

Voluntary code of conduct for the preparation of methodically correct and transparent data-pool based benchmarks for media buying conditions for the Swiss market

Valid from 01. January 2016

This document contains a jointly prepared self-commitment of the media auditors supported by the Association of Swiss Advertisers (ASA), media sales houses and leading Swiss agencies for the preparation of methodically transparent and correct data-pool based TV discount benchmarks. The self-commitment comprises the preliminary data characteristics, the description of the data pool, the classification of each client regarding the comparability with the data base and the handling of the benchmarks.

The media auditors accepting this self-commitment create holistic transparency over the performance of media budgets. They work discreetly and at the request of their clients. The achievement of the objectives of a transparent, fair and competent audit of buying conditions in the context of a holistic consulting service of media auditors in accordance with this code of conduct will be reviewed in autumn 2016. The review will be conducted over the specific experiences gained over the course of this year by the market partners.

1. The composition of the data pool as a foundation for the benchmarking sample:

In order to create valid benchmarks the selection of relevant condition data points is important. In the following circumstances conditioning factors are to be excluded:

- Pitch offers (agency offers, which were not bought in reality)
- Compensation, as these are reflected in the cost per GRP advantages
- Filler spots
- DRTV conditions (special conditions for direct response campaigns)
- Barter deals (special conditions of advertising space for non-monetary value)
- New customer conditions (first-time TV customers with special rates – clients who have not done TV advertising for 2 years)
- Media for equity / media for revenue
- Trading
- Single sales house strategies: a single sales house strategy exists when a client with client contracts (year term) exclusively books programs from one saleshouse. For clients without year term contracts of their own the same definition applies, however, an exclusion from the benchmark Pool is to be reviewed on a campaign level.
- If new discount features are developed between market partners which justify an exclusion from the benchmarking process (example: media for ...), this is to be considered accordingly.
- The client itself will be excluded from the benchmarking.
- All companies and brands of a jointly negotiated corporate group handled by one auditor will be combined to make up a single data point (not e.g. individual client campaigns or parts of a group which were negotiated alongside others).

2. The benchmarking process

- Dynamic client-cluster method: Only customer data at a volume interval of max. + / - 20% per benchmarked parameter (i.e. marketer/station, etc.) are used for comparison. If possible by the number of customers in the pool, the interval shall be reduced to up to +/- 5%. The benchmark is built as a straight average or by means of linear regression. The advantage of this methodology is the stronger influence of the neighbouring data points.
- Total pool method:
 - All data points per parameter to be benchmarked (i.e. marketer/station, etc.) that have not been eliminated at the start for lack of basic comparability are used. Benchmarking is carried out on the basis of a non-linear regression analysis. For this, data points of clients with comparable volume are not weighted more than those with notable deviations. In turn the result is less dependent on singular client data which may be added.
 - To specify, a non-linear function is used that shows the smallest difference from the single data points (least-squares estimation). Here it is especially important that individual cases must not have an overproportional influence on the form of the curve.
- Moreover, it is ensured that there are sufficient observations around the customer's data point at an interval of +/- 20%. The precision of the results is quantified statistically and supported by the relevant interpretation remarks.
- To guarantee confidentiality of the customer data collected in the pool, only such samples are used as contain at least five customers per statistical parameter shown and/or meet the minimum requirements under anti-trust law. This restriction also refers to clusters that are formed on the basis of the total sample. No information must be disclosed that allows conclusions to be drawn about the discounts of individual advertisers.
 - Key performance indicators that are benchmarked can be pay rate, gross/net relation or discount (must be defined in the report).

