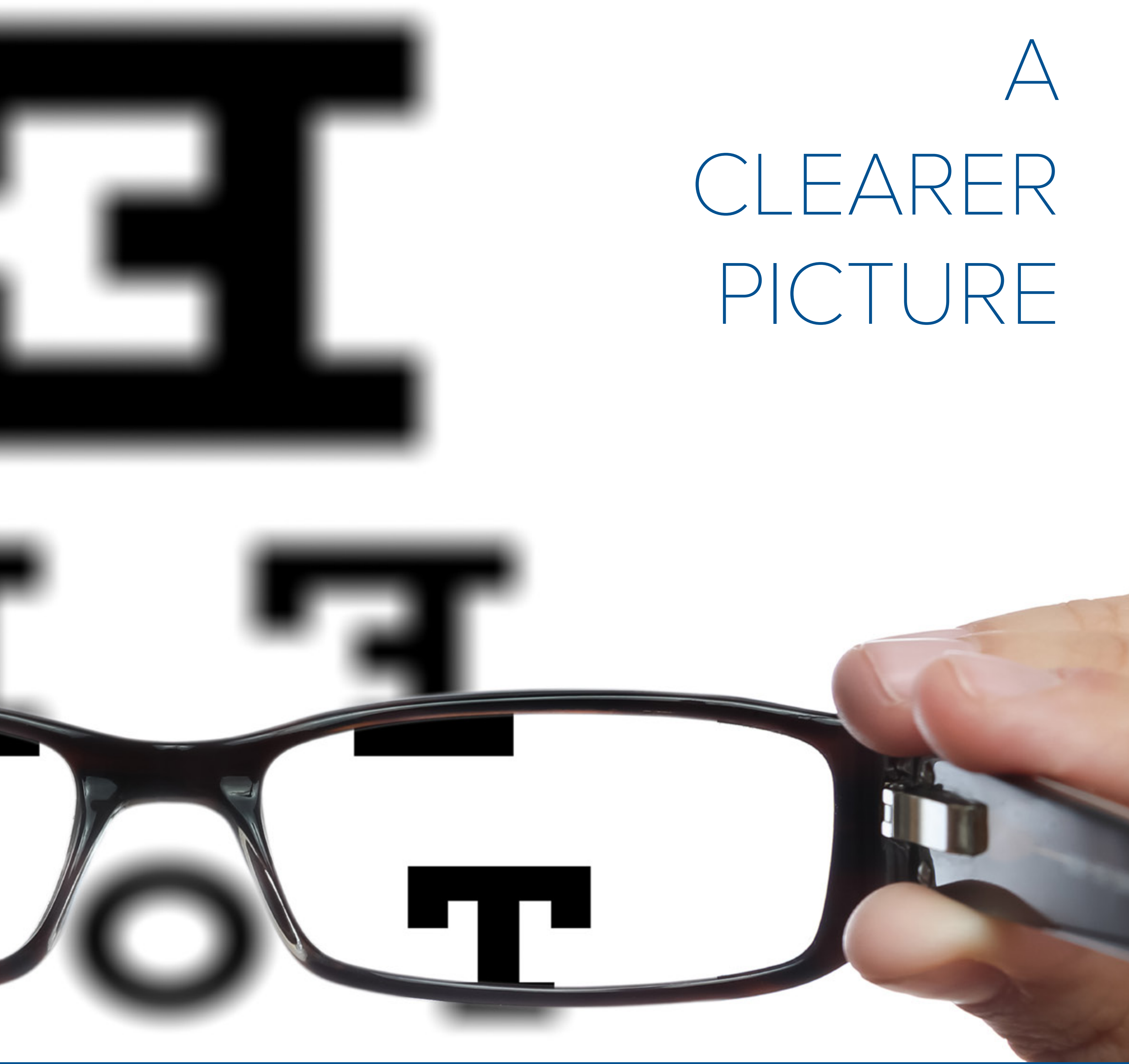
A CLEARER PICTURE



ACCOUNTABILITY AND TRANSPARENCY IN MEDIA TODAY:
An Ebiquity guide

ebiquity
Data-driven insights

IN A NUTSHELL

Today's media world is complex and fragmented. Technology and working practices have led to a lack of accountability and transparency, frequently exacerbated by a lack of contractual clarity.

This guide is designed specifically to help advertisers' media and marketing procurement teams deliver greater brand and business performance. It aims to ensure that advertsing performance is measured and optimized, and that advertisers' budgets are put to the most effective use.

The guide charts the reasons how and why today's media industry has become so opaque. It concludes by proposing ways in which advertisers should tackle these issues head-on, with the emphasis on actionable recommendations to improve performance.

As independent marketing performance specialists, Ebiquity believes that brand owners should seek accountability of performance and transparency of data and money flows to enhance business performance through greater marketing efficiency and effectiveness. This document explains how.

To see the transparency in today's complex media market visualized, go to page 12.

"The objective is to improve return on investment by ensuring that advertising performance is measured and optimized, with minimal loss of effectiveness through unnecessary costs."

IN THIS GUIDE

"Integrated marketing communications across multiple platforms and devices is now the norm, not the exception."

THE CONTEXT

The new media landscape

Driven by the explosion of digital channels, the media landscape has changed out of all recognition over the past ten years. The market for media planning, buying, optimization, and measurement is more complex, confusing, and opaque than ever – and the proliferation of media channels and choices means that complexity is the 'new normal.'

In this section, we characterize the most important elements of this new media landscape and the consequences it has for advertisers and their relationships with media agencies and media agency groups.

Digitalization, integration, and measurement

We live in a multi-channel, multi-device, mobile-led world, where consumers have an almost infinite range of information, entertainment, and communication options available to them – on demand.

In turn, there are now countless opportunities to reach potential customers with marketing communications messages, whether through paid-for advertising or the advertiser's own branded content, such as their web-based, owned-media properties.

The existing choices within traditional channels have multiplied dramatically (so hundreds of TV channels, for example), supplemented by the wide range of new digital options such as search, mobile, social media, online display, online video, and newer content-related options such as native advertising.

With digitally delivered interactivity, most especially in social media, people can now upload their likes, comments, photos, stories, and other user-generated content as much as they want, whenever they want, wherever they like. People express themselves freely and pass comment in a way that can help make or break reputations of brands and businesses (so-called earned media), requiring brand owners to be always-on, managing their brand exposure and reputation continuously and in real-time.

