

# Rebates: What's in a name?

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We all know about AVBs, right? Media consultants have been talking about them for years, the French passed a law about them in 1993, they're an entirely standard part of agency-client contracts the world over. With one large and notable exception: the United States.

Rebates are very much the elephant in the room where US media agencies are concerned. In 2012, the ANA found that over 27% of respondents in the United States were aware of rebates, leaving a huge percentage of the market either completely unaware or stonewalling.

It is unlikely, indeed almost inconceivable, that practices like rebates do not exist in the US when over a quarter of the industry has direct involvement or awareness of them.

Below I have identified four key areas that directly contribute to this general uncertainty, as well as some guidance for US advertisers.

## **Fragmentation and diversity of media agencies**

Last week a senior US network executive told me: "If an agency asks as part of a negotiation, of course we provide monetary incentives" – *if* an agency asks. The US marketplace has a uniquely large number of agencies, as well as the seemingly outdated and persistent practice of full-service agencies. The 'big six' media agency networks are a significant force in the market, but not to the extent that they are in the rest of the world. One can expect these groups to be aware of, and benefit from, the incentives available. But let's not forget the independents, from behemoths to ultra-local agencies, which trade media in the United States. These companies operate without an intrinsic knowledge of global standard practice, and their senior traders (a much less visible and significant role than their global counterparts) and buyers may overlook incentives due to good old-fashioned obliviousness.

## **Naming conventions**

Perhaps it's just a question of syntax or nomenclature that prevents wider consensus. AVBs, MVDs, Rebates, Surcommissions, Incentives, Kickbacks, Volume discounts, Incentive Clauses – all these terms are used to describe the practice. Agencies and vendors in the US rarely use the same language to talk about incentives and, simply put, without agreement on the local terminology, complete accord in the market is unlikely.

## **Auditing and consulting**

One further consideration is the focus of media auditing and the standard practices of media consultancy in the United States. Given the dominance of upfront network deals and legacy pricing, agencies are far less important in the trading and buying arena than they are in the rest of the world. Auditing is far more focused on keeping networks honest than ensuring agencies are operating within their contractual terms and delivering competitive pricing. In addition, media consultancy is a reflection of the desires of clients, and if clients in the US aren't asking about rebates and stimulating their agency to explore the incentive arena, then it is not going to become standard protocol (or a significant revenue stream) for consultants.

## **Network Domination**

The US media landscape is unique insofar as only a few networks hold the whip during negotiations, with many smaller concerns picking up the scraps. The networks are bigger than everyone except the biggest agency holding groups, diminishing the influence agencies hold over vendors when compared to more competitive marketplaces. The aforementioned agency fragmentation is a direct factor contributing to network dominance; legacy pricing only further weakens negotiations.

## **How can advertisers in the US move towards a rebate culture?**

1. Empower your agency to ask the right questions of vendors, challenge vendors and even withdraw advertising dollars if necessary (I know, I know, foregoing CBS or NBC is not an easy or comfortable position for an advertiser, but the proliferation of reach, targeting and relevance through other channels should lessen the worry);
2. Enshrine (and define) rebates in your agency contracts – challenge the agency to deliver and support them;
3. Talk to the right agency people – the people behind the scenes are more influential than the frontline account staff;
4. Choose a consultant or auditor with an international perspective who can advise from a position of independence and best practice;
5. Encourage local agencies to investigate the potential, and expand their knowledge of rebates;
6. If you are international and have a global agency network already, consider moving the agency lead out of the US to London, Singapore or Frankfurt, where agencies can deliver rebates more easily, including in the US.

Don't forget, one thing has always remained constant in the media industry: everything is negotiable.