ID Comms 2018 Global Media Transparency Report

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Welcome to the 2018 Wave 2 Global Media Transparency Report. This report explores how attitudes to media transparency have evolved since 2016.

The ID Comms 2018 Media Transparency Survey is one of seven ID Comms research projects that are undertaken every two years and explore the seven critical media behaviours of successful marketers. Transparency is the first survey to be revisited, having kicked off the research programme in 2016.

ID Comms Media Reports Wave 1	
April 2016	Media Transparency
June 2016	Media Talent
November 2016	Media Training
March 2017	Media Thinking
September 2017	Media Technology
December 2017	Media Terms
March 2018	Media Trading

ID Comms Media Reports Wave 2	
September 2018	Media Transparency
November 2018	Media Talent
March 2019	Media Training
June 2019	Media Thinking
September 2019	Media Technology
December 2019	Media Terms
March 2020	Media Trading

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Since 2016 the industry is now more convinced than ever of the important role transparency has in strong and productive agency advertiser relationships, with agency respondents now much more assertive in stressing this point. Despite this, the level of trust in 2018 is perceived as significantly lower than two years ago, demonstrating the surprising lack of progress. These findings are disappointing given that the previous Media Transparency Survey was conducted at a time when the ANA was investigating rebates in the US and concerns that agencies were benefiting from undeclared income streams were at their height. Since then, advertisers have worked hard to improve their media knowledge and take greater control over how their ad budgets are invested. Many have adjusted contracts with existing suppliers or held pitches that required greater transparency as a condition of participation.

ID Comms conducted this latest wave of Media Transparency research between 4th June and 2nd July 2018, and received 232 responses. The respondents were comprised of Marketing, Media and Procurement professionals with a range of global, regional and local market responsibilities. 62% were Europe-based, 16% were from the US and Canada and the remainder representing the rest of the world. Respondents to this survey represent a wide variety of brands in diverse categories including telecommunications, pharmaceutical, food and drink, FMCG/CPG, retail, finance, energy, technology, insurance, fashion, airlines, automotive, luxury and entertainment, with a combined global media investment in excess of $25 billion. Within our participants, all major media agency holding-groups and some independent media agencies were represented.

The vast majority of both agencies and advertisers agree that a close, trusted relationship is likely to lead to better marketing performance but, sadly, right now levels of trust are much lower than they should be. Building trust will lead to better business results for the client and also make it more likely that the agency will benefit from performance incentive payments. However, there is hope! The industry shows optimism for the future of agency and advertiser relationships, with a 20% increase since 2016 of respondents who believe the levels of trust will increase over the next year. We hope this will be reflected when we revisit Transparency in our next wave of 7Ts reporting in 2020.

Susy Pyzer-Knapp
Consultant
ID Comms

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Question 1

> "In the last two years, the industry has become even more convinced that advertisers who have a close, trusted relationship with their external marketing agencies will tend to deliver a stronger marketing performance."

Since 2016, the industry's agreement that close and trusted relationships between advertisers and their media agencies have in delivering a stronger marketing performance, has intensified. Demonstrated through a clear shift from 'agree' to 'strongly agree' over the last two years.

Overall, almost 80% of the respondents in 2018 agree or strongly agree with the statement, increasing on 76% in 2016, demonstrating a trusted relationship is more important than ever. This view was consistent across advertiser and agency respondents.

In 2016 more than 20% of advertiser respondents disagreed with the statement, this year, only 10% share this view.

Respondents also noted the skill and competence of both advertisers and agencies as necessary to underpin a trusted relationship.

Whilst the overall trend showed an increase in the perceived importance of transparency on marketing performance in 2018, 12% of agencies strongly disagreed. In 2016, no agency respondents strongly disagreed.

> *"We must distinguish between 'trust' and 'blind faith' and we can't ignore the impact of competence of either party nor the impact of size of the relationship".*
>
> —
>
> *Survey respondent*

