



Media Transparency:

Prescriptions, Principles,
and Processes for Advertisers

July 18, 2016

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Section 1: Executive Summary

The K2 Intelligence study, conducted on behalf of the ANA from October 2015 to May 2016, reported that numerous non-transparent business practices were found to be pervasive in a sample of the U.S. media ad-buying ecosystem. The study identified several critical findings:

- K2 Intelligence found a fundamental disconnect in the advertising industry about the basic nature of the advertiser/agency relationship. In general, advertisers expressed a belief that their agencies were duty-bound to act in their best interests. They also believed that this obligation, essentially a fiduciary duty, extends beyond the stated terms in their agency contracts. While some agency executives expressed similar beliefs, others told K2 Intelligence that their relationship to advertisers was solely defined by the contract between the two parties. Some sources further noted that their obligations to their respective agency holding companies were sometimes in conflict with the interests of their clients.
- Pervasive receipt of non-disclosed rebates, not returned to advertisers, in the forms of cash, free media inventory, and service agreements, was found.
- Potentially problematic agency conduct was concealed by principal transactions, resulting in media agencies sometimes acting on their own account and not always in the best interests of advertisers.
- Inconsistent and questionable media management practices by advertisers were found. This included poor contract stewardship, lagging business practices, and fundamental organizational management issues.

To address these concerns, ANA and Ebiquity/FirmDecisions came together to craft a framework that can be used by advertisers to provide business practice clarity. This framework outlines recommended responsibilities for advertisers and agencies with the objectives of moving purposefully to address the transparency issues identified in the K2 Intelligence study, creating a code of conduct to guide the relationship between advertiser and media agency, and restoring trust — the core of an effective and beneficial relationship.

This framework consists of three key pillars:

1. Advertisers should establish overarching media agency management principles that can be easily understood and executed.
2. Advertisers should establish primacy over the client/agency relationship. Advertisers should regularly re-evaluate and upgrade internal processes and practices.
3. Advertisers and agencies should have a uniform Code of Conduct to guide the relationship and engender trust.

Pillar 1: Advertisers should establish overarching agency management principles that can be easily understood and executed.

Unless otherwise agreed to in writing by the advertiser, agencies should at all times:

- Endeavor to achieve the best available media value to deliver the advertiser's commercial objectives.
- Act as an agent for a disclosed principal when dealing with third parties on the advertiser's behalf.
- Execute agency duties in the best interests of the advertiser to achieve optimal return on the advertiser's media planning strategy and investments.
- Ensure complete transparency in all transactions with parent companies, subsidiaries, affiliates, related parties, and third parties. Err on the side of communicating everything to advertisers.
- Disclose any conflicts of interest prior to entering into any agreement on the advertiser's behalf. This includes all partnerships, equity investments, and director or advisor roles that could present a potential conflict of interest.
- Permit complete, thorough, and deep audits of the media agency and its parent companies, subsidiaries, affiliates, and related parties with audit partners of the advertiser's choice to ensure transparency and compliance with the agency's contractual obligations.

Pillar 2: Advertisers should establish primacy over the client/agency relationship. Advertisers should regularly re-evaluate and upgrade internal processes and practices.

- Advertisers should view the stewardship of their media investments as a shared responsibility among themselves, their media agencies, and affiliated/related parties.
- Advertisers should ensure a thorough understanding of the existing client/agency relationship. This should be re-evaluated on a regular basis to optimize the business relationship with the agency. It is imperative that the advertiser is absolutely clear on when the agency is acting as a principal or as an agent.
- Advertisers should have an optimal media agency contract. Such a contract should provide clarity and understanding while optimizing planning, reporting, analysis, and agency performance. As the media landscape evolves, it is critical that contract provisions be re-evaluated and upgraded as needed. The ANA, in conjunction with its General Counsel, Reed Smith LLP, has developed a media agency Master Media Planning & Buying Services Agreement which can be used by advertisers in developing their own agency agreement.¹ Advertisers are under no obligation to use this template. The template can be found at www.ana.net/contracttemplate.

¹The ANA would like to thank ISBA (the Incorporated Society of British Advertisers) and its legal counsel Fieldfisher for their consent to use the ISBA **Framework Agreement for Media Buying and Planning Services** as a guide for some of the provisions in the ANA template.

- The advertiser's right to audit should extend to all entities covered by the master services agreement, including the AOR, its holding company, and any other affiliated and related companies that are involved in the transactional chain on behalf of the advertiser, including ATDs, barter companies, and other trading affiliates. This should extend to third-party companies where such companies provide services for the advertiser and/or negotiate any deals with suppliers that include the advertiser's investment.
- Advertisers should improve internal governance. Advertisers need to evaluate the appropriate inclusion of their own CFO, CEO, and Audit Committee of the Board to sign off on the media agency contract and on media agency performance on an annual basis.
- Advertisers should appoint a chief media officer (either in title or function) who should take responsibility for the internal media management and governance processes that deliver performance, media accountability, and transparency throughout the client/agency relationship.
- Demand agency accountability. The agency/holding company CFO should be accountable for all agency performance and compliance with the contract, including adherence to all transparency conditions. This should include a detailed set of reports and analytics that are sent to the client annually and signed by the agency/holding company CFO.
- Upgrade advertiser media management skill sets with an emphasis on digital media as part of a continuous program of media education.
- Regularly evaluate agency compensation to ensure it is equitable and fair, as advertiser pricing pressure may be a factor that is contributing to the proliferation of non-transparent business practices by agencies, according to the K2 Intelligence report.
- Advertisers should take ownership of data, and exert control over media planning and how technology is used on their behalf.

Pillar 3: Advertisers and agencies should have a uniform Code of Conduct to guide the relationship and engender trust.

A strong contractual agreement is the foundation to building a culture of trust between the advertiser and the media agency. To further that objective, the contract should be supported by a Code of Conduct between the advertiser and the media agency. They should work together to ensure that the Code of Conduct is upheld across all entities, relationships, and activities. The Code of Conduct should be signed by both parties and should be an addendum to the master services agreement.

Section 2: Objectives

The objectives of this document are to:

- Provide advertisers with a set of recommended principles and processes for addressing transparency-related issues identified in the recently published report from K2 Intelligence, *An Independent Study of Media Transparency in the U.S. Advertising Industry*. Specifically this document will:
 - Identify/recommend specific actions advertisers should consider to diminish or eliminate non-transparent/non-disclosed agency actions
 - Identify/recommend specific actions advertisers should consider to ensure that their media management processes relative to transparency-related issues are optimized
- Provide specific expectations of agency behavior that are consistent with advertiser needs to:
 - Reduce/eliminate all transparency concerns and issues, as advertisers expect business conduct to be open and fully transparent
 - Elevate advertisers' increasing needs for optimal planning, execution, and accountability
- Recommend a Code of Conduct that advertisers and agencies should consider adopting to substantially elevate trust as the cornerstone for their relationship.

Section 3: Transparency: The Advertiser Perspective

The business objectives of an advertiser are straightforward and clear:

- To increase business results:
 - Revenue
 - Share of market
 - Profitability
 - ROI
- To build brands:
 - Brand equity
 - Brand identity
 - Brand value

For most advertisers, this requires the best partnership with its agency/roster of agencies. The marketing and media landscape has become so complex that most advertisers lack the infrastructure, staff, and financial resources to manage these challenges independently. A typical CMO's universe is further stretched and complicated with budget concerns, research and development, human resource management, and relationships within the organization.

