OPINION

Is the era of media transparency officially over?

Increasingly, a segment of adland tells marketers not to worry about media transparency. TrinityP3's Stephen Wright has some concerns with their argument.

October 28, 2024 7:00
by STEPHEN WRIGHT

Nick Manning was again ringing the bell on principal media trading and the issue of media transparency on Linkedin last week.

He noted that the well regarded data and research firm, Madison and Wall, had made the following observation in their analysis of IPG's global results: "…because essentially all large clients by now accept that their agencies participate in these activities, additional growth opportunities will surely follow".

In a recent interview, Australia's biggest media buyer also picked up on a similar thread. Outgoing OMG group CEO, Peter Horgan, lamented the demise of transparency and his group's long-held position of being 'more transparent' in Australia than other media buying groups.

His essential argument was that 'advertisers have lost interest' in transparency and that it was no longer a driver of business when marketers selected agencies.

While transparency has always been a tricky topic (usually met with a public silence) for media agencies, OMG under Horgs appear to have been the last holding group still clinging to some semblance of transparency. So what should marketers make of these recent statements? Does a lack of transparency and the increasing prevalence of principal-based media trading represent a concern?

Back in May, in an opinion piece for The Media Leader, Manning certainly thought so. The headline of his article said it all: "Principal based media is bad for the whole industry. Let's be clear. Principal based media only exists to make media agency groups more money."

A lack of transparency over all or even some of the purchased inventory effectively allows media agencies to self-determine how much they are paid. They move from agent to seller in a way that fundamentally shifts the relationship.

In an environment of media agencies being used as 'cash cows' by multinational holding companies, the temptation is obvious.

The spoils and benefits of the deals in place can easily be heavily skewed to the agency without clients ever knowing or in some cases, even caring.

Peter Horgan

The extent of the markups taken by trading groups is rarely disclosed, but research conducted in the US by the ANA revealed a range between 30% and 90% for US clients.

The range in Australia is conjecture, but in the course of TrinityP3's work

The range in Australia is conjecture, but in the course of TrinityP3's work across the industry, we have seen evidence of markups that suggest a similar range.

The funds returned to clients varies but the proportion of value retained by the agency is often significantly greater than that returned to the client.

The emphasis on trading as a second unmonitored revenue stream has other negative consequences.

Some indie agencies have a 'pay to play' or 'go away' policy, in which media owners are asked for extra incentives to get on schedules.

Those who refuse find it extremely hard to extract revenue, with those who 'play' heavily favoured. Objectivity and what might be best for the client risks getting put on the back burner.

Media owners find themselves sucked into these arrangements, which are then exceptionally difficult to later extract themselves from.

One senior figure on the media owner side recently lamented to me the practice in which they are now locked.

At the multinational agencies, there are lists of favoured media providers who deliver additional kickbacks to the agencies, which ultimately get the lion's share of funds.

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These arrangements are engineered at a group level for non disclosed principal-based trading but merge into transparent trading, influencing the media owners' skews across all activity.

This makes it tough for those who won't play ball as few media have a position of dominance whereby they are essential inclusions.

Other risks include the delivery of quality media schedules. Some heavily discounted deals come with limited guarantees and placement parameters. Where activity ends up is more questionable.

This can work well in periods of lower demand, but when other advertisers are prepared to pay for higher-quality inventory, you will be relegated to inferior environments.

So, should clients be concerned… as the market moves this way? Concerned perhaps, but they should definitely be vigilant and cautious as a starting point.

As I've noted before, allowing your media agency free licence to effectively self-determine what they are paid comes with risk.

Horgan suggests the market has now lost interest and become accepting of this new trading environment.

That is a valid perception, but we at TrinityP3 see it more as a blend of three factors coming together in a perfect storm that perplexes marketers and their procurement teams. These factors are:

1. The difficulty of knowing for sure what is going on
2. FOFO – the fear of actually finding out (and finding you've been taken for a ride)
3. And the rise of "cash return sweeteners" that agencies provide back to marketers they like to use as a kitty for extras.

As Horgan moves on after a stellar decade-long run and the multinational groups all focus on this new revenue stream, clients may no longer be able to ascertain and control the effective fee they are paying and, as such, have little control over the value they receive in return.

However, transparency would come at a price. Marketers and procurement would need to better understand the difference between cost and actual value.

As others have noted before: the media may be cheap but what happens if it's so cheap it kills your brand.

As Manning also noted last week: "It is possible that all large clients know that their agency groups do this, but this is not the same as agreeing to do it. There are big advertisers who don't agree with the principle and practice of principal based trading and do not allow it."

He also goes further to warn: "Principal-based trading delivers very little advantage to advertisers compared to the benefits to the agency groups, and advertisers need to jump through many hoops if they agree to it but with limited upside."

