OPINION

Principal media: Saviour or false messiah?

Don't worry about if principal media is good or evil. The real question is whether it's a saviour or false messiah, and who really benefits.

Principal media has been a rising topic of conversation among clients, agencies and media owners and has captured headlines across the trades this week. TrinityP3's Stephen Wright breaks down the questions marketers should be asking.

April 10, 2025 9:11
by STEPHEN WRIGHT

The discussions around principal media have grown steadily over the past 12 months.

It was less than a year ago I was penning explainers for Mumbrella in the wake of the ANA report on the evolution of principal-based media. As I noted, at the time, the evolution of the rebate into a new form was raising serious questions for marketers, but many were unaware that the rebates and value banks of old had evolved.

Now barely a day goes by when a client or agency doesn't raise it. It's become one of the most written-about topics in recent months both globally and increasingly locally. Then this week, at the Future of TV conference, the topic broke through in a way it hasn't in years, when senior agency leaders Mark Coad, Amy Buchanan and Chris O'Keefe were asked about it on stage.

Principal media refers to the 'non disclosed' means by which holding groups are now trading on behalf of their clients. Now to be clear there's nothing inherently wrong with the practice – if it's disclosed to the client.

One thing that has been fascinating about this discussion is that it's been framed as a battle between good and evil. I'm not sure that framing is entirely helpful. There are marketers out there who knowingly enter principal media arrangements fully aware of what they are and how they work and see benefits.

There are also many marketers who worry that they are being pushed into arrangements that are not transparent and where the benefits to them, as the client, are far more murky. This is what I think independent agency leader O'Keefe is referring to when he says principal media is "80% evil". We should acknowledge the fear many CMOs have: that principal media are deals so good they really have to be kept secret from the advertisers who are funding them.

TrinityP3's Stephen Wright

How principal media evolved

A quick refresher for those who might have forgotten: principal based media trading emerged from agency holding groups who established stand alone trading entities through which their media agencies purchase activity for clients.

These trading divisions would then broker favoured deals with media owners guaranteeing volumes of inventory across the group in exchange for additional commissions and incentives.

Advertisers opt in and agree to 'non disclosure' arrangements and a cloak of secrecy around pricing. The trading division, behind closed doors, then determined the mark up applied to the cost of the inventory and the subsequent price paid by the advertiser.

This is then marketed to the advertiser as a reduction on the price it would have to pay under a fully disclosed model. It's positioned to advertisers as a win/win/win for the media owner, for the media agency and for the advertiser.

Extra commission/revenue for the media agency through the mark up it applies to the cost of heavily discounted inventory. A lower rate to the advertiser, lower certainly than it would have paid through a transparent model of trading. Plus the media owner gets (extra?) revenue. Note the question mark around the extra.

Sounds like a perfect plan, but there are an increasing pool of industry observers who are questioning whether the model really works for all concerned.

Nick Manning, who worked with the ANA in the US, has been the most vocal of these critics.

His observations, while global, have a direct bearing and relevance to the Australian market.

Looking at the Australian market, we need to look at the extent to which each of the three parties involved in principal media is currently benefiting.

Media owners

(Midjourney)

The main benefit for a media owner is straightforward – guaranteed revenues and/or share and hopefully extra income. But here's the issue if nearly all of your competitors strike deals with the group as well: it becomes more about the threat of missing out if you don't have a deal, than gaining any additional share or revenue. This is certainly the case with some of the arrangements TrinityP3 has been privy to.

In a market where the major players (particularly those with non-digital media assets) are struggling to hold onto revenue (amid the ongoing rise of the digital duopoly – Google and Meta), their hands have very much been forced.

Many major media players were forced to make significant redundancies in 2024.

This is no time for them to play hard ball with the agencies. Many of them are quietly lamenting their involvement, trapped by the new market mechanisms, receiving reduced revenue for their inventory while the trading divisions report record profits.

An added frustration for them is that their inventory now carries higher levels of embedded commission at a time when price and performance is under increasing scrutiny. Now, I'm not sure most media owners see themselves as winners from principal media.

