A checklist for brands that value transparency and disclosure in media

pwc

The issue of transparency within the media buying landscape continues to be a hot topic for the marketing industry. While many of the largest global advertisers have championed transparency on behalf of the industry, a lack of transparency with regard to how some media agencies and media technology vendors transact media on behalf of their clients, and how some media companies handle and report on investment, is still causing concern in the market.

Globally, initiatives such as that spearheaded by UK advertisers through ISBA's review of the digital supply chain, demonstrate the seriousness of this issue and the preparedness of advertisers to increase the urgency in finding a resolution to this issue.

It's a topic that can be challenging, and it's been difficult to tackle across the industry for a number of reasons:

First, it's undoubtedly complex. Marketing is a multidisciplinary profession, and as media planning and buying is an important component of that, the level of specialism required to accurately diagnose a potential lack of transparency, not to mention resolve it, cannot be understated. It requires an intricate understanding of all constituent parties' ways of working, deep knowledge of media and technology, and understanding of interpreting contracts (to name a few). This is not a simple task for marketers.

Second, the commencement or introduction of reviews and/or audits may place pressure on the relationship between the agency and client, which makes day-to-day operations difficult. The unfortunate reality is that audits or reviews are often initiated if there is a perception that things are not working the way they should. It is a situation that may be avoided if transparency was central to the relationship and treated with the same care and diligence as other aspects of the relationship.

Third, and perhaps most importantly, a review or audit of a brand or organisation's media investment may find that there is a presence of non-transparent practice which may serve the agency, technology vendor or media company over the client, and/or results in the client's investment being less effective than it could be. This is a difficult reality for many marketers; there may be concerns that, if it is found that money has been spent ineffectively in the past, this will reflect poorly on the marketer.

In order to effectively tackle the issue of transparency once and for all, the media and marketing industry must take a collaborative approach.

Agencies, marketers, and the organisations for whom they work must bravely and constructively champion the requirement for transparency in a future-focused manner - without blame or prejudice - in order to increase the effectiveness of advertising investment. It is critical that media agencies are paid fairly for the work they do on the marketers behalf, just as it is critical that the marketer has absolute confidence that every cent they spend is put to its best possible use, with absolute transparency.

In June 2021 the Media Federation of Australia (MFA) released an update to their Agency Transparency Framework which PwC sees as positive, collaborative progress on the subject. As a build to that paper, the purpose of this document is to clearly articulate the value of a renewed approach to transparency led by the marketer by giving clear, sometimes challenging, questions to ponder. We will also explore recommended actions to take should there not be sufficient answers to these questions.

There is a high level of complexity in the media buying industry, an ecosystem that is constantly evolving. While every marketer will have their own model for investing in media, across in-house capability, media agencies and data and technology vendors, it is expected the questions posed, and solutions offered should be the starting point of positive developments between client and partner(s) towards solving for transparency, and ultimately further building trust.

The benefits of transparency

01

A truly transparent contract and ways of working drives trust and thus strengthens agency/client relationships, driving a better working relationship focused on delivering mutual value.

02

A contract which mandates transparency in the commercial aspects of the arrangement, and ideally aligns this to areas that drive value for the advertiser, means that both parties are working in partnership to achieve the same outcomes.

03

The effectiveness of paid media and media technology investment is maximised, meaning that marketing activity has a stronger chance of meeting business objectives.

04

An organisation with a strong understanding of how their marketing investment is being spent is better placed to have a good grasp of how investment links to business outcomes.

05

A transparent approach to buying, billing and reconciliation vastly improves and simplifies the reconciliation process for marketers, agencies, media technology vendors and their respective finance departments, reducing administrative burden.

The Nine Point Transparency Checklist

Full transparency of the media supply chain

What is it?

Granular and itemised reporting of the costs of goods and services associated with the handling and investment of paid media, including the cost of advertising inventory; all additional third party costs including but not limited to the cost of data, verification and measurement tools and technology, ad serving, platforms and technology; and the fees paid to the media agency for their services.

Why is it valuable to marketers and the organisations they work for?

- Allows marketers and their teams full oversight and control of their budgets
- Facilitates ease of audit
- Allows marketers and their teams to better evaluate activity and optimise what works
- Clarity regarding the media agency's commercial terms can provide confidence that investment decisions are not compromised by self interest.

