



Selecting a **media agency**

In association with:



Selecting a media agency



INTRODUCTION

Whatever their size and experience, advertisers strive for quality, performance and productivity in all disciplines; and media strategy/media buying are no exception.

In any discipline, questioning its process may occur at certain times in the lifecycle of an organisation, and this may lead to a media pitch.

Over the past years, media planning and buying have come through many changes. Communication groups have turned their media departments into specialised companies and independent media buying shops have strengthened their skills and strategic capabilities. The companies are no longer mere buying points but real media agencies: their competencies have broadened to better meet advertisers' needs.

Today, advertisers face a highly concentrated and sophisticated media agency market, whose players have a high degree of professionalism. Selecting a business partner in this area is therefore a critical step for both the advertiser and the agency, and from both a strategic and financial perspective.

In this context, this guide aims at helping advertisers and agencies to work together in an informed manner, focusing on quality and performance in their relationships. We propose methods, from defining the objectives to fine-tuning the contractual arrangements, which will allow the advertiser and its media agency to build a new relationship on solid grounds.

Rather than identifying the "best" media agency, the advertiser should seek to find the one which will best understand its needs and bring appropriate answers to its questions. From the following pages, the advertiser will be able to select from all the criteria listed those which are of key priority to its own company.

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EXECUTIVE SUMMARY

The key principles and main steps in selecting a media agency can be summarized as follows.

1 Internal review

Before making the decision to launch a pitch, it is useful to begin with a complete internal review of the current media process:

- the needs of the company, both existing and anticipated
- the decision matrices (who, what, when)
- the level of performance of current media plans versus objectives
- the relevance of the objectives assigned to the agency to the company's internal objectives.

On completion of this review, if the decision to proceed with a pitch is made, a shortlist of media agencies will be drawn up. It is recommended to shortlist no more than four companies including the incumbent if they are repitching. It will comprise companies which, according to their size and structure, are judged likely to be best able to answer the specific needs which have been identified. If deemed necessary, the advertiser can ask for the WFAs, their national advertiser association, or an outside specialised consulting company's help from this point.

2 Well thought-through brief

This is the cornerstone of the pitch procedure. It will be the sole basis for the candidates to work with. The answers that they bring to the questions raised by the brief should show a complete understanding of the situation and thus provide an assurance of a productive future collaboration.

The brief should comprise three components:

- The presentation of the advertiser: the company, the products, the markets/categories, the customers, the communication.
- The context of the pitch: analysis of the current situation, objective of the pitch, detailed procedure of the pitch.
- The selection criteria: they can vary according to the advertiser's objectives and will be linked to:
 - the media agency: structure, size, corporate environment, image, organisation, scope of service, remuneration policy.
 - the media issues: strategic criteria (relevance, innovation and practicality of the proposals, justifications, planning and buying philosophy and methods), financial criteria (negotiation policy, ability to consolidate buying, remuneration), technical criteria (planning and buying process and tools) and personal criteria (the team proposed).

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3 Some key principles for an effective pitch process

- Transparent rules: precise and identically applying to all candidate agencies.
- Clear objectives: as judging cannot occur simultaneously across all criteria, it is essential to identify those which will be prioritised in the final choice. A scoring matrix can often be a useful tool.
- Preliminary dialogue about future collaboration: at the beginning of the pitch process, it is recommended that the advertiser and the agency exchange information (contracts, procedures, etc.) about their preferred working relationships.
- Four weeks preparation time for the agencies: also build into the overall schedule sufficient time for the advertiser's own internal decision making.
- Utmost confidentiality of all information provided by the advertiser and the agencies: sometimes, this will be confirmed in a formal agreement between all parties.
- Equal fairness for all candidate agencies: information from the advertiser to the agencies should be presented in identical conditions.
- Quick communication of the decision taken: this should be done in a straightforward manner (a scoring matrix may be helpful). Rather than selecting the "best" media agency, a thorough preliminary analysis, a well thought-through brief and a clear and professional selection procedure will allow the advertiser to identify the media agency which will best meet its needs.

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1 THE ROLE OF THE MEDIA AGENCY

Before proceeding with selecting a media agency, it is useful to be aware of what services media agencies offer in today's market.

