Shine a light on media accountability
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As the debate over media transparency intensifies, the CMO’s role is commonly expanding beyond managing agency relationships to overseeing effective media and advertising risk management programs.

As the digital media landscape evolves, the issue of transparency in media buying and client-agency relationships is becoming increasingly important for CMOs. The ever-growing array of media platforms—from sponsored posts on social media channels to pre-roll video ads on websites—gives brands more ways than ever to reach consumers and business audiences. In addition, the rise of programmatic media, which lets advertisers buy, serve, and optimize ads in real time based on a bidding system, has automated much of media buying and helped improve operational efficiencies.

While these advances present new opportunities for advertisers to reach target audiences, they also can add layers of complexity to agency relationships and create a need for greater visibility into digital marketing to assess its placement, measurement, and effectiveness. As brand champions and growth drivers, many CMOs have an increased responsibility for instilling effective media transparency practices at their organizations.

Beyond the transparency debate

In 2016, the Association of National Advertisers (ANA) published the Media transparency initiative: K2 report, based on interviews with advertisers, ad agency executives, media professionals, and tech vendors.¹ The report documented many nontransparent business practices in the US media-buying ecosystem, including cash rebates to media agencies from publishers and tech vendors that were not being passed back to advertisers.

This transparency debate, which has been fueled by input from high-profile CMOs, reaches across the advertising ecosystem, encompassing fragmented and evolving digital platforms. It raises questions about measurement—distinguishing bot from human traffic, defining viewability of display advertising, and tracking conversion rates, for example. It also brings to light new risks for brands, such as unwitting association with undesirable sites, articles, or social media conversations. In this environment, CMOs increasingly need to ensure visibility and governance over advertising assurance, not only for increasingly complex agency relationships but for every digital advertising interaction.
Managing complex agency relationships

Twenty years ago, in a simpler environment, CMOs were often deeply involved in the selection of media agencies—defining the scope of work, negotiating contracts, and overseeing agency management. Often, brands would hire a single media agency to buy commercial time on popular TV shows or place ads in industry magazines and produce coordinated creative campaigns. Today, with the expanding ecosystem of media players, brands might work with several agencies—traditional, digital, social, mobile, and so forth—within one holding company, or with multiple unrelated agencies. As media has become more complex and seemingly commoditized, many companies are utilizing procurement departments for agency selection, negotiations, and ongoing management.

While the involvement of procurement departments can bring a disciplined approach, it typically does not lessen the need for CMOs to be actively involved in agency selection and contracting processes as well as to oversee governance of campaigns and related activities.

CMOs can help improve media transparency by negotiating the following terms in their contracts with media agencies:

- **Transparency language.** Advertisers can start by requesting full transparency into certain aspects of the agency’s business, including holding company structure, protocols for potential conflicts of interest (e.g., agency relationships with client competitors), and agency incentive practices with vendors. It is important for CMOs to set expectations and acceptable practices up front.

- **Performance-based compensation.** Many advertisers are now using performance-based compensation, in which agencies are rewarded for delivering on specified objectives to supplement or replace the traditional commission-based model. When developing performance-based compensation plans, CMOs can tie agency performance to key performance indicators such as sales, increased brand awareness, or industry-specific metrics (e.g., “adds” for new activations in the telecommunications business). Media performance criteria can also be specified in contracts. For example, does the media deliver on audience goals? Does it comply with brand standards and client requirements?

- **Data ownership.** With many brands increasing their digital marketing activities, an important consideration for CMOs in contract negotiations is ownership of customer data. For example, does the agency, advertiser, publisher, or tech vendor own customer data and transactions generated from a digital ad? Without full disclosure of data ownership, brands could risk losing a valuable asset, particularly as they build out internal digital capabilities.

