



Media Transparency RFP

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Overview

Over the past five years, technology and innovation have transformed the face of marketing and media management. For marketers, the advantages have been substantial. The advancement of digital media has expanded capabilities for video, display, social, mobile, and real-time ads. Traditional media in print, radio, and television have become increasingly “digitized,” leading to greater degrees of media efficiency, expanded reach, and enhanced targeting. Production for all media has been overhauled in many sectors, advancing in speed-to-market, innovation, and intelligence.

During this period, the role of the agency has also appeared to evolve. Challenged to innovate, stay relevant, and reduce the industry’s reliance on television advertising, media agencies in particular have begun to respond. Agency trading desks emerged, and during the past two years, programmatic buying has flourished.

What has seemingly remained the same, however, is the agency call for marketers to reverse the tide of reduced fees and extended terms, apparently engineered by procurement units. Profit pressures have been experienced by holding companies and independents alike, and experiments with newer forms of incentive compensation have been actively pursued.

The Transparency Issue

About three years ago, an ANA board member asked what the ANA knew about the emergence of “rebates” in the U.S. While the ANA knew that rebates were a common media agency business practice in Europe, and in Brazil among many other countries, most U.S. marketers were unfamiliar with them. An ANA member survey at that time indicated a wide swath of marketers had either never heard of rebates or did not know rebates were a part of their companies’ media buying process.

Following the survey, the ANA developed a white paper in conjunction with ANA General Counsel Reed Smith to explain rebates in more detail.

In early 2014, the ANA and Forrester teamed up to explore “transparency” more broadly via an ANA member survey. Results indicated growing concerns about transparency across a variety of business practices, summarized below.

Media Transparency

How concerned are you about the following issues in regards to transparency between you, as the client, and your media agencies?

[On a scale from 1 (not concerned) to 10 (very concerned)]

■ Rating 8–10



Source: March 2014, “ANA/Forrester Research Evolution of the Media Buying Industry” survey

Following that study, the ANA’s Media Leadership Committee agreed to form a special working group — the ANA Media Transparency Task Force — to delve more deeply into this matter. Agreeing to focus on rebates first, the task force began its work and enlisted the help

of several consultants, including former MediaCom CEO Jon Mandel, Ebiquity/Firm Decisions, Glue2020, and Cortex Media. Their preliminary findings appeared to reinforce that rebates and “questionable agency behavior” were concerning to marketers.

The Tipping Point

At the ANA's 2015 Media Leadership Conference, Jon Mandel made a presentation that outlined an array of concerning agency business practices, including rebates and their lack of disclosure to the clients. Since Mr. Mandel was known to have an "insider's" perspective and extensive contacts, connections, and proximity to the issue, his words were viewed by many as credible, and ignited an extended discussion. Mr. Mandel's claims were underscored by an *Ad Age* feature story, "Kickbacks — Yes. They're Real."

As a result of heightened industry awareness of this issue, the ANA and its board of directors elevated media transparency to become one of its top priorities. Two key initiatives will be to conduct an independent third-party assessment of the industry (the purpose of this RFP) and to co-lead (with the 4A's) a high-level task force of senior marketing and agency executives. The latter initiative is focused on developing industry codes of conduct and improved media contract processes.

The Challenge and the Goals

It is apparent that there is a wide disparity in the opinions throughout the industry. The lack of a common perspective runs the risk of suboptimal client/agency relationships and challenged business processes throughout the ecosystem. It is the ANA's belief that the industry requires an independent, objective, third-party individual/organization to:

- **Demystify the landscape.** While there are many opinions about what is or what is not happening, a clarifying perspective is critical to establish an appropriate foundation for solutions and longer-term quality business practices. An objective third-party should conduct its own investigative analysis — interviewing marketers, agencies, publishers, vendors, and other players to develop a fundamental understanding that can be shared with the industry at large. This should not be confined to just rebates/agency volume bonuses; rather, it should examine the broad landscape that covers inventory selection and management, barter, arbitrage, "dark pools," agency trading desks, and global inventory management/swaps.