What kind of questions should marketers and the organisations they work for be asking themselves?

- 'Is there a clause within the contract that mandates full transparency of all costs within the media supply chain, applicable to all channels, and all services?'
- 'Does the documentation provided by our media agency (including plans and invoices) outline the media vendors, and their associated budget allocation?'
- 'Are we able to easily determine the fees that our agency is charging, on all elements of our media buy?'
- 'Do we have a strong understanding of all of the costs in the digital and/or programmatic supply chain, and what other charges may be included within tech fees, ad serving and data such as those to cover the cost of specific, relevant resource?'

If the response to any of the above questions was 'No', required actions may include:

- Ensuring that your contract addresses and mandates the transparent reporting of all costs associated with paid media advertising, and that this applies to all channels and services
- Requesting from your agency that all third party costs attributable to your account are itemised on the documentation that they provide to you (including plans and invoices)
- A third party review of investment to understand whether there is a difference between the costs incurred by the advertiser for advertising activity, and the costs incurred by their media agency or technology vendor for the same activity. In instances where there is a difference, determine whether the fee or 'mark-up' on this activity is substantiated, applied in line with terms outlined within the contract, and represents fair value.
- Where the agency is unable to provide complete transparency within a supply chain, such as a DSP not passing on SSP fees, these areas should be discussed and documented. Moreover, it is a known challenge that media technology in its current form may not always allow for full transparency (see ISBA's 2020 report[1]) - in such cases the marketer should request a level of reporting they believe gives them sufficient transparency without creating ineffective use of resources.

1 - ISBA UK report into the Programmatic supply chain
https://www.isba.org.uk/system/files/media/documents/2020-12/executive-summary-programmatic-supply-chain-transparency-study.pdf

A defined and mutually agreed reconciliation process

What is it?

The reality of media buying is that *planned* investment is often not exactly equal to *actual* investment, due to the way that some channels are traded. A defined and mutually agreed reconciliation process ensures that in instances where 'cost in' does not equal 'cost out', all parties are aware of any discrepancy, and any discrepancy is rectified.

An important safeguard to proof the reconciliation process is to ensure that the media agency provides a report outlining 'unbilled media' at agreed intervals annually. 'Unbilled media' refers to paid media advertising activity that the advertiser has paid the agency for, but that the agency has not paid the third party media supplier for, regardless of whether it has or has not aired.

Why is it valuable to marketers and the organisations they work for?

- Mitigates overpayment or underpayment to the agency, driving accountability for investment for both the advertiser and the agency
- Once defined and agreed, a repeatable, consistent and rigorous reconciliation process should reduce administrative burden for both the advertiser and the media agency
- Facilitates ease of audit.

What kind of questions should marketers and the organisations they work for be asking themselves?

- 'Is there a documented reconciliation process for both me and my media agency, and is this consistently followed?'
- 'Is there a document that outlines the costs of goods and services that I have paid to my media agency via invoices, and the costs that they have incurred from third party media suppliers?'
- 'Do I receive semi-regular reports on any 'unbilled media' from my media agency?'
- 'Do I have a mutually agreed and reasonable ageing period for all balances to be repaid?'

If the response to any of the above questions was 'No', required actions may include:

- Ensuring that your contract and/or ways of working outline an agreed reconciliation process with necessary and appropriate artefacts to support it
- Mandating the receipt of an 'unbilled media' report at an agreed frequency.
- Develop a mutually agreeable approach for unbilled media to be repaid. Within this, it should be noted:
    - Ageing periods that are within reason from when the agency will likely be billed by the media company
    - Acknowledgment that unbilled media is activity that has typically aired and as such the client *should* be obligated to pay despite any reason why the billing has not occurred
    - An approach for situations where the agency is subsequently billed for media that had previously been termed 'unbilled'.

Disclosure and appropriate use of commercial models to mitigate conflict of interest in buying

What is it?

