OPINION

Why principal media deals work against clients, not for them

The Media Store's CEO Stephen Leeds and financial controller Phillip Brook on why principal media deals aren't the answer - for anyone involved.

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The concept of "principal media" has had many forms and names across the years – proprietary media, space farming, value banks – the list goes on.

A recent piece in Mumbrella from Trinity P3's Stephen Wright rightly points out that marketers should rightly be concerned about transparency from their media agency partner.

And Mutinex's Mat Baxter recently shared his view that large upfront media deals need to be dumped without mentioning principal media – although the two seem intrinsically linked.

We concur that whether defined as deals or principal media, agencies engaging in principal media arrangements make commitments to inventory that may not suit their clients' briefs. In addition, at a time when all clients are asking for flexibility and nimbleness, principal media deals are rigid. Optimising in real time allows agencies to shift from underperforming media to those channels delivering success. In a fragmented media world with audience behaviour changing, agencies need a fluid approach to their investment.

The essential issue is, however, that media agencies have driven the price of their offering down so much to win clients that if they rely upon their fees alone they are just not profitable.

The chase to find other revenue sources has been a relentless game of Whac-A-Mole for years. The fact that principal media is pitched as the agency winning in higher revenue and the client winning through lower media costs suggests that the loser out of this equation is the media partner. The reality of this can be far different. The media partner will usually only enter into a principal media position with the media agency on the basis of incremental spend.

So the result is a narrowing of media choices for clients as agencies need to steer clients towards their agreed principal media deals to fulfil their inventory commitments.

Large global clients will pressure their agency for further disclosure over principal media revenue, or not participate. The strong argument is that the client's volume has been a cornerstone of the agency being able to enter into a principal media deal in the first place, and they are therefore entitled to share in the spoils. The same argument applied to vendor rebates. What is true then is true now.

The largest clients were already likely receiving beneficial rates to begin with, so a further discount is difficult for the agency to achieve – even in a principal media deal. This trimming of principal media margins within the agency from the largest clients can mean that the profit that delivers the extra margin to the agency falls on their second and third tier clients.

The quality of the media inventory can also be questionable. If the inventory is all prepaid and heavily discounted, there is little motivation

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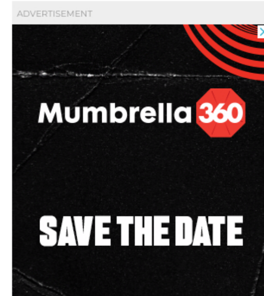

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