3. Description of the pool and the results/ transparency:

To enable the correct interpretation of the benchmark, the pool and the results in regards to certain aspects have to be described as follows:

- Budget deviation
 - For both methods the amount of data points/ clients included in a budget interval of +/- 20% shall be shown (net-net spending p.a., per sales house/ station; the specific benchmarking units).
 - For the total pool method, the overall amount of clients will be broken down further as recommended e.g. (to be adjusted to the budget of smaller sales houses):

Count of clients	25	25	20	20	10
Budget in CHF	0-500K	500K – 1 Mio	1 Mio. – 3 Mio.	3 Mio. – 5 Mio.	5 Mio. – xxx

- For the shown clusters and other depictions of the Pool the minimum requirements in terms of advertisers apply as described above to comply with anti-trust legislation.

- The average percentage (% budget) of special discounts in the pool shall be listed in total without further breakdown of types of discounts. Special discounts include among others trading, seasonal deals, extremely time zone limited conditions, special conditions for target groups, sponsoring, special advertising form proportions, short-term bookings (e.g. unsold spots). This percentage is compared to the one of the client, to determine significant deviations in overall sum or individual cases.
- Budget changes: Average increase/ decrease of the negotiation budget (net net, MN2) of all clients in the respective pools in comparison to the previous year. Calculated on the basis of the individual clients, unweighted average of the change in percentage. This percentage is compared to the one of the client, to determine significant deviations in overall sum or individual cases.
- Proportion of all sales houses in the pool (% budget). (Sales houses situation is similar to GER).
- Age of data: % of data points in the respective year, data older than three years (current year minus 3) must be indicated.
- Benchmarks outside of the budget range of the pool (e.g. budgets smaller or larger than the current pool data) have to be clearly marked as such.
- The specific calculation methods for the benchmarking are documented transparently and provided to the client.
- The presentation of the results will be accompanied by relevant interpretation remarks to heighten their precision.
- The conditions of every client who commissions a data-pool based discount benchmarking will be added to the pool. The client has to give written consent to this.

4. Limiting references for the interpretation of discount benchmarking for clients and agencies

- The benchmarks are an excerpt from the market and are to be interpreted as such. They are not a market index representing the whole market representatively, but provide indications.
- Media audits have to be seen in the context of the individual clients, meaning the context of the important and relevant parameters like budget changes of the client, quality objectives, special target groups ...
- Comparisons or at least relevant deviations of seasonality, time zones, sales house-share-abnormalities or, further, in relation to cash discounts and frees from the pool average are indicated and analysed for the client.
- Individual parts of an audit (e.g. discount benchmarking) may not be taken out of context from the overall interpretation and are not suitable for the negotiation of conditions between agencies/ clients and sales houses.
- The objective is that every auditor develops a structured form of qualitative and quantitative evaluation which puts quality and quantity in a relation and evaluates accordingly.
- The methodology is applied retroactively for past benchmarks which are commissioned from the point of the adoption of this recommendation forward, if all information is available in the outlined depth of detail (e.g. percentage trading).
- Assessments that are not made on the basis of one of the quantitative pool benchmarks as defined above are not permissible according to this code of conduct.

5. Data security

- The access to confidential client data is limited to employees who work on a project directly and/ or bring the benchmarks together.
- Individual client data must never be released.
- Employees are contractually obligated to confidentiality.
- The creation of condition benchmarks is restricted to a limited amount of experienced personnel on management level.
- Client data is always anonymized for cost benchmarking.
- IT security standards are ensured (firewalls/ virus protection, strict access limitations to sensitive data via the assignment of access rights on an individual level, encrypted mail traffic, admission control and alarm systems for office spaces, mechanically protected servers)

6. External audits

If justifiable doubt as to the compliance with these measures arises the market partners involved in an audit may demand an inspection. Media auditors adopting this self-commitment will not resist arrangements regarding appropriate external reviews of this self-commitment. If those doubts turn out to be unjustified the initiating party of the inspection carries the costs. Otherwise, the media auditor carries the costs. The inspection will be carried out by an institution which is yet to be determined, e.g. university institution/ auditors.

In case of repeated violations of this self-commitment the ASA reserves the right to exclude the respective auditor from the self-commitment.

Zurich, 3.1.2016