Over the past years, many factors have influenced the development of the role of media agencies:

- The explosion of media outlets, linked with the dynamism of media groups and a revolution in technology (digital TV, multimedia/internet, interactivity), means a more complex media choice, especially since this proliferation has led to audience fragmentation.
- The advertisers' search for ever more effectiveness and productivity from their media monies has increased the need for research and tools enabling an accurate evaluation of audiences, rate cards, selling conditions and measurement of return on media investments.
- The increasing market concentration of media, on an international scale, has in turn driven the development of media agencies in size, staffing, technology and international capability, with a view to better serving the advertiser's interests.

The different services media agencies offer are summarised here in six sections.

Even if the advertiser does not have a need for all these services, a better understanding of the whole spectrum will enable the advertiser to better select those which are to be handled by the media agency.

1.1 Developing strategic advice

- Over and above strategic media advice, advice may be given as necessary on these specific areas:
 - products, brands and brand portfolios: in terms of brand image, targeting, media usage and phasing,
 - category and category segments: identifying and analysing media usage by the competition, detecting niches and opportunities,
 - targets: translating marketing targets into communication and media targets, quantification and definition of targets, target group attitude towards media and product purchase, control of side-effects (on a brand and product basis),
 - effectiveness: contribution of the communication plan to the effectiveness of the marketing mix, links between the media plan and the overall communication effectiveness.
- Media strategy/planning:
 - definition of targets and objectives: from marketing, sales and communication objectives, with media surveys and consumer databases,
 - investment analysis: evaluation of previous investments, optimum budget definition to achieve objectives, budgetary choices,
 - recommended media mix: media selection, phasing over time, weight of secondary communication channels (DM, partnerships, barter, etc.),
 - multi-brand and/or multi-national co-ordination.

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1.2 Analysing and selecting communication vehicles: tactical media planning and optimisation

- Quantifying and prioritising objectives: reach and frequency distribution levels, optimum contacts, required environment, qualitative aspects, special positions.
- Determining estimated net costs of contacts.
- Developing plans (with alternatives) and producing a justified recommendation.
- Optimising final plan according to constraints and opportunities within each medium.

1.3 Leveraging the purchasing power of the advertiser: negotiating and buying

- Analysing terms and conditions of each media vehicle.
- Ranking vehicles according to net cost and costing of each plan.
- Negotiation strategy for each vehicle.
- Proof of insertion and invoicing.
- Administrative and financial follow-up: permitting the advertiser to monitor media purchases and budget status with simple direct access (extranets, EDI, etc.).

1.4 Presenting a detailed post-analysis

- Media post-analysis: actual versus objectives (either versus competitive or rate card), qualitative and quantitative, explanation of discrepancies.
- Buying post-analysis: negotiations and other economic benefits obtained, proof of insertion, check versus orders, compensations and make-goods.
- Efficiency post-analysis: role of media in the marketing mix, analysis of effects related to causes.

1.5 Training and sharing information

- Designing and conducting training seminars on media strategy, on media-related issues and on specific markets' issues.
- Designing and circulating regular media information (paper and/or electronic).
- Initiating and investing in proprietary ad-hoc research.
- Permanent monitoring of developments in the media world (nationally and internationally).

1.6 Contributing to the consistency and effective functioning of the media marketplace

Contributing to the consistency and effective functioning of the media marketplace, including control, together with advertisers and media owners, of media research to guarantee its accuracy and usability. It should also include the amplification of their clients' perspectives of other relevant industry issues through all appropriate channels such as national and international associations.

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2 SELECTING A MEDIA AGENCY

2.1 Asking media agencies to pitch

2.1.1 The internal review

For an advertiser, the decision to invite a pitch in the media and more specifically media buying area, can be made for several reasons, for example:

- Internal procedural systems which call for periodic competitive review of each of its partners/suppliers.
- Modification in the structure of the company (mergers, buy-outs, etc.) and therefore its needs, especially regarding media arrangements.
- Wanting to test the negotiation, innovative and creative capacity of its current partner/supplier.
- Unsatisfactory relationship with the incumbent media agency.

Whatever the motivation for the advertiser to put his business to pitch, proceeding with a complete analysis of its current media arrangements, taking into account of its own needs and its dealing with the incumbent agency, is in the main the best way to start in putting together a brief for the pitch.

In certain cases, it is even possible, thanks to this analysis, that the media service can be improved upon without having to resort to a pitch situation.

The analysis could answer, for example, the following questions:

- Are working procedures clearly identified between the advertiser and its media agency? • Is the advertiser's team in phase with its actual needs?
- Does the media agency listen to the advertiser, react and is well organised on a daily basis?
- Has the advertiser new needs (e.g. new products needing a media launch, significant reductions or increases in budget) or a new structure (e.g. bought by an international holding company with new reporting structures) which will require a review of working arrangements, objectives and remuneration?