Potential conflicts of interest that may exist between an advertiser and a media agency may include (but are not limited to):

- Differing remuneration models for different channels, potentially driving conflicting commercial incentives for the media agency
- Commission-based remuneration models, though increasingly rare and in some cases an applicable solution for the advertiser, are structured such that the more paid media investment that is transacted via a media agency, the more the media agency earns. This practice, though reducing the need for an agency retainer fee may lead to unchecked pricing, or not recommending ways for the advertiser to achieve its marketing objectives via efficiencies or a reduced budget
- The use of media agencies' sub- or related body corporate entities to deliver the services under the scope of the contract, or their engagement as third party media suppliers. These arrangements while typically offering value and utility, if conducted without marketer due diligence may have the potential to lead to issues such as favoured supplier arrangements, cross-subsidising or enabling unchecked, inflated prices, especially in instances where the media agency has a material incentive to appoint its subsidiaries over other third parties.

Why is it valuable to marketers and the organisations they work for?

The removal of any conflicts of interest within the contract can give marketers confidence that their budget is invested in the most appropriate channels and with the most relevant suppliers to meet their business objectives. For agencies, it removes any doubt or uncertainty from the marketer that may cloud the relationship.

What kind of questions should marketers and the organisations they work for be asking themselves?

- 'Am I confident that the method through which I remunerate my agency does not incentivise them to spend money in one channel over another?'
- 'Am I confident that I have full awareness of instances where my media agency is engaging a subsidiary to perform the services or supply media inventory and these instances do not create a conflict of interest?'
- 'Is there an approved list of third party suppliers with whom my media agency can engage?'
- 'Am I fully aware of the complete chain of pricing (including the cost of advertising inventory, ancillary costs, and fees) when engaging with my agency's subsidiary?'

If the response to any of the above questions was 'No', required actions may include:

- Ensure that any ownership arrangement between the media agency and any recommended third party is disclosed
- Ensure that in instances where a media agency's subsidiary is recommended, there is evidence that the agency has conducted an extensive market review to justify the recommendation
- Ensure that the usage of any media agency subsidiary is approved in writing prior to their engagement
- Ensure that both the commercial arrangement between the media agency and any recommended subsidiary, and the model through which the subsidiary earns profit is disclosed
- Ensure that all material third parties who may be subject to a conflict of interest with the media agency are able to be audited and that the full chain of pricing can be reviewed by the advertiser

Digital account ownership and/or access (read only)

What is it?

While some advertisers execute digital activity in house, and thus have both account ownership and full access rights to their digital platforms, others utilise their media agency's licences and accounts to transact digital media. There is not a 'one size fits all' approach; the best arrangement very much depends on the digital platform, the media agency, and the requirements of the advertiser.

Irrespective of how ownership and licences are structured, all marketers should have access to the technology through which their digital media is transacted and managed in order to ensure that they have visibility of where and how their investment is transacted through the ecosystem. In instances where the advertiser is utilising the media agency's accounts and licenses, this access should be read-only in order to minimise liability.

Why is it valuable to marketers and the organisations they work for?

- Allows the marketer immediate access to records outlining how their investment is being transacted in the digital ecosystem
- Allows the marketer access to reports to analyse performance
- Provides confidence that investment is being appropriately managed and deployed.

What kind of questions should marketers and the organisations they work for be asking themselves?

- 'Do I have the required level of access to the technology that is used to transact my digital advertising activity?'.

If the response to any of the above questions was 'No', required actions may include:

- In instances where the media agency owns the account and licence for the technology, ensure that the agency grants read-only access to relevant, approved client staff. This should apply to all relevant buying and reporting platforms for digital ads
- Ensure that every effort is made to build client accounts within their own instance/master to allow for this level of transparency, without giving visibility to other clients' confidential information.

Usage of verification tools where possible and appropriate

What is it?

The breadth of websites available for marketers undoubtedly provides a huge opportunity to reach potential customers in ever changing contexts. Unlike more traditional channels, however, this near-infinite volume of sites and placements creates a challenge in verifying the quality and brand appropriateness of each placement, not least when the ads are purchased and delivered in real-time. Moreover, there is a wider threat posed by nefarious actors infiltrating the supply chain and looking to syphon revenue by means of ad fraud.

Thankfully, in recent years, third party vendors have created a suite of verification tools across all digitised channels aimed at returning some control to the marketer and mitigating against these risks.

Why is it valuable to marketers and the organisations they work for?

While the technology (in relative terms at least) is still nascent, many buyers have taken up the opportunity to use verification, blocking and optimisation tools to help ensure campaigns are delivered to brand appropriate sites and audiences, and bot traffic and other forms of fraud are minimised.

