
ANA Media Buying Template / Governance Framework

JULY 2018



ANA Media Buying Template Version 2.0 Accomplishes Three Commercial Goals:

Establish Unambiguous “Chain of Custody” Authorized Approvals for Each Media Purchase

- Establish explicit & inclusive I/O’s for traditional, programmatic /digital
- Establish explicit penalties and deny payment for anything not in the I/O
- Deny any agency invoice without media third-party invoice
- Eliminate “Unbilled Media” by application of points a., b., c. above

Re-establish Media Price Transparency for both Net Price & Gross Price

- Strengthen “Chain of Custody” Pricing for Traditional Media
- Create a “Chain of Custody” Pricing for Programmatic and Other Digital

Secure and Recover proportionate share of all forms of AVB’s

- Strengthen “Chain of Custody” Audit Rights & Documentation Requirements
- Extend and Strengthen Audit Rights - Agency Holding Co and Media Owners

Situation Analysis

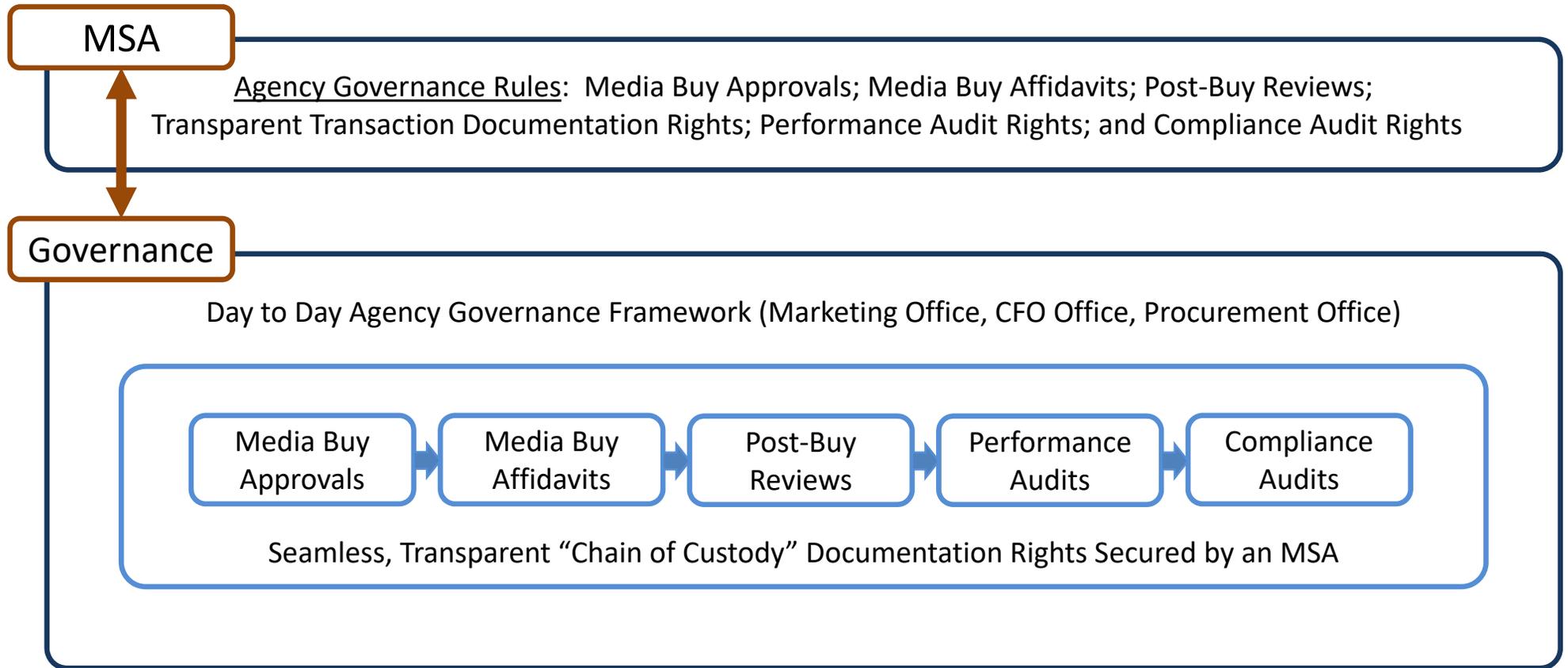
A review of agency practices documented through numerous compliance audits reveals a number of financial and business process risks that are common across multiple agency holding companies:

1. Ambiguity and gaps in client review and approval documentation – associated risks: unsanctioned media buys, when in fact the client had been unaware and had not actually approved the buys.
2. Agency avoidance of existing MSA defined transparency requirements and contractual terms of agency remuneration particularly through agency programmatic buying practices – associated risks: undisclosed agency / holding company profit-taking.
3. Agency avoidance and denial of MSA defined client audits rights – associated risks: loss of client media investment, undisclosed agency profit-taking, loss of client's proportionate share of AVB's and related.

A new Template alone cannot remedy these systemic financial and business process risks.

Advertisers will also need guidance on how to update and improve their existing financial controls, agency oversight procedures and internal corporate governance.

Solution – Integrated MSA / Governance Framework



Agency Audit Process



Agency Audit Process

Purpose and Perspective

- Call attention to the non-transparent media industry and agency practices that may nullify today's best-practice audit processes.
- Call attention to the difficulties facing advertisers to fully overhaul the MSA, internal audit process and related agency management practices to address the current media and agency practices.
- Call attention to the difficulties facing the audit profession, processes and technologies to evolve rapidly to address the current media agency practices.
- Propose an over-arching framework with MSA and audit process remedies that can be implemented through a more explicit and more inclusive MSA/audit process.

What follows are not criticisms nor recriminations, these are collective realizations brought into focus in part by the K2 Report and other ANA works, but also brought into focus by the agencies continued intransigence and indifference to the audit process and to audit findings.

Situation Analysis – Agency Audit Process

Non-transparent media industry and agency practices that nullify today's best-practice audit process

In the last decade a non-transparent digital media delivery infrastructure has grown almost entirely without advertiser understanding and audit oversight. There were no “broadcast licenses” granted to the players, and there was little to no regulatory oversight or involvement.

Results:

- Non-transparent pricing to both advertisers and to content publishers.
- Non-transparent profit-taking by agencies, ATD's and other media intermediaries.
- Rampant distrust through continued denials, delays and disguises by agencies.
- Simultaneous rise of non-transparent “inventory media” practices by agencies, ATD's and media companies.

Situation Analysis – Agency Audit Process

Difficulties facing the audit profession to evolve rapidly to meet the changes in media industry and agency practices

Today's audit process remains anchored to the traditional, analogue media industry and agency practice of the 1990's.

Reasons:

- Intense price competition among audit firms for a relatively static client revenue pool and resulting commoditization of the audit process to protect thin margins.
- Lack of professional expertise to grasp the increasing risk caused by changes in media and agency practices.
- Inability to confirm valid v. invalid media purchase - fake ads, fake clicks, fake installs, fake new members.
- Inability to apply data/analytics technologies and techniques to improve the audit process, sample base, efficiencies and outcomes.

Situation Analysis – Agency Audit Process

Difficulties facing advertisers to overhaul the MSA, internal audit process and related agency management practices

Advertisers have been blindsided by the agencies abandonment of fiduciary responsibilities and have faced difficulties in regaining control of their media investment post K2 Report.

Reasons:

- Agency's delay in initiating needed reforms in media transparency and accountability.
- Agency's refusal to take responsibility to protect advertiser from fraudulent media purchases.
- Lack of professional expertise to grasp the increasing risk caused by changes in media and agency practices.
- Inability to confirm valid v. invalid media purchases - fake ads, fake clicks, fake installs, fake new members.
- Internal, compartmental approach to managing agencies.
- Out-of-date MSAs.
- Out-of-date internal audit processes.

