Media: Dark art or science?

By Quinton Jones

17 Apr 2017

Let's face it, 2017 is already tougher than 2016, which was in turn was tougher than the previous year. The advertising industry is under pressure, and media agencies are not excluded from this.

Media agencies are dealing with declining margins, and a salary bill that often feels like it's shooting through the roof. That's not surprising given that some media strategists are paid like actuaries and doctors – I kid you not! Wait, that warrants a completely separate discussion, and might even be my next topic…

©– 123RF.com

Margin pressure can only be alleviated in two ways, ask any accountant and he'll tell you to either make more or spend less. Simple.

Bringing costs down is often very difficult. Your main resource is people and you are often already battling to service with the complement that you have. Staff and good skills are in short supply, and often don't come together in one package. Strange but true, unfortunately.

You could go the other way and raise income. But how? By winning new business? Often that just creates more of the same pressure, especially if you are dealing with a global account alignment that someone, somewhere has agreed to a ridiculous fee, one that you now have to service, and deliver, against.

Lucrative additional revenue?

Alternatively, you can endeavour to find more lucrative revenue streams. Ah yes, that old chestnut! We'll cross that grey line that divides all agencies into their specialist boxes, and start dabbling in what everyone else does!

This is the **age of digital and content**, surely this a very lucrative way to add additional revenue quickly to a small margin business. Rather predictably, it's not as easy as it once was!

As we've seen in international ad news, many media agencies decide that as they sit in the middle of the chain, it's a good idea to make money off the media owner, the media agency, and the client at same time.

Making money off of the media owner is perfectly fine – when you are spending millions, why wouldn't you expect an advantage? Every spender at scale in any industry gets rewarded through lower unit pricing, which invariably gets marked up before being resold. That's honest business, isn't it?

Is it still honest business when you've signed a contract with client dictating how you will be extracting and to what level?

Pervasive non-transparent practices

Recently, the Association of National Advertisers' report found rebates and other non-transparent business practices are "pervasive" in the US media ad-buying ecosystem — despite agency groups persistently saying they don't take rebates in the US.

The question is, to what extent is this happening in SA? Ask any media owner, they'll have no idea what you are talking about. And most really don't. Of course this is not your standard – "ïf I book another one, can I get another 10% discount" conversation.

I've seen local comment on this topic, frankly it falls short in addressing this issue. Where this gets really murky is around two main factors. Firstly, to whose advantage this should be? And secondly, when *is* this okay?

Let's look at it from both sides. As the media agency I take all the payment risk, I spend collectively across clients and, as a result, I should be entitled to benefit from the size of my commitment to media owners. Why should you control my ability to make money if I'm giving you huge discounts anyway?

From a client perspective, all value accrued off my billings should be rebated back unless written into the SLA. Anything else and you might be stealing from me.

Ethical dilemma

There is a serious ethical dilemma here as well. How many agency bosses can I sit in front of clients and honestly claim that the only money made is their fee? Why do some agencies have robust trading departments that their clients never interact with? Are they trading for internal gain? Or are they trading for their own gain? Unfortunately, once agencies play this game they cannot get out as they are benchmarking current revenue and profitability targets against what has happened in previous years. Possibly the biggest question is this – at what point does the agency shift commitment to the media owner that gives the best deal for the agency and not to the one with the best result for the client?

I personally believe anything goes in terms of value delivery, with one very important caveat: Anything goes, **as long as you (the agency) can have an honest conversation with the client about it.** Let's face it, this is the client's money, not the media agency or owner's.

Which client will not entertain a conversation that starts with "I can get additional value here, well above standard commitment – but I'd like to be incentivised for it"? Luckily, not every person is the same and not every media agency is, either.

It's time that agencies face the fact that some things are not okay. Why do this under the cover of your work capacity, if you'd never think of doing this in your private capacity?

Here's to transparency and a good night's rest.

Here's to more honest, open conversations between client and agency.

ABOUT QUINTON JONES

Quinton Jones is director of TMI Media, TMI is future focused. Media of the future is predictive and data-led. It's about insights and bringing the cost of marketing down through intelligence. TMI is a media agency that provides data driven media solutions using the analytics and insights that digital provides, and then matches this with a very creative approach to media solutions.

- That magic media potion called innovation - 4 Feb 2019
- Mutton dressed as lamb - Digital and the media agency - 31 Jan 2019
- The elephant in the room and the 'Big 5' threats to the media agency - 6 Mar 2018
- The king is dead! #LongLiveTheKing - 16 Feb 2018
- 10 things... - 11 Jan 2018

View my profile and articles...