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Government Oversight Won't Make Marketing More Accountable



Stephen Diorio Contributor
Thought Leaders Contributor Group ⓘ
Leadership Strategy

Digital marketers must use digital technology to solve the measurement problem they created.

Two years ago the Association of National Advertisers (ANA) published a [Media Transparency Report](#)

that revealed cash rebates and potentially criminal non-transparent practices were pervasive in the U.S. media-buying ecosystem. The report provided a playbook for how advertisers and their agencies can work together to clean up the digital media supply chain and restructure contracts to better measure, and reward value and performance instead of media pass through.

Since then, a few marketing leaders, like [Marc Pritchard](#)

(P&G) and [Lou Paskalis](#)

(Bank of America) have taken control of their digital marketing supply chains and pushed the marketing industry overall to become more accountable, transparent, and effective.

But clearly not enough marketers are acting on the practical recommendations in the ANA report and done enough to hold their agencies accountable. Only [10% of advertisers report high levels of trust](#)

their agencies. Now the FBI has stepped into the breach to initiate its own investigation of media-buying practices in the advertising industry.

The FBI media-buying probe is less of a solution than it is a symptom of a fundamental lack of accountability and measurement discipline across the marketing field. The inability to measure and manage the digital media supply chain is yet another example of how marketers have failed to effectively define and communicate the economic value of marketing. Consequently they're [losing their credibility with CEOs and CFOs](#).

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And giving activist investors free reign to treat marketing investment like discretionary costs that can be cut with no consequence to shareholders.

Neither the G-men – nor the threat of broader government oversight of the advertising industry – are going to solve the marketing accountability problem. At best, the fear of government oversight may force marketers to get serious about accountability by overwhelming their fear of finding out where their marketing dollars are actually going. Ultimately, it's up to the industry itself to find ways to use digital technology to solve the measurement problem it create

“Digital marketing is supposed to be the most targeted, measurable and attributable media. But in practice, the entire notion of digital marketing accountability has become an oxymoron” according to [Purush Papatla](#), who leads the Digital Accountability Research program at the Marketing Accountability Standard Board (MASB) and co-directs the Northwestern Mutual Data Science Institute. “Despite advances in big data and analytics, no one has paid attention to tracking and measuring what happens from when a marketing message is created to when it reaches the target audience if it gets there at all and precisely measuring the value it creates at that point” says Papatla. “This raises an obvious and embarrassing question - if digital technology, big data, and analytics are revolutionizing marketing, can these technologies also help marketers improve marketing accountability and transparency?”

The evidence to date suggests the answer to this question is they can't. So far, digital technology and ad tech innovations haven't been very useful when it comes to improving marketing transparency, brand safety, and providing measurement and data integrity. In fact, the report card on digital media accountability is worse than that of traditional media on several dimensions:

- **Data-integrity-** Data-driven digital media companies struggle to accurately count users, viewers, and verify their impressions meet industry accepted viewability standards - despite access to digital transaction data and rich customer profiles. For example, sophisticated

digital media companies like Facebook and Twitter have consistently overstated their reported audiences by [millions of users](#)

due to bot fraud and duplicate, fake, or spam accounts.

- **Transparency** – Financially most advertisers don't understand much of the digital media they buy actually reaches its intended audience, despite the availability of detailed digital log files from demand side platforms (DSP's) and ad exchanges. An analysis by the MASB team shows that in most cases less than 25% of working digital media dollars are actually making it to the screen after the costs of ad-tech middlemen, arbitrage, and fraud are factored in;
- **Brand Safety and Digital Fraud** – While some marketers like [Kristin Lemkau of JPMorgan](#) have taken measures to address brand safety and digital fraud, far more have taken no effective steps to solve the problems. When one considers that up to 20-cents on every media dollar is siphoned off by bot farms, domain spoofing and terrorist supported sites, it's clear all the players in the digital advertising ecosystem - marketers, publishers, agencies, and ad-tech firms– need to do a lot more.
- **Governance** - Advertisers cannot accurately monitor and audit the true net media cost they are paying their agencies – net of arbitrage deals, mark ups, reselling, and rebates. According to the ANA report, agencies are able to disguise mark ups of up to 90% using a blend of complex contracts, byzantine agency shell company structures, and opaque reporting.

