



EUROPEAN ASSOCIATION OF
COMMUNICATIONS AGENCIES

Auditing: Contract Compliance & Media Benchmarking

EXECUTIVE SUMMARY

'Rebuilding Trust'



EXECUTIVE SUMMARY - LAYING NEW FOUNDATIONS TO HELP REBUILD TRUST

In today's increasingly complex media environment, agencies and advertisers recognise the need to build more trusting partnerships. The media auditing community has an important and influential role to play. Whilst each stakeholder group has a different perspective and faces a different set of challenges - there appears to be alignment on the need for and desire to make the appropriate changes.

Our Report analyses the perspective of each stakeholder group in order to help identify specific areas of focus to improve the dynamics of the existing relationships. By talking candidly about the concerns facing agencies, advertisers and auditors, from trust and transparency to conflicts of interest, we aim to start a more productive debate. Ultimately, we also want to encourage and stimulate constructive, positive action, so have recommended three practical steps to help make this happen.

Advertisers rightly want to know whether media agencies are making effective media investment decisions on their behalf, including delivering the best possible prices and in accordance with the relevant contractual commitments. Agencies view media auditing as one of many ways to prove their value to their clients.

The world of media auditing has changed significantly, encompassing many different services offered to advertisers. Contract compliance auditors ensure that all agencies work in accordance with agreed terms and conditions. Media benchmarking specialists help evaluate and keep track of media agency performance - typically including assessments of media channel mix, weighting, pricing, optimisation and overall value delivery. Increasingly, advertisers also seek third party advice about a wider range of agency actions that may impact on the effectiveness and efficiency of media investment. In some cases, this has led media benchmarkers and contract compliance auditors to diversify their services.

It is recognised that these companies play a necessary role in helping advertisers to challenge their agencies with insight and perspective. Agencies do expect, however, these assessments to be conducted with full confidentiality, impartiality, professionalism and free from conflicts of interest.

Agency/advertiser relationships have sometimes been hampered by issues of transparency and trust. In theory, professionally conducted media auditing should be able to help highlight, improve and/or iron out such concerns. Nevertheless, it is important to recognise that the media auditing landscape also has various challenges which need to be addressed.

This Report outlines these challenges and concludes by outlining practical steps towards creating an environment from which to strengthen trust within these tripartite relationships.

Agencies cited the following as ideal requirements for significantly improving the existing tripartite dynamics:

1 Bulletproof confidentiality guarantees: more rigorous processes and procedures need to be put in place to safeguard the sensitive and valuable data provided by agencies to the diverse range of media auditors.

2 Consistent and evidenced professional standards: more robust internal measures and controls need to be upheld, and evidence provided, by all media auditing businesses (e.g. accreditations, qualifications, independent verifications etc.)

3 Zero conflicts of interest: certain standards and criteria need to be incorporated into the decision-making process when appointing independent media auditors, benchmarkers or advisers.

These issues are not only potentially damaging to the credibility of the media auditing process, but also inevitably exert influence on the degree of transparency and trust between the three stakeholder groups involved. We believe that all parties would benefit from a concerted and collective effort to identify suitable solutions to help future proof the media auditing landscape.

As the European Association of Communications Agencies (EACA), our Report primarily explores the agency perspective, but, critically, also includes the views of advertisers and the media auditing community which includes contract compliance auditors, media benchmarkers and media advisers.

The agency perspective

Interviewed agencies highlighted a number of specific observations and concerns as outlined below:

- recognition that independent media auditing and the assessment of agency performance are both important and complex.
- understanding that advertisers can benefit from additional third party advice, training and education about the media marketplace - especially the dynamics behind the digital and mobile advertising ecosystem.
- requirement that Non-Disclosure Agreements (NDAs) should be strictly honoured by all parties. Records, pricing information and contracts provided to the auditor/benchmarkers should be confidential and exclusively used for the authorised purpose - namely the audit itself - as well as by authorised personnel. Explicit agreements need to be put in place to guarantee that learnings and findings from auditing and benchmarking will only be shared with the advertiser and their agency.
- belief that media agency auditing companies should have to disclose all service offerings provided, such as pitch management or media strategy/planning or media implementation, in order that advertisers and agencies can fully understand and assess the potential conflicts of interest.
- requirement that companies using benchmarking pricing pools must provide transparent evidence that the pool is robust and relevant to the audit in question.

