



May 19th, 2020 – A Global, Joint, Agency Association Announcement

Late Payment. It's not smart. It's irresponsible.

“Extended terms often come with consequences, including strained relationships with vendors, reduction in flexibility, and higher prices. ...the business models and livelihoods of smaller players in the marketing supply chain can be threatened by extended terms. Such companies are not banks.”

- Association of National Advertisers' Payment Terms report, March 2020

Pick up any company's annual report and there will be a section on how important it is to be socially responsible. Companies know that both their customers and employees expect them to do the right thing. For people. For the planet. According to the March 2020 Edelman Trust Barometer Survey, 90% of people said companies and brands need to protect the financial well-being of employees and suppliers.

They know that if they don't, it won't just be bad for PR. It will be bad for sales. It will be hard to hire and retain talent as well as customers.

Today, Fortune Global 500 firms spend around **\$20 billion a year on CSR activities.**

Research has shown that various forms of prosocial incentives (workers get rewarded not with money, but with the firm engaging in some act to benefit society) indeed increase productivity in **simple and complex tasks**, **increase retention**, and even **lower employees' wage demands**.

With the World trying to come to terms with the COVID-19 pandemic one would expect this to be even more true than ever before.

And yet we are hearing from our members all around the World that many of those same “corporately responsible” companies are using the crisis to delay paying their agencies. Late payment is a pernicious habit that even cash rich companies employ to falsely enhance their liquidity ratios.

It is directly at odds with their avowed policy of CSR. Agencies are de facto being asked to act as Banks for bigger Client companies. These companies bully agencies into longer payment terms or just flagrantly flout contractual payment terms. The unintended consequences mean agencies in-turn struggle to meet payroll, often 75% of their costs. Then have to delay paying their freelancers and sub-contractors (who have been hired to work directly for these clients). These are often niche and diverse community-based media owners as well as voice over artists, photographers, illustrators etc. Their fees are their salaries. It's what pays the rent and what puts food on the table.

Research shows that if employees think their company is using CSR initiatives instrumentally — trying to engage in prosocial activities only to benefit from it — then they'll react negatively and put in less effort. In other words, while these initiatives will benefit society, they will backfire for companies if people think they're being used for the wrong reasons.



"It cannot be in clients' long-term interest, when reputation is so critical to ensuring you can work with the best possible talent, to unfairly extend payment terms."

- **Stephan Loerke, CEO, World Federation of Advertisers, May 2020**

"I'll be perfectly blunt: I think there are situations which are unfair and cross the line, and I am not a proponent of continuing to extend terms. There are some situations which have broached into unfair territory and there needs to be a reckoning between clients and agencies to what is reasonable and sustainable over the long term and stick with that."

- **Bob Liodice, CEO, Association of National Advertisers Campaign, May 2020**

The below named agency associations around the world have come together to call on members' clients to seek agreement on payment terms that support a positive and mutually beneficial relationship. Together we can support the sector and those that rely on our industry for their livelihood.

- Alianza por el Valor Estratégico de las Marcas (AVE) – Mexico
 - Contact **Sergio López** – sergio.lopez@ave.mx / +52 2623-0560
- Association of Accredited Advertising Agencies of Hong Kong (HK4As) – Hong Kong
 - Contact **Onie Chu** – onie.chu@aaaa.com.hk / +852 2882-8161
- Association of Accredited Advertising Agents (4As) – Malaysia
 - Contact **Khairudin Rahim** – khairudin@aaaa.org.my / +60 (3) 7660-8535
- Association of American Advertising Agencies (4A's) – United States of America
 - Contact **Marla Kaplowitz** – Mkaplowitz@4As.org / +1 (212) 850-0702
- Brazilian Association of Advertising Agencies (ABAP) – Brazil
 - Contact **Alexandre Gibotti** – presidencia.nacional@abap.com.br / +55 (11) 3074-2162
- Commercial Communications Council – New Zealand
 - Contact **Paul Head** – paul@commscouncil.nz / +64 (21) 574-062
- The Communications Council – Australia
 - Contact **Tony Hale** – tony@communicationscouncil.org.au / +61 411 153-447
- European Association of Communication Agencies (EACA) – Europe
 - Contact **Tamara Daltroff** – tamara.daltroff@eaca.eu / +32 (2) 740-0715
- Institute of Communication Agencies (ICA) – Canada
 - Contact **Scott Knox** – scott@theica.ca / +1 (437) 350-1436
- Institute of Practitioners in Advertising (IPA) – United Kingdom
 - Contact **Paul Bainsfair** – paul@ipa.co.uk / +44 (776) 833-3666



- Unión Colombiana de Empresas Publicitarias (UCEP) – **Columbia**
 - Contact **Ximena Tapias Delporte** xitapias@cable.net.co / +44 (57) 31023-65325

ABOUT VOXCOMM

VoxComm is the new global voice for agencies, championing the value that agencies bring to their clients as turbo boosters for growth.

We stand for the power of commercial creativity in all its forms – across strategy, ideas, content and media – as a proven lever for growth that businesses neglect at their peril.

We stand for creativity at the heart of the application of data and new technologies, not as an afterthought – agencies and clients should be running towards creativity, not away from it.

We stand for agencies as indispensable business partners, bringing outside perspective, cross-category insights, provocation and a breadth of specialist expertise to their clients.

We stand for partnership, new agency models, and creating an environment where agencies can flourish, and clients can benefit from the unique business value agencies can deliver.

We stand for better ways to procure and compensate the kind of added value, talent-based services agencies offer, and will work with agencies and clients to deliver these.

We will promote good practice, but speak out where we see bad practice, value-destroying behaviours to the ultimate disbenefit of our clients, as well as agencies.

And we will do this together, as a global partnership, sharing our resources and best ideas, because the challenges to the unique business value that agencies can deliver are the same everywhere, in every market and region, on local assignments and international ones.

For further information on VoxComm please contact:

- Association of American Advertising Agencies (4As) – **United States of America**
 - Contact **Marla Kaplowitz** – Mkaplowitz@4As.org / +1 (212) 850-0702
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