

BIGGEST MEDIA SHOPS AREN'T ALWAYS BEST

SIZE DOES NOT MEAN LOWER PRICES

The greatest seismic change in the media business over the last twenty years has been the rise of the mega-buying shop, places like **Carat**, **Starcom**, **Mediaedge:cia**; **Mindshare**, etc. Part of the incentive for the creation of these behemoths was the perception that the buying clout that their size implies would result in cheaper television spot prices. But it turns out not to be the case.

One of the biggest media audit companies in the U.S., **Billets Worldwide**, has found, in *AdAge's* words, that “the big advertisers often paid premiums for their spots while little guys got discounts – and vice versa.”

Billets monitored about \$3 billion in ad budgets from 17 clients over two years; that amounted to about 5% of the U.S. TV market. According to **John Billet**, chairman of the company, “There is no predictive correlation between advertisers’ scale, media-buyers’ scale and media prices. Economies of scale benefit agencies more than clients.”

Billets found that prices for the same inventory can vary by as much as 30%, meaning some advertisers could be paying \$13 CPM, while another pays \$7. Billets notes that in **Europe**, where media audits are more common, the range is 15%, still substantial, but half what it is in the U.S.

The findings are good news for smaller agencies. **Peter Knobloch**, president of mid-sized **RJ Palmer**, told *AdAge*, “The fallacy is that the big agencies are negotiating prices. They’re really negotiating percent increases and there’s a huge difference between the two.”

Of course, the “best job” is not always the same as “lowest price.” Many of the bigger media buying shops have tried to distinguish themselves with their expertise in new media, sponsorships, product placements and other elements. But *AdAge* notes that with the upfront fast approaching, and the continuing frustration of many buyers with rising rates and falling ratings, the release of the study at this time could be the impetus for even more aggressive negotiations.



