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The hidden cost of Australia's current media race to the bottom

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Australian media owners face a growing threat beyond shrinking advertising budgets: agencies are increasingly winning pitches with media rates publishers never agreed to honour, setting off a race to the bottom that risks undermining premium journalism and advertising effectiveness.

It has been a bruising year for Australian media owners. Between the headlines of significant job cuts across traditional media and the daily struggle to retain a share of the market, the local landscape is operating under immense pressure.

A quick glance at traditional ad spend from Guideline SMI tells the story of a market fighting for equilibrium, down 1.3% overall to $8.7bn. TV spend remains stubbornly flat, dipping down $2.6 billion, saved only by the stabilizing audience metrics and growth of BVOD. Audio is a similar tale, landing near $689 million, with the rising tide of podcasts and digital streaming keeping a flat broadcast radio sector afloat. Print, unsurprisingly, continues its structural decline. Only Out-of-Home stands out as a traditional champion, up 6% by riding the wave of DOOH and programmatic to project revenues of $1.4 billion.

But beneath these macro figures lies a far more concerning micro-trend, one playing out in the boardrooms of some of Australia's most high-profile media pitches.

Over the past 12 months, a number of major media accounts have changed hands. But the industry whisper network is loud and clear: many of these tenders were won on the promise of drastically slashed media rates. More alarmingly, the rumblings suggest that media owners, the very businesses expected to fulfill these rates, were frequently not consulted before these discounted prices were placed in front of clients.

On paper, the dynamic makes perfect sense. Marketers are facing intense downward pressure on their budgets and need every dollar to stretch further and are looking at their costs. Procurement teams are also heavily incentivised to secure the "best" possible price, treating media inventory like any other line-item commodity. When an agency arrives with a spreadsheet promising a phenomenally low Cost Per Thousand (CPM), it looks like a silver bullet.

But what happens when an agency wins a pitch on a promise they simply cannot deliver?

The reality of the post-pitch scramble is a quiet, agonising standoff. When the agency realises the media owners won't honor the artificially deflated rates, the market remains oblivious because the situation relies on an unspoken pact of embarrassment. The marketer and procurement team won't take the highly visible step of firing the agency - to do so would be a public admission that their due diligence failed.

But while the agency keeps the business, they lose something far more valuable: their credibility. Trust is instantly destroyed, leaving both sides to play out a compromised partnership where the emperor clearly has no clothes, but everyone is too compromised to say a word.

The mechanism enabling this charade is the continued reliance on media trading templates. Independent pitch consultants have long warned against them, and the Media Federation of Australia (MFA) rightly recognizes that "media pricing templates" used by procurement teams can be dangerously misleading. They reduce the dynamic, highly nuanced reality of media trading into a rigid, easily manipulated mathematical fiction.

So, what are the longer-term implications for traditional media owners if brands and agencies continue to chase the lowest CPM?

1. The bait-and-switch to junk inventory If an agency is legally bound to deliver an unsustainably low blended CPM, they will inevitably have to make up the margin somewhere. This usually results in pulling budget away from premium, high-attention traditional media environments (like prime-time TV or tier-one OOH) and dumping it into cheap, low-quality, high-volume programmatic inventory. The brand hits its procurement KPI, but sacrifices actual advertising effectiveness and brand safety in the process.

2. The acceleration of the quality "death loop" Media owners are already slashing jobs to stay profitable. If agencies continuously attempt to enforce unsustainably low rates to cover their pitch promises, media owners are starved of the capital required to invest in journalism, content, and talent. This degrades the product, which reduces audience sizes, which in turn justifies advertisers demanding even lower rates. It is a race to the bottom where everybody loses.

3. The commoditization of attention Chasing the lowest CPM assumes all impressions are created equal. They are not. A deeply engaged listener on a premium Australian podcast or a viewer watching a trusted local news broadcast holds infinitely more value than a fleeting, below-the-fold banner ad. Forcing traditional media to compete purely on a spreadsheet CPM strips away the value of context, trust, and attention.

4. The further erosion of trust A healthy media ecosystem relies on a symbiotic relationship between advertiser, agency, and publisher. When agencies use publishers' inventory as theoretical bargaining chips without consultation, that trust is shattered. It creates an adversarial trading environment where media owners are forced to play hardball, ultimately making it harder for brands to secure the strategic, integrated partnerships that actually drive business growth.

Australia's media owners have had a tough enough year without being used as pawns in a spreadsheet war. It is time for marketers and procurement teams to look beyond the illusion of the lowest CPM. Marketers need to take some responsibility here and recognize that if something is too good to be true, then very likely it is. All parts of the ecosystem need to retire misleading pricing templates and start pitching on reality, transparency, and the actual business value that quality media delivers.

If we don't, the industry won't just be counting job cuts - we'll be mourning the loss of the premium local media landscape altogether.

Tags: advertising, media agencies, SMI, ad spend

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Great	Insightful	Interesting	Like	Not Sure
22	4	2	1	1