In recent years, advertisers' strategy has become increasingly complicated due to an elevated focus on digital media spending. Digital marketing has materially advanced advertisers' capability to target consumer/customer audience profiles and improve efficiencies. However, it has come at the cost of:

- Advertisers not fully understanding the digital media supply chain, thereby further compromising the ability to "follow the money" and properly assess and evaluate ROI
- Opening the advertiser up to a series of digital media supply chain issues, including fraud, viewability, and ad blocking, which can undermine brand and business-building efforts and can seriously erode returns on media investments

Advertisers' relationships with agencies have been inextricably entwined to navigate the more convoluted media marketplace. But in doing so, it appears that advertisers may have increased their expectations of agencies while pressuring agency margin structures through tougher fees and extended-term negotiations.

Media transparency has long been an issue that has been exacerbated by increasing agency profit margin pressures and exploding media complexity. Transparency concerns reflect the inability of advertisers to understand the media transaction process due to increasing opacity. Over the past four to five years, transparency concerns grew rapidly as media management became more complicated. This led to an erosion in the trust that existed between clients and agencies. Specifically:

- Trust that media management plans were in the advertisers' best interests
- Trust that advertisers could “follow the money”
- Trust that advertisers could understand the decision-making process to optimize ROI and investment decisions

Although transparency issues are enormously complex, the marketing ecosystem focused on “rebates.” *Rebates* were the symbol for all potential non-transparent behavior in the marketplace. According to two separate ANA studies — with Reed Smith (2012) and Forrester Research (2014) — the issue seemed to proliferate. This was brought to a head via the presentation by former MediaCom CEO Jon Mandel at ANA's 2015 Media Leadership Conference.

To define the scope, depth, and breadth of the transparency issue, ANA commissioned K2 Intelligence. K2 Intelligence conducted a seven-month study in 2015–16 that brought definition, insight, and perspective to this issue. Those findings provide the basis for this document, which is a series of recommendations to counter the rising tide of media transparency issues.

One of the most material findings of the K2 Intelligence report is the “fundamental disconnect” between advertisers and agencies about the basic nature of their relationship. Opaque business practices, rebates, agency principal transactions, and more have shaken the bond of trust between advertisers and agencies. This erosion must stop if the concept of “business partnership” is going to be the basis of future advertiser/agency relationships. It is with this intent in mind that the recommendations in this report are provided. ANA seeks to turn the “disconnect” into a positive “connection” that will add material value and deliver positive business outcomes.

Section 4: K2 Intelligence Report: Summary of Findings and Implications

The K2 Intelligence report confirmed that numerous non-transparent business practices were found to be pervasive in a sample of the U.S. media ad-buying ecosystem.

The K2 Intelligence report found a fundamental disconnect in the advertising industry about the basic nature of the advertiser/agency relationship. In general, advertisers expressed a belief that their agencies were duty-bound to act in their best interests. They also believed that this obligation, essentially a fiduciary duty, extends beyond the stated terms in their agency contracts. While some agency executives expressed similar beliefs, others told K2 that their relationship to advertisers was solely defined by the contract between the two parties. Some sources further noted that their obligations to their respective agency holding companies were sometimes in conflict with the interests of their clients.

Specific transparency issues include:

- **Rebates are real and they are pervasive.**

There were three primary forms of rebates identified in the K2 Intelligence report:

- Cash rebates from media suppliers were provided to media agencies, with payments based on the amount spent on media. Advertisers unanimously indicated they did not receive these rebates back from their agency and were unaware of any rebates being returned.
- Rebates in the form of free media inventory credits.
- Rebates structured as “service agreements” in which media suppliers paid media agencies for non-media services such as low-value research or consulting initiatives that were often tied to the volume of agency media spend. Sources told K2 Intelligence that these services “were being used to obscure what was essentially a rebate.”

- **Potentially problematic agency conduct was concealed by principal transactions.**

- Markups on media sold through principal transactions ranged from approximately 30 percent to 90 percent.
- Media buyers were sometimes pressured or incentivized by their agency holding companies to direct advertiser spend to media bought through principal transactions, whether or not such purchases were in the advertisers’ best interests.
- There were reports of dual rate cards, in which media agencies and agency holding companies negotiated separate rates with media suppliers when acting as principals and as agents.
- Non-transparent business practices sometimes resulted from media agencies holding equity stakes in media suppliers.

The K2 Intelligence report described a number of non-transparent business practices within the U.S. media market. K2 Intelligence suggested that there is evidence that some practices have been deliberately structured, in part, to prevent advertisers from having clear oversight into how their advertising budget is spent. The potential consequences can affect many aspects of marketing and media, and can affect advertisers' ability to make well-informed investment decisions.

The implications for advertisers are:

- Media agencies may act on their own account and in a manner that is not necessarily in the best interests of the advertiser.
- Media strategy and planning — and the execution of media plans — can be compromised as a result of misaligned interests.
- Media agencies may leverage media inventories received for free or purchased through a principal transaction to help achieve their own financial targets, putting their interests ahead of the interests of advertisers.
- The financial priorities of agency holding companies have the potential to create a conflict of interest for the agency of record between its holding company and its clients.
- Media technology, especially in digital media, can obscure money and data flows and affect insights, especially where access to data about those transactions is restricted.
- The true effectiveness of advertising and its measurement may be potentially compromised.

Section 5: Recommendations for Advertisers

The following advertiser-focused recommendations are designed to:

1. Provide greater transparency and certainty for advertisers in their relationships with media agencies
2. Ensure that advertisers are able to take greater control of their media spend — and, specifically, enhance their ability to “follow the money”

These recommendations will reduce/eliminate the potential conflicts in the media practices identified in the K2 Intelligence report, thereby elevating transparency and providing a stronger foundation for trust between advertisers and their agencies.

In summary, the following strategic platforms are recommended for advertisers:

Strategic Platform 1: Agent versus Principal

Where the advertiser agrees to the agency acting as a principal, the advertiser should have disciplined, reliable processes to manage the potential conflict of interest.

Strategic Platform 2: Contract Content

Advertisers should ensure that contracts with their media agencies contain robust provisions to deliver full transparency.

Strategic Platform 3: Contract Audit Rights

Advertisers should have robust and far-reaching audit rights which allow them to fully track contract compliance and measure media value delivery.

Strategic Platform 4: Contract Governance

Advertisers should implement strong, disciplined internal processes to deliver contracts which ensure strict accountability, compliance with effective management principles, rigorous process governance, and significant senior management oversight.

Strategic Platform 5: Data and Technology

Advertisers should take ownership of data and exert control over the media technology used on their behalf.

Strategic Platform 6: Advertiser Responsibilities

Advertisers are responsible for more active stewardship of their media investments and fair compensation of their agency partners.

Strategic Platform 7: Code of Conduct

Advertisers and media agencies should establish a culture of trust in their relationships via a specific code of conduct.

The following discussion provides greater detail around each of these seven strategic platforms.

Strategic Platform 1: Agent versus Principal

Where the advertiser agrees to the agency acting as a principal, the advertiser should have disciplined, reliable processes to manage the potential conflict of interest.

Media agencies now often act in a dual capacity with advertisers as both an agent and as a principal. Unless otherwise agreed to in writing by the advertiser, agencies should at all times act as an agent for a disclosed principal when dealing with third parties on the advertiser's behalf.

During the course of its study, K2 Intelligence found substantial evidence that the lack of transparency inherent in principal transactions enables agencies to engage in potentially problematic conduct — i.e., conduct that may not be in the advertisers' best interests. Principal transactions generally result in non-disclosure of the original purchase price of media and limit the advertiser's right to audit. According to the K2 Intelligence report, markups on media sold through principal transactions ranged from approximately 30 percent to 90 percent. Additionally, media buyers were sometimes pressured or incentivized by their agency holding companies to direct advertiser spend to such media, regardless of whether these purchases were in the advertisers' best interests.