2.1.2 Selecting a shortlist

If, after the analysis, the principles of a pitch have been agreed upon, the needs of the advertiser have to be confirmed, especially in terms of size of budget, structure and objectives (e.g. predominantly strategy or media buying, or both?).

A first list of media agencies, put together and cross-checked against the advertiser's own knowledge of the market, or available documentation, can be enough to produce the shortlist.

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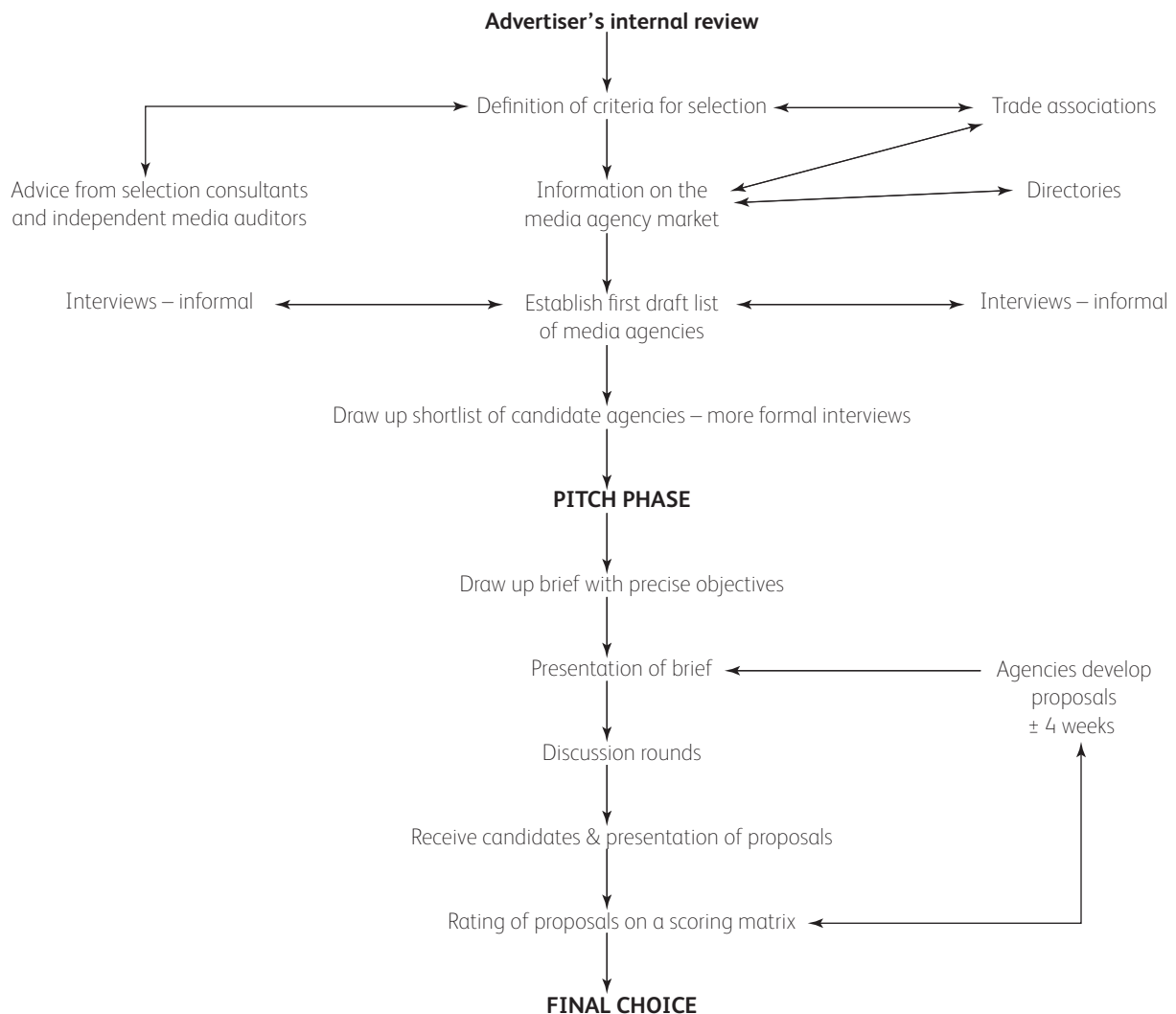


2.2 The pitch process

Choosing a media agency consists, more often than not, in a process of elimination, at successive steps of the pitch, as shown below, until a final choice emerges at the end.

