P&G’s BAL Model

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For Audio Program, Call: (916) 233-3088
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Procter & Gamble Speakers

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Good Afternoon

To get started:
• I would like to understand the audience and interact as we go along
• When you see this picture – 😴

it will require an audience response
Do you work for an agency employed by:
(Select only one)

a. P&G
b. Other consumer packaged goods co.
c. Other
d. Don’t work for an agency
Question

Do you know what BAL stands for? (Select only one)

a. Yes
b. No
c. Yes, I work on a BAL Team
P&G’s BAL Model

Creating an Integrated Agency Team
Procter & Gamble

Procter & Gamble

The “Ivory” is a Laundry Soap, with all the fine qualities of choice Toilet Soap, and is 90 4/100 per cent pure.

Ladies will find this Soap especially adapted for washing laces, infants’ clothing, silk hose, cleaning gloves, and all articles of fine texture and delicate color, and for the varied uses about the house that daily arise, requiring the use of soap that is above the ordinary in quality.

For the Bath, Toilet, or Nursery it is preferred to most of the Soaps sold for toilet use, being purer and much more pleasant and effective and possessing all the desirable properties of the finest unadulterated White Castile Soap. The Ivory Soap will “Float.”

The cakes are so shaped that they may be used entire for general purposes or divided with a stout thread (as illustrated) into two perfectly formed cakes, of convenient size for toilet use.

The price, compared to the quality and size of the cakes, makes it the cheapest Soap for everybody for every want. Try it.

SOLD EVERYWHERE.
$500M to $1 Billion
Pringles has over 2.6 million friends.
What’s the next big idea?
It began 3 years ago…
Partnership

Finance, Purchases, Marketing and our Agencies

Common vision
continually improve
holistic brand building
The Case for Change

Barriers to holistic communications

- Inconsistent approach
- Little master planning done *across* agencies
- Each silo undertakes own plan
- Non-advertising agencies rarely involved in concept development
- Advertising compensation model (ANR) restricts flow of spend to other agencies
Question

How many agencies do you think P&G works with (all types)? (Select only one)

a. 500
b. 1,500
c. 2,500
d. 3,500
The Case for Change

**System hard to manage**

- Absence of Master Planning
  - Frequent “add ons”
  - Poor global coordination

- Too many “one-off” relationships
  - 2500+ agencies, 3000 Pay Points
  - Thousands of fee contracts

- High touch model
  - Different P&G person for every agency
The Case for Change

Operational inefficiencies

- Decentralized agency sourcing minimizes P&G ability to drive scale
- Agency duplication
  - Account planning/mgmt and creative
  - Overlapping capabilities
- Several organizations manage comp resulting in multiple approaches and systems
Question

How much do you think P&G spends each year in agency fees? (Select only one)

a. $100,000,000
b. $250,000,000
c. $1,000,000,000
d. $2,000,000,000
The Case for Change

Need to improve spending efficiencies

- Spending a lot – $1B in agency fees
- Turn non-working dollars into working dollars (maximize ROI)
- Build long term value add relationships with Agency partners
The Evolution of Thinking

External Survey
- LPK
- Carat
- Wieden + Kennedy
- Arnold
- Publicis Groupe
- IDEO
- Anomaly
- Omnicom
- ACME
- Draft
- Quigley-Simpson
- WPP

Industry Survey
- Feb ’08
- ANA
- AAAA
- WFA
- Ron Baker
- Tim Williams

Summits
- Aug ‘07, Sept ‘07
Exploring Options (16:3:1)

Agency Value Contribution → Rate Based → Brand Agency Leader
Model Parameters

1. Degree of Unification
2. Structure of Relationship
3. Selection
4. Degree of Flexibility
5. Evaluation
Examples

1. Degree of Unification

SINGLE  Budget  MULTIPLE
Examples

2 Structure of Relationship

- Payment Form
  - CASH + OPTIONS
  - ONLY CASH

- Basis for Compensation
  - COST/MARGIN
  - VALUE

- Terms of Relationship
  - SHORT TERM
  - LONG TERM
Examples

3 Degree of Flexibility

How Fast To Shift Funds

SLOWLY  QUICKLY

Flexibility On Metric Selection

COST/MARGIN  VALUE
Brand Agency Leader Model
Strategy and Execution before BAL

Multiple competing messages
Strategy after BAL

- Master Plan
- Brief for each initiative (on Master Plan)
The Benefit of One

BAL simplifies and enables more holistic brand building.

One cohesive message
One check
One brief

P&G Decision Maker

One cohesive message
P&G’s BAL Model

Cindy Deihl

BBSS
Question

What does BBSS stand for? (Select one)

a. Buy Big Strategic Stuff
b. Brand Building Strategic Sourcing
c. Big Bad Sourcing Staff
Who is the BAL?

Brand Agency Leader
• A person and an agency
• Leads an integrated agency team

Responsibilities
• Manages the work of each member agency
• Is accountable for team performance
• Agrees on a single global fee
• Owns partner agencies compensation
## Key Aspects of the BAL Model

<table>
<thead>
<tr>
<th>Brand Agency Leader</th>
<th>P&amp;G Decision Maker</th>
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<tbody>
<tr>
<td>BAL coordinates all agency partner efforts</td>
<td>Approves BAL agency, partners and final creative</td>
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<td>Bigger “seat at the table” for all agencies</td>
<td>Commits long-term to keep top talent</td>
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<td>Greater flexibility to shift spending</td>
<td>Rewards all agencies on brand revenue</td>
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<td>Compensation varies with sales, shares and evaluation</td>
<td>No annual negotiations</td>
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Value-Based Compensation

• +/- 10% range

• Can increase or decrease based on P&G and Agency performance

• Driven by 3 factors
  - Sales 50%
  - Share 25%
  - Evaluation 25%
How will this impact the Agencies?

✓ BAL creates new career opportunities within the Agency community.

✓ BAL enables our brands to more fully leverage the core capabilities of ALL agency partners.

✓ BAL enables Agencies to think differently about how to resource a business.
Benefits

- Holistic communication
- Reduced time and touches
- More efficient spending
- Value based compensation
Some results
Some results

Sales
Volume
Share
Testimonials

Chip Bergh
Group President, Global Personal Care
Testimonials
Panel Discussion
Procter & Gamble Speakers

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Jane Wagner
S&S – BAL - IAMS
Panel

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