Consent and understanding of the risks and the upsides/downsides are important here, especially in an environment where global HoldCo CEOs are declaring principal-based media trading will only grow. Agencies and marketers, however, should understand that in a world where all commissions and rebates are returned to the client, the fees required for a high quality service would likely need to be higher than they are now.

Clients themselves have been instrumental in creating our current predicament, and in particular, the emergence of nontransparent trading by driving down pricing and pushing terms in a procurement led to "the race to the bottom".

Agencies could legitimately argue they have had little choice in making a shift to the new trading model.

With true transparency no longer an option, the key message for marketers and procurement teams is to become involved and lean in. The era of media transparency does not need to be over.

Stephen Wright is global media business Director of TrinityP3.

topics MEDIA TRANSPARENCY STEPHEN WRIGHT TRINITYP3

Comments: 7

ADD COMMENT

Agency 28 Oct 24

An agency relationship is one where the agency trades on behalf of the client. Legally, this means the agency is not purchasing media directly for itself but is instead buying it in the name of, or on behalf of, the client. The agency's obligations are generally limited to negotiating, planning, and booking media while ensuring the best rates and placements for the client. Here, the client retains ultimate liability for payment to the media vendor, and the agency acts primarily as an intermediary or facilitator without ownership of the media inventory.

Every client contract I have seen askes for an obligation for the agency to have sole liability. Any contract that asks for the agency to take liability is in essence making the agency a principal in the transactions because to take liability requires the Agency to buy the media and then on sell it to the client.

If a client pursed a true agency relationship, they may be surprised by how much bigger their buying fee would be.

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Reply

User ID not verified.

Stephen Wright 28 Oct 24

The evidence is that it delivers significant returns for media agencies and more modest returns for clients.
A recent article by Nick Manning points this out.
https://www.mxpiq.com/principal-based-media-is-the-juice-worth-the-squeeze/
If it works so well for clients why the secrecy?
How much profit do the agency groups make?
Why are holding groups most engaged in this type of trading the most profitable?
Why are other groups signalling their intention to accelerate this activity?
I don't believe for one moment it's clients demanding more of the practice.

And finally 'inconvenient truth' which holding group do you represent?
Hiding behind a cloak of anonymity says it all.
If such a benefit to your client base you should proudly put a name to your comment.......

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Reply

Anonymous 28 Oct 24

If the consultant guidelines provide transparency on
How you get on their list for pitches ? What is the criteria ?
Are there any conflicts with other services provided to the agencies recommended ?
Etc etc
Then it will be extremely well received
Compliance only working one way at the moment

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Reply

User ID not verified.

Inconveniently truthful... 28 Oct 24

Absolutely—anonymity becomes a shield, especially in an industry where "witch hunts" against principal trading are often about positioning rather than principle. Critics who build their careers on targeting these practices often do so less for clients' benefit and more to stake a moral high ground that conveniently attracts new business. In an environment where any deviation from transparency is demonized, anonymity is a way to focus on the merits of an argument rather than become a target of professional one-upmanship.

What's truly wrong is the selective outrage: if transparency advocates were genuinely concerned about client interests, they'd push for balanced discussions rather than vilifying a model that, when managed well, provides strong outcomes. Anonymity isn't the issue; it's the relentless focus on image over results that keeps the conversation unproductive.

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Reply

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The inconvenient truth... 28 Oct 24

The debate around principal media trading is often more self-serving than it appears. Critics calling for transparency wave this flag less from genuine concern and more to win business by positioning themselves as "ethical" alternatives. But let's be clear: principal trading, as it operates now, is a streamlined and evolved model, different from the unregulated practices some ex-media agency CEOs let flourish on their watch. They built a system that was messy and opaque; today's version is optimized, offering clients competitive advantages and better rates by cutting out inefficiencies.

Opponents talk transparency, but what they're really chasing is client trust under a flag of convenience. Principal trading is here because it drives returns for clients willing to see beyond the rhetoric. Instead of fixating on a mythical ideal of transparency, the focus should be on real value—where both agency and client reap rewards in a fair and effective way. The era of hand-wringing over transparency is fading, and with good reason: today's principal trading delivers strategic, measurable impact.

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Darren Woolley 28 Oct 24

Anonymous, that is an excellent idea. In fact, upon returning from the USA, I suggested the same to the AFA (two iterations ago of the Advertising Council Australia), Lesley Brydon, and Collin Segelov at the AANA. Back then, they had no interest in replicating the "Rules of the road", which had been well established by their counterparts there, the ANA and the 4A's.

If you search for 4As Rules of the Road, you will find a PDF online that supports the approach.

Suppose Tony Hale, Sophie Maddern, or Josh Faulks are interested in developing consultant guidelines, as I suggested to their predecessors 17 years ago. In that case, we are happy to come to the party.

Thanks for the suggestion, which proves that nothing is new or original.

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Reply

User ID not verified.

Anonymous 28 Oct 24

Keen to understand the transparency principles of consultants, guidelines here would be really helpful for clients and agencies

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