Rather they are now more unwilling participants on a merry-go-round. Strapped to the horse and forced to smile as the ride goes up and down. One senior media sales figure remarked to me recently: "All I've done effectively is lock myself in to reduced pricing, now my only option is to say no to a new deal and see business bleed to my competitors. The agencies have massive coercive control over where spend goes – and more importantly doesn't go. You need rock solid advertiser support to stay on the schedule when the agency is trying to steer it away."

Advertisers

Cheaper inventory and better value is the promise they often succumb to. And yes the rates advertisers receive are typically lower than those which their agency partners are able to purchase trading transparently.

The question remains however as to how the extra commission and value is divided between agency and advertiser. What goes on beneath 'the cloak of secrecy' is a closely guarded secret but a comprehensive study in 2024 by the ANA in the US revealed pricing margins added by agencies in a typical range of 30% to 90% above the price paid to the media owner. No matter how you cut it, that's a healthy margin.

The higher end of this range would hold true for Australia but the lower end would be less aggressive. Of the mark up on pricing TrinityP3 sees returns to advertiser in the order of 5%, significantly lower than the margin taken by the trading division. Anecdotal evidence suggests the ratio of agency to advertiser benefits starts at 3:1 and goes upwards as high as 10:1.

TrinityP3 has seen mark up margins of over 50% with less than 5% being returned to the client. I am very happy for any of the holdco trading divisions to refute these numbers and provide anonymised evidence to the contrary, but the record profits reported by the holding groups from their trading divisions suggests otherwise…

So yes advertisers are winners but they are winners with a small 'w.' They are much smaller winners than the agencies. This 'small w' winner position is latched onto by advocates for principal media and positioned as the market embracing the practice, but TrinityP3 sees it more as a transient tolerance than long term endorsement. Marketers are happy to bank a small win and not make waves, given the multitude of other challenges they face.

It is also worth noting that in-house procurement are also beginning to take notice and the notion of an agency self determining their fee under a cloak of secrecy often doesn't sit well with them.

We need to recognise that agency revenue now comprises of two revenue streams:

1. Transparent fees and charges (aka the traditional advertising fee model)

2. Undisclosed commissions earned from principal based trading or other associated practices

For some agencies and groups the latter can now be as much the former. Hard to understand the value of the relationship without knowing how much you are paying your agency. Procurement is hard wired to have clarity on how much they pay and what they receive in return.

Media agencies

And lastly we have the media agencies, and the holdcos which sit above them. In many ways, the reports of trading division profitability and the growing focus they have in talking to the financial markets about principal media say it all.

We are also seeing clients quietly reacting to this. While some may say the practice is not widespread here the reality is over the last 18 months TrinityP3 has seen a massive increase in the 'in housing' of digital.

After the initial flurry of banks and telcos in-housing their digital ten years ago it's been quiet for some time. There has been a quiet revolution, driven in part because of concerns about the arbitrage that is, or is perceived to be, happening around digital.

Managing a tech stack is also now a lot less complicated and costly.

Several clients with whom TrinityP3 has worked have reported savings of 30% to 40% across some areas of digital inventory once they took it back in-house..

Of course, once digital is lost to an agency in-house team it is likely never coming back. Principal media is a business model on which some holdcos are doubling down on (at least globally) but it risks increasingly seeing them marginalised to operate across the circa 30 percent of advertiser inventory that remains in non-digital.

A saviour or a false messiah?

Amid the debate about whether it is evil, principal media is being championed by some as a short term saviour for the holdco business model. I wonder if that's in fact wrong and actually we'll come to see it as a false messiah that is seriously undermining trust and confidence in the agency model and their long term business base and profitability.

Stephen Wright is Global Media Business Director at leading marketing management consultancy TrinityP3

topics AMY BUCHANAN FUTURE OF TV MARK COAD PRINCIPAL MEDIA

Comments: 7

Client procurement only has themselves to blame 10 Apr 25

In a world where media agencies get squeezed into laughable retainers. malus clauses, and global commission structures (who can run a team on 1.5% commission in this market!!??) this hand has been forced by the brands themselves. Agencies need new ways to pay for all the intellectual property and senior staff who drive innovation and business outcomes for clients. Brands (and especially their procurement teams) only have themselves to blame.