It is recommended that advertisers immediately confirm and reaffirm the basis on which their media agency is conducting business. Advertisers should be critically clear about and comfortable with the agency's role as agent or principal. Advertisers should ensure that personnel are trained to understand the difference between principal and agent trading, and the specific rights and obligations applicable to each, as set out in the master services agreement or opt-in addendum. Advertisers should also ensure there are no undisclosed conflicts of interest, and that there are clear processes in place for resolving conflicts that might emerge.

Of concern is the potential conflict of interest that can result from the advertiser agreeing (or opting in) to a buying arrangement in which the media agency acts as principal. Such arrangements require extra vigilance from advertisers to ensure that they understand their potential loss of rights. By executing an opt-in agreement, the advertiser may suffer from the following:

- Inability to access the original price paid by the agency holding company, including its agency trading desk (ATD) or other trading entity, to acquire media
- Inability to assess incremental costs applied in the purchase process, including the costs of agency holding company services such as the ATD
- Impaired ability to judge the quality of the media inventory purchased
- Loss of any incentives paid by the media supplier and to which the advertiser may have been entitled had it acquired the media from its media agency acting as agent
- Lack of post-campaign data to evaluate performance, including possibly even the data to enable an advertiser to determine where its advertisements appeared
- Difficulty in leveraging data for internal or optimization purposes
- Loss of audit/review rights, including loss of the ability to access contracts between the agency and its affiliated and related parties and media suppliers
- Loss of data ownership rights

Where the media agency is acting as principal, it is recommended that the advertiser commit to the following processes each year to protect its interests:

- Develop an internal policy (including an in-depth understanding of tradeoffs) regarding the media agency acting as agent or principal. This policy should be strictly adhered to in the contractual terms which govern principal trading (e.g., opt-in agreements with auditable proof that media/technology sold to the advertiser has met the definition of principal purchase).
- Confirm and reaffirm when the media agency is acting as an agent and when it is acting as principal.
- Confirm that the media inventory or other services and products are being supplied to the advertiser on an “at risk” basis by the media agency (i.e., exposure to the chance of loss), and therefore warrant any additional margin agreed upon for such transactions. The advertiser should have the right to independently verify that the media agency is acting as principal.
- Agree on permitted margins for principal transactions. Margins should be based on any added value arising from principal trading in proportion to the benefits and/or the risks for the media agency.
- Maintain a clearly outlined process for accepting a principal relationship, and identify the person on the advertiser side who should give that permission (such as the contract signatory).
- Allow time for the advertiser’s legal counsel to ensure that there is consistency between the master services agreement, agreed statements of work, and the agreed-upon scope of principal trading.
- Stipulate the type of principal activity and transaction, and name the specific agency trading entity. Ensure no other activity is included in these arrangements.
- Analyze the implications of the decision, including:
 - The media which is proposed to be acquired on a principal basis
 - The maximum percentage of budget that is allowed in principal transactions
 - The margin proposed to be made by the media agency on principal trading versus trading as agent
 - Where there will be loss of access to data
 - How success can and will be measured, which should expressly include the potential loss of incentives to the advertiser compared with acquiring the same media from its media agency strictly acting as an agent
 - The clear identification of any conflicts of interest and a process for resolving issues, including media which is not the subject of principal trading
 - Ensuring that all audit/review rights in other investments are not affected
 - Any downside of the advertiser moving its business to another agency, including the lack of portability of advantageous principal trading terms
- Agree on the details for media inventory to be acquired by the advertiser from its media agency acting as principal. This must be disclosed to the advertiser. These could include:
 - Channel/vehicle/property (for example, online, media supplier, ad format)
 - Rationale for inclusion versus alternative options, subject to independent review
 - Commercial advantage for advertiser (for example, audience targeting, CPM, cost per click)
 - Cost to advertiser with agreed-upon margin
- The media agency should always ensure that the advertiser clearly understands the nature and benefits of any opt-in products and services, including disclosed and non-disclosed models.

Strategic Platform 2: Contract Content

Advertisers should ensure that contracts with their media agencies contain robust provisions to deliver full transparency.

The K2 Intelligence report found a fundamental disconnect in the advertising industry about the basic nature of the advertiser/agency relationship. In general, advertisers expressed a belief that their agencies were duty-bound to act in their best interests. They also believed that this obligation, essentially a fiduciary duty, extends beyond the stated terms in their agency contracts. While some agency executives expressed similar beliefs, others told K2 Intelligence that their relationship to advertisers was solely defined by the contract between the two parties. Some sources further noted that their obligations to their respective agency holding companies were sometimes in conflict with the interests of their clients.

Furthermore, K2 Intelligence found evidence of situations where media agencies sought to avoid explicit contract language in order to preserve their ability to retain various types of incentives.

The K2 Intelligence report showed that many advertisers have contracts which are deficient, including:

- Contracts are not signed by the parties.
- Many contracts contain ambiguous or “gray” areas.
- Contracts have not been adapted relative to the rapidly changing media landscape.
- There are opt-in agreements which limit advertisers’ rights.
- There are inadequate audit/review rights.
- There is inadequate enforcement of audit/review rights.

Given these shortcomings, the negotiation and execution of contracts should become a focal point for advertisers, since the contract defines the commercial relationship between advertiser and agency. It is recommended that advertisers immediately and consistently re-examine all existing media agency contracts and meticulously review all terms and conditions. As appropriate, use an expert, independent third party to provide insight and contractual expertise to optimize transparency, upgrade reporting and analytics, and substantially expand audit rights if necessary.

Advertisers need to consider the functions to include in contract negotiation and execution. These should likely include finance, procurement, media, and legal counsel (internal and external).

The advertiser/media agency contract (often referred to as the “master services agreement”) should have the right balance between flexibility and financial and operational transparency. It should contain specific provisions which set out the requirements for transparency.

The ANA, in conjunction with its General Counsel, Reed Smith LLP, has developed a media agency Master Media Planning & Buying Services Agreement which can be used by advertisers in developing their own agency agreement.² Advertisers are under no obligation to use this template. Every member is free to negotiate whatever terms it requires with its agency. The template can be found at www.ana.net/contracttemplate.

The contract template incorporates a number of important provisions to address the following concepts:

1. Unless otherwise agreed, the media agency and its affiliated and related parties will act as fiduciaries, in the best interests of the advertiser at all times and in compliance with the relevant Code of Conduct (see Strategic Platform 7).
2. The revenue that the media agency and its affiliated and related parties earn from their business relationship with the advertiser should solely be the fees, commissions, and margins for principal trading clearly set out in the contract, unless otherwise expressly agreed upon by the advertiser.
3. All financial and other benefits, other than fees or commissions agreed upon in the contract, that are received by the media agency and its affiliated and related parties should be returned to the advertiser in the manner set out in the contract unless expressly agreed otherwise by the advertiser.

Financial and other benefits should be defined as widely as possible to include all relevant items, including but not limited to:

- Cash rebates and AVBs
- Discounts
- Free/bonus inventory
- Early payment discounts
- Deferred payments
- Barter income
- Service-level agreements with media suppliers
- Balancing services with media suppliers
- Consulting or research agreements with media suppliers
- Unbilled media (at a mutually agreed-upon cut-off time)
- Any other forms of consideration

Where such incentives and benefits are recognized or received as part of an aggregated trade (involving other advertisers), the allocation of such incentives due to the advertiser will be verified by an independent specialist, paid for by the advertiser.