As each advertiser is different, it will need to focus on the stages that are relevant to it in arriving at its optimum choice of agency.

Typical flow chart for a media agency pitch.



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2.3 Best practice in managing a media pitch

2.3.1 Define the objectives of the pitch

The diversity of advertisers, their problems and the financial implications that these problems involve, requires advertisers to express clearly at the time of a pitch for a new media agency the exact nature of the questions posed and the level of detail desired in the review.

This requirement should inform the content of the brief which the advertiser will have prepared for this purpose. Needless to say (see chapter 3) this document should be tailor-made to meet the advertiser's specific demands.

It is clearly pointless to request a pitch on all the advertiser's service requirements if there is no intention of giving all these services to the winning media agency. It is obvious that, taking into account the time that a pitch takes, both parties should feel the process to be as relevant as the end result.

For example, the objective of the pitch could be based on:

- A proposal for the media strategy adopted from the communication strategy of the advertiser (if, of course, this is already known and finalised).
- A fully-costed media plan.
- A critical analysis of the media plans already used by the advertiser in the recent past.

Or even:

- A critical analysis of media policies of the competition.
- A critical analysis of the current media plans made for a client of the media agency, etc.

If we insist on a wide range of criteria on which the pitch is to be judged, it is because it is important that the advertiser, as well as the media agency, should recognise that the price is not the only criterion of choice and that other factors, notably qualitative, should at this stage take precedence over purely financial factors.

2.3.2 General principles of the pitch

All pitches should be based on the rule of transparency and should be precise and identical for all the media agencies involved.

It should be based on a written brief along with a timetable, which details to each agency the total sum of necessary information for its participation. The pitch should follow a formal and fair process.

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2.3.3 Preliminary briefing on the intended client/agency working relationship

Certain issues, which may not appear fundamental during the pitch, can become so once the working relationship begins. It is therefore essential to talk about them before the pitch starts in order to avoid misunderstandings and time-wasting.

It may concern the following:

- The philosophy of each party in the agency-advertiser relationship.
- The contract that one of other wishes to see implemented.
- The legal and shared ownership links that can exist between the media agency, media owners, communication agencies, etc. and the complications which then may be created.
- The potential problems in case of conflicting clients and the solutions proposed (bearing in mind that often there are more brands in one category than media agencies).
- The main principles of remuneration.
- The organisation proposed (number of staff/length of service in the industry/ quality/description of the positions that each member will have when working on the business).

2.3.4 Timings in preparing for the pitch

Bearing in mind the importance of the investments at risk, reasonable time should be allowed to the competitors to prepare high quality proposals which do justice to the brief.

Realistic timetable for a pitch:

Preparation for the pitch	4 weeks
Including	
Diagnostic/internal review	
Discussion with all current partners	
Development of new objectives	
Overview of media agency market	
Definition of brief for agencies	
Pitch	13 weeks
Including	
Presentation of brief to agencies	1 week
Development of proposals by agencies (remember to offset for public holidays like Christmas in some markets)	6 weeks
Presentation of proposal	1 week
Internal examination of proposals and decision	3 weeks
'Contractual' phase	2 weeks

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Aim to begin the working relationship at the end of 3 months minimum.

The length of time being more or less 4 months, the advertiser should fix the ideal period of the pitch, taking into account:

- Notice period of the existing contract.
- Dates for defining marketing strategies.
- Budget approval dates.
- Timing for putting together media teams (in case of large accounts).
- Length of time needed to buy space (TV/outdoor).
- Etc.

2.3.5 Pitch fee

There is no standard pitch fee for media agencies. However, it should be born in mind that when the advertiser's request involves a high level of work, it is good practice to remunerate the losing agencies.

The level of compensation, when this has been decided, should be stated before the pitch, based on a fee and should be identical for everyone.

This compensation guarantees a serious commitment to the pitch by the media agencies involved.

2.3.6 Confidentiality on the running of the pitch

Advertisers are sometimes inclined to preserve the utmost confidentiality regarding their work. Competing media agencies will therefore respect the wishes of the advertiser; the main point is to agree before-hand.

2.3.7 Confidentiality on information exchanged

The pitch consultation implied, more often than not, that the advertiser gives the agency confidential information concerning its commercial, marketing, communication, etc., policies. In the same way, the media agency gives the advertiser confidential elements on its organisation, its negotiating approach, its results, etc.