Pay peanuts, get monkeys. OR
Allow agencies to make money, get smart resource and innovation.
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Stephen Wright 18 Apr 25

HenryT
The problem with Principal based trading isn't the mechanism itself.
The issues arise with non disclosure and agencies taking advantage.
TrinityP3 has seen first hand instances where 'non disclosed' pricing of inventory through the trading division has been at rates significantly above those achievable.
In one instance an account moved and the new agency was able to buy identical inventory at 60% of the 'great rates' achieved by the former agency.
Poor agency behaviours have given principal based trading a bad name.
The cloak of secrecy has been abused – rather than being used to maintain confidentiality around great deals achieved for the client , secrecy has been used to hide substanbtial mark ups to which agencies have helped themselves.
Trading divisions have recently been championed within the Holdco for delivering record profits.
It's simple maths.
Advertisers fund the activity in it's entirety.
The activity has 2 components – cost of inventory and agency commission.
If Hold co's are reporting record profits then clients are likely paying more commission than they should be and receiving a reduced level of inventory
Overcharging by agencies for digital inventory has been the catalyst for advertisers taking digital in house.
TriinityP3 has seen a significant growth in 'in housing'
Trade desk have reported a massive increase in support provided to clients with new 'in house' operations.
Poor behaviours in the trading area are leaving agencies looking after non digital activity alone for a growing proportion of their client base.
Given that in 72% of global Ad revenue is now in digital it leaves them in an increasingly precarious position.
In TrinityP3's view the short term 'sugar hit' from trading division profits severely undermines longer term viability of their media agency operations.
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HenryT 10 Apr 25

Stephen, there is a bit more to this to fix it. There are many clients who are so far down the line of having reduced agency fees over many years, that for the proposed solution to remove principal media, the client would need to double (or more) their fees paid to agency. And this is exactly where client procurement get stuck – they can't show a doubling of agency fees as any sort of win internally, and so on and on the merry go round we go.
We recently worked on a consultant led (not Trinity) review of major client, who consultant convinced to go fully transparent, resulting in increased media pricing as well as higher fees paid to agency.
I shook my head: client pays more for both media and fees, agency earns fair profit to cover resources, and consultant walks away with a nice fat fee, for having delivered higher clients costs on the holy grail of "being transparent".

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Anonymous 10 Apr 25

Argument on disclosed vs. undisclosed valid. Put it in the context of products that a consumer buys. Does any CPG company disclose its manufacturing cost to the the consumer? Come to think of it – a global apparel brand procuring fabric from cheaper markets, having sticthing units in countries where the labour cost is the cheapest. Getting it ready for $30 including freight and selling it for $110. eventually end up reporting massive profits. Maybe that brand could be a big advertiser questioning Principal based trading model – quite interesting. Super funds being invested with a caveat – subject to market risks. Do we know how much margin they make on contributors investment?

Advertisers aren't the winners with a small "w". They are the ones pushing the pricing down YoY. So, if an audit firm has the knoweldge of the margins that holdcos are making then they must also have the knowledge of how much the firms and procurement departments have pushed the pricing down YoY.

It also effects the media owners directly in multiple ways. A. The holcos push the prices down to deliver KPIs impacting a media owners margins and yield B. it leads to lesser spending but at higher discounts. So, are the media owners willing to participate in the principal trading program because if they don't – they will be left out or is it because that's perhaps one of the ways to keep the revenue secured.

I don't think its about undermining the trust in the agency model. Clients are aware when they agree to participate in the principal based trading programs, so it isn't something that is a hidden. If the argument is about why are the holdcos making money? It is the same reason advertisers are in the business for – to make money.