²The ANA would like to thank ISBA (the Incorporated Society of British Advertisers) and its legal counsel Fieldfisher for their consent to use the ISBA **Framework Agreement for Media Buying and Planning Services** as a guide for some of the provisions in the ANA template. For more information on the ISBA contract please contact Debbie Morrison at ISBA (debbiem@isba.org.uk), or either David Bond (David.Bond@fieldfisher.com) or Mark Smith (Mark.Smith@fieldfisher.com) at Fieldfisher.

4. Definitions of agency and agency holding company within the terms of the contract should include all affiliated and related parties that work on behalf of, or benefit from, the advertiser's business, whether owned, controlled, or affiliated, to establish consistent rules of engagement.
5. It is the obligation of the AOR to ensure that personnel in all parties described in point 4 are aware of these obligations and comply with them. The AOR should ensure that these parties will not enter into any confidentiality or other clauses with third parties (e.g., media suppliers) that prevent disclosure of any relevant matter to the advertiser.
6. Service level agreements, balancing services, consulting/research agreements, and any other similar arrangements between media agencies (including affiliated and related parties) and media suppliers can only be entered into if approved by the advertiser and provided that (a) they are disclosed in advance to the advertiser, (b) the AOR certifies that such arrangements are not in any way related to the advertising spend of the advertiser (either alone or in aggregation with the advertising spend of any other advertiser(s)), and (c) the advertiser has the right to audit and confirm the same.
7. The advertiser's media spend cannot be aggregated in the media agency's volume deals with media suppliers without the advertiser's consent.
8. No advertising spend within the U.S. market should count within any global incentive arrangements between media agencies and media suppliers unless the advertiser receives its share of such incentives as demonstrated through a transparent contract compliance review process.
9. The media agency and affiliated parties should maintain all records of transactions subject to the contract for a minimum of six years following termination of the MSA.
10. The AOR should ensure that all data related to the transactions governed by the contract remains the advertiser's property. This includes the first-party data arising from the use of digital media, however and wherever stored. The advertiser's data should only be used by the media agency for matters pertaining to the advertiser, and for no other purpose.
11. The advertiser should be entitled to store any of its data in such manner and in whatever system it chooses.
12. Audit and review rights should allow the advertiser the freedom to appoint any media auditor or contract compliance specialist it chooses (including an internal team) and should allow for retrospective audits and reviews of transactions carried out under previous contract terms.
13. The advertiser, its media auditor, and contract compliance specialist should have access to all relevant data, including data held by all agency affiliated and related parties. This includes access to media supplier contracts to assess the advertiser's entitlement to financial benefits negotiated at a collective level.
14. The media agency and its affiliated and related parties should maintain strict confidentiality of the advertiser's media audit data and reports, and should not use such data in negotiations with any third parties, such as media suppliers.

15. The advertiser should ensure accurate measurement by its media agency of advertising performance, verified by third parties, with the cost of such measurement to be agreed upon between the advertiser and the media agency. Recommended digital advertising reporting should at a minimum include (where applicable):
 - Website (URL) placement of all impressions, and instances of non-approved placements (whitelist/blacklist)
 - Performance versus all agreed-upon target metrics (for example, audience, CPM, click-through rates)
 - Declaration of all audience extension/sourced traffic
 - Viewability rates at the agreed-upon standards (for example, percentage of advertisement and duration) after deduction of invalid traffic (for example, invalid impressions)
 - Presence of invalid traffic by media supplier/website
 - Reporting of underperformance of trades based on viewable impressions at the agreed-upon level, with associated compensation methodology
 - Completion rates for all online video by publisher and website
 - Actual net cost of all placements by media supplier/site and format, in aggregated and individual form
 - Click-through rates or other agreed-upon metrics by media supplier/site and format
16. The media agency and affiliated and related parties should declare all advertising technology employed (for example, ad servers), with commercial rationale, including net costs of all properties and data costs. The advertiser should have the right to review and agree to the choice of media technology suppliers used on its behalf, including the associated costs, with the right to regularly audit such technology against the advertiser's requirements and in particular to determine its effectiveness and objectivity.
17. Media agency and affiliated and related parties should declare all actual and potential conflicts of interest, including any commercial interests (whether by way of equity ownership, warrants, or otherwise) which could compromise impartiality, either through a corporate relationship or through an officer or senior personnel of the agency or affiliated and related parties.

Strategic Platform 3: Contract Audit Rights

Advertisers should have robust and far-reaching audit rights which allow them to fully track contract compliance and measure media value delivery.

According to the K2 Intelligence report, limitations on audit rights are a factor that may be contributing to the proliferation of non-transparent business practices in the U.S. market.

The appropriate audit rights allow the advertiser the opportunity to “follow the money.” Contract compliance reviews monitor the adherence of the contracting media agency and its affiliated and related parties to contract terms, while media auditing ensures that the advertiser is able to track the actual delivery of advertising and the media agency’s performance in achieving the requisite media value for the advertiser against agreed-upon targets.

Such audit rights need to be clearly set out in the master services agreement. For both contract compliance and media auditing, the following terms should apply:

- The advertiser’s right to audit should extend to all entities covered by the master services agreement, including the AOR, its holding company, and any other affiliated and related companies that are involved in the transactional chain on behalf of the advertiser, including ATDs, barter companies, and other trading affiliates. This should extend to third-party companies where such companies provide services for the advertiser and/or negotiate any deals with suppliers that include the advertiser’s investment.
- The advertiser has the right to use suitably experienced contract compliance and media audit specialists of its choosing, without limitations, including the advertiser’s own internal audit team.
- The advertiser has the exclusive right to decide the audit scope.
- The contract compliance specialist and media auditor should be given unrestricted access to all data and records required for the purpose of conducting the audit on behalf of the advertiser.
- The contract compliance specialist should be given unrestricted access to all media agency contracts/ agreements with suppliers associated with the advertiser’s business, subject to agreement that other proprietary agency information (if included in the pursuit of clarity concerning transparency) will not be disclosed by the compliance specialist to the advertiser.
- The contract compliance specialist should be provided with sufficient information from the media agency to confirm that in principal transactions, the media agency as well as affiliated and related parties are indeed acting as principals and transacting at risk according to the terms of the advertiser/agency contract.
- The media agency (including the agency holding company, affiliates, and related parties) should not impede the review process or attempt to restrict the compliance specialist’s or media auditor’s access to records and information.

Strategic Platform 4: Contract Governance

Advertisers should implement strong, disciplined internal processes to deliver contracts which ensure strict accountability, compliance with effective management principles, rigorous process governance, and significant senior management oversight.

Internal governance of advertisers' budgets and the contract with their media agencies (including affiliated and related parties) should be a corporate priority given the scale and importance of the advertising investment. To ensure transparency, advertisers should institute processes for consistent contract compliance and review.

At the start of a relationship, advertisers should allow sufficient time to negotiate master services agreements which provide desired levels of transparency. Such agreements should be executed prior to any instructions being given to, or work being commenced by, a media agency. No agency work should commence until the contract has been fully vetted and signed by both parties.

