OPINION

It's now a principal media trading world, but how do marketers live in it?

A new ANA report has lifted the lid on the hot topic of principal media and the questions of transparency and accountability it raises. TrinityP3's Stephen Wright breaks down what marketers need to know.

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by STEPHEN WRIGHT

A fortnight ago, the US advertising association ANA released a new report. While the report's headline might not sound that exciting, "The Acceleration of Principal Media" is a must-read for marketers.

Or at least, it should be.

For those unfamiliar with the idea of principal media, I also recommend checking out Digiday's WTF explainer published this week.

At its core, principal media sees the media agency move from agent to the buyer of media on behalf of its clients – the theory being that if they buy in bulk, they can get their clients a better deal and price. But the risks are also obvious, not just in terms of disclosure, but also in that agencies will invariably mark up the inventory they buy and this risks inverting the core idea of your agency being an "agent" (who presumably looks after your best interests…).

Some might argue that principal media trading is merely a codification of practices (anyone remember the value banks of 2016?) that have been growing for many years. What the ANA report makes clear is that principal-based trading is embedded and here to stay.

So, what should our reaction to this be?

We need to understand that media agencies have long been the profit drivers for the advertising holding groups Omnicom, Publicis, IPG Mediabrands, GroupM and Dentsu.

Today, media agencies are more central to growth than ever before. Funding media services is increasingly complex and expensive in a fragmented and disjointed digital media world.

I would also note that additional revenues from principal-based trading can be done legitimately, significantly boost the extraction rate from a client's billings, and keep transparent fees down while maintaining competitiveness with agency rivals.

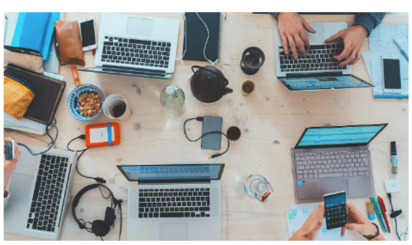
But of course it depends on how the agency does this. Lest they fall into the obvious traps which might prioritise short-term profits for the agency over the brand's long-term health.

Interestingly, from the client's perspective, the concern about principal media appears muted.

Much like when Nick Manning released his ANA report late last year, which found 64 cents in every programmatic dollar was going missing. The reaction from clients appears to be "what can I as X brand do about a global problem?"

My TrinityP3 colleague, Darren Woolley, describes this phenomenon as a slightly different form of FOMO, but rather than worrying about missing out they fear actually finding out – or FOFO.

If we accept there is limited client appetite for change and that the practice is here to stay, then we need to look at how we live with it.



From TrinityP3's perspective, what we hear and see in the market shows us that it has been convincingly sold to clients as delivering two-fold price-based benefits:

price-based benefits:

- Lower prices for media inventory used
- Increased funding to the agency supplements agency fees and helps keep them down.

The benefits of these two for marketers are obvious. But implicit in exchange for them is a very clear trade-off with a lack of transparency.

This is important because we see fewer clients now questioning the price of the inventory purchased, the potential markup, and whether this might have influenced the agency's recommendation.

At the same time, there has been a shift in emphasis from buying cheaply to finding customised environments that resonate with target audiences.

Comparative pricing performance is less meaningful in these fragmented media environments, and few clients now address trading performance and post-reporting with sufficient rigour.

That two-fold price/resource promise is enough to convince most marketers to trust their agents.

And if it is their world, then the question for the rest of us then needs to be how do we live with it while protecting the brand?

Unfortunately, traditional benchmarking is not increasingly an option given the complexities of the ecosystem and the demands for non-transparent buying practices.

Instead, we are recommending to clients they deploy a six-step process to ensure they are protected:

1. **Establishing the rules upfront**

This should include the idea that principal based trading shouldn't unduly influence or skew activity on your campaigns. If the agency suddenly wants you to shift into a different media, this needs interrogation.

There also needs to be a clear agreement in which media streams principal-based trading will be used and the client should have a sense of the scale of the price benefit in every stream used in exchange for non-transparency.

2. **Clients need to be involved in the translation of strategic thinking into implementation**

If the agency is going to move from agent to vendor then it's reasonable for the client to be more involved in how the strategy moves from idea to planning and the selection of media environments used.

3. **Agree to regular reviews that look at use within media streams**

Brands allowing principal media trading need to regularly review which media they are using and what ROI it delivers. They need to be on the lookout for media with heavy skews and a bias to particular providers and be able to ask questions about the return these are delivering.

4. **Ensure good campaign management and within digital – ongoing optimisation**

Much like the above point, the client shouldn't current good campaign management or allow a set-and-forget approach to digital optimisation this should be regularly reviewed to ensure it is delivering for the brand and to continually focus on efficiency & delivery.

5. **Brands should assess campaigns against business metrics wherever measurable**

This one feels obvious but is still not being achieved by many brands. In making this shift, brands should identify their own internal metrics to be used in assessment of their media activities.

6. **Look at adopting market mix modelling to ensure marketing and media selection and usage are optimised**

While not always the easiest to set up, putting some greater rigour on results and usage on things like media selection will help in the long term.

As others have recently observed, getting to this point has been a long ride. But it does feel like now we live in a world where many clients have agreed to rules that are very clearly set by others.

The key to accepting principal-based media trading is to attentively manage the risks and downside while ensuring that these are outweighed by the potential benefits.

Stephen Wright is global media business Director of TrinityP3.

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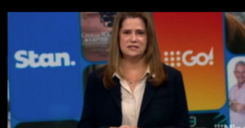

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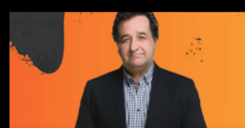

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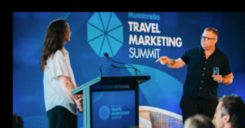

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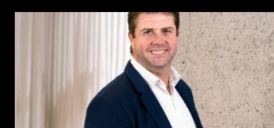

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