The result is that integrated marketing communications across multiple platforms and devices is now the norm, not the exception, and any brand or service aiming to influence consumer attitudes and behaviors has to adopt a paid, earned, shared, and owned (PESO) fully integrated approach. This makes life tougher for marketing professionals, who have to manage a complex nexus of channels and messages, often employing many different agencies with specialist expertise to deliver a multi-channel strategy.

And then there is measurement. Digital transmission, in particular, provides effectively unlimited real-time opportunities to track and record consumer interactions. Data analytics are replacing 'gut feel', judgment, and research as the primary means of making marketing choices. Meanwhile, tough economic times have encouraged brand owners to concentrate on real return on investment – so measurement of actual impact on business performance, not just audience delivery.

And this isn't the case just for the traditional medium of advertising; customer data now commands a substantial proportion of marketers' attention via sophisticated databases, used for targeting, retargeting, and personalization of marketing messages through multiple channels, built around Customer Relationship Marketing.

In particular, the market for the trading of online media inventory has changed beyond recognition in the last few years, and will be transformed still further by the increasing development of technologies which help the sell and buy sides interact with each other automatically, with less human intervention.

Programmatic promises

The principles and practice of programmatic (i.e. automated) trading are now well established in some markets, and there has been

> *"Today's brand owners are faced by ever more choice accompanied by incredible complexity."*

a rapid increase in the volume of inventory traded automatically and via real-time bidding (RTB), where buyers and sellers are matched according to preset criteria in the blink of an eye.

In 2014, $9.8 billion of US online display space is forecast to be programmatically traded, and 34% of this will be sold and bought via RTB (source: eMarketer, Programmatic Advertising: Forecast and Future Growth Trends, November 2013). There have also been early examples of automated trading reaching the outer shores of TV, especially in the USA. The increasing penetration of internet-delivered TV – including Hulu, Netflix, and the controversial Aereo – will undoubtedly lead to automated trading in the world's most popular, powerful, and biggest branding medium.

Advertisers are attracted by the efficiencies of automated buying and selling of media space, for four key reasons:

- The ability to achieve more effective, efficient, and personalized targeting of selected audiences through data analytics.
- The efficiencies inherent in a less manual process.
- The intrinsic measurement capability of data-rich channels.
- The potential accountability and transparency of data-led buying decisions.

In short, today's brand owners are faced by ever more choice accompanied by incredible complexity. The revolution brought about by digital technology and platforms has transformed consumer behavior, increased consumer power and choice of what they are served when, and disrupted traditional business models. Look around any commuter train in any city and witness the shift from newspapers to tablets, for instance.

Advertiser reactions

So far, so promising. But there is mounting evidence that the advertisers who fund the entire advertising eco-system are not yet seeing the full potential benefits of the new advertising model. The extraordinary changes in the consumer market have not been replicated in the structures and processes of the advertising industry. And while digital data offers the promise of full transparency of media performance, the experience of many of the world's biggest advertisers shows that this is not yet happening in the media markets.

In 2012, the World Federation of Advertisers (WFA) surveyed their members and found that 88% agreed with the following statement: 'Agency fees are falling, yet [media agency] profits continue to rise. This demonstrates that advertisers feel that agencies and media owners are being less transparent than ever.'

In fact, the entire media trading market has never been less transparent than it is today. Advertisers are finding it more difficult to track the flow of their performance and money in this increasingly complex eco-system. The net result is twofold:

- Many clients are arguably paying too much for their advertising, and their agencies are potentially making windfall profits from the lack of transparency in the market, especially in the digital channels.
- Advertisers feel that they do not have full control over, and access to, their customer data.

This short guide charts the reasons why the industry has become so opaque. In looking to tackle these issues, brand owners should seek accountability of performance and transparency of data and money flows. The objective should be to increase working budgets and improve business performance. This guide explains how, with the emphasis on actionable recommendations.

> *"The bigger media vendor deals … should offer clients improved terms and thereby better value, but they are also frequently a source of additional income for the media buying groups."*

THE PROBLEM

The media market and lack of transparency

Lack of transparency in the modern, globalized media market is the result of four major factors:

- Consolidated agency buying power.
- Agency profit margin pressures.
- A particular lack of transparency in the digital media market.
- Contracts that are no longer fit for purpose.

In this section, we consider each of these issues in turn and assess the impact of them on advertisers.

Consolidating agency buying power

The media agency market has consolidated remarkably over the last ten years and, although the planned merger of Publicis and Omnicom is no longer happening, the media trading market is already highly concentrated.

The six major marketing communications groups account for over 60% of global advertising spend, which amounts to some $500 billion, including the long tail of small advertisers. Between them, WPP, Omnicom, and Publicis command over two thirds of the US market (source: RECMA). This is unparalleled purchasing power in a market which is rapidly globalizing, and in which the big digital players such as Facebook command a growing share.

The big marketing services groups progressively set up media agency buying houses in the late 1990s and early 2000s, consolidating the purchasing power of the larger and better-resourced media agency networks.

The first such entity was GroupM, WPP's trading group (consolidating the combined billings of MindShare, Mediacom, Maxus, and MEC), which also controls Xaxis, WPP's digital trading business.

Profit margin pressures

The buying groups are vital to the profitability of the marketing communications groups such as WPP. They deliver a much stronger net operating margin than any other part of those groups, thereby effectively subsidizing the other divisions, such as the thirsty creative advertising agencies and notoriously unprofitable research divisions. They also handle the clients' money.

The media transaction market is unusual in that the media agencies act as principals in the transaction and, therefore, control the cash flow. In this way they are able to control both the buying terms and the money flows throughout the media trading eco-system. All of the big groups have well-equipped treasury functions, handling millions of dollars of cash every day and using this to drive additional income.

Meanwhile, with the emergence of digital channels (and especially social media) as a powerful component of the marketing mix, the advertising industry has globalized. Large worldwide media vendors including Facebook, Twitter, and Google now trade with the buying groups at a global level, doing bigger deals, with greater associated benefits both for advertisers and the media agency networks themselves.

Historically, the media markets were locally led with big players in TV dictating the market. Thanks to their audience size, they were virtual monopolies, such as CBS/NBC/ABC in the US and TF1 in France. While traditional media still command the lion's share of revenues, the shift to digital has been to the benefit of the global Silicon Valley players, and they will hold the key to TV as it becomes increasingly available via the internet.