To ensure that there is continuous, high-level oversight of contract delivery, the following actions are recommended:

- The appropriate level of authority should be determined within the advertiser commensurate with the scale of advertising investment, including all costs. For many large advertisers, Board or Audit Committee involvement may be appropriate given the financial outlay and the need for accountability in line with other corporate investments of similar magnitude.
- It is imperative that contract negotiations are conducted by advertisers with precision, involving experienced internal and/or external legal counsel to ensure all provisions and principles are clearly stated without unintended ambiguities.
- Contract ownership should ideally be the responsibility of a single point executive, such as the advertiser CFO, who is held accountable for negotiation, implementation, execution, and compliance.
- Advertisers should seek contract execution by their media agency partners at the highest level appropriate to the scale of investment, and ideally the CFO of the parent company of the contracting AOR (or failing that, the CFO of the AOR).
- A combination of the advertiser's finance, procurement, legal, and media functions should be accountable for ensuring contracts with media agencies are up to date and fully executed, especially given the speed of change in the media industry. The content of contracts should actively be reviewed each year to ensure they remain appropriate and address changes in the media landscape.
- All amendments or variations to the master services agreement, including "local" agreements, opt-in agreements, side letters, and appendices, should only be effective if they are signed by the same signatories as the master services agreement. In the event of a conflict of terms, the master services agreement should always prevail over any other agreement.
- Clients should appoint a chief media officer (either in title or function) who should take responsibility for the internal governance process that delivers media accountability and transparency throughout the client/agency relationship.

- Each year (at a minimum) advertisers should:
 - Review all contracts and ensure they are fit for purpose against the advertiser's business objectives, using internal and/or external legal counsel as required.
 - Review contract durations and notice periods in light of updated business needs.
 - Ensure that the terms of both the master services agreement and any agreed-upon variations are communicated fully throughout both the advertiser organization and the media agency supply chain, with the contracting AOR responsible for the latter.
 - Review and appoint key internal owners for oversight of media technology, data, and measurement systems and standards.
 - Conduct a review of the advertiser's business needs as they relate to media agency relationships, contracts, budgets, data, and relevant KPIs. The goal should be to identify gaps and conflicts of interest throughout the media ecosystem. This annual assessment should form the basis for negotiations and actions for the upcoming year.
 - Conduct performance reviews of media agencies and all relevant transacting parties (for example, barter, out-of-home agencies), and also allow for the media agencies to evaluate the advertiser (i.e., 360-degree evaluation), in the spirit of continuously improving relationships.
 - Conduct an external contract compliance review. In addition, advertisers should request that the media agency certifies its compliance on an annual basis.
 - Assess and understand the changes in the media environment, especially for digital media, and the affect that has on contract governance.

Strategic Platform 5: Data and Technology

Advertisers should take ownership of data and exert control over the media technology used on their behalf.

Non-transparent business practices can affect an advertiser's ability to make well-informed media investment decisions, including for the use of data and technology.

In the multi-channel age, advertisers need to have a data management strategy that affords them control and oversight of their channels. The K2 Intelligence report demonstrated that media transparency was especially lacking within agency trading desks, where opaque principal trading may be common.

The key components of a data management strategy are:

- **Media planning data.** Advertisers' media planning decisions should be guided by a range of research and data sets which are transparently sourced and are understood by advertisers.
- **Partner/supplier selection and implementation.** Advertisers should adopt processes for the selection and continuous evaluation of marketing technology partners to meet changing needs.
- **Data ownership and control.** Advertisers should maintain full title over all data sets that relate to their business, with the unhindered ability to store, access, and use those data sets.
- **Measurement of results.** Advertisers should have access to all tools, systems, and business intelligence platforms used to conduct their business to enable well-informed media investment decisions.
- **Programmatic trading.** Advertisers should have unimpeded access to the platforms, tools, and data used on their behalf throughout the programmatic trading process.

Specific recommendations for each of these components follow.

Media Planning Data

Advertisers' media planning decisions should be guided by a range of research and data sets which are transparently sourced and are understood by advertisers.

Strategy and planning should be driven by the best available research and data. Advertisers should ensure that they:

- Understand and can identify all research and data sets (e.g., first-party) that guide the planning process and their sources, and ensure that they are objectively used in the selection of channels, vehicles, and advertising formats/units.
- Evaluate and use all data that contributes to media performance, including prior performance history and content verification solutions that improve effectiveness.
- Consider the effect of ad blocking software on audience delivery and plan accordingly, favoring publishers which are actively reducing the problem.
- Require that the media agency fully discloses all data used, including any associated costs to the advertiser, according to the terms of the advertiser's contract with its media agency.
- Set core KPIs for media performance based on prior history to support upcoming planning decisions, and then optimize and measure accordingly.

Partner/Supplier Selection and Implementation

Advertisers should adopt processes for the selection and continuous evaluation of marketing technology partners to meet changing needs.

Advertisers should build a robust process for evaluating data and media technology suppliers in order to ensure maximum relevance and delivery versus objectives, including regular updating and benchmarking against the latest technology. Specifically, advertisers should:

- Understand the ad tech supplier's software methodologies, data granularity, data security/privacy, and limitations.
- Identify any and all conflicts of interest for that particular supplier or the recommending party.
- Require that the media agency justifies the use and cost of all intermediaries to ensure the maximum amount of digital spend goes to working media.
- Review the data storage, data ownership, and data access protocols for each supplier.
- Review ad tech product accreditations (for example, MRC or IAB).
- Evaluate any potential non-transparent distorting factors in the algorithms used to provide results (e.g., favoring certain publishers in real-time bidding).
- Ensure a migration plan is in place to potentially phase out a specific supplier if necessary.

The next step is the implementation of best practices. Advertisers should aim for transparency through a structured and continuous process that optimizes customer delivery.

- Ensure that any supplier integration:
 - Provides documented implementation manuals and solution design for each piece of technology
 - Creates reports that allow the advertiser to measure success
 - Provides knowledge transfers and training to ensure a complete understanding of data and reporting
- Analyze the data frequently to generate insights and identify issues through tracking of performance.
- Fuse the supplier's data set with other existing data sets to enhance the overall depth of segment level data while ensuring ownership of this data.

Data Ownership and Control

Advertisers should maintain full title over all data sets that relate to their business, with the unhindered ability to store, access, and use those data sets.

Once suppliers are brought on board, access to relevant data is a key ingredient in maintaining competitiveness in a marketplace where consumers expect increasingly personalized experiences. While non-transparent business practices and incentives may affect the investments going into the marketing initiatives, those same incentives may also affect an advertiser's ability to optimize targeting of its potential customers. Taking ownership of the data will ultimately ensure that advertisers are not paying for data that should already belong to them.

Recommendations:

- Review the data ownership provisions and restrictions on the data coming from all suppliers and technology, including any associated costs and sharing restrictions.
- Evaluate how the data is used.
 - For the advertiser's data, ensure that the usage is outlined and also anonymized wherever applicable when used by suppliers in an aggregate form.
 - The advertiser should have unfettered access to its own data in near real-time to use as it sees fit.
- Understand the data collection methodology for each source, including any limitations in the data set that could affect the decisions being made from a strategic and planning perspective.
- Ensure that data held by media agencies and suppliers can be deleted or made unusable at the advertiser's request. The advertiser should also be able to download the raw data if it chooses to switch suppliers.
- Consider storing and archiving all data related to the advertiser's customers in an environment controlled by and belonging to the advertiser.

Measurement of Results

Advertisers should have access to all tools, systems, and business intelligence platforms used to conduct their business to enable well-informed media investment decisions.

Non-transparent business practices can compromise the effectiveness of advertising and its measurement, while future strategy and planning depends on the objective evaluation of prior performance. Therefore, advertisers need to have unrestricted access to information that allows them to objectively measure success.

