

Many questions, few answers

Media agencies are still grappling with the thorny issue of remuneration

THE worst deluded are the self-deluded, says Christian Nestell Bovee, and this statement best reflects the delusion that media agency professionals in this country live with!

Everywhere you turn, people are talking about how the media agency has arrived in the advertising world, how media is as—if not more—important than creative today.

Really? So how much of the 15% agency commission (however much it may be crumbling) has the industry allotted to this all-important media function—2.5% for media buying and 1.0%-1.5% for media planning! Let us ask ourselves how much was the allotment years back when media was a backroom function. The answer would be: the same percentage!

George Bernard Shaw said, "There are two tragedies in life. One is to not get your heart's desire. The other is to get it." I think in a way, the biggest tragedy that has happened to media from a sheer business perspective is getting the heart's desire for the huge recognition it deserves. This recognition has meant an influx of top class professionals with top class salaries in media, leaping research investments, innumerable syndicated studies, tremendous investment in infrastructure and running media departments as independent profit centres!

However, while the expenses in media have grown dramatically in the last few years, the media agency commission norms have continued to remain the same. Therefore, despite the so-called media boom, there is actually no "real" recognition for the media function from the industry!



Punitha Arumugam

Of course, there are those exceptional "early bird" clients out there who have started to look beyond the industry norms when compensating a media agency for its services. But how many such clients are out there?

Let us, therefore, look at what should be the next steps forward for media agencies:

Step 1—validate the concern: Rather than take the above concern at face value, media agencies should come together and address the following queries honestly: Are media agencies running a profitable venture? Have they consistently been struggling to make ends meet during both the boom phase and the recent recession phase of the advertising industry? Are media agencies being subsidised to a large extent by the affiliated creative agency's income?

If the answer to these queries is yes, then this concern exists and needs to be addressed at an industry level.

Step 2—define the expectations from the media agency: What is the media agency's contribution to a client's business? From just being a media planning and buying wing,

clients have started to expect the media agencies to become their "strategic consultants" in terms of defining the target audience, the target markets, the core competition, the budgets, the seasonality, the market experiments and so on.

This job extension of the media agency is an obvious fallout of the fact that a media agency tends to buy and access a lot more databases/research than account planners or the clients themselves.

As a result, media professionals tend to spend a lot more time on data analysis than any of their counterparts, and end up not only analysing the data that they buy, but also the data that the client buys or has access to.

The biggest tragedy that has happened to media from a sheer business perspective is getting the huge recognition it deserves

If such client expectations from the media agency is universally true and is also on the rise, the industry must be willing to acknowledge and reconsider the media agency's role as also that of a "partial account planner" and compensate them accordingly.

Step 3—factor in the data cost: The client normally pays for most advertising research; but any research that is even remotely linked to media, the media agency is expected to pay. It is an undisputed fact

that most media databases can be used across several clients unlike advertising research, which is more client-specific.

However, it is also true that the cost of this media database does come out of the already low media agency's commission. The industry needs to identify routes where these costs can be shared with other users or minimised. If the media agencies are still expected to bear these costs, their commission structure needs to be re-looked. Better still, the agency commission split needs to make separate provisions for the research costs.

Step 4—set the media agency commission benchmark: Media agencies need to network with one another and arrive at an estimate of the cost-income equation they would like to work with post-internal audits and after taking into account the market dynamics. Once this equation is established, they should arrive at the commission level that is required to run the media agency efficiently. Initial estimates show that media agency commission may need to increase from its current levels to a minimum of 5%.

Step 5—initiate a dialogue: The media agencies need to represent their case to the relevant industry bodies, lobby and develop champions for their cause and hopefully move towards this higher commission split in the immediate future.

These are but initial suggestions that need to be discussed and built on.

The current situation is best summed by the Congonese proverb "The teeth is smiling, the heart is not."

Is anyone listening?

The writer is group CEO, Madison Media