

# Upfront

TOP STORY

## BUYERS BEWARE

THE ANA'S CONTENTIOUS REPORT ON MEDIA BUYING PRACTICES IS ALREADY HAVING A RIPPLE EFFECT. BY NOREEN O'LEARY

**I**ndustry auditors and lawyers are already starting to use the 58-page Association of National Advertisers' media transparency study (conducted in conjunction with K2 Intelligence) to promote their services. Business development consultants are being contacted by agencies hoping to find new opportunities as disgruntled marketers presumably seek alternatives to their incumbent agencies.

But don't expect another Mediapalooza in the offing (when \$27 billion of business went into review over the last 18 months). The ANA's new eight-month study, focusing on media buying practices, underscored a larger "disconnect" between clients and their agencies—but a lot of those differences have already been playing out in changing account activity. With so many large pieces of business having already moved, it's unlikely another big wave of marketers would move such assignments again.

It's understandable that auditors and legal execs now will be busy given the study's findings that the use of kickbacks and rebates is "pervasive" in an ad industry where the ANA said "senior executives" were not only aware of their use but also mandated them. But given the time and expense involved in a search, it's simply more effective to identify and fix problems in the working relationships, new business sources said.

The K2 study with input from 150 sources is full of juicy, anonymously sourced examples—like alleged media markups of 30 percent-90 percent on "principal" transactions—that undermine agencies' credibility, said their trade group, the 4A's last week. (Never mind that five out of six of the industry's holding companies declined to participate in the survey.) Clients were largely quiet in their public response to the report's release. However, marketers like Procter & Gamble reiterated its "trust but verify" approach to contracts, performance audits and third-party verification to ensure transparency, and said "remedial action" will be taken if irregularities are found.

The study declined to label the nontransparent practices—which often allegedly involved cash rebates—as fraudulent, saying that was "well beyond the scope of the study".

That left many agency observers questioning the purpose and credibility of the report.

"Our media guys are saying, 'If you're going to threaten us with an audit, then audit us,'" said one source. "We go through that all the time."


Added Ken Robinson, a principal with consultants Ark Advisors: "You have three pillars of disingenuous behavior and [in the report] no one agency has been called out. What do you do with that? It's better to save the agency relationship than throw it away," he advised. "It's better to work together and find a common definition for 'transparency.' People can't even agree on that."

Robinson draws a distinction between agencies violating contractual terms and ethical ones, saying "being 'transparent' matters less than being honest, and agencies should focus more on that than circumvent semantic technicalities."

Jim Nail, a principal analyst at Forrester Research who has conducted previous work on media transparency for the ANA, concurs. In an industry where clients are now demanding to pay less for more agency services, transparency discussions need to find the right focus.

"The wrong reaction to the report would be playing the blame game. This is symptomatic of the last 5-10 years of agency client relationships under strain," said Nail. "We can expect to see increasing levels of audit activity, but I hope it doesn't turn into a blood bath where agencies get fired. It should be handled at the level of the 4A's and the ANA. What are the structures that apply to this new world? If the conversation stays at the level where it's all about rebates, we're not solving the real problem."

Noted ANA president, CEO Bob Liodice: "We want to bring the agency community together and begin a dialogue. Let's see how the ecosystem responds, and if they do, we won't need to do anymore."



**BOB LIODICE**  
ANA,  
president  
and CEO