To ensure that they benefit, advertisers should adopt the following guidelines:

- Build an ongoing optimization process that allows adjustments to campaigns in near real-time based upon the latest results.
- Wherever possible, the priority should be on using first-party data (data obtained from a direct contact, including online contact, with customers or consumers) for all analysis, insights, planning, and strategy.
- When second-party data (obtained from media suppliers) and third-party data (obtained from data aggregators) is used, the advertiser should have the following:
 - A clear understanding of the source of the data, collection methodology, and customization options for the data set
 - The ability to connect that data set with first-party data to provide a true, reliable context for all insights and decision-making
 - The ability to validate the raw data prior to its use to ensure accuracy, and on a recurring basis to ensure its validity
- Third-party data should be used with care due to its anonymized/aggregated basis. It is hard for advertisers to evaluate the third-party data used on their behalf without clear sight of its provenance and use, so the media agency should outline to the advertiser the following:
 - From where the third-party data has been sourced
 - What role it plays in the improvement of targeting
 - How it is being blended with first-party data
 - Any limitations and inaccuracies of the third-party data
 - A plan to convert third-party to first-party data whenever possible
 - The cost of the third-party data in relation to the desired outcome
- With the increasing number of data sets being used in cross-channel/cross-device marketing, the data sets for online advertising should be aligned with other digital channels via a KPI mapping exercise which provides:
 - A single source (data set or technology) for each metric
 - A strategic definition for how each data set is or is not used

Programmatic Trading

Advertisers should have unimpeded access to the platforms, tools, and data used on their behalf throughout the programmatic trading process.

The K2 Intelligence report demonstrated that the programmatic media market is one where non-transparent business practices by media agencies make it hard for advertisers to see where their investments are going and where particularly large margins are being made. The flow of data within programmatic buying is also complex, and advertisers should take the appropriate actions to understand the role and use of data throughout the programmatic trading chain, especially as programmatic buying becomes an established targeting and trading mechanism across the media landscape.

Recommendations:

- Fully understand and track the technology, uses of data, and processes involved in programmatic media trading.
- Ensure unfettered access to all data employed and/or generated in the process of buying and/or optimizing media on the advertiser's behalf, including but not limited to event logs (impressions, clicks, and actions) and associated metadata from all buying sources, including DSPs deployed in the process.
- Advertisers and their advisors should obtain data at the log level from any supplier (for example, a DSP) used on the advertiser's behalf directly without having to get access or permission from the advertiser's media agency or trading desk.
- Obtain and understand the list of DSPs and other suppliers being utilized within the ecosystem.
- Understand the reason for the selection of those DSPs and how those DSPs are set up (for example, floor and ceiling bid levels), and understand the selection criteria for all suppliers being utilized.
- Confirm that it is the responsibility of the AOR to ensure that any vendors, tools, and data sources used throughout the media trading chain meet the appropriate standards of data disclosure in order to allow the advertiser to make the right investment decisions.
- Ensure that advertiser log-level data is not commingled with the data of other advertisers, and can only be used for the operational or commercial benefit of the advertiser's activity.
- Understand the tools, technologies, resources, and costs associated with each vendor in the transactional chain.
- Adopt ongoing tracking of viewability, invalid traffic, and brand safety tools through accredited vendors at the media agency's cost.

Strategic Platform 6: Advertiser Responsibilities

Advertisers are responsible for more active stewardship of their media investments and fair compensation of their agency partners.

The K2 Intelligence report identified the increasing complexity of the media-buying landscape and the corresponding struggle by advertisers to respond to those rapid changes as key factors that have enabled the proliferation of non-transparent business practices in the U.S. market.

Media is often the largest marketing expenditure at most companies. Simply stated, advertisers should be responsible for assuming greater internal stewardship of their media investments. Advertisers need to “lean in” and be more active stewards of their media investments rather than delegating that entirely to their agencies. Advertisers who outsource their media management without active internal stewardship do so at their risk. Advertisers should be jointly responsible for the stewardship of their media investments with their agencies and such active stewardship should consist of the following:

- Advertisers should appoint a chief media officer (either in title or function) who should take responsibility for the internal media management and governance processes that deliver performance, media accountability, and transparency throughout the client/agency relationship. On the most fundamental level, the chief media officer should drive the media strategy, partner with external agencies, and work with third-party suppliers to optimize the media mix and maximize ROI. This executive would be the centralized internal resource to drive integration and share best practices across internal brand teams and external agencies. The chief media officer would be the internal subject matter expert on the many important and complex media issues confronting advertisers today. Digital media expertise should be a foundational skill for this position. Furthermore, it is recommended that the chief media officer develop relationships with key external media properties with whom the advertiser conducts business.
- Advertisers should have a clear understanding of how their company’s media dollars are invested, optimized, and measured. That includes full knowledge of how media plans are deployed, in-depth reporting of the costs of those deployed plans, and full reporting and analysis of the effectiveness of executed plans.
- Media management training should be implemented for key advertiser staff, particularly in the areas of contract development, management of the digital media supply chain, and data management.
- A combination of the advertiser’s finance, procurement, legal, and media functions should be accountable for ensuring contracts with media agencies are up to date and fully executed, especially given the speed of change in the industry. The content of contracts should be thoroughly reviewed each year to ensure they remain appropriate.
- Contract ownership should ideally be the responsibility of a single point executive, such as the advertiser CFO, who is held accountable for negotiation, implementation, execution, and compliance.
- All amendments or variations to the master services agreement, including “local” agreements, opt-in agreements, side letters, and appendices, can only be effective if they are signed by the same advertiser signatory as the master services agreement.

According to the K2 Intelligence report, client pricing pressure may be exacerbating media agency non-transparent business practices, which at times may be at cross-purposes with an agent's responsibilities to a client. During the course of K2 Intelligence interviews, a number of sources independently cited advertisers' efforts to drive down agency fees as a reason why agencies are seeking additional sources of revenue beyond commissions. Advertisers need to consider the following:

- Agency compensation must be fair and reasonable. Marketing procurement teams must recognize that marketing is an investment to be maximized and not an expense to be minimized. Aligning one's company with the right set of marketing partners is crucial for a business to achieve its growth objectives. The role of marketing procurement cannot be short-sighted, focused exclusively on relentless cost reduction and the lowest-cost options. Cost reduction for its own sake is a short-term strategy and is not sustainable.
- Advertisers should not demand unfair payment terms from their suppliers, including agencies, and should not look to agencies to finance their operations through prohibitive payment terms. Advertisers who are considering changes in their payment terms for marketing services — particularly extended terms — should proceed with caution, and are encouraged to evaluate the downstream implications of such payment term extensions. There can be serious tradeoffs resulting from payment term extensions that can have both immediate and longer-term negative consequences, including strained relationships with vendors, reduction in flexibility, and higher prices.

Strategic Platform 7: Code of Conduct

Advertisers and media agencies should establish a culture of trust in their relationships via a specific code of conduct.

A strong contractual agreement is the foundation to building a culture of trust between the advertiser and the media agency. To further that objective, the contract should be supported by a Code of Conduct between the advertiser and the media agency. They should work together to ensure that the Code of Conduct is upheld across all entities, relationships, and activities. The Code of Conduct should be signed by both parties and should be an addendum to the master services agreement.

