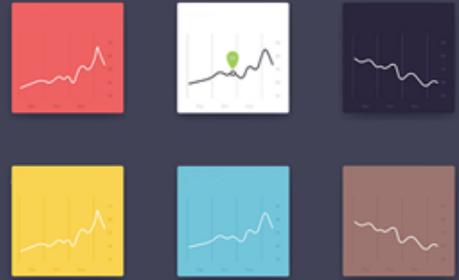




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15%: abolishing the agency commission in Belgium?

This week egtabites looks at a major change that is about to take place on the Belgian advertising market: the abolition of the 15% agency commission by some of the country's major sales houses as of 1 January, 2016. The implication is that rate card prices will be cut by 15% as a consequence of this decision.

The term commission has become something of a misnomer, as by convention it is no longer the means by which media agencies in Belgium are remunerated for their work. Today, the 15% actually represents a discount that is applied to the gross price of media and typically passed on in full to the advertiser, with the agencies charging their clients for services rendered.

The move was first announced earlier in 2015 by MEDIALAAN, the parent company and sales house of the leading private television and radio stations in Flanders, the northern, Dutch-speaking region of Belgium. A number of other sales houses have followed MEDIALAAN's lead, but others have either decided to postpone or reject this decision.



MEDIALAAN

Broadly speaking, the Flemish audiovisual sales houses will adopt this new approach from the beginning of next year; their counterparts in Wallonia, the southern, French-speaking part of the country, will not – at least for the time being.

The reasons behind the decision to abolish the agency commission

MEDIALAAN, and others that support the decision, state that the 15% agency commission is not relevant in today's increasingly digital and converged media landscape. Many digital players, with global operations, do not operate this agency commission model, and its use by so-called traditional media simply serves to artificially overestimate media sales prices and make the comparison between media less transparent.

In comments to egta, Ben Jansen, MEDIALAAN's Commercial Director – and the driving force behind the decision – said the following: "In our digital world, media and technology are converging. This means that TV and online video – if it is not already the case – will be considered as one universe with one currency and pricing model. In order to realise our ambitions for growth in online video in this converging world, we decided to abolish the agency commission. As a matter of fact, we are simply aligning ourselves with global market leaders such as YouTube and Facebook. On top of that, we do believe that net pricing and net reporting is the only way forward. Consequently, we think that gross pricing has arrived at the end of its life cycle and that it cannot be used any longer as a basis for B2B partnerships between the different stakeholders."

Indeed, increased transparency and reduced complexity are cited by several of those who support dropping the agency commission.

One such sales house is Var, which represents the public radio and television stations in Flanders. According to the company's CEO, Thierry Van Zeebroeck, this decision has been under discussion for some time, and it is a smart move to prepare for digital marketing and programmatic trading. It is also a way to move forward with the other Flemish AV sales houses in order to simplify the way of working with their partner agencies.

SBS, the other major private television player in Flanders, has announced that it will also adopt the same approach as MEDIALAAN and Var.

The two major out-of-home players, JCDecaux and Clear Channel, which together represent about 80% to 85% of the Belgian OOH market, have confirmed that they too will abolish the agency commission from 1 Jan, 2017.

The move has been welcomed by the Belgian union of advertisers, the UBA, which regards the agency commission model as outdated.

Several sales houses will retain the agency commission – at least for now



Some of the sales houses that will not drop the agency commission from the beginning of 2016 have nonetheless expressed support for evolving the trading system to align it better with today's media environment, whilst stressing the need to find solutions that protect the interests of all actors in the ecosystem. Broadly speaking, this is the tone of remarks made by executives at the southern Belgian AV sales houses RMB and IP.

However, some sales houses point out that a market in which some retain and others drop the commission may lead to complexities and confusion. This may also be an issue for contracts with international clients, as the agency

commission remains in place in most European countries with the exception of Spain.

There has been some concern on the part of media agencies that in the short term it will involve an increased workload to adapt contracts, reporting and trading software. However, the CEO of one agency, OMD's Dominique De Ville, has come out in support of the move, noting that it's a smart decision made at the right time given the evolution of programmatic.

Why this matters for egta members

A fundamental change in the pricing of media, and the abolition of a long-standing trading convention, are clearly very interesting developments. Time will tell whether the whole Belgian market will follow the decision to drop the agency commission, or whether a dual approach will continue beyond 2016.

For the near future, the consequence of the decisions taken will lead to two philosophies in Belgium: one the one hand, MEDIALAAN, Var and SBS will be aligned with Google/YouTube, Facebook and Twitter with regards to the agency commission, and this represents approximately 60% to 70% of the Flemish advertising market. On the other hand, the publishers and the audiovisual industry in the south of the country for the most part will continue to apply the agency commission model of old.

In time, it may be possible to gain an understanding of whether the decision to abolish the 15% commission has achieved its two main objectives – to align traditional media pricing with digital and to reduce complexity. The experience of the Belgian market will undoubtedly be of interest for other markets looking to introduce similar initiatives.



Background info

Please click on the links below to access the relevant documents:

- » **MEDIALAAN website** (please click [here](#))