That being said, a number of recent third party studies, including PwC UK's 2020 report into the Digital Supply Chain[1] and the AANA's similar report in Australia[2] released in early 2021, found in some instances the technology was not used to its full potential. Where this is the case, the value of the tools such as blocking ad fraud is negated. Only when third party verification tools are used to actively monitor, block and support the management of digital campaigns will their value be realised.

In addition the technologies in this area, driven by the pace change fraudsters create, are constantly being updated. The point solution for one challenge, may not retain its place six months later.

1 - ISBA UK report into the Programmatic supply chain https://www.isba.org.uk/system/files/media/documents/2020-12/executive-summary-programmatic-supply-chain-transparency-study.pdf
2 - AANA report "Are We There Yet" in connection with MMI - https://aana.com.au/2021/02/23/are-we-there-yet/

Usage of verification tools where possible and appropriate

What kind of questions should marketers and the organisations they work for be asking themselves?

- 'Do I know which verification tools are being applied to campaigns and channels, and to what target outcome?'
- 'Is the verification tool being used for live optimisation and the blocking of ads being delivered out of view and/or to invalid traffic?'
- 'Do I have oversight and control over the decision making process for the selection of technology?'
- 'Can I articulate my agency's commercial relationship with the third party verification tool?'
- 'Do I understand the risk vs. opportunity balance between the use of different technologies in each channel?'

If the response to any of the above questions was 'No', required actions may include:

- Where possible, ensuring an internal team member has a clear responsibility for the ownership of verification technology. While we appreciate this is a specialist skill set, we would recommend partnering with an IT representative capable of conducting technology reviews and understanding the different methodologies employed (e.g. the use of a pixel vs. server integration, and differences in wrapper tags)
- Analyse the costs and benefits of all proposed verification tools to ensure clearly attributable value can be placed on their usage - both in terms of the technology itself and any additional resource requirements for their operation.
- Regularly reviewing the technologies used across all channels by your agency by creating a channel map.
  Use this as the framework to interrogate how verification technologies are:
  - **Selected**: is this at a campaign, client or agency level? Who made the selection, and who maintains the market review?
  - **Applied**: is this automated vs. manual?
  - **Commercialised**: how does the agency charge for this product; is it marked up or passed on at cost?
  - **Managed**: does the tool allow for reporting, in-flight optimisation and/or live optimisation and blocking?
  - **Reported**: how is the impact on campaign performance measured?

  Note - it would also be good practice for marketers who have chosen to deal directly with technology vendors e.g. are transacting in-house, to develop a similar map for ongoing governance purposes.

External audit - offline and online

What is it?

In the vast majority of cases throughout the ecosystem, the model of media contracting works smoothly with investment flowing through as it should. However, there have been instances where either through malpractice or deception this is, sadly, not the case.

Moreso, in an evermore complicated marketplace, with multiple layers of technology buying and selling media placements in near real-time, there is all the more opportunity for best laid processes to fail, or worse, bad actors to hide. A financial audit, and broader review, of buying will help marketers find these gaps should they exist and close them.

Why is it valuable to marketers and the organisations they work for?

Audits can give marketers confidence that they know how their investment is being handled, driving trust and partnership. By completing this within a regular schedule and employing a specialist 3rd party both parties can be clear on expectations and processes

What kind of questions should marketers and the organisations they work for be asking themselves?

- 'Does my contract allow for an audit of activity by a reputable, independent party? If not, why not?'
- 'Do I have an agreed process, including data access protocols, in place for regular auditing? At what regularity and depth?'
- 'Do I have complete transparency in reporting of rebates, unbilled media spend and any bonus to facilitate ease of audit?'