Part of the problem is complexity. The ad-tech ecosystem has created a complex “modern marketing” supply chain claim that has become too complex properly

measure. Too many touchpoints to track. Too many ad technology “middlemen to pay. Too much data to manage and analyze. Too many parts in the ad tech stack to coordinate.

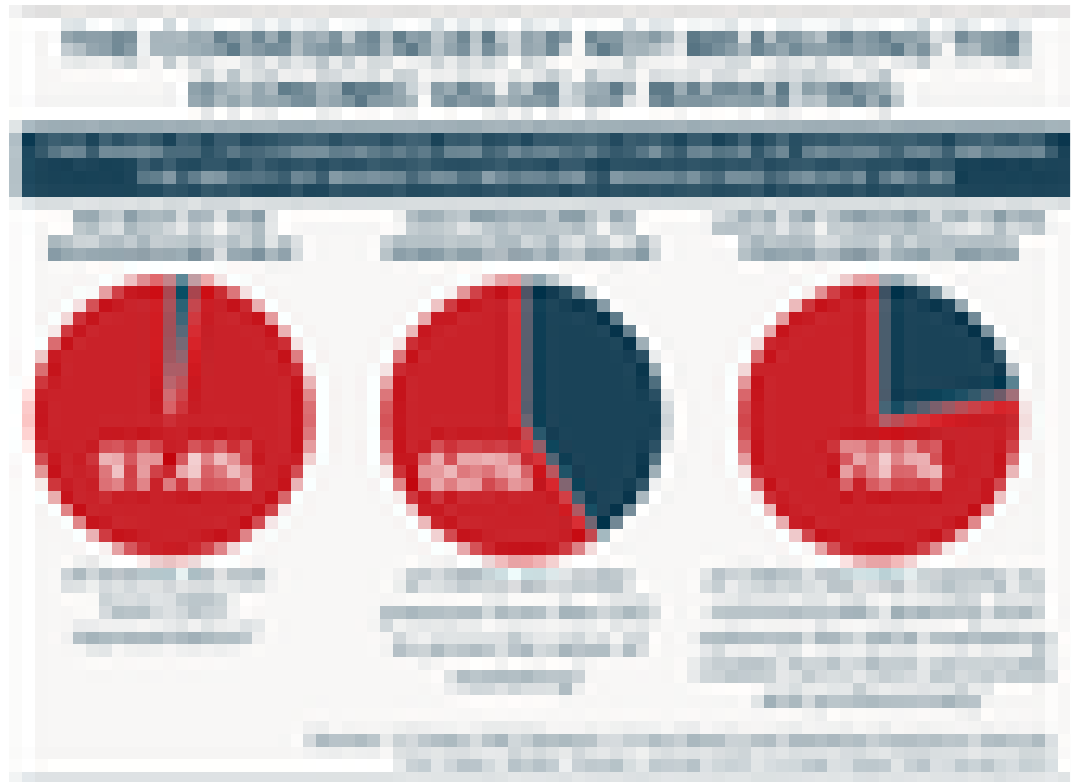
A bigger part of the problem is the economics of the marketing value chain is lopsided in favor of media. “At this point, improving digital marketing accountability has become more about media economics than the desire of brands for more transparency”, says Douglas Wood, a Partner at Reed Smith, the architects of the ANA media buying contract templates. “The economics of the business remain a hurdle to true accountability. Brand and media companies are at opposite ends of a strong holding company oligopoly that controls the vast majority of media buying. When you add the duopoly of Google and Facebook, it creates a perfect storm for continued confusion and questionable behavior. Until brands create true economic pressure, the vested media interests will be slow to change. The pendulum, however is definitely swinging towards transparency and accountability. We have seen a significant number of brands rejecting the supply chain participants empty excuses and restructuring and auditing their agency contracts in response to the ANA guidelines.”

The biggest factor underlying the erosion of trust and transparency in the digital media supply chain is not even a technical one. The real issue is one of marketing accountability. According the Forbes research, [marketing contributes at least a quarter of firm value](#)

. The fact that [most CMOs are under pressure from their CEO to prove the value of marketing](#) and the big marketing agencies [need media rebates to make money](#) scream

that there is a fundamental disconnect between the value marketing creates, and how marketers are measured and compensated.

