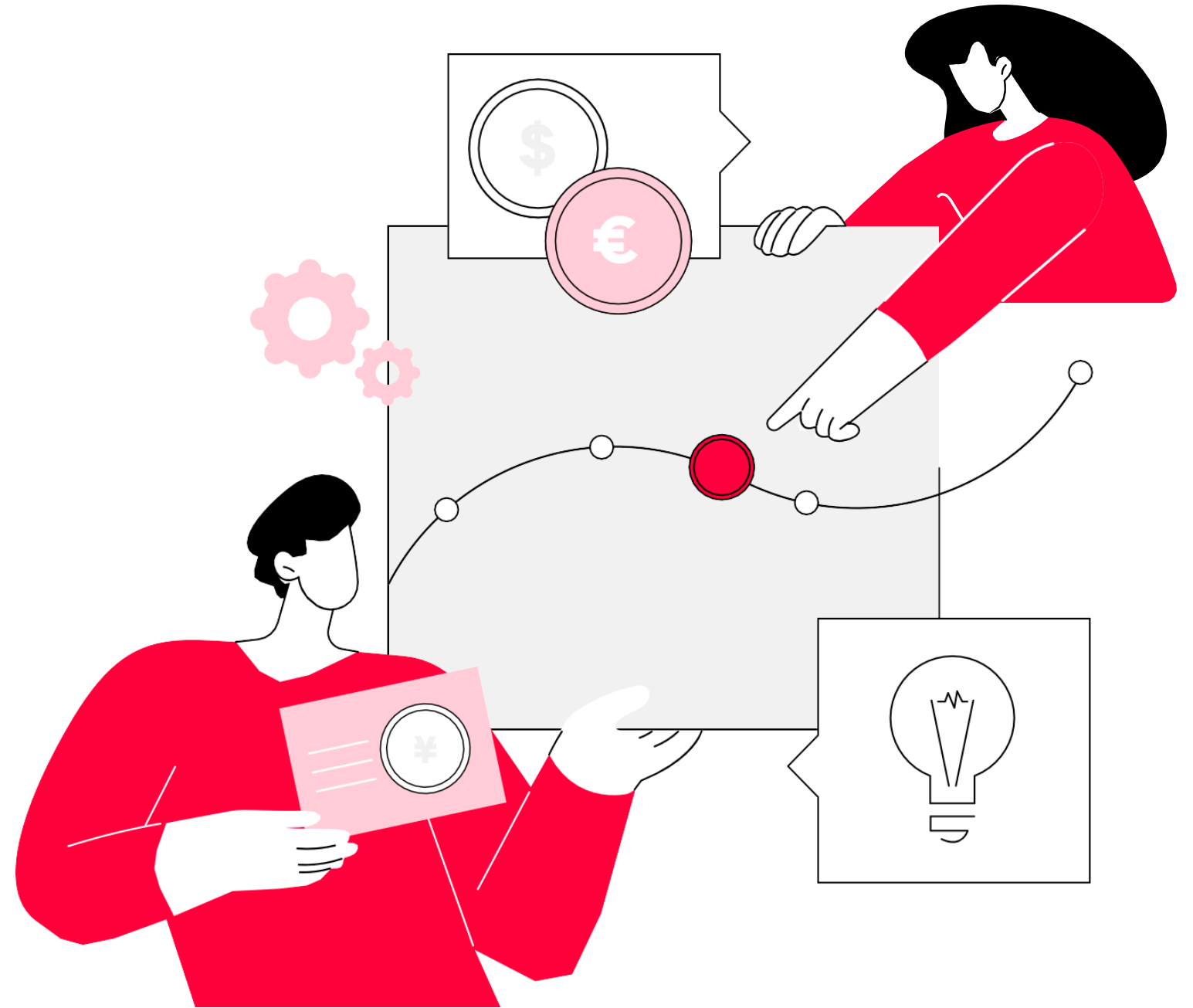




# Future of Agency Remuneration

A critical inflection point as complexity demands a reset



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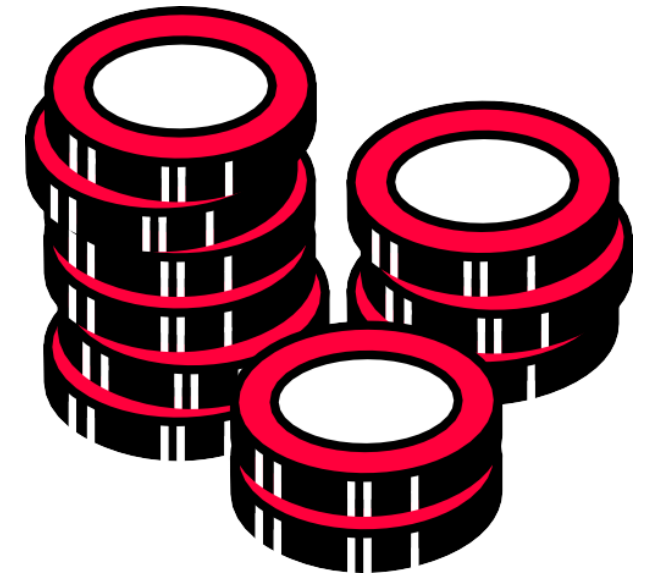


MediaSense®

November 2024

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## Foreword from WFA

The media landscape is evolving at an unprecedented rate, as new channels proliferate and AI reshapes the industry, bringing new complexities and even redefining the roles of advertisers, agencies, and media owners. The agency business model and with it, the remuneration structure agreed with advertisers, must continue to adapt.

Advertisers today face a pivotal choice: to push forward with more sophisticated, performance-driven remuneration models - with their own opportunities and challenges, or to revert to more predictable, traditional approaches, managing and reducing one area of complexity. This survey shows a clear majority towards the former, reflecting an increasing desire to align agency performance with business outcomes, and which we believe can only be achieved with a collaborative, forward-looking approach by agencies and advertisers.

We hope this research helps with the co-design of your next agency model, and associated remuneration discussions.

## Foreword from MediaSense

The best advertiser-agency commercial relationships are built on a foundation of trust and transparency, acknowledging the need for both businesses to financially prosper by committing to a remuneration model that drives mutual successes.

As the media landscape evolves, catalysed by shifts in consumer consumption and advancements in technology (including AI), there is growing tension in ensuring commercial agreements are aligned to this new reality.

Similarly with advertisers seeking better clarity on the relationship between their marketing investments and business outcomes, remuneration models need to recognise the critical role agencies can play in the creation of value and business impact.

Finally, the service model between advertisers and agencies is changing, with many advertisers creating more interdependent relationships through shared responsibilities and ownership of the critical components of strategy, data and technology. Remuneration models therefore need to evolve to reflect this shift from dependency to self-sufficiency.

This study explores the complexities of agency remuneration models, delving into what is working, what isn't working and the challenges both advertisers and agencies face in ensuring fair compensation. Spoiler alert, there is not one single remuneration model that suits all advertisers, so careful consideration needs to be applied when designing a model that is fit for future purpose.

The need for change however has never been more critical.

## Executive summary



An overwhelming **75%** of advertisers are looking to make changes to their compensation model in the next 3 years.

- Most advertisers adopt a hybrid approach to their remuneration models, commonly comprising of commission, labour/people and outcome/performance-based fees.
- Advertisers are putting a greater focus on more accountable agency compensation, with **74%** of respondents seeking to better align agency compensation to business performance.
- Measurement methodologies and agency risk appetite will be tested as advertisers demand remuneration models be increasingly made up of outcome/performance-based fees (**58%** anticipate outcome/performance-based models will increase).



