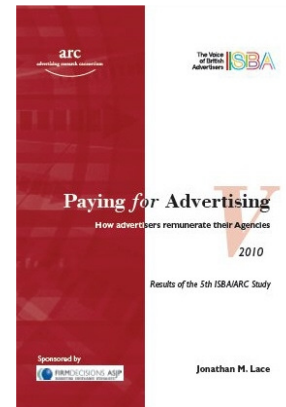


Are pleased to announce the publication of

Paying for Advertising V

The latest information on how & what advertisers are paying their creative and media agencies.



Improving accountability, managing costs and achieving value for money are important at any time - even more so during a recession. How advertisers are responding to this challenge is evident in this latest report (published May 2010) on creative and media agency remuneration.

Paying for Advertising has become the indispensable reference for everyone involved in analysing and negotiating agency remuneration. Previous editions of the research have been greeted by all sides of the industry as the definitive 'state of the nation' guide to agency remuneration. Advertisers and agencies alike have used the report extensively to benchmark and support negotiations of their own arrangements. The study gives in-depth details of how advertisers are paying their agencies. Now with tracking data going back 13 years this latest 200 page plus edition paints an up to date picture of the many developments that have taken place in remuneration practices and the way advertisers are managing their contracts. It will surely have a catalytic effect in helping all parties achieve even more effective agreements.

Both agencies and clients should be seeking the best ways to achieve a win/win situation. What are the benchmarks? What are other companies doing? Can we learn from their example?

Rigorous and comprehensive, *Paying for Advertising V* continues to track all the important issues and now has broader coverage –see the attached list of questions the study answers and you will realise that this report really can give you all the benchmark data you need to make the right choices when negotiating agency remuneration.

To purchase your copy please complete the attached form and send back to ISBA with payment by credit card or cheque payable to ISBA Ltd.

“Clearly the impact of recession has necessitated this tighter management of agency contracts and accelerated the involvement of procurement. Advertisers take the running of commercial relationships with their agencies much more seriously than ever before and it is certain that the relentless search for even greater understanding, control, management and value will continue – this report reports this reality, however unpalatable in some cases.”

Debbie Morrison
Director of Consultancy and Best Practice, ISBA

“The report reveals the commitment advertisers are making in managing their remuneration agreements. Those that are more active in remuneration management are the most likely satisfied. Advertisers are also making structural changes to resources – more internationalisation, a decoupling of print production and increased media centralisation.”

Jonathan Lace
Author of the report
& Director Advertising Research Consortium

Methods of advertising agency remuneration How many advertisers employ full service agreements or have separate arrangements for remuneration of media? ♦ How many advertisers use the basic alternative methods of remuneration: commission, fees, or a combination thereof? ♦ What methods do advertisers paying by fee use? ♦ How much do advertisers paying by fee, on average, pay? ♦ Of advertisers paying by fees, what practices are employed in terms of ability to re-negotiate or reconcile fees? ♦ Do clients have access to agency timesheets? ♦ What do advertisers use timesheets for? ♦ How many advertisers include minimum income guarantees? ♦ How many advertisers include a limit to maximum agency income?

Payment by results ♦ How many advertisers include an element of payment by results (PBR) in their remuneration agreement? ♦ What are the characteristics of advertisers using payment by results? ♦ How is the payment by results incentive designed? ♦ Are PBR schemes two-way? ♦ How much has base remuneration been revised down? ♦ Do advertisers with PBR pay lower remuneration, on average? ♦ How much (of the maximum possible PBR) did the agency receive last time? ♦ On what remuneration base is the PBR based? ♦ What criteria are used to evaluate performance for payment by results? ♦ What are the most popular measures of advertiser performance? ♦ What are the most popular measures of advertising performance? ♦ What are the most popular measures of agency performance? ♦ How many advertisers use multiple measures? ♦ Does evaluation use econometric analysis? ♦ How is the bonus allocated between categories of measure? ♦ What has been the effect of payment by results in terms of total remuneration paid? ♦ Has PBR improved agency/advertising performance? ♦ Do advertisers consider that any improvement in agency performance has been worth the (additional) remuneration paid? ♦ Do advertisers want to continue with their schemes next year? ♦ How long has PBR been a feature of the client's remuneration agreement? **Remuneration paid**

