

# Transparency

The one issue  
you can't ignore!



# Growing concern

**The issue of transparency** has become a growing concern amongst Advertisers for many years and has now reached boiling point with million-dollar settlements between Media Agencies and Advertisers such as Procter & Gamble, leading the way by formulating the challenges.

*Here's what you need to know:*

## Background

Although the lack of transparency has always been a challenge in the media industry, it accelerated when Advertisers on a large scale in the mid-2000's started using procurement driven approaches to evaluate Media Agencies. This approach has led to much lower fees and media prices which have now reached rock-bottom according to many experts. So, in short, Advertisers are paying less for services and the cost of media is lower than ever. Meanwhile, Media Agencies and their Holding Companies are showing higher profit-margins than ever. That's a paradox that needs some explaining!

## Evolution

In order to meet lower fees, while delivering on often guaranteed media costs, Media Agencies have as expected, explored new revenue streams. One strategy is negotiated volume deals with media groups resulting in various payouts and free space given to the Media Agency, their Holding Company and any affiliated companies. The payments are made locally, regionally as well as globally, and the free space is often handled by Media Agency trading desks. Another new revenue stream is Programmatic, where the Media Agency, by using technology, offers digital media buys that claim to be more

effective than traditional digital buys. Programmatic buys are associated with additional fees for Advertisers, such as technology and data fees. These new revenue streams have two things in common; The first being lack of transparency and the second being Media Agencies acting as 'Principals' instead of 'Agents'. This makes it difficult for Advertisers to understand what they are paying for, to assess if it is reasonable and if the Media Agency has another agenda than the Advertiser.

## Agency vs Principal

Most Advertiser-Media Agency contracts are based on a Client-Agent clause where the Media Agency is acting as an 'Agent', meaning that it buys media directly on behalf of the Advertiser and are usually remunerated via a commission based fee. In theory, an 'Agent' relationship means that the Media Agency should work for their client's best interest.

When Media Agencies offer (either directly or via other companies within or without their business group) Programmatic buys and Trading Desk deals, they are leaving their 'Agent' role and act as 'Principals'. Simplified one could say they act as a media vendor rather than a consultant. The Advertiser-Agency contracts are rarely adjusted to accommodate these new business practices in a manner that secures transparency. Whilst the 'Agent' part of the contract is possible to achieve with full transparency, the Principal part is trickier, often with supply chains that are surprisingly long. The worst examples within Programmatic buys show that less than 20% of what the Advertiser pay is actual media cost, the other 80% being cost and fees for middlemen in the supply chain!

# The Fix

**The world's no. 1 advertiser** Procter & Gamble's (P&G) Chief Brand Officer Mark Pritchard is on a crusade regarding this issue. Talking at the ANA conference in Orlando this spring, he declared he wants to clean up the media supply chain and is demanding full transparency from P&G's agencies and other suppliers. By re-writing its contracts, P&G aims at achieving full transparency within the financial stream, meaning that

all parts of the media supply chain must reveal their costs. P&G also secures that it owns all data related to it, and its campaigns.

P&G wants to 'take our industry back' and is setting new standards that the agencies have a tough time to not to agree on - which should pave the way for all other Advertisers. So, how does this impact your agency relationships? Well, that is entirely up to you.

*Here's what you should do to shed light on your media supply chain:*

- 1. Identify** all areas in your contract that don't have full transparency.
- 2. Re-negotiate** (or go out in a pitch) your contracts to ensure full transparency, develop a separate agreement that covers when the agency might be acting as a Principal (i.e. Trading desk deals and Programmatic buys).
- 3. Include a clause** in the Contract that clearly states your agreed share of AVBs, free space and other bonuses.
- 4. Secure ownership** and control of all your data (ad-server, DSP, third party verification etc.).
- 5. Ensure full transactional Audit rights** (including on an agency holding company level).
- 6. Monitor and benchmark** your media performance with clearly defined Cost and Quality KPIs.
- 7. Perform annual Financial Audits** to secure contract compliance.

**Or let ECI Media Management** be your partner and guide through the transparency jungle.

Always keep in mind that you don't get what you deserve, you get what you negotiate!

# About ECI

The digital landscape is changing; your media management strategy needs to change with it. But change can be a force for good: ECI, the market's fastest growing global media management company, can help you make your media budget generate higher value, harnessing these changes.

Ours is a new breed of media auditing and performance management company. We are leading the charge when it comes to sophisticated media benchmarking services, delivering higher value, and making a media-led impact. Our approach to digital media is forensic and fact based, and we make use of world-class talent and proprietary technology to maximize your firm's digital impact.

Today's dynamic and fast-paced media landscape requires data-driven decision making, global experience and a firm grasp of innovative technologies.

ECI offers all of these things, and more, from media auditing to KPI setting and management, and pitch consulting.

We operate across the Americas, Europe and Asia. Our clients are some of the world's largest advertisers, and our network of owned offices and leading affiliates support them through high level media intelligence and rigorous benchmarking. Ultimately, we provide the in-sight, experience, and savvy that assists our clients in making sure that their advertising expenditure and agency relationships generate higher value.

## CONTACTS

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