

How to reduce your advertising costs

BY

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Innovation by Reckitt Benckiser

- Innovative bid process for media agency
 - Bidding agency to pay Reckitt \$10,000 for the privilege of bidding
 - Bidder to guarantee a certain level of CPRP (Cost per reach point)
 - Winner to pay back 2.5% of the overall spend back to Reckitt
 - MPG won the bid

Attractive CPRP guarantees

- Sony TV reported to have given CPRP guarantees to HUL and its agency Fulcrum
- Some deals back fired forcing Sony to run free HUL ads for extended periods.

Bargain points with Media agencies

- Cost per reach point guarantees
 - Commitment by media owners that a bouquet of their channels will deliver a certain number of TRP (TV rating points) ratings over a period
- Returning all volume discounts
- Value adds/strategic insights by agencies
- Opacity in media buying process
- Media buying costs can be driven down further

Reducing ad costs –getting the most out of your contract

- Volume discounts/incentives
 - Media owners give volume-driven ‘incentives’ to media buyers; ensure your contract clearly specifies that a credit note for these is passed back to you
- Truncated or disfigured ads-check and take that up
 - If your last 5 seconds of your 30-second TV ad was not carried or 3 cm bottom in print ad is smudged , ask your agency why you should pay for it
- Premium pages or ad slots
 - The rates are always negotiable- check the rate given by your agency

Reducing ad costs –getting the most out of your contract- contd.

- Media rate card changes
 - Media owners change rate cards almost yearly -sometimes even twice a year. But they hold the benefit of older rates for large agencies . Ensure they are passed on to you.
- Cash discounts
 - For upfront cash payments media owners ; if your cost of funds is low , ask your agency to give you a first right of refusal on the option .
- Marquee (special) events /properties
 - Keep a channel of negotiation open with the media owner of a Marquee property /event instead of blindly trusting your agency

New thinking..

“Media is a commodity that could just well be handled by the procurement department.”

- Rahul Welde, Unilever VP of Media for Asia, Africa , Turkey and Middle east

Sources

- Forbes India, Aug 13, 2010