This is why the partners should be willing to respect this confidentiality strictly. This involves, in particular:

- That the agency and its staff do not pass on to other clients any information received from the advertiser and do not use this information to pitch competitive clients.
- That the advertiser does not communicate the information received from a media agency to other competitors or other partners.

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Certain advertisers expect the signature of a mutual contract to preserve the interests of both parties. Such agreements should also bind all personnel to retain confidentiality even if they migrate to other organisations – this may have to be effected through advertisers' and agencies' employment contracts.

2.3.8 Intellectual property of proposals made by losing agencies

The documents and proposals presented during a pitch remain the property of the losing media agencies, unless it has been agreed otherwise under the terms of a specific contract.

It is also agreed that the advertiser should not employ the recommendations made by a losing media agency; equally a losing agency should not present the same media recommendations and/or proposals to a conflicting client prospect.

2.3.9 Presentation of the brief

It is recommended that the brief is sent before the oral presentation in order to allow the agencies time to reflect upon and prepare questions.

The advertiser should organise a meeting to present and orally comment on the brief. One meeting per agency is the only way to engage each company in a constructive dialogue.

The brief/meeting will also detail which people the agency can contact at the advertiser's office during the preparation of their proposal, for extra information.

Extra information, judged to be of use by the advertiser, should be communicated to all participating agencies. The advertiser is not obliged to circulate any further information requested by one of the pitching agencies unless they consider that its exclusion from the original briefing material was an oversight and that it should be circulated to all parties.

2.3.10 Conditions of the media agencies' presentations of proposals and contact between teams

The shortlisted agencies must be allowed to present their proposals in the best neutral and objective conditions possible.

Ideally, it is desirable that all the agencies are seen in succession, if possible on the same day, so as to better appreciate and compare the approaches of each one. In all cases, the same staff must represent the advertiser at all the agency meetings.

The presentation order can be decided at random. It can also start with the incumbent, as they are a known quantity and can therefore set the benchmark for other, new, parties to meet or exceed.

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The length of time set aside for the meeting should be decided upon in advance, and should, of course, be the same for each agency and should be of a duration relevant to the complexity of the brief and expected response.

Whenever possible, the agencies should be allowed to present on their premises – their ‘home turf’.

Whilst it is desirable to hold all pitches as close to each other as possible, it is strongly advisable to allow adequate time for travel between them so that they start on time, are allowed to continue for their agreed duration and perhaps overrun slightly to enable detailed cross-examination if required. Dedicated transport is often a good solution to this, as it also enables rapid views to be shared in transit.

The advertiser should have opposite them the team that, should the agency win, will be working for them. (NB. In the case of big budgets, the agency will not necessarily have a complete team.)

The media agencies should either leave before or after the oral presentation a written document, the principal purpose of which should be to answer the questions in the advertiser’s original brief. This document should be as concise as possible. It is recommended that the quality of the response is not necessarily measured by the number or size of documents supplied!

The advertisers may judge it necessary to visit the media agencies’ offices and, if required, be given a demonstration of the agencies’ software programmes.

2.3.11 Internal examination of the proposals

The advertiser’s staff should put aside enough time to evaluate each proposal.

In order to be objective, a scoring matrix may be employed to mark the proposals and the teams. It is preferable that the decision is made quickly. The advertiser should notify the agencies of the date by which it will reach its decision.

The advertiser can be helped by an independent media auditor. The choice of auditor is an important decision: their competence, reliability and objectivity should be carefully vetted. Please refer to the separate WFA/EACA and ISBA/ IPA agreed guidelines in this specific area.

2.3.12 Communication of the final decision

When the decision has been made, the advertiser should inform all the media agencies simultaneously, both for simple courtesy and for best public affairs management purposes.

The advertiser should explain to the losing agencies the reasons why they have not been appointed.

The advertiser can refer to the scoring matrix to explain the reason for its decision.

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3 THE BRIEF AND SELECTION CRITERIA

To run a pitch well, good tools are a necessity.

3.1 A brief in three parts

In order to establish a real partnership, the brief must define not only the precise objective of the collaboration, but it is also the opportunity for the client to present itself to a potential partner.