- belief that the scope of work agreed between an advertiser and auditor should align to the agency/client contract and give more specific consideration to the impact on agency resources.
- auditing and media benchmarking companies should put in place all necessary measures to prevent data leakage and misuse before, during and after each project.
- auditing and media benchmarking companies should have in place professional liability and indemnity insurance.

The agencies also noted that further, potential safeguards should include, but not be limited to:

- an appropriate physical, structural and technological separation of contractual compliance teams from other parts of the company (such as media consulting, benchmarking or pitch management).
- adopting internal policies comprehensively restricting data and information exchanges across different project assignments and teams.
- internal review processes to safeguard the confidentiality of all data received and to ensure full compliance with relevant industry standards and practices.
- acknowledgement that contingency-based agreements are not fit for purpose as they may incentivise inappropriate behaviour and practices.
- all information requested at audit should relate to the relevant contract in force with the client.
- auditors and advertisers should respect agencies' third party contractual obligations which may include confidentiality clauses (e.g. third party licensing arrangements which may prevent the disclosure of such data).

Auditing companies conducting contract compliance audits should preferably hire certified accountants, who are members of widely recognised industry bodies. Financial analysts and any other staff working on an audit who do not have a directly relevant qualification must be shown to be correctly trained and comply with strict internal policies and processes.

Furthermore, media benchmarkers must be able to demonstrate clearly that their business (and relevant people) have sufficient experience and expertise - not only to understand the complex media buying ecosystem, but also to provide a credible assessment of the agency's performance.

The advertiser perspective

The key points raised by the interviewed advertisers were:

- agencies need to do more to educate their clients about the media buying ecosystem - especially across the plethora of digital and mobile channels.
- the choice of auditor, benchmarker or consultant is entirely their prerogative.
- auditors can and should ask agencies for an extensive range of data, although they noted some understanding about this being a significant burden on agencies' resources.

The advertisers interviewed also agreed that further dialogue and debate is needed to improve certain practices within the existing media auditing ecosystem.

In general, they were very supportive of the objectives of this Report and agreed that the proposed follow-up actions would each be steps in the right direction.

The media auditing community perspective

Companies from across the diverse spectrum of media auditing and consultancy were interviewed, albeit primarily those providing media benchmarking and/or contract compliance auditing services.

All interviewed companies agreed that the media auditing landscape is changing fast and that it now covers a much wider range of services - from pitch management to strategic advice to evaluation of agency technology and analytics

tools. They also offered verbal assurance that data and information provided by agencies is only ever used for and shared with the specific client funding the audit. In turn, they also confirmed that strict confidentiality policies are deployed with their employees.

In terms of required data provision, they believe that agencies could be more co-operative and transparent. Ultimately, they require data in accordance with their client brief and wishes.

Like the advertisers interviewed, the majority of auditors were prepared and willing to engage in collaborative working groups to identify common ground and consider the creation of appropriate guidelines and/or code of conduct.

Laying stronger foundations to help build more trusting partnerships

The Report concludes by identifying three specific steps which could help to address the various concerns raised by all parties:

1 The creation of two working groups, one for contract compliance and the other for media benchmarking. The work of each group would feed into the development of best practice industry guidelines covering both aspects of media agency auditing.

2 The creation of mutually agreed best practice guidelines. The guidelines would include a summary of best practice policies, processes and behaviours in relation to contract compliance auditing and media benchmarking, covering the process from start to finish including confidentiality, conflicts of interest and professional standards to facilitate efficient and effective audits. Related work already undertaken in specific national markets (e.g. US and UK) would be reviewed as part of this process.

3 A more binding, mutually agreed, code of conduct outlining the professional standards, practices, behaviours and obligations signed up to by all parties. It would cover all stakeholders (agencies, clients, auditors) and the requirements for their professional conduct throughout the auditing process: before the auditing starts (including any pitch process) as well as during and after the audit. The code could become a critical reference point (across Europe) for the tripartite commitment to ensure the media auditing ecosystem is fully fit for purpose in today's world.