The big buying groups are more than happy to trade with the global digital giants on a worldwide basis, with associated benefits for advertisers and for the buying groups as well.

Meanwhile, the big buying groups provide a range of services to the individual media agencies, normally for a cross-charge, but they have multiple sources of income derived from media trading, and little or no income directly from clients.

"Advertisers encounter the most significant difficulties in achieving transparency in their online media-trading activities."

They can and do negotiate significant benefits for themselves. They negotiate Agency Volume Bonuses (AVBs or rebates), free media inventory, extended payment terms, and a range of other advantages. Individual advertisers are often entirely unaware of these benefits and frequently do not share in them, depending on their contract with the media agency and its associated parties, and their contractual rights of audit.

The media agencies themselves manage the client relationship and collect fees and commissions from clients, but the bigger media vendor deals are struck by the buying groups, often on an aggregated volume or share basis across all clients. These deals should offer clients improved terms and thereby better value, but they are also frequently a source of additional income for the media buying groups, through rebates and other forms of undisclosed benefits.

Transparency in the digital market

This unsatisfactory lack of transparency makes the measurement of media performance and value harder to achieve without more stringent contractual audit rights, but the situation is even more serious in the world of digital media, where the eco-system is even more complex (see Figure 1. A simplified version of the online eco-system).

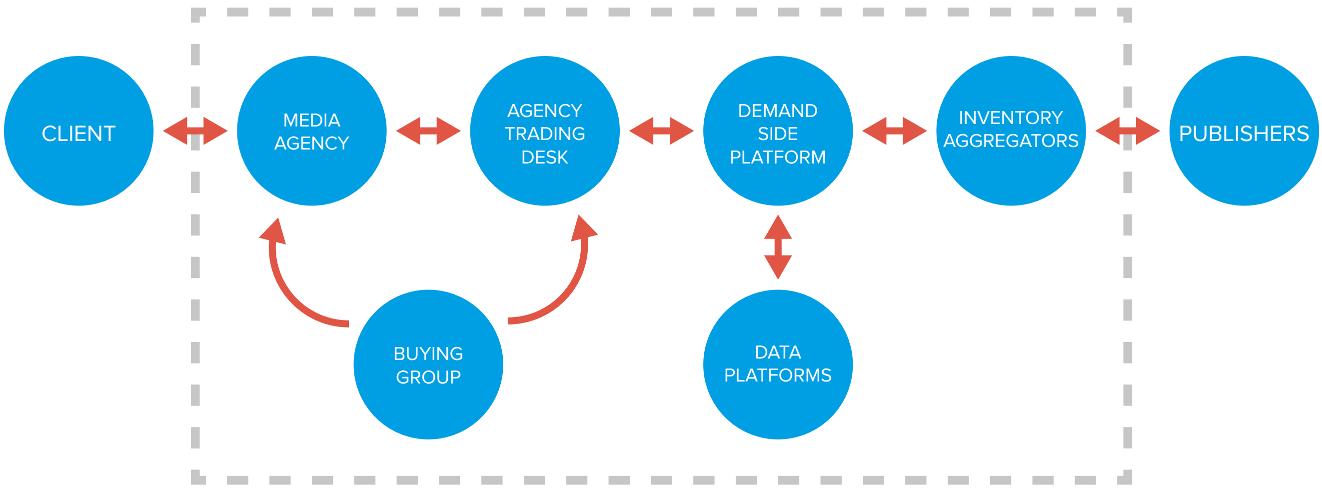


Figure 1. A simplified version of the online eco-system

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The new online trading eco-system is very complicated, with multiple technology-led intermediaries providing services to the end users – both clients and media vendors – wrapped up in hugely intricate layers of process. The result is that advertisers encounter the most significant difficulties in achieving transparency in their online media-trading activities.

In November 2013, the advertiser association body in the UK (ISBA) asked its members if they considered their online media buying process to be transparent. The result was overwhelming with 82% saying "no."

In the complex eco-system of the digital world, media agencies have myriad ways to potentially increase their revenue in a way that is not visible to advertisers, including:

- Buying 'inventory' media wholesale from media vendors, sold on at an invisible mark-up to clients – a process known as arbitrage. This is increasingly a feature of traditional media buying, too.
- Charging clients the full rate for campaign delivery even where there has been under-delivery which should be declared to clients.
- Charging a rate for ad serving (i.e. delivery of advertising) which is substantially in excess of the wholesale rate charged by the agency's providers.
- Planning a cost-per-thousand (CPM) for campaigns which is substantially in excess of the rate being secured in the market.
- Receiving volume-related rebates from their Demand Side Platform (DSP) partners.
- Accepting volume-related deals from media vendors, ad exchanges, and ad networks.
- Marking up rates charged by third party data providers.

Given the range of options available, it is not unknown for the agency groups to be able to achieve fees and commissions amounting to as much as 50% of the client's net media spend.

Contractual rights and wrongs

Contractually, much of this is invisible to the client. In fact, the audit rights that advertisers enjoy in traditional media are often specifically excluded in the digital media process. Consequently, most clients remain unaware of the additional income being made by the various parties – particularly media agencies and groups – in the online world.

Programmatic buying and real-time bidding should, in theory, produce great improvements in both the cost-efficiency of advertising and process, but it is hard for advertisers to judge that they are receiving the full benefits if they do not have contractual right of transparency in the process.

The danger is that media agencies and associated parties may make even greater profits from real-time bidding and automated trading. The early experience in this emerging area is that automated trading leads to a low CPM model winning out over more sophisticated trading mechanisms.

This in turn can lead to:

- Advertising inventory appearing in inappropriate or badly targeted environments.
- Low levels of viewability in long tail inventory (i.e. advertising that is not effectively displayed on a web page for long enough to be seen).
- Windfall profits being made from ad-serving mark-ups on higher impression totals.

In digital channels, it isn't just a question of visibility of money flows; it's also about the customer data that is produced continuously and which is the lifeblood of modern-day marketing. Advertisers report that they often do not feel they have sufficient control over their first-party data, namely data produced from their digital activities through tracking technologies. These are often stored in Data Management Platforms, which in turn are often controlled by agencies.