Detailed here is the type of brief that an advertiser can submit to agencies that it approaches. It goes without saying that this is not prescriptive, and is not designed to be exhaustive. The brief must be sufficiently theoretical, yet clear, but also truthful, in order to allow the parties to clearly define the parameters of any eventual collaboration. It will need to be adapted according to the specific nature of the problem.

It will consist of three parts:

- The first centres around the client itself.
- The second is linked to the context of the pitch.
- The third comprises questions posed to the media agencies.

The advertiser will be able to define the structure that the response to the brief should take, which will permit him to best compare each response.

3.1.1 The advertiser

In order to present itself to potential partners, the advertiser may give information under the following three headings:

Presentation of the business

- Background.
- Business structure/shareholding.
- Annual report/company profile if there is one.
- Business objective/mission statement.
- Product policy.
- Status of R&D.
- Organisational structure and organigram/hierarchy.
- Agency contacts (by function/discipline).
- Short and long term business plans.
- Brand image and general recognition of the business.

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Activity/brands and products

- Presentation of the main activity/brands, of the products and services of the business.
- Clients/current or potential prospects.
- Competitive environment for each of the markets in which it is active.
- Product and brand image.
- Market perspectives in the short and medium terms.
- Distribution network.
- Socio-political context (legislation, consumer expectations, etc.).

Advertising and communication

- Structure of the advertising/communications agency – decision-makers.
- Key defined communications objectives (image, frequency of message, general recognition).
- The different services of the agency in the advertising/communications domain and their precise objectives.
- Latest creative work.
- Analysis of above and below-the-line investment of the company for each one of its products, in respect of the competition.
- The current media service, in particular the specific responsibilities of the media agency versus the advertising agency.

3.1.2 The pitch in context

This is concerned with describing the general manner in which the pitch is called.

For example:

- Initial results of the analysis of the current situation, the nature of possible problems and their causes.
- Internal changes which have led to the questioning of the existing arrangement.
- Potential remuneration structure.
- The type of relationship, particularly in contractual terms, that the advertiser wants to put in place.
- Clearly defined objectives and the responsibilities that will be conferred upon the media agencies; the advertiser will also detail precisely the criteria upon which the agencies will be judged and selected, and second, how it will eventually evaluate the services of its partner agency.

3.1.3 Questions

The third part of the brief will give the advertiser the opportunity to clearly state its requirements and to detail the desired template for the response. For example:

- How is the agency structured? Who will be working on my account?
- What fee structure will you propose given the particulars of our brief?

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- What is your experience in terms of consolidating buying across several subsidiaries of the same group?
- Can you prepare a critique of our current media strategy for the past year as well as any plans provided?

The following selection criteria are not exhaustive, but will service as food for thought.

3.2 Selection criteria

These criteria follow two main themes:

- Media agencies: criteria linked to the nature, the specificities, etc. of media agencies (via a vis the expectations and the structure of the advertiser).
- The media debate: criteria linked to evaluating the responses to a brief (proposed by the advertiser in the setting of the initial consultation).

On each theme, the advertiser will be able to use the following list as a guideline to construct his own selection check-list and organise it in terms of themes and priorities. It would be useful to submit to the companies approached the key points and their priority, so that each agency will provide the required information, with the same emphasis as the advertiser.

3.2.1 Media agencies

As a general rule, the criteria in this section will allow the advertiser to draw up a shortlist of companies that he wishes to approach. These criteria can be based upon his/her own knowledge or even from research documents (see Appendix 2), or indeed from meetings, whether formal or informal, with the companies in question.

Meeting the agencies at this stage of the procedure can sometimes allow the advertiser to simplify the selection procedure by:

- Clarifying the brief.
- Identifying a shortcoming of a company that consulting documents alone would not have highlighted.

Structure, scope, environment and image of the media agencies:

- Size
 - billings (declared by the agencies, but reported by industry sources),
 - billings split by media,
 - profit margin, gross and actual.
- Shareholding
 - detail of the split of the company's capital and that of any parent company.

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- Date the company was founded/established, financial standing, business ownership, media credit recognition status.
- Context
 - relationship to any group of agencies, either communication or media specific,
 - independence versus media,
 - any sister companies/partners.
- Membership of any professional bodies.
- Client portfolio
 - key clients,
 - recent account wins and/or losses,
 - any clients competing in the same sector of activity: assurance of confidentiality and impartiality.
- International credentials
 - of the media agency, of its shareholders, its clients, any partners, etc.
- Positioning, general recognition and image of the company.
- Perception of advertisers, communications agencies, the media and general goodwill.
- Relationship between members of two companies.