Matters for inclusion in an **advertiser's Code of Conduct** (unless clearly changed in the master services agreement):

- Act openly with media agencies and associated trading entities.
- Make it a priority to provide clear assignment briefings to agencies.
- Negotiate in good faith on the statements of work and reward the media agency's work fairly.
- Renegotiate in good faith where the services needed by the advertiser vary materially from the original statement of work, with due regard to the resources required for the successful execution of the scope of work.
- Articulate clearly the relevant business objectives, targets, and performance indicators, and provide media agencies with the information, data, insights, and reports that will enable them to execute to these requirements.
- Provide media agencies with sufficient time in advance of the relevant periods or deadlines to execute the requirements within the agreed-upon specification and to the specified standard.
- Act responsibly in the event that timelines are compressed and/or short-term changes are required to accommodate varying business needs.
- Deliver timely and clear approval for proposals. Provide the relevant authority/purchase orders which allow partners to deliver their best performance. The advertiser will not ask the media agency to act before it has received proper authorization.
- Conduct regular appraisals of media agencies with a mutual commitment toward continuous improvement in performance and transparency.
- Pay invoices in a timely fashion and in accordance with the terms contained in the relevant contract, or as separately agreed.

Matters for inclusion in a **media agency's Code of Conduct** (unless clearly changed in the master services agreement):

- Work in the best interests of the advertiser in all aspects, including media planning, media buying, technology provision, consumer insights/research, and data/analytics.
- Endeavor to achieve the best available media inventory and the best media value to deliver the advertiser's commercial objectives.
- Ensure that media strategy and planning will take place independently of the buying process, in line with the advertiser's communications objectives. Planning should be conducted objectively as determined only by the advertiser's best commercial interests. This should be guided by effectiveness and performance objectives established by the advertiser, with supporting rationale based on the best available research and data.
- Conduct media transactions transparently, and ensure that all parties involved will also act transparently and without conflicts of interest in their commercial dealings.
- Pass through to the advertiser all rebates, media incentives, free space, or other forms of payment/consideration, either in cash or in kind, derived from media transactions conducted in whole or in part on the advertiser's behalf.
- Seek and obtain advertiser consent to include its media spend in aggregated volume deals with media suppliers.
- Exclude all client's advertising spend within the U.S. market from any global incentive arrangements between media agencies and media suppliers unless the advertiser agrees and receives its share of such incentives, verified through a transparent contract compliance review process.
- Acknowledge that where the advertiser agrees to the media agency acting as principal, this will be subject to a separate agreement which will clearly state where the advertiser's rights, as established in the master services agreement, have been waived or varied (if at all). This agreement will be signed by the signatories to the master services agreement.
- Ensure that all relevant personnel are trained to understand the meaning and role of principal and agent trading, and the specific rights and obligations applicable to principal trading set out in the master services agreement or opt-in addendum.
- Return to the advertiser any reserves of media inventory arising from aggregated deals in accordance with their contracts.
- Allow advertisers to independently review media proposals in advance of purchase, and to independently evaluate the quality and cost of media bought on their behalf via the use of appropriate benchmarking and measurement tools such as cost pools, media audit results, and marketplace data sets.
- Rationalize all barter inventory investment recommendations against the advertiser's communications goals and provide evidence that the barter inventory meets applicable barter accounting rules. Any cost or quality trade-offs between barter-sourced media inventory (and alternatives) shall be clearly described by the media agency to the advertiser.
- Verify to the advertiser that all barter inventory has been legitimately sourced as part of a corporate trading process.

- Ensure that all affiliates, related parties, and third parties within the planning and buying process comply with the terms of the client/agency MSA.
- Agree that all data derived from the advertiser's marketing investments remains the property of the advertiser, and allow the advertiser and its advisors full and unhindered access to such data. The media agency will only use the advertiser's data for the purpose of serving the advertiser's business.
- Allow full and unfettered access to a media auditor and/or a contract compliance specialist of the advertiser's choosing to ensure full compliance with contract terms.
- Acknowledge that the advertiser owns and controls its media data and has the sole discretion on how that data is used by its selected media auditor.
- Maintain transaction records and related material described in the contract for a minimum of six years following termination of the master services agreement.
- Use appropriate media technology (e.g., ad server, DSP) as defined only by the needs of the advertiser and disclose all media technology and systems used on the advertiser's behalf in the fulfillment of its contract. Regular audits of all such systems should be permitted to ensure their effectiveness and independence as well as confirm the relative costs for each technology.
- Allow the advertiser access to any automated media trading platforms used on its behalf such that proper oversight of data and money flows can be established.
- Endeavor to optimize the performance of programmatic trading, with targets set for continuous improvement in viewability, brand safety, and the reduction of invalid traffic, including direct access to data from DSPs at the advertiser's discretion.
- Ensure that the media agency (including holding company and affiliated and related companies) must disclose any ownership, "preferred vendor agreements" (or any other terms those agreements take), stock warrants, or financial relationships with any lines of business/services that are either being recommended or used for an advertiser's business. This includes but is not limited to media companies, data and technology companies, verification services, measurement companies, research, and production/editorial facilities.
- Disclose details of any of its employees who are directors or advisors of any entity that the agency recommends as a provider of products or services to the advertiser. In such cases, when the media plan recommendation is made, the agency should demonstrate that the recommendation is as good as, and preferably better than, other independent alternatives that may be available to the advertiser.
- Disclose, upon request, the media agency policy (including the holding company, affiliates and related parties) regarding gifts to employees from media companies and other vendors.
- Provide extensive and consistent reporting on the media bought on behalf of the client and the performance of that media.

Section 6: Conclusions

The K2 Intelligence report was a serious wake-up call for the industry. The report flagged the level of conflicted and suboptimal behaviors that developed from both agencies and advertisers. These behaviors corroded the bond that existed between the two constituencies.

There were several important lessons:

- The loss of trust was the most significant and important manifestation of the issue.
- Agencies can no longer deny that the “rebate issue” exists in the United States, along with a host of other transparency-related issues. To continue that denial would seriously undermine any hope of restoring the equity in the client/agency relationship. Deflection, distraction, and denial are not the strategic pillars that will bring resolution.
- Advertisers must rethink their collective set of media management practices. The deterioration of accountability and oversight — particularly with respect to contracts — cannot continue. Advertisers must establish their primacy over the process to increase the ability to optimize client/agency relations in the future. Media management governance needs to be rethought and reconsidered.

But there is good news. The underlying tenor of the ANA and Ebiquity/FirmDecisions report is that the deterioration can be reversed. This situation can be cured. Positive outcomes and winners from all constituencies can emerge. There is reason for optimism — *if*:

- Agencies agree to change current practices. The status quo is unacceptable. A good starting point is to look at their practices through the lens of the advertiser and strongly consider the recommendations included in this report. Progress in adopting the recommendations will fuel momentum toward a more stable and collaborative environment.
- Advertisers must exhibit substantially more discipline in their overall management of media and the client/agency relationship. Advertisers need to own the process and must invest in the necessary financial, human capital, and process management resources to succeed. Accountability and governance need to be equal in importance to planning and execution.
- Industry oversight must be an integral part of all future processes. Having cross-industry exchanges on “best practices” and evolving collaborative models is fundamental to developing the confidence that issues will be diminished and opportunities will be enhanced over time. Advertisers and agencies must find common ground for the purposes of restoring trust.

The future is now; the time is right; the parties need to overcome their differences to ensure that a better, more trusting environment can emerge and be ingrained in the core client/agency relationship.

Appendix 1: Glossary and Definitions

Ad tech (advertising technology): Refers to technologies that enable the automated buying and selling of advertisements. These include demand-side platforms (DSPs) and supply-side platforms (SSPs) as well as companies that provide technology or data services for the delivery and targeting of digital ads. These technology and data companies may purchase and resell media, acting functionally as media suppliers.

Ad servers: Technology that delivers an ad onto a web or mobile site, and can track and optimize the delivery of that ad.

Advertiser: Any organization that advertises its goods and services through paid, earned, or owned media placements.