> *"This can lead to the client paying performance-related fees based on a buying performance subsidized by the self-same rebates to which the client may have been entitled."*

Given the complexity of the technological chain (known as the ad stack), it is also vital that advertisers know that the technology being employed is correctly configured to measure and optimize performance and deliver accurate data throughout the system. Without transparent access to the technology being employed and the data produced, advertisers simply cannot tell whether this is happening or not.

In short, at a time when technological advances have increased the accountability of advertising to unprecedented levels, the advertisers themselves report that they feel they are not getting the benefits of accountability due to a lack of performance and financial transparency in the digital trading process. Worse still, many advertisers feel that their interests are not always aligned with the big agency groups and that they are contractually locked out of having clear sight of what is happening to their data and their money.

The impact on advertisers

While this situation is acute in digital, it is important to note that the lack of transparency applies throughout the media trading process. This agency group trading structure can and does provide significant benefits to advertisers, who enjoy the advantages of the purchasing power of the big groups, as well as the data, systems, strategic and administration resources of well-equipped businesses.

However, the eco-system also carries a number of potential risks for the advertiser:

- Media planning may be led by deals, rather than brand- or consumer-led considerations.
- It creates the conditions for contractual obfuscation and a 'walled garden' which is invisible to the advertiser.
- The individual needs of each client may be subsumed within the group deal, with loss of planning sensitivity by clients or brands.
- The frontline media agency is itself remote from the trading interface and may not know what deals have been struck and what this means for the client.
- The advertiser may be unaware of the rebates and other benefits that have been negotiated with the media vendor and may not be contractually entitled to their share of such benefits in any case.
- The client may not be receiving the full value of the deals being struck on their behalf.
- The buying group may have the ability to move discounts from one client to another to maximize their own return via performance-related fees.

These are not the only areas of concern for the advertiser. The consolidation of enormous buying power into only six significant groups has had knock-on effects on other aspects of the market:

- Media vendors, weakened by the economic downturn, are vulnerable to agency power, reducing yields and leading to disinvestment in high quality content which attracts volume or addresses hard-to-reach audiences.
- The buying groups are able to negotiate cross-media deals which can distort the market by, for example, paying more for one property and less for another (to maximize fees).
- The groups are able to offer highly attractive prices to win business, but at the expense of other clients and sometimes at unsustainable rates.
- Agency choice has reduced, with terms of business controlled by the buying groups, not the frontline agencies.

Another concern is that the media agencies use AVBs (often in the form of free space) to subsidize media discounts or pricing, often cost-per-rating-point (CPRP). This can lead to the client paying performance-related fees based on a buying performance subsidized by the self-same rebates to which the client may have been entitled, depending on the client/agency contract.

The problem in summary

In summary, the large marketing communications holding companies, and their buying groups, have a strong hold over the media transaction process, and their power is growing as the industry continues to consolidate.

The buying groups bring benefits to clients through better buying conditions and other resources, but they do not provide an open, transparent, and clear reporting process for media delivery, performance, and data and money flows. As a result, advertisers are not able to judge the amount of money being made by the agencies through the use of the client's budget and data.

This is not about transparency for transparency's sake, or about pure effectiveness, but about making brand communications as powerful as possible to everyone's benefit.

> *"The key to digital performance measurement lies in having the right technology to track and measure people's online journeys."*

THE SOLUTION

How advertisers take back control

So far, this document has described the extent of changes in the media market and how advertisers benefit from agency consolidation, but also how they are not seeing the full advantages of the new media landscape.

The question therefore is:
What should advertisers do to tackle these issues and achieve accountability with transparency, and maximize the effectiveness of their advertising and 'working' budgets?

We believe the answer is fourfold. Advertisers should:

- Concentrate on measuring and optimizing the return on investment from their advertising activities. The measurement of media performance and value should be the main priority.
- Aim to achieve transparency of their data and money flows through the entire trading eco-system.
- Ensure ownership of, and control over, their data.
- Agree payment and incentive systems to reward better advertising performance and encourage transparency.

In order to achieve these objectives, and maximize ROI in media, today's brand owners need five vital resources:

- Independent, objective, accurate measurement of media performance and value, whatever the channel.
- The best, most thorough and technologically advanced data analytics tools using the right technology to ensure accurate and timely analytics.
- Ownership and control over their data to optimize and personalize marketing messages.
- The right contractual framework which delivers true transparency of data and money flows throughout the trading system.
- The best possible remuneration and reward model for their agency partners and associated parties.

These resources are a good place to start. This section describes in detail how to deploy them and achieve the objective of accountability and transparency.

Independent performance measurement

The principles of independent media value measurement have been established for decades. Normally, of course, this is referred to as media benchmarking and/or auditing, but this expression does not do justice to the range of measurement options available to clients in the new media environment.

The value of independence is increasing. As we have seen, the media markets are more opaque than ever and advertisers require assistance in countering the low levels of transparency. But they also need data, software, expertise, and experience to help them objectively measure the performance of their media and their agencies.

This is especially important in the digital world, where even some of the basics of performance delivery are underreported by some agencies, including the extent to which the advertiser's activity has been exposed.

The traditional primary technique for offline media measurement is cost and quality benchmarking via aggregated and anonymized pooling of actual client bought data. This allows advertisers to compare their own performance against the market rate, and these data can be used to set performance improvement targets and reward the media agency.

While media benchmarking via cost pooling has been around since the 1970s, it has been since supplemented by a range of other analytical techniques which aim to help advertisers independently verify the performance and value of their media investments.

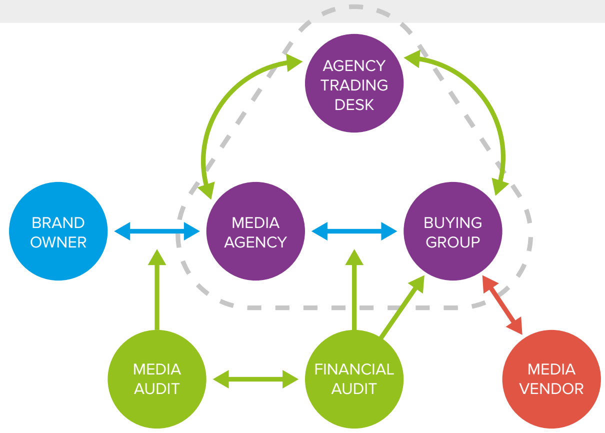
One main trend is toward the measurement of actual business

Continued on page 14

Media transparency - **A visual overview**

- In the era of group media buying companies, transparency is one of the most important challenges facing advertisers in 2014.
- Recently, Ebiquity has seen a rise in media agencies seeking to limit the amount of information that advertisers can see, particularly around digital trading desks and data.
- Ownership of data and information in particular has become a pressing issue that the industry has historically not understood, sometimes overlooked, and certainly not tackled effectively.