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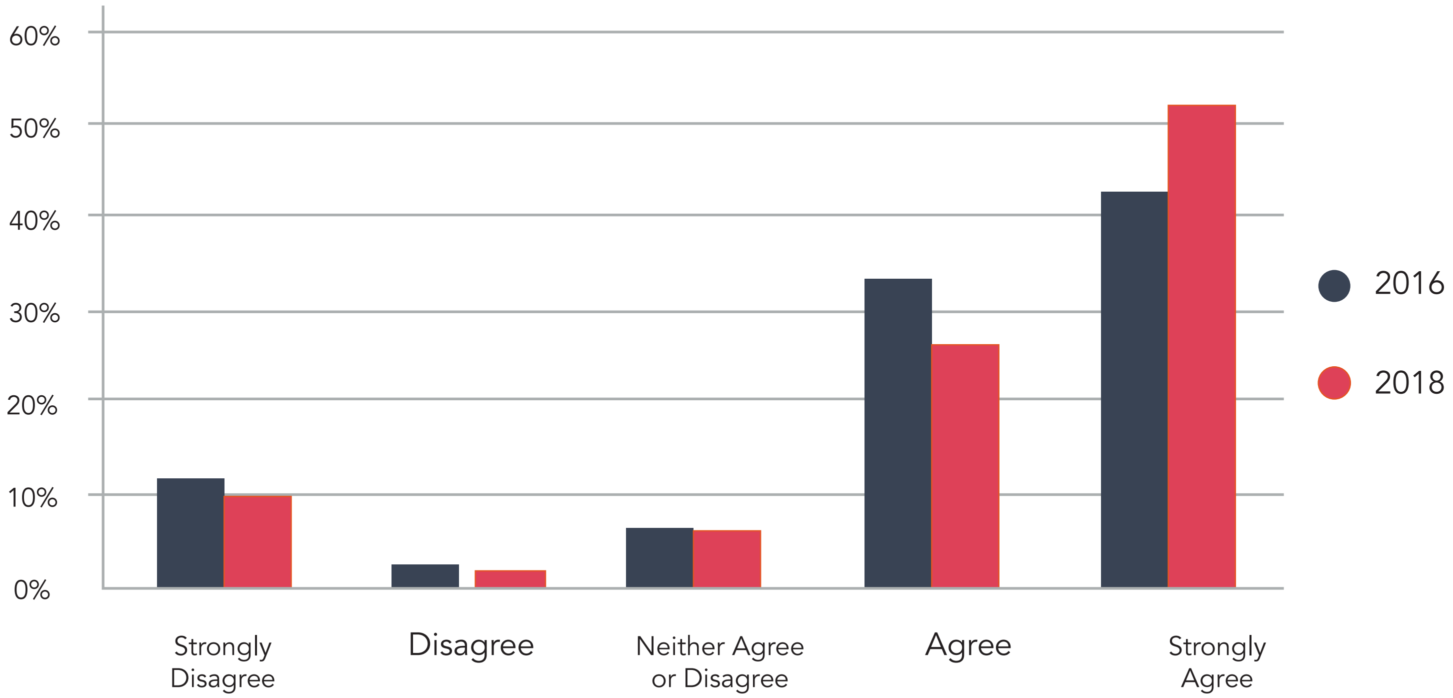
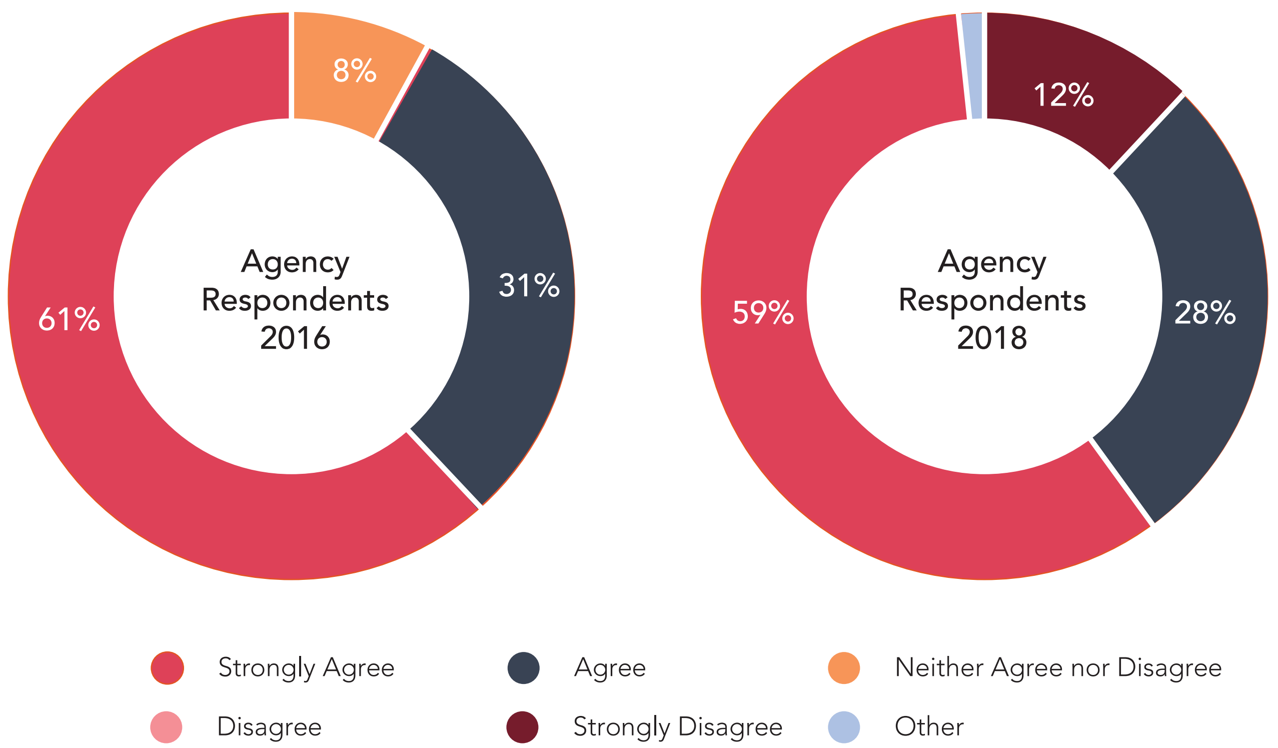
Q1. To what extent do you agree or disagree with the following statement?
"Advertisers who have a close, trusted relationship with their external marketing agencies will tend to deliver a stronger marketing performance."