- **Audit privileges.** Another important contract consideration is an audit rights clause, including a reasonable review of prior years that may be audited without restrictions on the information agencies must provide to support their performance under the terms of the contract.
In addition to managing ongoing agency relationships, CMOs can implement regular financial compliance reviews to validate agency performance against contractual terms. These reviews typically focus on different aspects of transparency. For example, do costs for creative and production work include any internal markups when performed by other agencies within a holding company? Have the appropriate resources been provided to the account? Has the agency received any cash or other rebates that should be passed through to the advertiser? Other types of review focus on media buys across traditional and digital media channels and are designed to assess whether advertisers received the services for which they contracted and were paid a fair price for those services.

Although these agency reviews are often best conducted at regular intervals, they can also be triggered when a brand begins a competitive proposal process for a new media agency. Comprehensive oversight can provide insights into a brand’s existing agency and identify areas that might need to be renegotiated in the next contract whether a brand keeps its current agency or transitions to a new one.

**From digital transparency to insights**

Digital advertising comes in many forms—from paid search and display to social media—across many different online and mobile platforms. Advertisers increasingly rely on algorithmic approaches, such as programmatic buying, to disperse their messages to targeted but increasingly fragmented audiences. This complexity can make it difficult for CMOs to understand the context in which their advertising appears, deliver it to the right audience at the right price, and measure the impact of campaigns.

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**Figure 1. A holistic approach to agency review and assessment**

1. Agency process review to maximize synergies
2. Media assessment for ratings compliance and cost recovery
3. Review all vendor agreements to increase transparency and actionability
4. Develop an ongoing operating and monitoring program
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Figure 2. Agencies and common risk factors

<table>
<thead>
<tr>
<th>Agency</th>
<th>Common risk factors</th>
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<tbody>
<tr>
<td>Media</td>
<td>• Misapplication of make goods</td>
</tr>
<tr>
<td></td>
<td>• Not passing through purchase rebates and credits due</td>
</tr>
<tr>
<td></td>
<td>• Purchasing media from related entities at markup</td>
</tr>
<tr>
<td></td>
<td>• Media plan non-compliance</td>
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<tr>
<td></td>
<td>• Not passing through agency volume rebates</td>
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<tr>
<td>Creative</td>
<td>• Unpaid fourth-party vendors</td>
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<tr>
<td></td>
<td>• Unclosed/ineffective creative jobs and actualization</td>
</tr>
<tr>
<td></td>
<td>• Artificially inflated production costs</td>
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<tr>
<td>Digital</td>
<td>• Programmatic buying, which often leads to placement in negative medium</td>
</tr>
<tr>
<td></td>
<td>• Ineffective controls around bot views</td>
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<tr>
<td></td>
<td>• Ad sales on affiliated media assets at potentially inflated costs</td>
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</tbody>
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To help manage the complexity, many brands today perform digital media reviews in which they build dashboards that can provide visibility and insights to help address some of the following issues:

- **Digital ad fraud.** A key concern for CMOs is the potential for digital ad fraud, which can be the result of nonhuman traffic—fake advertising impressions that are neither delivered by real advertisers nor received by actual consumers. Brands can establish parameters that define the types of traffic they are prepared to pay for and begin to systematically exclude the rest.

- **Reputational risk.** CMOs, many of whom may be wary of reputational damage by association with “fake news” and the uncurated nature of many of the sites on which advertising may appear, are starting to more actively manage publisher sites. This has often led to a more tailored identification of acceptable white-listed sites that are actively monitored for advertising compliance.

- **Measurement.** Some digital ad metrics, such as ad viewability, do not have consistent standards across different mediums and sites and have been the subject of much debate between advertisers and publishers. Other metrics are more closely tied to the actual influence of ads and conversations on direct purchasing activities. Assessments of digital advertising and associated traffic can capture these measures and begin to provide a more refined view of the effectiveness of existing campaigns and approaches.


As CMOs face increased pressure from senior executives and board directors to justify marketing expenditures, they can benefit from building media and advertising risk management programs in their organizations. By taking a more proactive approach, CMOs can gain better visibility into their marketing investments, which can help drive improved ROI and brand trust.

—David Cutbill, principal, and Christopher Dahl, managing director, Risk and Financial Advisory, Deloitte & Touche LLP