This means that until CEOs, CFOs, and CMOs can agree on financially valid ways to value and measure the contribution of marketing to the business, they will continue to struggle with value, measurement and management of marketing services and the media supply chain. According to Chris Hummel, CMO of United Rentals, “CMOs face several functional challenges. It is difficult to measure success. Message clutter and channel proliferation add complexity. To thrive in this environment, CMOs need to focus on creating value through significant and tangible impact on the business. So, establishing common measures and financially valid standards of performance is going to be a survival issue.”



The Consequences of Not Measuring the Economic Value of Marketing MASB

Establishing a financially sound and data-driven approach to managing the marketing media and services supply chain is a very solvable problem from an economic and technical standpoint.

From a financial perspective - [MASB](#) has developed a Marketing Value Chain that empirically proves the economic contribution of marketing investments to

firm revenues, profits and financial performance. The framework provides an accurate approach to calculating and measuring the contribution of marketing to the business in a language a financial person can understand and model. At this point, establishing proof of the value marketing creates is no excuse. Given the impact of marketing on share price, every CEO or CFO can and should have a financially valid model that quantifies the contribution of marketing in their specific business.

From a technical standpoint, there are very few practical barriers to leveraging big data technology to better measure and monitor marketing performance.

For example, it's entirely possible for advertisers to demand and receive completely transparent and fully auditable log file data from both the buy and sell side platform(s) that deliver digital advertising so they can properly govern and optimize their digital marketing spend. "CMOs have been asking the ad tech industry to provide auditable log file data of their ad transactions and to repair the broken two-broker system that agencies and marketers are subject to" according to [Charles Cantu](#), founder of Reset Digital and co-leader of the MASI Digital Accountability Research team. "To solve the problem, we've built a single vendor marketing activation system that is fully accountable and far more effective because it allows 70-80% of a marketer's dollar to go to actual working media, instead of 20%-50% with a two-broker system."

From a governance perspective, marketers should demand data-driven audits and monitoring of their media contracts. Advances in big data and analytics have reduced the time and cost involved in aggregating, classifying, analyzing and reporting expense and performance data from highly complex marketing programs and agency contracts. Leaders in the 45-year old source-to-pay industry are using big data and AI technology to help global brands aggregate, harmonize and analyze petabytes of transactional data to provide CFO's true cost transparency across an incredibly complex supply chain of trade, production and promotional transactions. "For decades, in the source to pay

analytics world, we've been using big data to solve problems that are more complex than those facing advertisers. Our approach with enterprise level organizations is to use technology to aggregate, classify and analyze terabytes of bottom-up expense data to manage the compliance of complex supply chains and service contracts such as trade and promotion deals” reports

[Will Auchincloss](#)

, VP and GM of PRGX's Advisory & Analytics practice. “Working with some of the biggest brands in the world, we are using big data and advanced analytics to drive profits and cash flow by identifying and addressing leakage in extremely complex supply chains - tracking tens of thousands of transaction types and dozens of deal types across multiple technology platforms. There's no technical reason advertisers and their agencies cannot take a data-driven approach to monitoring and managing their contracts.”

To gain control over the digital marketing supply chain, CEOs should insist the marketing teams take three concrete steps:

1. Work with the CFO and business leadership to agree on a financially valid economic purpose for marketing as the basis of marketing performance measurement and agency contract terms. This should provide the basis of a renegotiated agency contract that compensates agency partners for the value they deliver instead of the media they mark up.
2. Work with an auditor who has access to both the buy and sell side log files and can analyze log file data to provide a granular understanding of the costs and transactions in the digital media supply chain. A good auditor should answer the fundamental questions about where their media dollars are going? how much are “ad tech” middle men taking? how much media is actually reaching the audience? where ads are placed? and whether they are being viewed by humans?

3. Use big data to establish data-driven contract governance systems to ensure cost transparency going forward and provide “bottom’s up” data to provide granular reporting and classification of spend and measuring the performance of the marketing media and services supply chain at a granular level of detail.

To learn more about the research Forbes and MASB are doing to improve accountability in the digital marketing supply chain and quantify the value of marketing, brand and advertising leaders are welcome to [participate in the Forbes Marketing Accountability Executive Forum](#)

at Forbes on Fifth in New York City on December 6th.

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Stephen Diorio

I direct the Forbes Marketing Accountability Initiative where I teach CEOs, Boards, CFOs and CMOs how to prove, measure and grow the contribution of marketing to the bus...

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