Question 2

> “Level of trust between advertisers and their media agencies is perceived as significantly lower in 2018 than 2016.”

In 2018, more respondents believe that the level of trust between the advertisers and their media agency is low, accounting for 40% of the respondents in 2018, compared to 29% in 2016.

The industry’s viewpoint has become more decisive, shown in the decrease of 12% in respondents who believe the level of trust is average since 2016. In 2018 most of these responses have shifted to the view that the level of trust between the advertisers and their media agency is low.

This pessimistic shift is further demonstrated by the decrease in the respondents by only 9% of respondents in 2018 believing the level of trust is above average in 2018, a slight decrease from the already low 12% in 2016.

Numerous respondents noted that many relationships are fundamentally transactional, where agencies act as suppliers rather than strategic partners. There is an opportunity to build trust through being more open and transparent about business needs, so that both parties can operate more strategically and purposefully.

In 2016 the majority of agency responses believed the level of trust was average (85%), two years later it has shifted towards a more pessimistic view where 37% still think the level of trust is average and 38% believe it is low.

“It’s fair to say that relationships have generally been tested over the last few years and media agencies are working extra hard to address this”

—

Advertiser respondent

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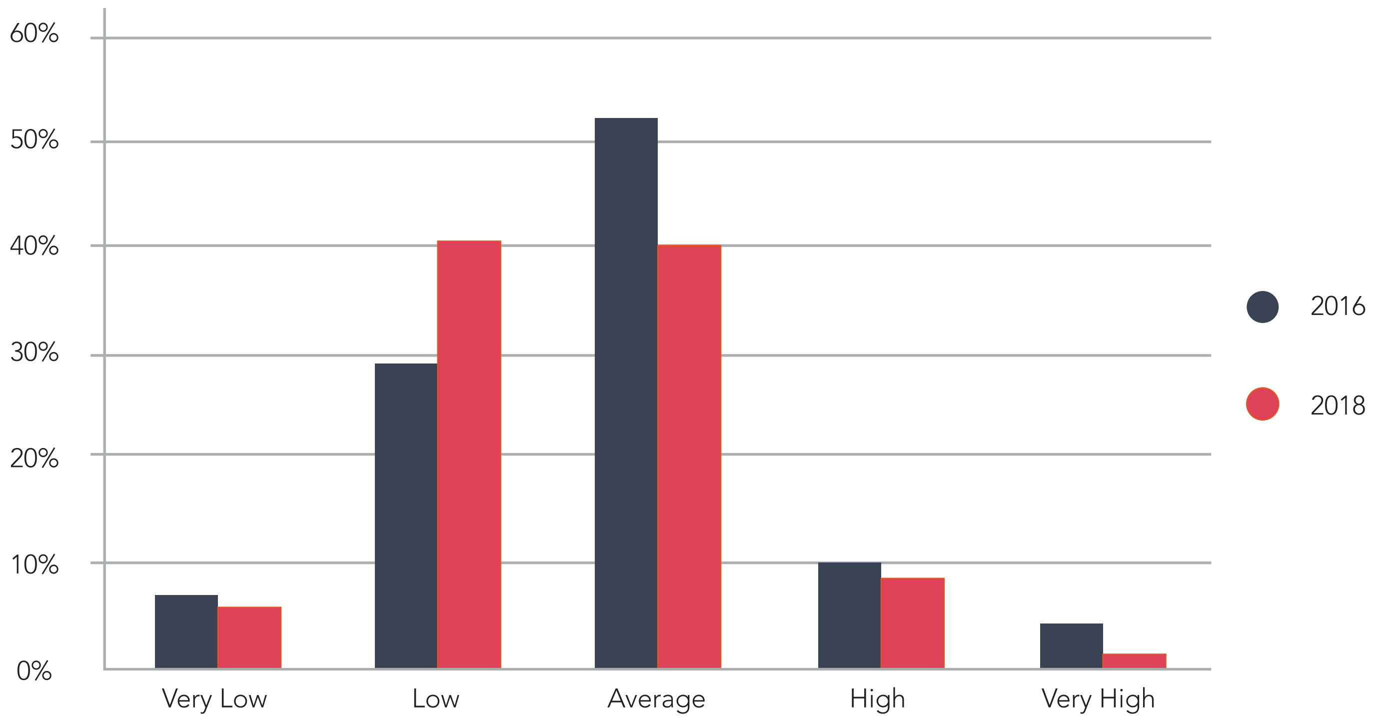
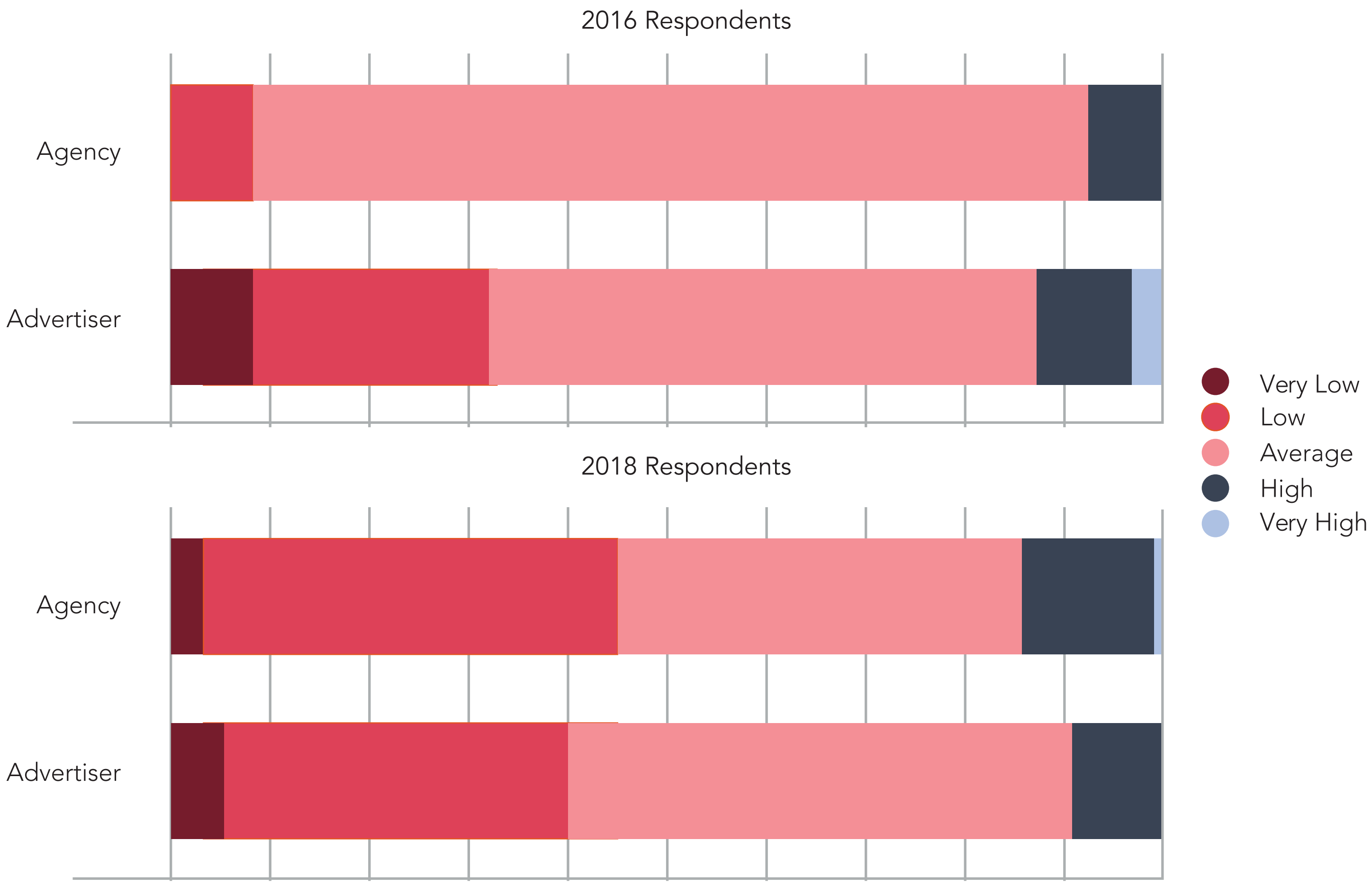
Q2. What levels of trust do you think currently exist between advertisers and specifically their media agencies?





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Question 3

> "The industry shows optimism for the future of agency and advertiser relationships, with a 20% increase since 2016 of respondents who believe the levels of trust will increase over the next year."

The tide may have turned, as respondents from 2018 were more optimistic that the trust between agencies and advertisers will improve. This optimism is shared by both advertisers and agency participants. 46.3% of advertisers and 56% of agency respondents believe that the level of trust between advertisers and their media agency will increase a little or a lot in the future.

The biggest shift can be seen in advertisers, as in 2016, only 38% believed that the level of trust between advertisers and their media agencies would increase in the following years.

However, in 2018 focus has shifted to a narrative around remuneration and adequately paying for the service advertisers demand. As efficiency reductions are targeted, agency remuneration suffers.