Organisation and extent of the service, remuneration:

- General company philosophy and professional approach.
- Key words defining the company.
- How these are interpreted in the organisation, its procedures, etc.
- Operational structure
 - commercial structure and profile of any partners,
 - internal organisation: specialisation/integration,
 - definition and role of key departments in the company,
 - senior contacts and teams who would work for the particular client: experience, personality, particular area of expertise, detailed CVs.
- Scope of service and presence or not of particular functions
 - studies/research, sponsorship, multi-media, direct marketing.
- List of information banks and tools, name and description (are these tools available to the market as a whole by external suppliers, or are they proprietary studies and tools, developed by the agency?)
 - software to aid strategic planning,
 - software measuring competitive data,
 - media planning software,
 - optimisation software,
 - buying administration software.
- Administration and finance: management procedures and documentation.
- IT: system and equipment, staffing, IT links with advertisers and media owners.
- Remuneration: format and implementation.

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3.2.2 The media debate

Obviously, the detailed list for judging the selected agency proposals will largely depend on the content of the advertiser's brief. Whether it consists of a certain amount of analysis (targeting, entry costs, budget allocation, media-marketing analysis, etc.), media strategy, media plans, cost approach, audience forecasting, etc., certain criteria listed will be more or less relevant, and have more or less importance.

It is generally at this stage that the advertiser will request a detailed proposal on the type of service and remuneration.

Strategic criteria:

- Relevance, creativity and whether proposals are realistic.
- Any alternative proposals and justification for the solution recommended.
- Contacts, thinking and approach in
 - media planning,
 - buying,
 - optimisation,
 - evaluation (quantative and qualitative, etc.).

Financial criteria:

- Negotiation policies (based on expertise and actual case studies).
- An actual budgeting exercise.
- Experience and scope for
 - consolidating buying (for multi-company/multi-brand clients),
 - co-ordinaion of negotiations.
- Tools to replicate or aid buying.

Evaluation criteria:

- Use of tools and studies in the planning and efficient buying of space.
- 'Live' examples of constructing a plan in order to
 - evaluate the capacity for forecasting TV.
 - evaluate media performance.
 - show understanding and best use of tools, guidelines, optimization methods.

Or

- Pre-worked analysis of an existing media plan for the advertiser
 - critique of a recent media plan.

Or

- Pre-worked analysis of a plan for another advertiser of the agency
 - critique in terms of what the competition are doing.

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Criteria linked to the media agency proposal:

- Scope of service.
- Dedicated team.
- Proposed working practices for the advertiser, creative and media agencies.
- Remuneration
 - remuneration structure (global, by particular service, percentage of business volume – gross or net, all inclusive payment, man-hours basis, etc.),
 - if based on incentive: approach (regarding optimisation, negotiation, both, etc.), calculation, methodology, definition of parameters to be used, caps to be applied.
- For the majority of these criteria, an actual analysis of the figures provided will need to be carried out. It is therefore necessary to be extremely careful when comparing figures and results:
 - of media performance: all things remaining equal, different tools generally produce different results,
 - of buying performance: different terminology can lead to confusion,
 - of remuneration: costs may be gross or net. In order to avoid confusion, the advertiser can ask pitching agencies for an example of their total remuneration in year one.

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4 UNDERSTANDING THE FINANCIAL PROPOSALS

Since pitches very often put significant emphasis on optimising quantitative performance, it is useful to set out some rules to ensure good understanding and comparison of the financial proposals.

4.1 In terms of negotiations

An important point to remember is that, at the pitch stage, the buying rates quoted by non-incumbent agencies can only be non-guaranteed rates. In such cases, it is worth seeking performance-related remuneration and linking it to the delivery or exceeding any 'non-guaranteed rates'. This helps underpin optimum delivery to the advertiser.

They are estimates based on the media agency's experience and their ability to make assumptions on the different negotiation opportunities based on the advertiser's budget characteristics.

When a pitch concerns buying, it is important that the advertiser communicates to the agency, for the purposes of this exercise, a precise specification of all the parameters that can have an impact on the buying quote. In effect, the less the detail provided, the more the diversity of the responses received will render analysis difficult.

Practical clarifications

If the question is "I'm spending \$7 million gross on TV, what is the net cost?", the rates quoted by the media agencies may show extremely significant variations. The parameters that have, indeed, an influence on the level of negotiation are many: share, period, placement, space booked in fixed or run of rate card, etc. The media agencies can take account of each of these in order to improve the discounts provided for in the sales conditions of the sales houses.

