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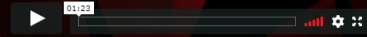
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## Digital Transformation Festival



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OPINION

## Dear media agencies, stop acting like you make too much money

By Darren Woolley · 08 April 2020 05:33am



A number of advertisers have expressed concern over their agency's responses to inquiries about the fee arrangement.

If the media transparency crisis of 2015 was not enough, the **coronavirus (Covid-19)** crisis of 2020 is bringing out the best and the worst in the media agencies. Just like in 2007 with the global recession, media agencies are bending over backwards to assist their clients in times of need, going above and beyond in providing outstanding media services in this time of crisis.

The danger for the media agencies is that what may appear like helping their client is being interpreted on the other side, especially by procurement, as evidence that media agencies are still making a good profit from revenue sources other than fees. Wink, wink.

As I have written previously here, in the maelstrom of the financial crisis last decade, agencies were quick to take on either more work at no cost or do the same work for significantly lower fees, thinking they were investing in the relationship and helping their marketing clients in their time of need. Better this than have to defend the account in a pitch. But instead of the marketers making good for the investment of money and resources, what followed was a decade or more of procurement-run tenders to drive down media and agency fees.

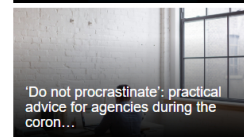
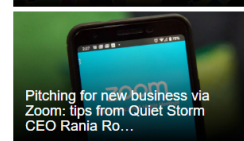
Sadly, it appears the lesson has been lost to the annals of agency history. In the past what seems like months, but maybe only weeks, we have heard from a number of advertisers who have expressed concern over their agency's responses to inquiries about the fee arrangement. Don't get me wrong, generally, many advertisers are very happy with the response from their agencies in moving and optimizing their planned media buy at a time of unprecedented uncertainty. Estimates are that globally, billions, if not trillions of media dollars have been lost or moved to optimise the situation, which is changing on a daily basis. This has involved many additional hours of agency time and resources, complicated in most cases by a workforce that is suddenly working remotely.

So, what am I referring to? Unfortunately, due to commercial confidentiality, I cannot share the details, but here is the general premise of three recent situations.

The first was unfolding last month, where a client approached their media agency of many years and suggested that they should review the agency against the market. Immediately, the media agency chief executive explained that a pitch would be incredibly time consuming and would cost the agency hundreds of thousands of dollars in resources - agency resources he was more than happy to offer for free to the client if they decided to forego the pitch. A generous gesture and one that left the procurement team wondering how much money they were making on the account if they could offer hundreds of thousands of dollars in free agency resources.



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Another client was concerned about the continuing high turnover of agency staff on their account at the agency. They had also been with the agency a number of years and, in fact, their media spend had almost doubled in that time without any change in the agency fee or the resources. When they approached the media agency with their concerns, the agency immediately offered to add an additional six resources to the account at no cost to help settle the business. Again, a very generous offer and one that had the immediate effect of placating the client's concerns and raising the interest of the procurement team as to how the agency could afford to add additional resources at no extra cost.

There is also the media agency that has had a practice of trying to usurp business by offering to take on the client for 30% less than they are currently paying if the client is willing to stop the pitch process and just hand them the business. They are not offering this to their own clients, this is simply a new business strategy, where as soon as they either hear of a pitch or get invited to pitch, they go straight to the client and offer the 30% discount. It makes you wonder what their existing clients would think if they found out. It also makes you wonder what their staff thinks of them discounting their value. From what I hear, the efficacy is mixed. As many clients as they win with this tactic, they also lose.

And it goes on. Not just in one market or one category or one region, but globally. It is easy to understand the conundrum for the media agencies. At a time of such great uncertainty, stepping up to help your clients in a time of need should be expected and rewarded. Agencies are quick to jump in to assist, but they need to consider not just the long term relationship impacts, but the more immediate appearance that giving away free agency resources or valuable agency time creates, especially when most media agencies maintain that the dark days of kick-backs and the like are behind them.

Transparency works both ways. If media agencies have given up their opaque media practices and embraced transparency, then marketers must be willing for agencies to be transparent when it comes to the additional costs they occur to help their clients in a time of need. Unless of course, the media agency is not being transparent.

Which would explain why they are so quick to give away something as valuable as their people in a time of crisis.


**Darren Woolley is founder and global chief executive of TrinityP3**

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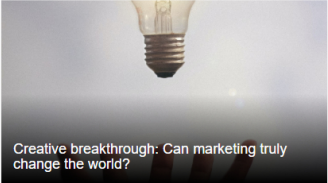
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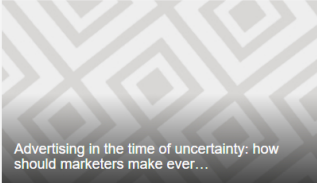
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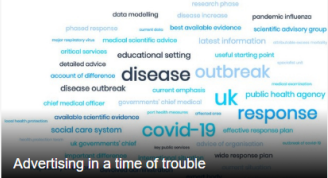
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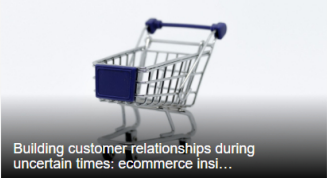
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