> "I think agencies are much more focussed on transparency issues with vendors than they previously have been and there feels to have been a shift to protecting clients more recently"
>
> —
>
> *Advertiser respondent*

> "Remember, trust works two-ways and both parties have equal responsibility"
>
> —
>
> *Agency respondent*

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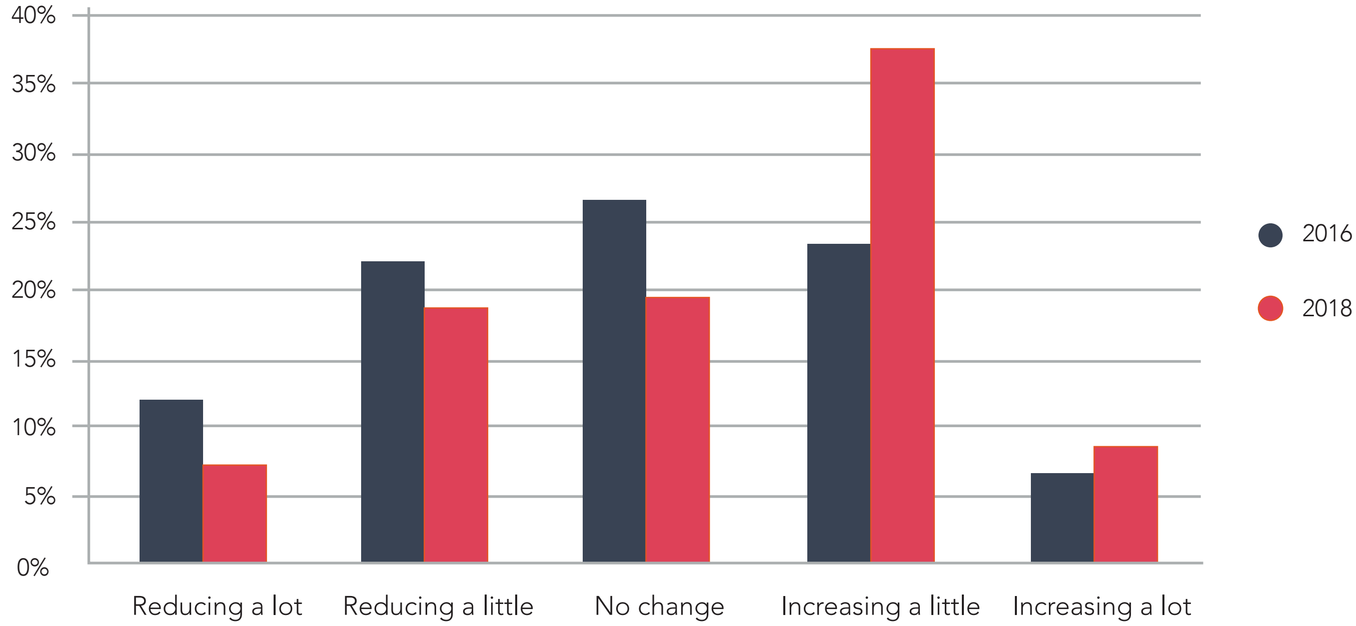
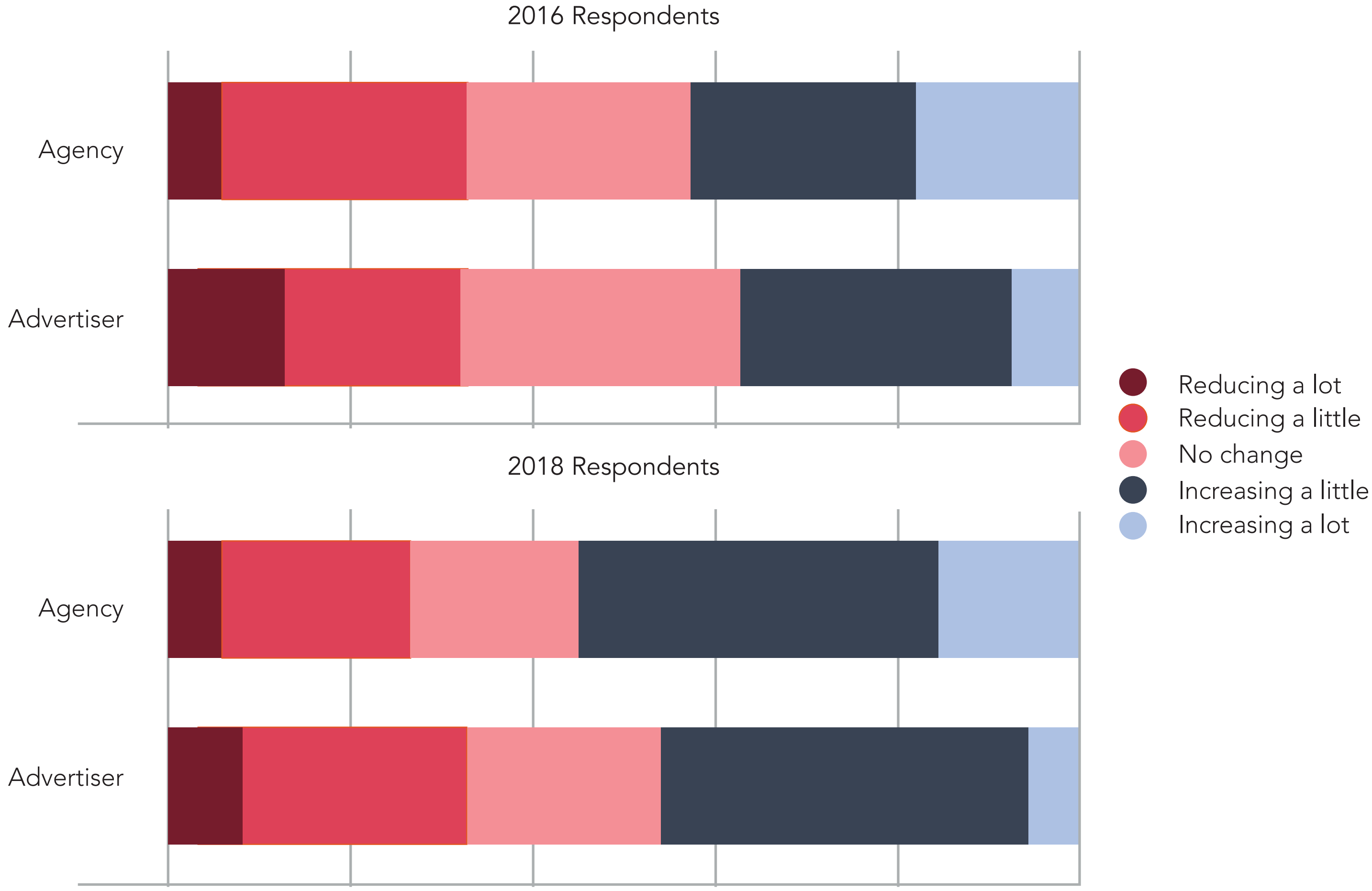
Q3. How do you see the trend over the coming year in the levels of trust between advertisers and their media agencies?