♦ How much do advertisers pay their advertising agencies? ♦ How does remuneration paid vary by method of remuneration employed? ♦ How does remuneration paid vary by scope of the agreement? ♦ How does remuneration paid vary by the nature of the client/agency relationship? ♦ How much are charge out rates for key agency personnel? ♦ How does the charge out rate vary by advertiser/agency characteristics? ♦ How much do advertisers pay for an agreement that includes production at net cost? ♦ How much is production marked up? **Changes to remuneration methods** ♦ How many advertisers have significantly changed their remuneration agreement over the past two years? ♦ What has been the rationale for change? ♦ What are the characteristics of the advertisers making these changes? ♦ What changes to the remuneration method have advertisers made over the previous two years? ♦ Have these changes resulted in improved agency performance, and increased total remuneration paid? ♦ What future changes do advertisers desire? **The remuneration agreement** ♦ How many advertisers have a formal contract, negotiable annually? ♦ What is the geographical

the scope of the agreement vary by ♦ Does the UK client have the power client know what their advertising

*What's in the report?
All these questions answered.*

is it? ♦ Do clients conduct financial reviews and if so how often? ♦ Are financial records on the account audited? If so how often? ♦ Who conducts the audit? ♦ How many clients involve their purchasing department in the negotiation of the remuneration agreement? To what extent? ♦ How do advertisers pay for production? ♦ Have clients taken pre-print production away from their agency? ♦ **Advertiser satisfaction with the remuneration agreement** ♦ How many advertisers report satisfaction with their agreement? ♦ How does advertiser satisfaction vary by method of remuneration used? ♦ How does advertiser satisfaction vary by client and relationship characteristics? ♦ In what other circumstances is advertiser satisfaction higher? ♦ Does advertiser satisfaction vary depending on the amount of remuneration paid? ♦ Which methods of remuneration best engender trust between client and agency? ♦ What practices are associated with higher levels of trust? ♦ Does satisfaction on trust vary depending on the amount of remuneration paid? ♦ What are advertisers' feelings on their agencies' cost transparency? ♦ Which advertiser attitudes can be used to predict satisfaction with the remuneration agreement? **Advertiser attitudes on their remuneration agreement**

♦ Do advertisers consider their remuneration agreement to be adaptable as circumstances change? ♦ Do advertisers consider their remuneration agreement to be simple to administer and control? ♦ Do advertisers find their agency's reports/cost structures easy to understand? ♦ Does the remuneration agreement provide incentive for agency effectiveness? ♦ Does the remuneration agreement provide incentive for agency efficiency? ♦ Do advertisers believe that they pay more than they should? ♦ Do advertisers believe that 'as the agency does not share in the risks, it should not share in the rewards'? ♦ Are advertisers concerned about their agency's profitability? ♦ Do advertisers believe that their agency has fair profit goals on the account? ♦ **Methods of remuneration of media buying and planning** ♦ Where are media buying, planning and strategy conducted? ♦ How many advertisers use the basic alternative methods of remuneration: commission, fees, or a combination thereof? ♦ How does the choice of remuneration method vary by advertiser characteristics? ♦ Which method of paying by commission is used? ♦ Which method of fee calculation is used? ♦ Can fees be reconciled, or re-negotiated if circumstances change? ♦ How much is paid for media buying, planning & strategy? ♦ How does the rate differ by advertiser/agency characteristics? ♦ How does this rate differ by remuneration method? ♦ How much is paid for media buying only? ♦ If media planning is paid for separately, how much is paid? ♦ How many advertisers include an element of PBR in their media remuneration agreement? ♦ What are the characteristics of advertisers with media PBR in terms of the size of the advertiser's budget and the length of client/media agency relationship?

♦ What are the maximum increase/decrease thresholds of the PBR element? ♦ How much PBR (as a % of maximum) was paid last time? ♦ What are the criteria used to evaluate performance for PBR? ♦ How many schemes use several categories of measure? **The agreement for remuneration of media buying and planning** ♦ How many advertisers have a formal contract, negotiable annually? ♦ What is the scope of media buying agreements? ♦ Is the UK client able to negotiate the agreement? ♦ Do advertisers include a minimum income guarantee in the agreement? ♦ Does the agreement provide a limit to maximum agency income? ♦ Is an audit of media buying conducted? If so, who conducts the audit? ♦ Does the client conduct a financial review?

♦ If so how frequently? ♦ Is purchasing involved in the negotiation of the agreement – to what extent? ♦ What changes to the method of remuneration of media have advertisers made over the previous two years? ♦ What are the characteristics of advertisers making these changes? ♦ Have these changes resulted in improved media buying/planning performance, or increased media agency remuneration? ♦ What future changes are desired by advertisers to their methods of remunerating media buying & planning? ■

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Paying for Advertising V

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