



# GUIDANCE ON THE MEDIA AGENCY SELECTION PROCESS

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The CMA Agency Search Toolkit has been created by experienced client and agency representatives of CMA Councils. The over-arching goal is to be a neutral and balanced voice, working in the interest of the Canadian industry and setting the tone for a fair, respectful and effective process.

Media is the largest line item in a marketing budget and the effectiveness of that spend is closely tied to the quality of partnerships between marketers and their media agencies. The foundation of those partnerships is a media agency search and the process for media agency selection is as unique as the changing media landscape.

If you have questions about the media agency selection process in Canada, the Media Council is available to support you.

## UNDERSTANDING THE MEDIA LANDSCAPE

The first step in a successful search is an up-to-date understanding of the media landscape. Recommended reading in the Appendix are short pieces highlighting some of the ways the industry has changed, differences between Canadian media and other markets, and some thoughts about in-house models. To gain a full understanding of this complex industry, marketers can refer to the Media Council's recent articles or reach out to the CMA for more information.

## IDENTIFYING NEEDS AND PRIORITIES

What is driving the search for a media agency? The specific desired effects on the business should be clear to the marketing and procurement teams, to the agencies participating in the search and to a search consultant if you use one. The priorities determined at the start of the search provide a touchstone throughout the process, right down to the final agency choice. This discipline leads to a more focused RFP, better decision making and a process that is more efficient for all parties.

Things to consider that can help clarify what the agency search must accomplish:

- What aspects of media strategy and process are working and not working well today?
- Is it a procurement-driven search with the primary outcome of a better cost, or a more strategically focused search?

Agencies have different strengths, and within an agency there are different approaches they can take and teams they can assign, depending on stated needs, including: strategic and executional goals; expectations of efficiencies or cost savings; fit with the marketing organization; and collaboration with other agencies.

## DECISION-MAKING

Organizations should indicate who is involved in the decision-making process (e.g. procurement, marketing, etc.) and what factors, such as cost of media, play significant roles in the process.

## **TIME CONSIDERATIONS**

What is realistic timing to both conduct the search and potentially transition to a new agency? Consider both the amount of time allocated and where the search and the transition will fall within the calendar and marketing year. Whenever possible, avoid timing that conflicts with other major events in the marketing organization, in the media world (for example beginning of summer is a busy time for many brands) and over holidays, when the work, team and process may not represent what is typical of the talent and the team at the agency.

It is recommended that clients clearly outline the timelines at the start of the selection process and provide the agency with at least two weeks to complete or prepare for each stage.

## **EVALUATION CRITERIA**

Driven by the needs and priorities you've identified, it's important to decide on evaluation criteria and their relative weighting up front and include those in an RFI. Different criteria and weighting will require different agency approaches and will help an agency determine whether they are a good fit and should even participate in the search. Weighted evaluation criteria could include:

Strategic expertise - What are the capabilities to help move a business forward and provide expert counsel in the areas of audience, data, business strategy etc.?

Media planning - What is the process for planning and optimization of media at the agency? How do they approach performance/digital media? Do they have proprietary tools, data sets and platform partnerships that are valuable?

Research and advanced analytics – What are the capabilities in MMM and other advanced analytics approaches, especially those related to investment strategy and understanding of audiences and the competitive landscape?

Negotiating and purchasing capabilities - What is the leverage and scale the agency provides?

Optimization - What are the data capabilities, reporting and performance drivers at the agency and how do they adjust spending to reflect the opportunity or challenges?

Training and innovation – How does the agency invest in, train and retain their talent?

Corporate talent and vision - What are the agency's culture, history, diversity scorecard, approach to award-winning work and overall capabilities? What are all the services they provide? If the values of an agency and how they operate is important to the decision-making process, this is an area you will want to explore in-depth with the agency you are selecting.

Recma or Comvergence - How does the agency rank in the market? Both Recma and Comvergence are sources for ranking in the market. Not all agency networks support both third-party agency ranking evaluators, so the RFP should allow the agency to cite either source.

## **ROLE OF SELECTION CONSULTANTS, TRADE ASSOCIATIONS AND INDEPENDENT MEDIA AUDITORS**

Selection consultants are helpful to navigating the agency landscape in Canada both nationally and by market. The process to sourcing a selection consultant should also be one that is transparent and follows the core principles of the media agency selection process.

There are associations in Canada, including the Canadian Marketing Association, that can provide guidance on how to run a fair and quality media agency selection process.

Independent media auditors can be useful to help marketers get value for their investment. Especially if you've identified cost as top priority, this can be a path to take. Clients should always make this priority clear so agencies can adjust their approach and staffing to reflect your goals.

## **SPECULATIVE WORK**

The CMA discourages requests for speculative work during any agency search process.