& talking about transparent fee and charges – a little more work to be done – Assesment of how much the fee and commissions have been reduced over the years could be one of reasons point#2 is looking equivalent or bigger than point#1 in the agency model

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Don Drapeless 11 Apr 25

Asking if principal trading is a "saviour or false messiah" certainly provides a catchy headline, but like many of the arguments that follow, it misses the point. The model isn't about worship—it's about commercial reality. And while critics continue to romanticise the past, principal media trading reflects where the market has already gone—driven by performance, efficiency, and client demand for outcomes over theory.

Let's cut through the moral posturing. Principal trading didn't emerge in a vacuum. It was born out of a race to the bottom—years of procurement-led squeezes, price-driven pitches, and an industry that demanded "more for less." Agencies responded by evolving. Yes, that included building trading models that protected margins. But to claim that these exist purely for agency benefit is wilfully reductive.

The suggestion that clients are hoodwinked into principal trading under a "cloak of secrecy" underestimates the intelligence of CMOs and procurement leads. Many are not only aware but actively choosing principal deals because they deliver more competitive pricing and outcomes than traditional methods. If the margins were so unjustifiable, the model would collapse under scrutiny. But it hasn't—it's expanded. Why? Because when executed well, principal trading offers clients real commercial value: scaled buying, sharper rates, and guaranteed delivery.

This entire "transparency" debate often comes from those with vested interests in undermining competing models. It's no coincidence that the loudest voices against principal trading are those with consulting practices or independent agency groups that benefit from painting holdcos as villains. Accusations about secrecy and coercion often act as convenient positioning tools—not objective assessments of client value.

THE INCONVENIENT TRUTH:

And let's not forget: it was under the leadership of many ex-holdco CEOs now crying foul that the original versions of principal trading took root. They built the bones of the system—only now, watching it evolve without them, they want to disown it. Today's principal trading isn't the wild west they presided over. It's more sophisticated, more governed, and increasingly aligned with commercial goals—especially for clients who value outcomes over ideological purity.

The idea that media owners are helpless participants, "strapped to the horse," is laughable. These are billion-pound businesses making strategic decisions about inventory and revenue. They enter principal deals for the same reason agencies and clients do: certainty and efficiency. Could some structures be better balanced? Sure. But let's not pretend they don't have agency.

Principal trading isn't a messiah or a monster—it's a modern response to a fragmented, margin-squeezed landscape. Is it perfect? No model is. But it's disingenuous to paint it as a scam when so many clients willingly participate, understanding the trade-offs and reaping the benefits.

The "transparency crusade" would have more credibility if it didn't so often feel like a strategy to discredit the competition and win business. If you're going to throw stones, at least acknowledge the glass house you once helped build.

In the end, marketers are smart. They know how to interrogate value. And increasingly, they see principal trading not as a deception—but as a tool. One that, when used responsibly, delivers sharper outcomes than the over-romanticised agency models of the past.

Let's stop pretending this is a moral issue. It's a business one.

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Media Agency or Media Shop 15 Apr 25

May I suggest that if you operate as a principal media agency, you stop calling yourself a media agency and instead refer to yourself as a media shop? A shop buys products wholesale and sets the retail price, just like principal media does. I don't have an issue with that; just don't pretend to be an agency.

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Stephen Wright 18 Apr 25

To Don Drapeless
You say towards the end of your article that marketers are smart and know how to interrogate value.
Given the record profits reports and significant additional monies the agency groups are helping themselves to, how exactly are clients supposed to determine the value they are receiving in the trading area from their appointed agency.
Value can only be determined when the cost of the service is known.
Agencies are keeping that to themselves, the only thing we know is that it's delivering records profits and they are doubling down on what they do now.
You end your comment stating that this is a business rather than a moral issue.
Agencies endless go on about treating clients as partners.
In business partners are legally obliged to fully disclose everything to each other.
Hiding the fee to which you are helping yourself isn't the act of a business partner.

When you choose to conceal the price you are charging that is a conscious business decision in the agency's interest alone.
If it is such a great deal for the client why would you be hiding it?

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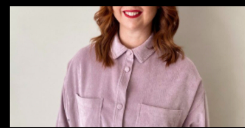

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