Here we've laid out some trading models, advice, and insights to help you further understand the important issue of transparency.



The current media trading eco-system is non-transparent

KEY POINT: Right to audit now needs to cover the full transactional cycle

Links to further reading: Data access – the key to transparency:

http://ebiquityopinion.com/2013/06/data-access-the-key-to-transparency

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Agency Trading Desks (ATDs) / Programmatic buying

- Driving down CPMs, driving up agency margins
- A classic arbitrage opportunity, reselling at margins of up to 75%
- Adserving costs going up as CPMs go down and more inventory is purchased
- 'Double-dip' attribution where multiple agencies employed or not-deduped

The Finances

- Agencies may pay on actual delivery but charge on planned: sometimes reconciled in Finance only
- Ad-serving costs also not reconciled
- Time-cost monitoring/ reconciliation unreliable

Legalities: Access of data & information

Access of data & information is of growing importance because of the huge amount of data and analytics generated by digital advertising.

Key points:

- Just because an advertiser pays a media agency for its services, that does not necessarily mean that the data and information collected and collated by the agency in relation to the advertiser's advertising is owned by or even fully accessible by the advertiser, and these questions will depend on the wording of agency/client contract.
- Databases can qualify for a range of legal protections, which can include confidentiality, copyright, and database rights.
- Media agencies continue to try to include an obligation in the client/agency agreement that requires a confidentiality agreement with the client's auditor. The scope of this agreement needs to be managed.
- Rebates, discounts, and unbilled media should be highlighted or set out in your contract (details on agency volume bonuses should be clearly stated).
- Audit rights must be clearly stated in your agency contract – if they are not it will affect the right to audit and therefore decrease transparency.

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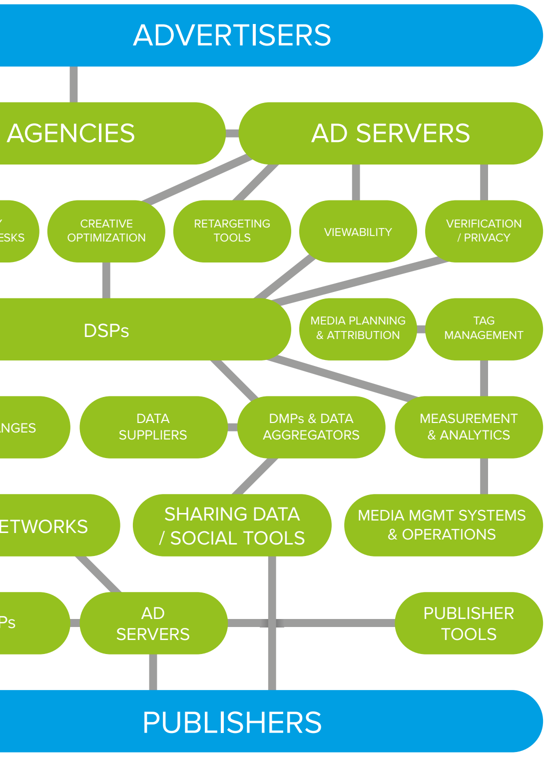
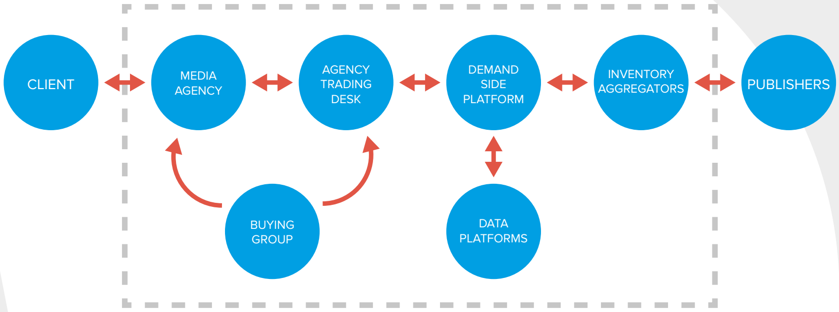


that's actually quite simple



KEY POINT: The lack of transparency covers delivery, performance, and financial clarity – even basics such as appearance validation are not well developed

Links to further reading:
'Publicom': 'plus ça change...':

http://blog.ebiquity.com/2014/05/publicom-plus-ca-change

What's happening in digital?

Ad serving

- Global deals have reduced agency rate
- Rich media formats = higher margins
- Ad-serving costs stack up on low CPM and CPA deals
- Set-up costs can be double-counted
- Ad-serving costs incurred even with low viewability scores (you still pay ad-serving fees even if your advertising is not seen)

Where do the digital super-profits come from?

- Ad-serving mark-ups
- Media owner rebates
- Agency Trading Desks, Real-time Bidding, Programmatic margins from multiple sources
- Invisible deals can limit choice of vendor
- The ATD/DSP trading connection
- Margin on data and supplier costs

1. Independent and accurate measurement of media delivery, performance, and value

2. The right data analytics tools across the full range of channels

3. Full contractual data ownership and control

4. The right remuneration structure, with incentivization on transparent KPIs

5. The right contract: 'Gold Standard' wording, constantly updated

Link to further reading
The ins and outs of contracts:

http://ebiquityopinion.com/2013/06/the-ins-and-outs-of-agency-contracts

Download

An online version of this visual overview is available to download and share at **http://blog.ebiquity.com/2014/03/accountability-and-transparency-an-ebiquity-guide**

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> *"Benchmarking the viewability of your ads is a vital step in the process of reducing the wastage in digital investment and ensuring improved performance of ads."*

Continued from page 11

performance, rather than just value. The recent past has seen a move toward the use of modeling techniques that identify the key media drivers of performance, ascribing a return-on-investment score to media channels (individually and together) within the marketing mix. This allows for the more effective allocation of budget between channels and within channels, including the distribution within digital between search, social, online display, and other options.