Speculative work rarely ends up used in market, because it is created without partnership with the client. It also puts enormous pressure on agency resources, which means staff is often brought in to help, making speculative work a poor indicator of an agency's actual work and the team. Intellectual property issues can arise when the non-winning media agencies have presented their work during the RFP process.

Examples of speculative work in the media world include asking how much a brand should spend in a market or requesting exact numbers and scenarios. A better alternative is asking how the agency models an investment to explore the agency's process, thinking and tools. An agency is best assessed on their service, capabilities and experience in achieving real results for current and past clients.

In cases where agencies are asked to work on a client's current, real-world challenges during the search process, P2.2 of the CMA's [Canadian Marketing Code of Ethics and Standards](#) (Code) states:

- a) The brief should always be limited to one aspect of the challenge, rather than multiple aspects or the whole business challenge including a complete media strategy.
- b) Agencies and clients should always sign non-disclosure and non-use agreements. This includes non-disclosure of pricing and/or costing sheets.
- c) If the client wishes to make use of speculative work, the parties should first come to an agreement on reasonable compensation.

As well, rates are proprietary to the media agency or agency network.

## **RECOMMENDED STAGES IN THE MEDIA AGENCY SELECTION PROCESS**

### RFI

A request for information can consist of information about the agency's capabilities and experience and/or a brief that the agency responds to in written form. Sometimes this is an even better indicator than a presentation as to how the agency thinks and works.

The CMA's Code notes that RFIs and RFPs should always state the approximate size of the assignment, or clearly state if the amount is an estimate and subject to change.

An RFI should be used to create a short list, so that the search can focus on agencies that are the right fit for the assignment.

### Questions and answers

Should agencies have questions as they are working on the pitch, it is recommended to have transparent question and answer approach where all agencies can see what was asked and answered throughout the process. Exceptions to this can be made if the questions are of a confidential nature or specific to the agency.

### Chemistry session

This can take many forms depending on your culture but is a valuable session prior to presentations. It can be a question-and-answer session for agencies to clarify a brief and to get a feel for how the group will work together. The nerves or the charisma of presenters doesn't always indicate what it's really like to work with an agency.

### Presentation session

This is a session where the agency will present and are scored according to the evaluation criteria stated in the RFI. Consider the location of the session (agency or client) and the meeting room size, who is going to be on conference call and other logistics. If the meeting is at a client site, the agency will be able to make the best presentation if they are told the configuration of the room and the IT resources available (screens, TVs, video conferencing, etc.) in advance. In this new era of working remotely, presentations can be even more daunting. It is courteous to keep cameras on for the entire presentation if possible, as it can be even harder to assess chemistry through a screen.

### Post-pitch feedback

The post-pitch client debriefing call or meeting is valuable in helping agencies fine-tune their new business approach. Crucial areas of feedback to address to the non-selected and selected agency includes:

1. Talent and chemistry
2. Strategy
3. Effectiveness on answering the need
4. Overall summary feedback

Clients are encouraged to ask for feedback on the process as well.

### **THE AGENCY TEAM IN PRESENTATIONS**

Canadian agencies are lean organizations and often staffed according to the business they have versus the business they hope to win. It is key to discuss who will be the team working on the business from among the team in the presentation, to inform the staffing model. Most important is to understand who at the agency will be the day-to-day business lead. If the expectation is that the team in the pitch will be the team working on the business, this will be challenging for an agency to deliver the entire team as talent is already allocated to existing business.

### **COMMUNICATION**

P4.1 of the CMA's Code states that non-winning agencies be notified in writing within one week of the winning agency being advised of its success. In addition, non-winning agencies should be debriefed by the most senior decision-maker of the client search committee or by a senior member of the marketing team.

CMA's Code also states that RFPs should include the names and roles of individuals who will evaluate the submissions and presentations, as well as any designated client contacts.

Agencies must not communicate with people in the client organization that are not specifically named in the RFI as a designated contact.

### **THE FINAL DISCUSSION POINTS OF A NEW AGREEMENT**

These typically include:

- a. Timing of decision and negotiation
- b. Confidentiality
- c. Communication of selection (public or private)
- d. FTE retainer models, commission and/or pay-for-performance
- e. Team needs
- f. Negotiations on final compensation model
- g. Payment terms – Canadian agencies buy media upfront and therefore it is recommended to allow for 30 or 60-day payment terms.

h. Transition planning - 90 days is recommended for a media agency transition. What is the process that is beneficial for transitioning from the existing agency to the new one that ensures you don't have disruption?

Elements to consider for a good financial proposal with a media agency:

**Mutual NDA** - Everyone signs; this includes not disclosing agency pricing sheets.

**Financial responsibility** - What are the payment terms, what is the process for transparent billing and what is the payment process for vendors?