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Question 4

> “In 2018, transparency is seen as an even greater influence on the trust between advertisers and agencies, compared to 2016.”

Over 80% of advertisers and 75% of agency respondents rate transparency as having high or very high influence over trust issues of advertiser-agency relationships.

Many respondents noted that despite transparency and trust being closely related, transparency is one of several factors that determines trust. For example agency talent and performance play a key role in influencing advertiser's trust. Some agency respondents who rated transparency as high influence in a trusting relationship commented that transparency is two-sided. Advertisers are often not using new transparent models to fairly and justly remunerate agencies, which diminishes a trust within the partnership.

The number of agency respondents that believe that the influence of transparency is high, has tripled since 2016 reaching 35% of respondents.

> "Trust and transparency are inherently linked. And transparency burden flows both ways"
>
> —
>
> *Agency respondent*

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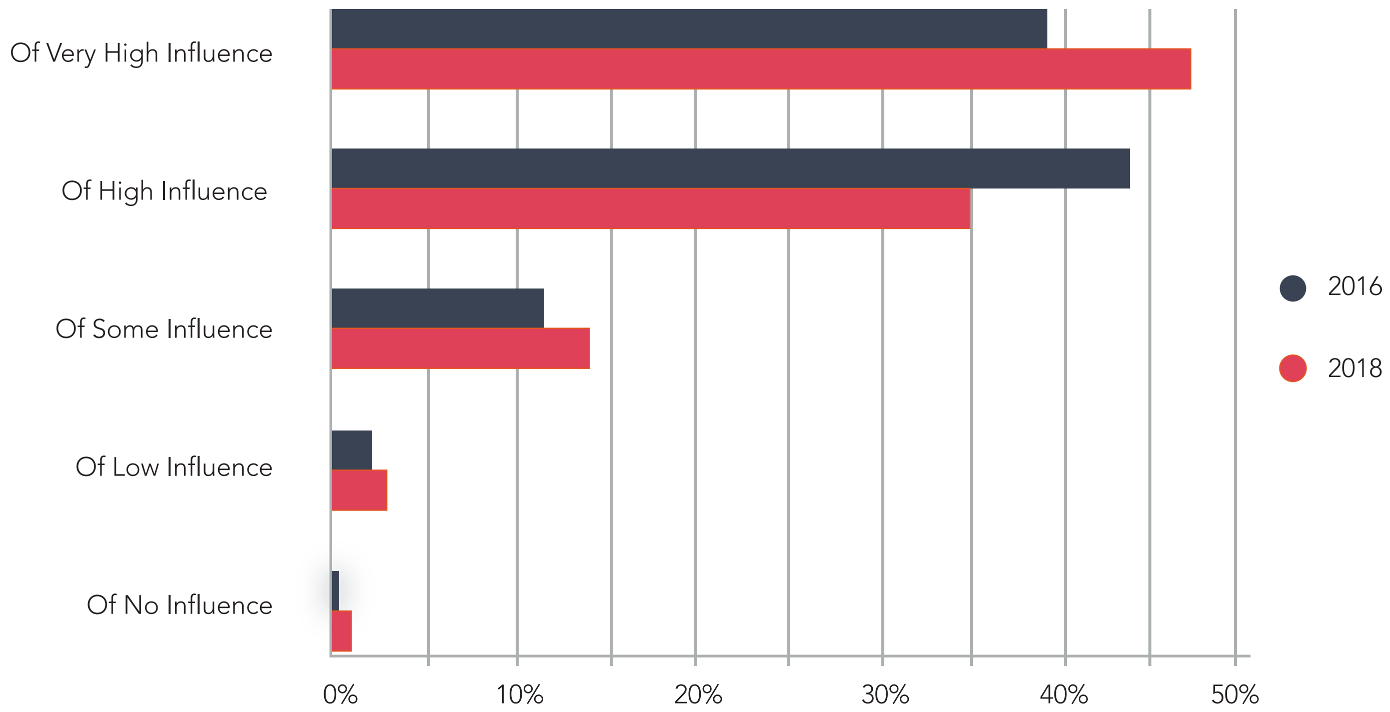
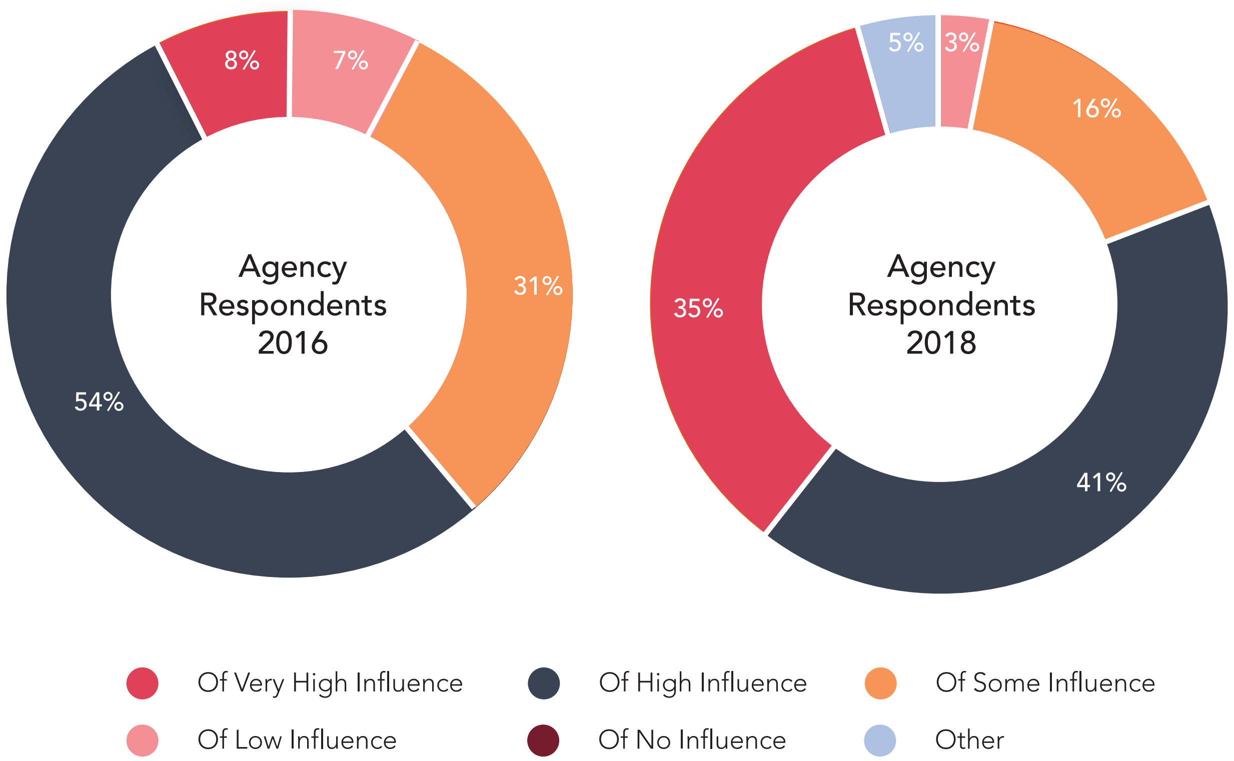
Q4. To what extent do you think that issues around transparency influence the levels of trust between advertisers and their media agencies?





Question 5

“How the agency manages rebates remains the most influential area of transparency on advertisers trust of their media agencies.”

Since 2016, the four most influential areas of transparency on advertisers trust of their agencies have not changed.

They remain how the agency manages rebates/ AVB’s, how the agency makes money, how the agency trades with media vendors and how agency group buying/ share deals work. The unfaltering presence of these areas demonstrate their importance and that they are still at the forefront of the transparency issue.

Several respondents also highlighted “How the client works with its agencies to establish scopes of work, pay for those scopes of work and agree the principles of agency remuneration” should also be considered a factor of high influence.