More significantly perhaps has been the emergence of media measurement techniques which identify the trend in absolute media quality and cost, either year-on-year or against predetermined agency guarantees, often derived from pitches. These techniques rely heavily on software systems capable of ingesting vast quantities of data accurately and producing actionable reports.

This trend has been led by international procurement teams wishing to isolate real savings or additional media value on a multi-market basis, especially in tough economic times. While this can lead to a relatively uniform approach to a sophisticated subject, it can produce significant savings when correctly applied, and it helps advertisers control their budgets. This is especially true if media inflation is a significant market factor.

The third significant development is the new generation of digital measurement tools which respond to the advertiser's need for independent insights into the most measurable channels, but the ones with the most complexity and opacity.

The key to digital performance measurement lies in having the right technology to track and measure people's online journeys, and this is normally done via 'tagging' methodologies, usually inserted into the coding for ads being delivered through ad servers.

Tagging allows advertisers to track their chosen audiences across multiple channels and devices and build up a profile of people's personality, interests, and habits. It also allows a highly detailed 'read' of their digital activity via 'cookies' and other forms of tracking (e.g., 'fingerprinting').

With the right tracking methodologies, advertisers can see where their advertising was displayed, for how long and who saw it, facilitating attribution of effect which leads to optimization and, ultimately, better bidding in programmatic.

Digital display is traditionally paid for on an ad-served basis. Advertisers pay for the total number of ads that are placed on a user's screen, not for the number of ads that could be seen by users in an active browser area – a very distinct and important difference. In an age of minimal transparency in the buying eco-system, there is a significant risk that advertisers could be paying a considerable amount of money to media suppliers while ads are not even reaching consumers.

It's important to highlight that, while the currency for buying display inventory is still calculated on impressions being served, to deliver 100% viewability on any campaign is an unrealistic expectation. This is because publishers do not manage their yield in a way that would enable this to be profitable for them. However, this does not mean that viewability is any less important. In fact, it is increasingly becoming an important key performance indicator in the measurement of quality in the digital space.

Benchmarking the viewability of your ads is a vital step in the process of reducing the wastage in digital investment and ensuring improved performance of ads (through better engagement or increased actions being taken). Ebiquity research undertaken over the last 18 months suggests that as many as 35% of all ads go unseen by consumers and yet are paid for by advertisers. Some advertisers see as much as $750k (€500k) of investment in any given campaign being delivered to an audience that just doesn't have the opportunity to

"It is imperative that advertisers regain confidence in the ability of digital media to deliver a risk-free and transparent means by which to communicate with consumers."

see the ad, let alone engage with it in any way.

By benchmarking viewability advertisers can feel more confident that their investment is being managed in an effective manner and, coupled with brand safety initiatives, a more transparent trading landscape can be created.

Brand safety in the digital space comes in many forms, but fundamental to the principles of brand safety is having transparency over where your ads are appearing. In an eco-system increasingly underpinned by platforms and technologies (DSPs, ad exchanges, and ad networks) that dilute the direct agency/publisher communication process, advertisers are increasingly at risk of their ads appearing in places that, at best, are not targeted in the most appropriate manner and, at worst, are undesirable placements due to associated content and context.

The trade-off has always been clear. By driving price down, you compromise the control you have over where you appear: a sacrifice many advertisers have been happy to accept in order to maximize media efficiency. But with the intensified practice of AVBs and mark-ups, the industry is seeing increased occurrences of brands put at risk by appearing in undesirable areas as the market becomes more opaque. It is imperative that advertisers regain confidence in the ability of digital media to deliver a risk-free and transparent means by which to communicate with consumers.

Checks and balances need to be put in place to ensure that the risks are being mitigated. Through the use of tagging technology, advertisers can lift the veil on this opaque eco-system, identifying where ads have been served, particularly through DSPs and trading desks. This will give advertisers the ability to independently verify that the appropriate inventory was used to reach desired audiences and deliver effective digital communications.

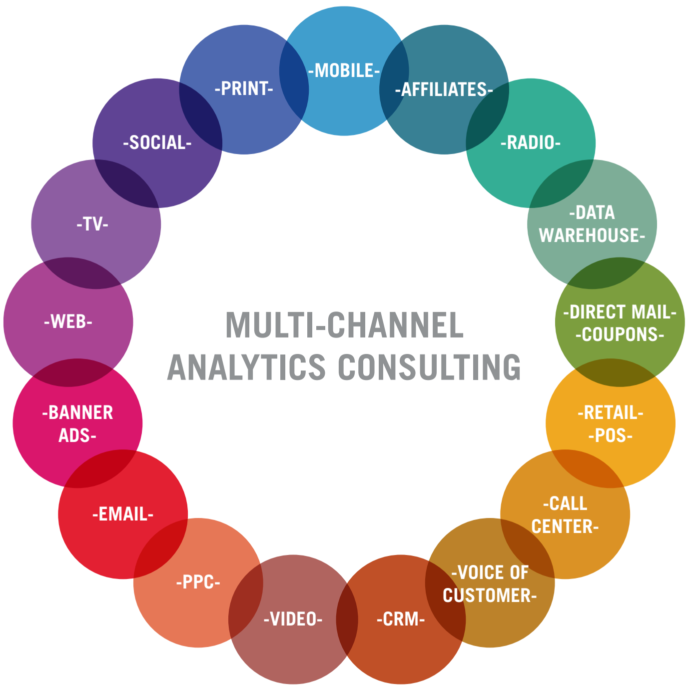

Figure 2. Multi-channel options proliferate for the modern advertiser

> "The thought process should revolve around selecting the right suite of solutions that best enables the organization to answer the questions that the business is asking."

One of the principal causes of the lack of transparency in the digital market is the interdependency of the supply chain. The different parties in the eco-system (trading desks, demand side platforms, supply-side, and vendors) are all part of a system that is funded by the advertiser, but not overtly. And the currency that is used (CPM) encourages the tendency to maximize impression count, rather than optimizing effectiveness.

For this reason, among others, it is important for advertisers to have an independent source of performance measurement and transparency control.

Whereas 'media auditing' has hitherto been a retrospective activity, and value-based, a new model is emerging which is performance-led, with optimization at its heart, and 'real-time.' The tagging and tracking methodologies available in the market now can inform and influence delivery and performance, especially in RTB where they help sharpen the bidding parameters.