If the response to any of the above questions was 'No', required actions may include:

- Ensuring that contracts have a clause allowing for third party audit of all media buying activity, online and offline. While many focus on price comparison, focus should be on:
  - delivery to agreed plans
  - the reimbursement of unspent funds
  - adherence to the contract
  - reviews built specifically for digital channels
- Parties conducting an audit should be paid on a fixed fee basis and not on a commission or percentage of findings to avoid any conflict of interest
- Protections should be put in place to ensure confidentiality over the use of advertiser and agency data to prevent possible conflicts of interest or the misuse of data by auditors, such as its use in benchmarking or other services
- For offline media, wherever possible, audits should be delivered in such a way with the agency to ensure matching full vendor invoices and/or buying platforms is delivered, not agency-collated excel files
- Given the differing nature of digital ad buying, particularly in biddable environments, ensuring that additional access is granted for the auditor to be able to review the agency's approach
- In addition to invoice matching, ensuring that the audit covers the agency's adherence to known issues such as:
  - Use of committed resources
  - Use of third party entities
  - Verification tool usage
  - Adherence to contracted terms such as return of unbilled media and rebates.

Data governance and portability for digital accounts such as DSPs and Ad Servers

What is it?

In addition to being granted access to accounts and reviewing ongoing buying, marketers should have the option to 'lift and shift' their digital accounts should they move agencies. The typical digital accounts that would need to be portable are (though not limited to):

- Ad Server
- Demand Side Platform (DSP),
- Search Engine Marketing (SEM)
- Social media buying accounts

Why is it valuable to marketers and the organisations they work for?

- Mitigating the risk of lost historical data in cases where digital accounts have not been built with portability of their data in mind
- Minimising additional resource effort to build accounts anew
- Minimising any missed buying opportunities that would occur during the rebuild of accounts
- Algorithms in buying platforms remain effective given access to historical data.

What kind of questions should marketers and the organisations they work for be asking themselves?

- 'Do I legally 'own' my digital media accounts across the ad server, DSP, SEM and other related platforms?'
- 'Do I understand how these accounts have been structured with my agency and within the technologies to ensure the data held within is fully portable should I wish to move it?'
- 'Do I understand the cost/benefit of a non-portable account structure?'
- 'Do I and my agency have a documented risk management process for the data held within my digital accounts?'

If the response to any of the above questions was 'No', required actions may include:

- While 'ownership' of ad server and buying platform accounts may, in some instances, make more commercial sense to sit with the agency, where this is the case, ensure that the data held therein is structured in such a way that it is fully auditable and portable.
- Historical accounts may not be transferable from one agency to another and as such, if a transition is required, you will be required to rebuild the accounts. Prepare for this by rebuilding in a portable structure over time and build a transition plan into current operations to minimise its impact.
- In rebuilding for portability, seek expert advice to ensure the correct structures are put in place for your specific accounts and requirements.

Transparency and Clarity Regarding Third Party Negotiation Process and Rates

What is it?

One of the original and inherent benefits of working with a media agency is their ability to attain discounted rates by leveraging combined volume spent with any given media company. While this remains, over time, how agencies negotiate rates and approach discounts has grown more complex and the scope and variety of incentives media companies may offer has also grown.

Unfortunately the advertiser may not be aware nor necessarily see the benefit of all these benefits. Some of the main terms to be aware of include (but are not limited to):

- Value Banks - the giving of free or heavily discounted inventory to be used in a campaign or at a later date, potentially not used with the original client
- Rebates and cash incentives - monies paid to the agency in return for media spend
- Non-monetary service agreements - arrangements between media vendor and agency to provide additional services to the media agency regardless of media investment levels. These may be used to spur future investment from the agency based on relationship development between the buyer and seller. Examples can be the provision of resources, travel and other offers. While they may not include a guarantee of spend, they can result in improper conduct and bias within vendor selection.

Note - this is not the same as media companies engaging a media agency to buy media on their behalf i.e. acting as the client.

Why is it valuable to marketers and the organisations they work for?

Combining media spend from multiple clients to generate increased value from media companies can result in a positive outcome for marketers in the form of reduced rates and other non-rate accesses. That said, it is important a marketer fully understands how their agency operates with regards to such benefits to generate confidence that the processes are ultimately in their best interest. Some potential issues include:

- Biases towards rebate-paying and pre-agreed partners in media planning which would otherwise not be within an audience-based planning approach.
- The use of value-bank inventory, often of a lower quality, to satisfy an agency agreement rather than to meet campaign brief needs
- Rebated funds being withheld by the agency - note, this is not necessarily at odds with their contractual obligations
- Over (or under) index of impact on total pool by the advertiser funds resulting in an imperfect balance of reward towards other agency clients.