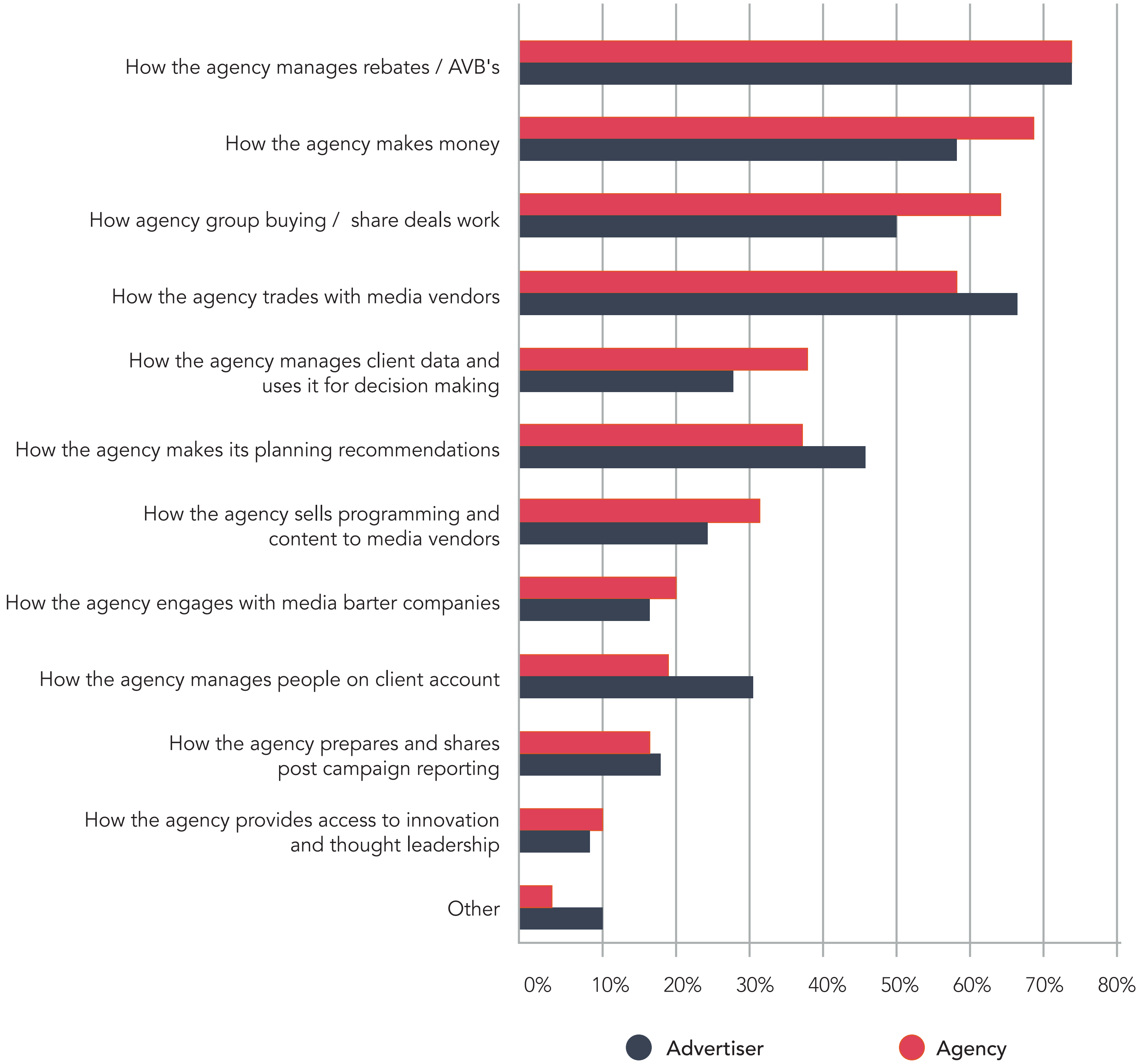
One area that dropped from the attention of advertisers in 2018 since 2016, is how an agency provides access to innovation and thought leadership’. However, how the agency manages client data and uses it for decision making has shifted up in importance for advertisers in 2018.

“Agencies are too dependant on traditional media, with conflict of interest via rebates and recommendations. They need to change their business model (remuneration, team, skills) and evolve to business solution vs being a middleman”

—

Advertiser respondent

Q5. Which are the areas of transparency that you believe would most influence an advertiser's trust in their media agencies? (2018)



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Founded in 2009, ID Comms provides independent, expert consulting in the areas of Strategy, Operations and Auditing to the most ambitious marketers around the world and works closely with marketing, media and procurement teams to improve media performance.

In 2016 we launched the 7Ts®, a strategic framework empowering brands to realise competitive advantage in media by identifying the core 7 behaviours of successful marketers.

The 7Ts® is a strategic consulting tool developed to substantially improve brand media performance.

Responding to the most common challenges and aspirations of our clients, it allows us to help marketers take control of their media investment with a long-term roadmap for media management improvement. This enables brands to punch above their weight by outsmarting rather than outspending their competitors.

We have identified the 7 fundamental levers for media growth as Transparency, Training, Talent, Technology, Thinking, Terms, Trading.

Find out more at www.idcomms.com/7Ts

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