified in the supplier agreement. However, when the Discovery process is done correctly it often uncovers new needs and requirements which may lead to additional success metrics to include. The process of defining these goals forces marketing and procurement to ensure there is a common internal agreement on what is most important to the organization in the specific category of spend; what value that is expected, and how to objectively measure if it is actually achieved.



boundless™

© Boundless Network. All rights reserved.

Once the success metrics have been defined, a **program management process** must be implemented to ensure the recurring review and assessment of progress towards those metrics. Different metrics merit review at different intervals. In the promotional products industry, weekly metrics reporting, monthly progress reports with executive sponsors, and quarterly in-person business reviews are recommended.

To ensure that transparency goals are maintained through the duration of the program, the goals should be part of the overall success metrics. Keeping transparency goals front and center, next to goals for cost savings and spend under management, will ensure that they are not forgotten or neglected with increased risk as a result.

[Click here](#) for a guide on how to define and measure success metrics after you implement your process.



boundless™

© Boundless Network. All rights reserved.

CONCLUSION

Procurement and Marketing professionals are under increasing pressure from customers, employees, and partners to ensure that 100% of their suppliers are fully transparent, produce products that are safe, and are made from compliant materials and production methods. By leveraging the frameworks from this white paper, marketing and procurement can better target, qualify, and manage supplier partners that can drive value and innovation, while also protecting the brands and careers of all stakeholders.

If you wish to hear more about the frameworks discussed in this paper or to receive tools that supplement these frameworks, please contact: transparency@boundlessnetwork.com.

ABOUT THE AUTHOR

Henrik Johansson is the CEO & Co-Founder of Boundless. A serial entrepreneur, Henrik's quest is innovation through technology-enabled services. At Boundless, he has spearheaded innovation in marketing spend management through the development of the Boundless Brand Portal which to date has five approved patents. Most recently, the team has evolved the Boundless platform to enable the industry's first fully-transparent supply chain at the product level. Prior to Boundless, Henrik served as the President of Everydaywealth, an online financial services company, and was also the Founder and President of Creditland, an online credit and lending marketplace. Prior to entrepreneurship, Henrik was a management consultant with Andersen Consulting in the U.S. and abroad.

ABOUT BOUNDLESS

Boundless is the first promotional marketing company to bring together the people, process, and a unique technology platform to drive results with visibility and control for enterprises. Our platform empowers buyers to browse, share ideas, talk with experts, and order the way they want. It helps procurement and marketing manage spend and maintain the brand, and gives leadership visibility and input into the entire process. Boundless prides itself in being a leader in product safety, compliance, and sustainability while offering complete transparency at the product level to enterprise level customers. Headquartered in Austin, Texas, Boundless has locations throughout North America and works with over 10,000 buyers representing upwards of 3,000 companies.

For more information, visit www.boundlessnetwork.com.



boundless™

© Boundless Network. All rights reserved.

¹**Advertising Specialty Institute, Lead Forces M&M's Jewelry Recall,**

<https://www.asicentral.com/news/newsletters/promogram/august-2016/lead-forces-mms-jewelry-recall/>
(21 September 2016).

The Washington Post, How Many Trump Products Were Made Overseas?,

<https://www.washingtonpost.com/news/fact-checker/wp/2016/08/26/how-many-trump-products-were-made-overseas-heres-the-complete-list/>
(21 September 2016).

CNN, McDonald's recalls Happy Meal Fitness Trackers After Burns,

<http://www.cnn.com/2016/08/23/health/mcdonalds-recalls-step-it-fitness-tracker-skin-irritation-burns/>
(21 September 2016).

Promo Marketing, H&M Fired Factory Workers for Getting Pregnant,

<http://magazine.promomarketing.com/article/hm-factory-workers-fired-for-getting-pregnant/>
(21 September 2016).

CNN Money, Beyoncé's Fashion Line Fights Sweatshops Accusations,

<http://money.cnn.com/2016/05/17/news/beyonce-ivy-park-sweatshop-accusation/>
(21 September 2016).

²**The Boston Consulting Group (BCG), How Millennials Are Changing the Face of Marketing Forever,**

https://www.bcgperspectives.com/content/articles/marketing_center_consumer_customer_insight_how_millennials_changing_marketing_forever/?chapter=3
(23 September 2016).

³**Nielsen, Green Generation: Millennials Say Sustainability is a Shopping Priority,**

<http://www.nielsen.com/us/en/insights/news/2015/green-generation-millennials-say-sustainability-is-a-shopping-priority.html>
(29 August 2016).

⁴<http://www.cpsc.gov/en/Regulations-Laws--Standards/Statutes/>

The-Consumer-Product-Safety-Improvement-Act/

⁵<http://www.state.gov/documents/organization/164934.pdf>

⁶<http://oehha.ca.gov/proposition-65/law/proposition-65-law-and-regulations>

⁷**NPR, McDonald's Recall of Shrek Glasses Started With Tipster,**

<http://www.npr.org/sections/health-shots/2010/06/04/127474049/mcdonald-s-recall-of-shrek-cups-started-with-tipster>
(18 July 2016).

⁸**Association of National Advertisers, Media Transparency: Prescriptions, Principles, and Processes for Marketers,**

<https://www.ana.net/content/show/id/industry-initiative-recommendations-overview>
(25 September 2016).



boundless™

© Boundless Network. All rights reserved.