Transparency and Clarity Regarding Third Party Negotiation Process and Rates

What kind of questions should marketers and the organisations they work for be asking themselves?

- 'Am I involved in third party negotiations?'
- 'What is my agency's contractual obligation to return any cash rebates received as a result of my media investment?'
- 'Am I aware of how my agency manages the value benefits it receives from media companies? Does this meet my expectations/needs?'
- 'Is the strategy for investment presented and approved by me prior to going to market so I am satisfied it meets my expectations / needs?'
- 'Do I have a process for understanding how decisions are made in campaign planning to ensure biases are removed?'

If the response to any of the above questions was 'No', required actions may include:

- Ensuring you have sufficient presence within the negotiation process from your team to provide comfort in the approach to investment
- Understanding exactly what you are contractually entitled to via a contract review
- Where there is ambiguity on value banks, rebates and how your investment fits within the agency's value pools, work with your agency to gain a clearer understanding
- Update terms within the contract to ensure there is a specific set of terms for how your brand is attributed, paid and reconciled for any cash or inventory rebates offered by media vendors
- Build processes to evaluate the quality and acceptability of any inventory offered as part of rebates to ensure usefulness. This should also include sign-off processes for investment plans
- Ensure non-monetary agreements are clearly detailed with a code of conduct and understood by all parties involved
- Ensure value banks, rebates and discounts processes are included as auditable items for your third party auditor

Targets and performance management linked to client outcomes

What is it?

Creating a clear framework for transparent measurement and mutual success is the cornerstone of a collaborative and open advertiser and partner relationship. Agencies should be paid fairly for their work and markets should have confidence that the agency is acting in the best interest of the marketer. By not having measures which directly drive client success, the risk of the agency working to self-serving or ineffective metrics is posed.

Why is it valuable to marketers and the organisations they work for?

- Ultimately an outsourced agency relationship should be used to drive outcomes the business is unable to achieve internally. Where this relationship is constructed and managed with inappropriate measures of success it is unlikely the highest level of performance can be achieved
- By having clear alignment between agency and marketer - both holistically and per-campaign - should mean the agency derives value in the same area as the client. This will drive fair remuneration and a positive relationship.

What kind of questions should marketers and the organisations they work for be asking themselves?

- 'Do I have clear, holistic measures of ongoing performance for my agency built into the contract?'
- 'Are these measures connected directly to my own measures of marketing success? If not, can I clearly articulate why not?'
- 'Do I link campaign measures of success to the business success measures?'
- 'Is performance measured on a consistent and frequent basis?'
- 'Is remuneration linked to performance? Am I able to handle remediation for sub-par performance fairly and transparently?'

If the response to any of the above questions was 'No', required actions may include:

- While there is a wide range of metrics that may be attributable to driving a client outcome (and it may not need to be fully 'completed sales' data if inappropriate), marketers should implement an overarching agency performance measure as well as campaign-based media performance measurement with clear, business-attributable targets
- Review the KPIs set for the agency and how they are subsequently remunerated against them, implementing a structure which (where applicable) links the marketer's business performance and agency performance to remuneration
- Ensuring that the setting of targets, approval, ongoing measurement frameworks, escalation process, and remediation process are all clearly documented to avoid confusion
- Ensuring all metrics have a clear 'why' attached to them to link to the underlying client objectives

Implementing a client/agency code of conduct

In addition to this guidance, PwC believes the implementation of a Client / Agency Code of Conduct can drive transparency and accountability for both client and agency

The Australian Association of National Advertisers (AANA), alongside the MFA, recommends that its members co-develop a code of conduct with their media agency partners to ensure organisational alignment is maintained across all levels and functions. The purpose of the Code of Conduct is to truncate key provisions within the contract into one easily accessible document, which can be referred to by both the advertiser's marketing team and the media agency's account team.

Specifically, the instatement of a Code of Conduct should ensure uniform understanding of commercial terms and contractual stipulations, as well as processes, behaviours and habits required from both the client and agency, to enable all parties for success. Crucially, the Code of Conduct should include stipulations with regard to both the advertiser and the media agency's responsibilities when it comes to transparency.

With a strong mutually beneficial code in place, many of the issues that distract both marketers and agencies from their primary job will be removed, and relationships will be stronger for it.

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