Agency holding company: A parent corporation that controls a network of companies, including advertising agencies, media agencies, barter, public affairs, data management, communications and/or other entities. In this report, this term is used to refer to the parent entity for one of the six largest global agency networks.

AOR (Agency of Record): The media agency that contracts with an advertiser to purchase advertising space and time on its behalf.

ATD (agency trading desk or automated trading desk): A trading entity used for buying and reselling online advertising space, controlled by an agency holding company.

Agency volume bonus (AVB): Another name for a rebate.

Balancing services: Normally refers to “service” agreements which are a service performed by the media agency for a media supplier.

Barter income: Any income, inventory, or assets derived by the participants in corporate trade exchange, including the barter company, the agency trading entity and associates, and the media suppliers.

Click-through rate (CTR): An advertising performance metric used to measure the number of users who clicked on an ad. Calculated as the number of user clicks divided by number of times the ad was delivered.

Completion rates: An advertising performance metric used to measure the number of users who have watched a certain percentage of an advertiser’s video ad. This is usually set at 100 percent, but some companies do set lower levels.

Content verification: The processes by which online media suppliers certify that advertising content has appeared on the sites or in the environments in which they, media agencies, or ATDs have promised the content will appear.

CPM (cost per thousand, from the Latin mille meaning thousand): The cost of placing an ad based on the price of 1,000 impressions, or “cost per thousand.”

Cost per click: The amount paid by an advertiser every time a user clicks on its ad.

Creative agency: An agency employed by an advertiser to plan, design, and execute its advertising content.

Deferred payments: Usually the extension of deadlines by media suppliers for the settlement of invoices for the provision of media inventory.

DMP (data management platform): A unified computer system used for aggregating and managing often massive sets of data, both structured and unstructured, from multiple sources.

DSP (Demand-Side Platform): A technology platform that enables advertisers and agencies to buy digital ads in an automated fashion.

Early payment discounts: The benefit an advertiser might receive for settling invoices ahead of a contractually agreed date.

Earned media: Media space in which an advertiser's commercial messages are conveyed and/or reported on without the advertiser paying for the space. The coverage — in both traditional editorial media and social/digital media, including blogs, vlogs, microblogs, and forums — is said to be earned by virtue of the inherent interest value of the content. The advertiser may need to pay consultancy fees to public relations, social, or digital media agencies in order to generate earned media coverage. The advertiser does not control the content in earned media coverage, which is determined by the writer and/or publisher. See also owned media and paid media.

First-party data: Data obtained from a direct contact, including online contact, with customers or consumers. See also second-party data and third-party data.

Free/bonus inventory: Any media time, space, or units provided at no charge by a media supplier, usually included alongside paid inventory.

Frequency: The exposure level of an advertising campaign, expressed as the number of times an advertisement is seen by its intended audience, often referred to as “opportunities to see.”

Invalid traffic: Also often referred to as non-human or bot traffic. In online display advertising, invalid traffic details the proportion of apparent visitors to an advertisement or exposures that are not generated by humans.

Impressions: Any occasion when an ad, in any format or medium, is served to a consumer. In the context of online advertising, it means those occasions when an ad is served to a user's internet browser or mobile app. The number of impressions an ad achieves is a common performance metric.

K2: K2 Intelligence, LLC. For further information, see Appendix 2.

KPI (key performance indicator): A measurable value that demonstrates how effectively a company is achieving key business objectives. Organizations use KPIs at multiple levels to evaluate their success at reaching targets.

Media agency: An agency that (a) advises advertisers on how, when, and where to advertise; (b) negotiates with various media suppliers to obtain time and space for advertisements; and (c) places and manages advertising schedules.

Media inventory: The number of advertisements, or amount of advertising space, a media supplier has available to sell.

Media supplier: An individual, enterprise, or corporation which sells media inventory to media agencies or direct to advertisers.

Owned media: An advertiser's owned media channels, including its website, blog, or social media accounts. The advertiser controls the content that appears in owned media channels, subject to limited exceptions such as legal requirements or voluntary conventions. See also earned media and paid media.

Paid media: Media space that an advertiser has to pay for in order to display its commercial messages. The advertiser controls the content that appears in paid media channels, subject to limited exceptions such as legal requirements or voluntary conventions. See also earned media and owned media.

Programmatic buying/selling: The automation of media-buying and media-selling processes and decisions, enhanced through data.

Reach: The percentage of the target audience exposed to the campaign at a specified frequency level (usually one exposure or more).

Rebate: Any benefit that a media supplier provides to a media agency, or an entity within an agency holding company, representing a portion of the amount that an agency, or an entity within an agency holding company, spends on media purchases with that media supplier. Also known as an agency volume bonus (AVB).

RTB (real-time bidding): An online auction process by which media inventory is bought and sold in real time.

Second-party data: Data obtained from media suppliers. See also first-party data and third-party data.

SSP (Supply-Side Platform): A technology platform designed to facilitate the management and monetization of online media inventory by media suppliers. SSPs offer ad impressions for sale to a range of ad exchanges and Demand-Side Platforms (DSPs).

Third-party data: Data obtained from data aggregators, bringing together data from multiple media suppliers. See also first-party data and second-party data.

Unbilled media: Media for which the advertiser has paid the media agency but for which the media agency has not been billed, or has only been partly billed, by the media supplier.

Unit rate: The rate at which media inventory is sold online. The typical unit rate for transacting online media inventory is CPM (cost per thousand impressions generated).

URL: A term commonly used to describe the address of a particular site or page on the web. The term is interchangeable with web address.

Viewability: A viewable advertising impression is one that is deemed to have been seen when served. According to standards set by the Media Rating Council for online display advertising, for the advertisement to have been deemed to have been seen, at least 50 percent of an ad needs to be visible for at least one second in the case of a display advertisement and for at least two seconds in the case of a video advertisement.

Appendix 2: About the Advisors

Ebiquity

Ebiquity (www.ebiquity.com) is a leading independent marketing analytics specialist. Ebiquity employs over 900 people in 19 offices in 14 countries worldwide. Ebiquity works with over 1,100 clients, including over 80 percent of the world's biggest advertisers. Ebiquity provides marketing analytics and technology services via three practice areas: marketing performance optimization, media value measurement, and market intelligence. Ebiquity was founded in 1997 and is widely recognized as one of the world's largest media benchmarking and auditing providers. Ebiquity is listed on the AIM Market of the London Stock Exchange (EBQ).

FirmDecisions

FirmDecisions (www.firmdecisions.com) is a subsidiary of Ebiquity. FirmDecisions is the largest independent global contract compliance specialist. FirmDecisions has nine offices and works with some of the world's biggest brands, and has completed over 4,500 audits in 70 countries during the last 15 years.

K2 Intelligence

K2 Intelligence (www.k2intelligence.com) is an investigative, compliance, and cyber defense services firm founded in 2009 by Jeremy M. Kroll and Jules B. Kroll, the originator of the modern corporate investigations industry. With offices in New York, London, Madrid, Tel Aviv, Geneva, and Los Angeles, K2 provides specialized research, fact-finding, and compliance services to public and private corporations, boards of directors, non-profit organizations, individuals, and government clients across the globe. Common engagements include complex investigations of all varieties, pre-transactional due diligence, cyber investigations and defense, asset searches, and fact-finding in support of high stakes disputes and litigation. K2's multi-disciplinary teams consist of a diverse collection of professionals, including former state and federal prosecutors, experienced researchers and analysts, financial and forensic investigators, former law enforcement officials and intelligence operatives, investigative journalists, and litigation and enforcement attorneys.

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**FIRM
DECISIONS**

Media Transparency:

Prescriptions, Principles,
and Processes for Advertisers