For most of the media, discounts can reach high levels; it is therefore appropriate to effectively determine the conditions and constraints that the media agency has worked to in calculating their buying rates.

Whatever the media, in order to easily compare the buying rates quoted by medium, the advertiser should fix in advance, in the pitch brief, his objectives in terms of target audience, period, performances (namely frequency distribution), placement requirements, etc.

- On TV:
 - expenditure share by channel,
 - precise activity periods,
 - split by daypart, by day, etc.,
 - run of rate card.Can all contribute to variations in the buying rates quoted.
This example illustrates some of the questions to ask.

Selecting a media agency



The simplest method is to ask the media agencies to supply, in addition to the buying quote, a precise description of the structure of their TV plans and an estimate of their net cost per GRP based on the stated target audience(s). In principle, every media agency should provide with this description a rationale for their TV plan, thus demonstrating that their buying strategy meets the objectives.

- On radio:
 - same can be applied as for TV.
- In press: two points to take into account
 - activity periods,
 - positioning guarantees.
- On outdoor:
 - activity periods,
 - formats,
 - types of network,
 - geographic coverage.

In addition, the base cost on which the quoted % discount is applied should be specified – on the gross rate card cost or the gross space value (cost inclusive of any preferential positions).

4.2 In terms of remuneration

It is the responsibility of the advertiser to agree with his media agency, taking account of the services expected and the benefits offered, the methods and amounts of remuneration best suited to their future collaboration. This question should be addressed in the pitch.

The media agency remuneration can take the form of:

- A percentage applied to the total space cost, exclusive of VAT:
In this case the base on which the percentage is applied should be agreed, for example, on the net amount after all rebates are deducted (see Appendix 1).
- A fixed fee:
To agree the overall remuneration amount, the two partners will assess the component share of each task, detailing it as appropriate according to the services provided: media consultancy, media strategy, media planning, media buying, etc.
- Performance incentive:
A media agency's normal task (and thus their basic remuneration) is to obtain the best placements at the best price, based on the agreed plan and respecting the rules of competition. To complement the basic remuneration, the advertiser may choose to put in place a performance-related bonus incentive. In this case, the incentive should:
 - be based on criteria which are simple, indisputable and measurable.
 - meet the clearly-defined objectives of the advertiser.
 - represent only a limited part of the overall remuneration.

Selecting a media agency



Comparing the proposals

As a result, it is not always easy to compare the remuneration proposals presented in a pitch. The following points should be checked:

- The basis on which the fee, when expressed as a % of the space cost, is applied (gross, net, gross negotiated, etc.).
- Detail of the mechanics and ceiling of incentives.

To compare the remuneration quotes, all the proposals should be evaluated on a common basis, be that in \$ or as a % on the net space cost. As the same time, where an incentive is proposed, the situation which is most favourable to the media agency should be taken into account.

Equally, the total net space cost plus remuneration should be considered, since an advertiser may be willing to pay more to an agency who will deliver better rates.

For example: for a budget of \$100 000 million gross

	Hypothesis 1	Hypothesis 2
Gross budget	\$100 000m	\$100 000m
Discount	- 41 %	- 42 %
Net space budget	\$59 000m	\$58 000m
% commission	1 % / gross = \$1 000m	3.5 % / net = \$2 030m
Performance incentive	No = 0	Capped at 0.5 % = \$290m
Fixed fee	\$1 200m	0
Total remuneration	\$2 200m	\$2 310m
Total space + remuneration	\$61 200m	\$60 310m

Selecting a media agency



APPENDIX

APPENDIX 1 – Different budget definitions

For information or reminder	
Gross including surcharges	Rate card prices including surcharges for special positions
Gross rate card	Rate card prices excluding surcharges
Gross invoiced	Rate card prices less free spaces or specific agreements (run of rate card, etc.)
Gross negotiated	Media cost less any negotiated free space but prior to deduction of agency commission
Net topline	Media cost after deduction of all immediate discounts
Net bottom line	Media cost after deduction of all immediate or contingent discounts

APPENDIX 2 – Documentary information sources

- The RECMA (expert reports on media consultancy and buying) have a wide ambition: to inform advertisers of everything related to media agency (weight, evolution, way of working, tools, positioning and services, etc.). These reports are accessible through yearly subscriptions.
- The local trade associations.
- Media auditor companies, agency selection consultant.

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