Agency Audit Process

Over-arching Framework with MSA and Audit Process Remedies

Three Connected Principles

Agency Audit Process

1. Over-arching Audit Framework based on an Audit “Chain of Custody” within the MSA and with matching Audit Rights

For the audit process to perform as intended, it’s imperative that advertisers establish an end-to-end transaction audit “chain of custody” based on data and documentation that confirms:

- a) Net price advertiser pays per media placement = the net price the media owner receives for that media placement.
- b) The difference between advertiser gross price and advertiser net price is based on previously approved, fully disclosed and documented agency fees, tech fees, DSP fees etc. where they may apply.
- c) No mark-ups occur between media agencies and affiliated companies, ATD’s and/or any other third-parties.

To carry out real-time, net price monitoring, fraud detection, financial risk avoidance, and downstream audit verification:

- a) For all digital placements, advertiser and agency should implement an IO with transparent documentation of net pricing, traffic source, and with a zero fraud guarantee. Agency should make good on any fraudulent traffic cited in real-time and in subsequent audit process if necessary.
- b) Agency must furnish complete, unadulterated source data and net price documentation for every digital ad placement within twenty-four hours. For RTB programmatic media placements, complete winning bid log files must also be provided to advertiser within two weeks of campaign completion as well.

This level of transparency is currently available if the advertiser goes in-house with digital ad buys, so why should an advertiser place it’s investment at a non-transparent risk as a condition for agreeing to work with an agency?

As with non-digital media, advertiser payments should be withheld in whole or in part until all necessary documentation including digital ad source data, RTB log files have been received. Fraud-free verification should be carried out by a third-party firm under advertiser supervision.

Agency Audit Process

2. Over-arching Audit Framework based on a “Pre-Audit Checklist” with matching Audit Rights

With ever-increasing frequency, agencies are using tactics to delay or limit an audit upfront in pre-audit preparation, or even during an audit in progress, by stating, “we never agreed to provide that data” or “we don’t receive that data” or “we have no contracts with affiliates, third-parties or with the media companies”

This agency recalcitrance may be cured by including a “Pre-audit Checklist” (not part of the formal MSA) which explicitly defines the audit process and defines the specific detailed data, documents, ledgers and third-party invoices required of agency, affiliates, ATD, agency holding company and media vendors.

Agencies know what advertisers require so advertisers are not asking for something new or something that does not already exist.

A “Pre-Audit Checklist” connects with and reinforces the first over-arching audit framework principles included in a pre-audit checklist that should be developed with the auditor as part of the notice of audit.

Agency Audit Process

3. Over-arching Audit Framework based on a “Fraud Protection Guarantee” with matching audit rights. While broadly addressed in the MSA, advertisers may want to consider more robust treatment in connection with audits and governance.

Our starting point is simple . . . if the advertiser goes in-house with digital ad buys, fraud protection becomes a visible and mandatory due diligence in every buying decision. If “in house”, Advertisers will screen and monitor every traffic source in real-time, and advertisers would not buy fraud traffic to offset shortfalls in reaching their campaign KPI’s.

So why should an advertiser place it’s investment at a non-transparent risk as a condition for agreeing to work with an agency?

Actors in the ecosystem are buying and profiting from fraud traffic (both human and bot forms) and passing it on as valid traffic for reimbursement by unsuspecting advertisers. Because advertisers have expressed concerns about viewability, GEO blocking and brand safety, agencies have secured service providers that check all the boxes for these concerns, but these service providers don’t necessarily flag geo-spoofing, domain spoofing, click spamming, and viewing by bots versus humans.

This is understandably a relatively new area of auditing and it appears that some experts are still catching up. For now, advertisers need to address fraud head on in the MSA and audit process.

A “Fraud Protection Guarantee” that can be considered as an more detailed inclusion in an MSA connects with and reinforces the over-arching audit framework principles and are included in the fraud protection guarantee and in a pre-audit checklist.