And independence of tracking is key in any market where buying and selling will drive commercial interests, especially where the base currency encourages commoditization.

Data analytics technology

As outlined above, it is critical in the new media landscape to employ the best technology to fuel advertising programs. Furthermore, the multi-channel focus of organizations continues to expand and create a much more complicated landscape, as shown in Figure 2.

The call to action for organizations is data ownership across all of their channels. This requires strategic thinking geared toward selecting the best and most scalable technological offerings for analytics and data collection across all of these channels.

Gone are the days where an organization should look to centralize within one analytics tool for all of their business needs. Instead, the thought process should revolve around selecting the right suite of solutions that best enables the organization to answer the questions that the business is asking.

One of the biggest mistakes made during a vendor selection process for analytics is making a decision based upon the current state of affairs while ignoring the direction and goals of the program long term. Too often, we see organizations hamstrung by their technological decisions a year or two into their planning that are then forced to remove the technology and start over.

Innovation is at an all-time high for digital analytics and measurement. Much of this is driven by the impacts of the continued investment and evolution of the social and mobile channels. With that comes the need to avoid data overload and instead focus on getting the right data, to the right people, at the right time.

The entire purpose for collecting data is to generate insights and ultimately improve the user experience. The main objective all organizations should strive toward is to build an optimized experience for each individual as they interact across the variety of channels in play. That obviously cannot happen overnight, but having these organizational goals in sight can help to ensure that the right technological decisions are made in advance of the need.

The ideal approach to action is to crawl before you try to run. So many organizations try to solve simple problems with a complex solution that quickly lengthens the time to value and increases pressure on the program. A more methodical approach for achieving the ultimate objective will lessen the pressure and better allow for a more comprehensive approach to selecting the correct technology.

The challenges in our industry are not going to get any easier. The number of ways customers can interact with your business will

“Data ownership will continue to be a hot issue as agencies aim to assert control over data as a valuable asset; brand owners will need to move quickly to keep up with this rapidly growing area.”

continue to evolve and become more complex. It's therefore critical that technological investments are founded within the current and future business requirements of the organization and that those investments empower you with data ownership along the way.

Ownership and control of data

In the digital world, data is Big. As people leave their digital footprints, tracking technology can monitor and measure people's unique and individual use of platforms and build an accurate picture of behavior. These data can be used en masse or individually to optimize and personalize marketing messages on any addressable platform, often dynamically and in real-time.

In fact, intelligent understanding and manipulation of data allows brand owners to target and retarget customer groups, and actually reduces their reliance on paid-for messaging. The reuse of data is one of the major marketing tools of today's landscape.

However, the terabytes of data thus produced need to be stored, analyzed, and updated continuously. This is primarily achieved through Data Management Platforms (DMPs), which are the engine of the entire digital marketing eco-system and critical to success.

The data stored in DMPs constitute the most valuable asset for today's brand owners and, as such, they need to maintain complete control over this data. The data flows in from many sources, from multiple agency partners, but also from second- and third-party sources, and it is this rich blend of data which permits the hugely effective personalization opportunities offered by digital channels.

Consequently, advertisers need to ensure that they have the following in place:

- The right technological infrastructure to collect, amalgamate, and store all of the various data feeds.
- The right analytics tools to make sense of the data and use it to improve marketing performance.
- Full contractual ownership of all the data that is generated by their marketing activities and retargeting data.
- Full control over the data management platform and process, including contractual rights and technological rights.

Many advertisers are looking for a safe harbor for their data which protects their ownership and control of the DMP and associated assets, outside of the agency eco-system. There can be little doubt that data ownership will continue to be a hot issue as agencies aim to assert control over data as a valuable asset; brand owners will need to move quickly to keep up with this rapidly growing area.

Getting the right contract

The issue of data and financial transparency can be a difficult one for advertisers to manage. The relationship between a company and its partner agencies is an important one, relying on close day-to-day operations. Therefore the only concrete way to deal with the issue of accountability and transparency is through the right contractual relationship between the advertiser and the agency, and this must be agreed in full between the parties. The contract also needs to protect the rights of the advertiser toward its other third-party partners, such as its appointed independent data analytics providers.

The principal terms that need to be covered in such contracts are as follows:

- The process by which the advertiser wishes to measure their media performance must be precisely set out, with the necessary data and money access rights recorded in detail.
- If the advertiser wishes to achieve full transparency for data and money flows, the contract needs to cover the full transactional

> “These contract elements may, at first sight, be daunting but they are important in establishing an unambiguous framework for accountability and transparency.”

chain. This means that the agency counterparties need to include affiliates, associates, and subcontractors, as well as the contracting agency.

- The client also needs to gain visibility of the actual rate paid by the various parties throughout the transactional process if they wish to avoid paying an unseen mark-up on inventory media.
- If the advertiser aims to reclaim their fair share of all agency benefits negotiated on their behalf, they need to include all such rebates, discounts, and commissions, including unpaid for space, early payment discounts, bonus inventory, barter deals, and any such trading mechanism.
- The media agency contract should also seek to provide an audit trail for arrangements between the media agency group and media vendors for services which may be another form of rebate, often in the form of a service level agreement which imposes only the lightest of obligations on the media agency.
- The contract needs to fully cover all data and money audit access rights and establish the client’s ownership of the relevant data, including all media trading information and consumer data generated through digital activities, including first-party and third-party data.
- Clients also need to ensure that their chosen auditors have the right access to data for auditing purposes even where such data comes from a third party (e.g., a TV audience provider), where the client’s rights to such data extend to their audit partner.
- Crucially, confidentiality must be enshrined within the obligations of all parties. This means that the advertiser’s rights to confidentiality must be recognized through their contract with their auditors as well as their agency partners. In turn, the latter need to treat the client’s audit reports with care and not use them, for example, in negotiations with media vendors.
- Clients should also ensure that they have full right of appointment of their audit partner, whatever the audit need, and the data and audit access rights required by the client of its auditors should be mirrored in the client’s agreement with the agency.

These contract elements may, at first sight, be daunting but they are important in establishing an unambiguous framework for accountability and transparency. It is important that these are agreed contractually so that all parties are crystal clear on their obligations from the outset.