**Contract negotiation** – This includes standard expectations, terms that you agree to and the scope of work. Terms to keep in mind include:

- MSA - Master Services Agreement
- LOA - Letter of Agreement
- MPA - Master Purchase Agreement
- NDA - Non-Disclosure Agreement

**Negotiation policies** - What is the process for negotiating media purchases on your behalf? A crucial question is about how much value a media agency can bring to a buy as well as savings.

**Budgeting exercise** - Do you know what your budgets are for the next few years?

**Tools and approach for buying** - What infrastructure is in place to ensure that what was intended to purchase is the resulting buy, and what is the process for makegoods?

**RECMA or Convergence rank** - What are they and what is the difference? Not all media agencies in Canada use RECMA; they both have a different approach to how they calculate billings. Globally some holding companies have selected one over the other. These sources will provide billings, as they are public, but publicly traded companies do not provide actuals.

**Remuneration structure** - What is the best structure? Commission, retainer or other models are always recommended to explore. Having a performance bonus for reaching goals or an approach to reaching an agreed upon scorecard is valuable to having a media agency strive to work harder. Note that an FTE approach could limit your access to agency resources not strictly allocated to your business, so this is worth discussing. When considering payment for the agency, do focus on the outcome you want and consider the talent and structure that the agency is putting forward to make that possible.

**Malus clauses** - What happens when the agency doesn't meet the savings/buying goals expected? Malus clauses are put into place when there are guarantees from the agency on media pricing or savings.

**Agency models** - What is the agency and team structure that makes sense?

**Research costs** - Research in Canada is expensive because of the size of the country. There are particular partners in Canada for research that you will want to ask about including:

- **Numeris** - TV, Radio and soon cross-media measurement called VAM (Fall 2021)
- **Pathmatics** - Digital spend
- **Numerator** - Digital ads
- **Ipsos Iris/Pathmatics** - Digital spend estimates and digital creative

**Credit checks** - Canadian agencies usually conduct a credit check to ensure your organization, no matter the size or reported value, has the funds to pay invoices.

**Credit insurance** – Unfortunately, Canadian agencies are often susceptible to late payments and processing from clients and brands, which can hamper their ability to deliver work. Credit insurance is a normal part of the process in Canada. This is typically the reason a credit check is completed.

**Payment terms** - Most agencies expect a 30-day payment term as they are invested in the media and purchasing it upfront. It is an area of negotiation, but 90 days + for payment terms will typically raise an issue for agencies as they, like all businesses, are rigorously managing their cash flow and operations.

**Audit** - Brands often want to have a yearly audit of media buying to ensure terms of the agreement are met. This is commonplace and needs to be outlined to the agency as an expectation. In some cases, clients ask for a quarterly business review (QBR) on performance and KPIs established with the agency to track how they are delivering on expectations.

## APPENDIX

### 1. Media in Canada 101

The media landscape in Canada is not like other countries. In Canada, there are large organizations that sell TV, OOH and radio together as a package. Many media agencies, that are a part of the holding companies, buy inventory and manage it on behalf of clients and thereby often take a financial position (principal position) for clients that is based on the collective agency roster and negotiations with the media companies and publishers. Other media agencies are able to secure a significant value based on partnerships and projected spends in the market. These approaches that media agencies take can provide value, leverage and better rates than purchasing directly. Unlike in some other markets, Canadian agencies buy media and payment terms should reflect this structure.

We buy via GRP in Canada, not TARP. We cannot promise reach, we can calculate it. While we work with the major platforms, like Google, Facebook and others, the TV, programmatic/digital media, radio, print and local media landscape is very different. Below are some highlights, but when clients have a full understanding of the landscape it results in more effective agency searches and partnerships.

#### **The data isn't the same**

Local market measurement for TV, radio and other sources is not comparable to the US or UK markets. In Canada, the sources and approach are very different. Sample sizes are also significantly smaller due to concentration of populations within top-five cities as well as regional differences. In Canada, the players that support media measurement are Numeris, Numerator (Kantar) and Pathmatics.

#### **Consumption isn't the same**

While there are new over-the-top (OTT) and video streaming players in Canada, HULU for instance is not available in this market. Nor is HBO Max but programming is licensed through a local provider called Crave. The way content is programmed isn't the same either. In Canada, you will quickly notice that the main broadcast channels play shows that would be on competing networks in the US, such as ABC and CBS. It is also important to consider Quebec, where content choices and consumption habits are very different from the rest of the nation due to language and culture.