- **Understand the role of holding companies and their levels of engagement.** In tandem with the work of the ANA Media Transparency Task Force, many knowledgeable individuals alluded to the substantial role of holding companies and their contribution to the current debate. Some suggested that holding companies are the foundational component of the media transparency issue. With global resources, extraordinary process complexity, and many subsidiary organizations to support them (agency trading desks, barter organizations, global scale, cross-country inventory management organizations, etc.), holding companies would appear to have the assets and resources to perpetuate transparency issues. However, on repeated occasions, the leaders of holding companies have denied involvement and have been emphatic that their organizations conduct business openly and with integrity. Furthermore, they point to the depth of audit procedures that reinforce their ability to optimize transparency to clients/marketers. This is a significant conflict that underpins the issue and requires clarification. That perception gap should be bridged and the role of holding companies better understood.
- **Understand if media plans are being compromised.** There is a hypothesis that a lack of transparency could potentially result in suboptimal media recommendations, which would not be in the best interests of a client's business.
- **Develop practical solutions and best-practice behaviors that serve as industry standards.** Such an approach will provide guidance as to what marketers and agencies should expect from each other and ensure that there is total transparency so that a marketer's investment can be fully understood and tracked. A client should have a clear understanding of the total compensation an agency secures from its media investment. These standards should be rigorously adhered to and vigilantly reinforced. It is important to note that the third-party organization would be expected to provide useful input to the joint 4A's/ANA working group and contribute to (a) the development of a code of conduct for clients, agencies, and other related marketing organizations and (b) the improvement of media buying contracts between clients and agencies.
- **Determine where marketers' behavior may be "pushing the limits."** Let's look at the total ecosystem. Marketers should come under the same level of scrutiny that is being suggested for the agency business system. Are marketers squeezing the agencies so hard that agencies have had to resort to less transparent behavior? This requires an objective viewpoint for greater understanding.

The Objectives of the Study

Investigate. Identify truth. Set the record straight. Let there be no misunderstandings. Dig deep with agencies, marketers, media, suppliers, and vendors, as much is not understood about what is taking place throughout the ecosystem. Conduct this analysis without bias. Demonstrate objectivity and integrity throughout to ensure that the study is beyond reproach.

Recommend:

- Better business practices for agencies, marketers, media, suppliers, and vendors
- Suggestions for how marketers and agencies can optimize confidence and trust. Audits in and of themselves are insufficient, as current business practices are too deep to be audited.
- A “code of conduct” for the industry
- Principles for effective, high-quality contracts

In order to identify and act on credible solutions, a deep and broad analysis of agency and advertiser structures is recommended.

- The structure of agencies, agency holding companies, creative material companies, multicultural subsidiaries, and other subsidiaries (shell or operating), both locally and globally, are very complex. The interrelationships between those companies and how they are used corporately and how those companies operate in their macro relationships with media, data, technology, and production entities need to be examined.
- The structures of the various advertiser functions and how those functions interact with their agency counterparts should be analyzed.
- This examination should cover all aspects, including legal, financial, dependencies, and others as appropriate.
- The primary focus is on the U.S., but it is recognized that nontransparent activity in the U.S. may also have foundations/connectivity in the global marketplace.

Timetable/Process

If there is an interest in participating, please advise the ANA no later than close of business on Friday, July 10. Please submit a response no longer than two pages stating why you are interested, your credentials, and any potential conflicts.

Your final proposal deliverables (see below) are due no later than close of business on Friday, July 24.

All final proposals will be reviewed and a short list of candidates will be invited to in-person meetings.

The ANA should be advised of any potential conflicts of interest, and how such conflicts will be managed.

Contacts at the ANA are:

- Bill Duggan, Group EVP (bduggan@ana.net)
- Marni Gordon, SVP (mgordon@ana.net)

RFP Deliverables

- Description of how the study’s objectives will be completed
- Resources expected to be used to complete the study
- Expected costs
- Timetable for completion

June 17, 2015

Resources

ANA Media Transparency Compendium of Press Coverage www.ana.net/getfile/22543

Media Buying’s Evolution Challenges Marketers (ANA and Forrester Research, 2014) www.ana.net/getfile/21894

WFA Advice on Obtaining Transparency and Return of Media Income (WFA and Anteus Consulting Ltd, 2013) www.ana.net/getfile/21280

Media Rebates/Incentives Require Full Transparency (ANA and Reed Smith, 2012) www.ana.net/getfile/17793

Accountability and Transparency in Media Today: An Ebiqity Guide www.ana.net/getfile/22488