Agency remuneration and reward

It is often said that agencies earn hidden income to compensate for the downward pressure on fees and commissions caused by the economic downturn and the procurement squeeze. Leaving aside the ethics of this, advertisers do need to be clear on the margins that agencies are making on their business.

In fact, clients cannot really insist on complete transparency if they don’t also ensure a transparent fee arrangement; the relationship needs to be a reciprocal and fair one, based on precise contractual terms for all parties.

There has been a long-running debate concerning fees versus commission, and the relative merits of each, but this has been made more complex by the changes in the media landscape. It is no longer an industry where spend predominates, and many of the newer channels are light on expenditure but long on ideas and complex solutions.

In fact, the modern media scene demands of media agencies a different approach to their business model. The labor intensiveness of content-led channels and the additional workload in digital analytics do indeed warrant a properly funded fee structure, especially to give clients the advantage of the best agency talent.

"The modern media scene demands of media agencies a different approach to their business model."

One of the problems created by the new trading eco-system is that the additional income being generated does not go to the frontline agency to help it fund the broader range of services it needs. While the agency may indirectly benefit in many instances, much of the new margin goes to the buying groups.

Consequently advertisers should seek to achieve the following from their remuneration and reward programs with their media agencies:

- Best practice is to aim for complete transparency, with precise data and money protocols, with complete and clear audit rights, and to incentivize the frontline agency appropriately. Transparency will lead to the people performing on a client's behalf being rewarded for neutrality and more of the income reaching the frontline agency.
- An operating margin should be agreed at the outset, with a sliding scale to reward superior performance. This should be broken up by agency discipline (e.g., search, social media) with a clear picture of the people involved in the business delivery. The level of seniority should be established from the outset, with realistic estimates of time spent and defined audit protocols. Media agencies should be asked to warrant that their people's time will not be double-counted.
- Remuneration and reward programs should recognize the role played by subcontractors, especially in digital media, with agreed protocols for revenue shares.
- Reward programs should be linked to the disciplines. Performance-related fee arrangements for media buying do not in themselves guarantee that the frontline agency will reinvest such bonuses in other areas, so the ideal fee structure will have reward schemes based on agreed KPIs for each major media channel. This should not be structured purely around an appraisal process, but should also be based on measurable criteria, ideally business results-led rather than on media metrics. Care should be taken to check that online clicks and social media 'likes' are de-duplicated to avoid artificial traffic.
- While there is every reason to continue to reward superior performance in TV buying, clients should aim to incentivize innovative and non-traditional uses of TV and allow flexibility of targeting. As such, the audit program should not prevent the media agency from taking a more flexible approach. Equally, the rewards program should stop the agency using artificial tactics to inflate performance. Examples of this would include multi-platform discount manipulation and using rebates to subsidize discounts.
- Clients should aim to have a clear year-end view of the margins made by their agency but so too their contribution to business success. Some degree of business performance-based reward should ideally be made at year-end, with the agency benefiting or not from the client's business fortunes.
- While media awards are not in themselves a business aim, success in awards (especially internationally) should form part of the assessment criteria.

The Holy Grail of the advertising industry is to achieve the double benefit of the accountability of data-rich media with complete transparency over the transactional process. The objective is to improve return on investment by ensuring that investment is maximized in working budgets, with minimal loss of effectiveness through unnecessary costs.

THE MAIN POINTS AGAIN

The issue of accountability and transparency is both complex and sensitive, and debate about this issue is often a subject of opinion rather than fact. Too often the issue is dominated by the controversial subject of transparency, more than the measurement of performance.

The objective of this guide has been to bring a level of balance to this conversation and provide a set of best practice guidelines for advertisers in the new media landscape. Many of the established practices of the 'analogue' world are no longer right for the changed media landscape, but the transition to new metrics has not yet happened. Advertisers are not happy at the perceived lack of transparency in the market, but it is in their power to address this issue through the right strategy and processes.

We are convinced that this guide will help to deliver a clearer and more contemporary way of bringing accountability and transparency to the market. Please feel free to share it with colleagues.

*Further reading on the issue can be found on the Ebiquity blog (**blog.ebiquity.com**)*

GLOSSARY

AVBs	Agency Volume Bonuses	rebates paid to media agencies for (high) volume of media transactions, particularly in digital media.
CPM	Cost Per Mille	i.e., the cost per 1000 views.
CPRP	Cost Per Rating Point	the average cost of achieving one commercial rating point, i.e., advertising gross rating point (GRP).
DMP	Data Management Platform	a system that stores and can interrogate the huge quantities of data produced by consumers and left as a series of highly targetable digital footprints. The engine of the entire digital marketing eco-system.
DSP	Demand Side Platform	a system permitting those who buy digital advertising inventory to manage multiple streams of purchase via a single platform.
RTB	Real-Time Bidding	an automated system for trading digital display advertising, where buyers and sellers are matched according to preset criteria.

ABOUT THE AUTHOR

Nick Manning is President, International, at Ebiquity, the independent marketing performance specialists, delivering greater brand and business performance through data-driven insights.

Before joining Ebiquity in 2007, Nick spent 27 years in the media agency world. In 1990 he co-founded Manning Gottlieb Media, which became one of the most highly respected and fastest-growing media specialist agencies. It became part of Omnicom in 1997. Nick's most recent position was CEO of OMD's UK operation. He also co-founded OPera, the media negotiation arm for OMD and PHD.

Since joining Ebiquity, Nick has overseen the expansion of the company to become a global partner for over 1000 clients, offering Market Intelligence, Media Value Measurement, and Marketing Performance Optimization services through Ebiquity's offices in 15 countries.

CONTRIBUTORS

Federica Aperio is Ebiquity's International Digital Practice Leader

Bill Bruno is CEO of Stratigent, part of Ebiquity plc

ABOUT EBIQUITY

Ebiquity are independent marketing performance specialists. We enable over 1200 brands across the world, including over 90% of the top 100 advertisers, to make better informed decisions and to improve their brand and business performance. We enhance their capabilities, improve accountability, and foster greater transparency with their agency partners.

Our international market-leadership in media value measurement means that we have the largest media cost and quality pools, while our transactional independence ensures we provide our clients with truly objective advice. We have offices in 15 countries with a wider network of leading independent associates covering all main media markets globally.

We have unparalleled knowledge of and exposure to agency contracts, practices, and performance.

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