### 2. The changing media landscape

Before embarking on the process of selecting a media agency, it is important to understand how the media landscape has changed and what media agencies can provide in Canada. Media agencies contribute to our local media culture and the Canadian marketing industry as a whole by investing dollars on behalf of brands to drive sales and brand performance. The role of media agencies has had to evolve due to the following shifts in the media, consumer and business landscape:

#### **Media is more complex**

The complexity of the media landscape from audience targeting to negotiating and delivery of a media buy has increased. Media has evolved into a space that is distributed via platforms and is more and more complex to navigate, to ensure advertising is reaching the right audiences. Mass media, including TV, has been undergoing a massive evolution to shift to addressability as it goes across platforms to mobile devices, TVs, etc. Media planning and buying is increasingly complicated for prioritization of channels and budgets. Understanding a planning process and how an agency navigates this ever-changing landscape is critical to effective agency searches and partnerships.

#### **Capabilities that matter have changed**

More effective and more efficient media spends has been the core theme for advertisers in the past few years. This has put a pressure on agencies to demonstrate not just a cross-media measurement and return on investment solution, but also how this delivers increased brand and sales performance overall. Looking for modelling, investment reporting and other capabilities is now essential in a media agency selection process. This means that there is new specialized talent and products required to be

considered in the process. As a brand, what outcome are you trying to achieve and what capabilities matter to achieve those outcomes?

### **Th media environment is global**

Global players influence local markets. As large-scale media platforms and players expand, so does their influence on the local Canadian marketplace and the ways to reach Canadians. It is important to understand how agencies navigate local media markets with global media influences and the connections with all Canadians.

### **3. In-house media team considerations**

To understand the pros and cons of developing a media team that is within the existing marketing team and company, instead of agency, here are some things to consider:

#### **Financial management**

A positive of in-housing can be that you have complete control of the budgets without an intermediary. The downside is that appropriate staffing must be in place in both in the finance and marketing teams. The administrative requirements of managing a media spend can be cumbersome and need to be well understood even if the team is bringing in performance marketing capabilities. In many cases the process could involve 100 or more media vendors in a fiscal year, with easily over 1,000 invoices.

#### **Blinders of performance**

A driver of considering an in-house team can be that an internal team may have a higher degree of responsibility than an agency, as they have a vested interest in the success of the brand. Another way to address this is to explore a pay-for-performance model with your agencies, which is very much an acceptable term in a media agency agreement.

Transparency can also be a concern. A media agency should have the mandate to understand all the dollars invested and give you a full view of performance and varying attribution models. Asking about transparency in buying is important as all agencies have different approaches.

#### **Accountability and balanced views**

A media agency has accountability for the performance of a brand's media investment. An in-house team may also have other KPIs and metrics to achieve that can create a conflict. Regardless of model, it is important to understand who is accountable for media performance and how are they rewarded.

#### **Training and development**

It is important to have a talent management and training strategy in place for an in-house media team. Keeping up with the trends and changes in media needs to be more intentional when an internal team does not have the access to diverse case studies and contact with peers that occur naturally in an agency.

#### **The benefits of buying media with other brands**

In Canada, holding companies group collective brand dollars and negotiate agreements with media companies for the year. This provides a benefit of savings to brands that cannot usually be achieved by going directly to the media company through an in-house team. With larger deals, brands may have access to first-looks, betas and other elements that have been negotiated into their agreements. This is an important consideration if you are a brand focused on innovation.

At the same time, in some instances, brands may worry that they are getting what is in the media agencies' inventory rather than the plan that best meets their business objectives. This requires an honest conversation with agencies about how planning and trading are separated and how they ensure they do what is best for the brand while the agency takes a risk position in the market.



### **Data ownership and protection**

Where is your data? How secure is your data? These are important questions to ask when it comes to using first-party data for media buying and optimization. Most agencies have measures in place to keep clients' data separate, secure and on Canadian soil, but concern over data ownership and protection can be a reason marketers consider in-housing. How an agency manages data and protects it, as well as works with platforms in cleanrooms etc., is crucial to the process of agency selection and speaks to their understanding of legislation, technology and data management. Be sure to understand the firm's overall position on privacy, the role of IT and how you want to manage transparency and use a client/customer data lake.

### **Agency talent agility and sustainable compensation**

It is important to have a conversation about retention and compensation of the agency team. In the agreement, do the financial terms allow for compensation increases for the team?

As well, structuring the agreement with the agency to allow for future needs is a critical factor to consider. The media industry moves quickly and keeping up with the shifts requires a plan and process. There will be years when a whole new media channel emerges (think podcasts and TikTok) that may require bringing in different resources or training existing teams to pivot. It is best to consider the horizon of needs not just what you need in the immediate timeframe in order to support the future of your business.

Note: This is part of a [multi-series toolkit](#).