



WFA advice on  
**obtaining transparency**  
and **return of media income**

In association with:  
**Anteus Consulting Ltd**





# WFA advice on **obtaining transparency** and **return of media income**



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# WFA advice on **obtaining transparency** and **return of media income**



## 1. ABOUT THIS DOCUMENT

This document provides background and guidance on how media agencies receive income from media vendors, in part but not exclusively generated by client expenditure.

The intention is to provide an introduction into what the sources of income are, and examples of the types of clauses that could be included in contracts to ensure the return of monies to clients.

This document is intended as advice only and not a definitive guide. Rather, this document provides general, high-level guidance to assist WFA members when unilaterally taking decisions concerning their negotiations with media agencies and individually drafting their contracts with media agencies.

It is recommended to seek legal advice or the services of an independent consultant for individual guidance and consultancy. Contact Simon Pardon, Anteus Consulting, WFA or your local national advertiser association.

This document was created following a WFA MEDIAFORUM meeting, where members decided there was a need for more information on the topic of return of media income. This working group represents the national advertiser associations and multi-national advertisers in WFA membership; which combined account for approximately 90% of global advertising spend. See more at [www.wfanet.org](http://www.wfanet.org).

## 2. THE ADVERTISER'S CONTRACT

### 2.1

Each contract will (and must) be individual to the advertiser and the media agency concerned. The precise wording of that contract specifies the obligations of the Media Agency. There are some common aspects and the following section is intended to provide a checklist of key transaction types from which agencies derive revenue. It is advisable that the contract is specific about the nature of each of these and the contractual requirements required of the media agency if it obtains revenues from any of these sources.

### 2.2

Building on item 10.3 of the WFA's Media Charter, advertisers should ensure that their contract(s) cover both 'Transparency' & 'Proportionate Return of Media Income' (PROMI).

- 2.2.1 Transparency implies that all transactions involving payments from media vendors are declared - even if some of those transactions are agreed to be fair and retainable by the media agency.
- 2.2.2 PROMI relates to the actual return of payments and the agreed methods of calculating the sums due, the key dates and the allowable deductions (if any).

### 2.3

It is important to ensure that contracts cover all elements of a 'group company' and also all types of value transferred from media vendors to the agency – not just cash payments.

### 2.4

Each of the sources listed below could be specified in detail in the Master Services Agreement and there are some issues around the treatment required under PROMI that are individual to the source.

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## 3. THE CONTRACT CHECKLIST

At the time of writing we counted 21 transaction types from which agencies derive revenue.

This checklist is intended to provide an introduction and broad definition only, so as to assist WFA members when taking decisions concerning their negotiations with agencies and individually drafting contracts.

For a more detailed definition and individual consultancy into how to ensure adequate contract cover, get in touch with Simon Pardon, Anteus Consulting (simon.pardon@anteus.co.uk) or WFA.

This is an ever-evolving area - WFA will aim to update this list on a frequent basis.



Transaction	Definition
<input checked="" type="checkbox"/> Rebates	Volume discount or compensation awarded to media agencies by media owners for placing media buys with them. Also known as “Agency Volume Bonus” (AVB) or Sur-Commission
<input checked="" type="checkbox"/> Split rebate pools	Differential pools whereby rebate levels vary according to the client(s)
<input checked="" type="checkbox"/> Free inventory	Space, time, impressions awarded free of charge by media owners to agencies as a reward for volume commitments
<input checked="" type="checkbox"/> Direct debit fees	Discounts awarded to agencies for payment of media invoices via direct debit arrangements
<input checked="" type="checkbox"/> Credit risk fees	Fees charged to the media vendors by the Agency in order to mitigate (in whole or in part) against the cost of obtaining adequate credit risk insurance
<input checked="" type="checkbox"/> Information fees	Fees paid by the vendors to agencies for information costs – either as a commission or fixed fee based
<input checked="" type="checkbox"/> Consultancy services	Charges for such services beyond an acceptable arm’s length value
<input checked="" type="checkbox"/> Process charges	Charges applied by the Agencies to the vendors in return for any invoice and sales order processing activities
<input checked="" type="checkbox"/> Underwriting fees	Fees paid to cover a contingent liability that the Agency has accepted in relation to any underwritten spend level
<input checked="" type="checkbox"/> Service Level Agreements	Payments from media vendors relating to services that the agency has agreed to provide to the vendor that are perceived to be extended from and additional to normal agency services
<input checked="" type="checkbox"/> Technology charges	Charges levied other than at net cost for the provision of external technology based costs
<input checked="" type="checkbox"/> Data charges	Income received from vendors in return for data provision or data provided and charged to client at other than net cost
<input checked="" type="checkbox"/> Deal debt buy back	The repurchase by a vendor of aggregated inventory deal debt at full or partial cost
<input checked="" type="checkbox"/> Sale of goods	Agency contracting to sell goods to a vendor other than at an arm’s length price

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<input checked="" type="checkbox"/> Research provision	Agency contracting to sell research services to a vendor other than at an arm's length price
<input checked="" type="checkbox"/> Enhanced planning & buying commissions	Agency contracting to provide media planning & buying services other than at an arm's length price
<input checked="" type="checkbox"/> Private inventory sales	Onward sale of media inventory acquired from media vendors by the Agency with no specific end user, at discounted prices
<input checked="" type="checkbox"/> Media credits / Unbilled media	Media agreed to purchase where the vendor fails to invoice correctly in whole or in part
<input checked="" type="checkbox"/> Early payment discounts	Standard and/or negotiated discounts for payment in advance of usual payment date(s)
<input checked="" type="checkbox"/> Barter	Income or goods or trade credits or value in lieu received by the Agency from vendors or barter specialists
<input checked="" type="checkbox"/> Sponsorships	Vendor sponsorship value whereby the vendor has sponsored agency activities

## 4. **CONTRACT MONITORING**

### 4.1

Monitoring projected returns on a quarterly basis is advisable, as this permits timely investigation of any concerns.

### 4.2

Ideally, income return data should be supplied by media channel (eg. TV, OOH, Press, Digital) to enable comparison with expectations, based on the advertiser's spend allocation by media. It is usual for there to be significant variation in the percentages due under PROMI by media channel and each individual advertiser can therefore expect an individual total return.

## 5. **CONTRACT FULFILLMENT**

### 5.1

The contact needs to be extremely precise about the obligations that are agreed with the media agency regarding a formal sign off procedure.

### 5.2

The media agency should provide formal warranties for each active market (including regional or global divisions), in respect of both Transparency and PROMI. For contract fulfillment, these warranties should be signed by representatives from the local agency as well as the international media agency or holding company as relevant.

### 5.3

In addition to the guidance outlined in WFA's Guide to Choosing and Using a Media Auditor, audit rights should be agreed that permit adequate examination of vendor contracts and agency income in order to verify that the warranted returns are accurate. This area is particularly contentious with media agencies and requires careful contractual negotiation.





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