Logistical barriers are impacting the implementation of more accountable remuneration models, with **84%** of respondents believing there is a lack of data and measurement between the advertiser and agency to facilitate outcome/performance-based models.



**61%** of respondents are expecting to pay their agencies more over the next three years, showing the ambition to invest more in their agency relationships. Talent is at the heart of this desire with **Strategy and Planning, Data and Measurement,** and **Generative AI** at the top of their wish list.

- However, AI represents a threat to agency remuneration in the long-term with wider deployment expected to trigger a reduction in fees (**58%** see a direct relationship to AI deployment and fee reduction).
- Commercial transparency is a major source of frustration for advertisers, with a disparity between advertiser expectation and reality over what constitutes appropriate transparency - **75%** care how their agencies make money, but currently only **28%** believe they have transparency in how they do. Non-disclosed revenue streams (e.g. pooled AVBs, opaque programmatic supply chains and inventory media) continue to prove challenging.
- **87%** of advertisers believe agencies are resistant to adopt models which require greater transparency in how they make money. This is a clear tension to overcome given the overwhelming desire to evolve remuneration models.

## About this research

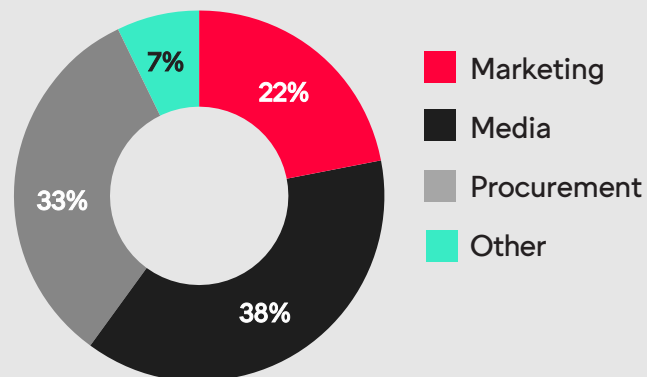
The 2023 WFA and MediaSense [‘Future of Agency Models’](#) study revealed an overwhelming appetite among advertisers to evolve their agency remuneration models, with only **27%** of advertisers believing their model was fit for their future requirements. Many pointed to a lack of alignment between remuneration models, agency incentivisation and desired behaviours, but this was also matched with an uncertainty surrounding alternative approaches.

This study was designed to unpack the appetite for change and explore how advertisers are exploring alternative approaches in driving progress on this topic. In an environment where agency services are becoming more technology-enabled, agencies are evolving how they design their remuneration models to balance the need to meet advertiser requirements while maintaining sufficient profit margins.

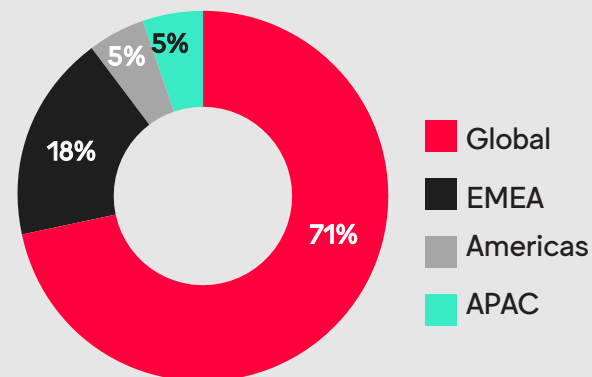
Within this study, agency remuneration is defined as contracted fees that an advertiser pays to their media agency. Undisclosed revenue streams, such as retained AVBs, proprietary media markups and media owner rebates should not be considered part of this study.

80+ multinational marketing organisations participated in this study. 60% are in a marketing/media role and 33% of respondents are in a finance/procurement role. Most respondents (71%) have a global responsibility, with the remaining respondents occupying either a regional or local role. Food and Drink was the most common category (25% of respondents), with CPG (17%), Healthcare (14%) and Retail (12%) also well represented in the study.

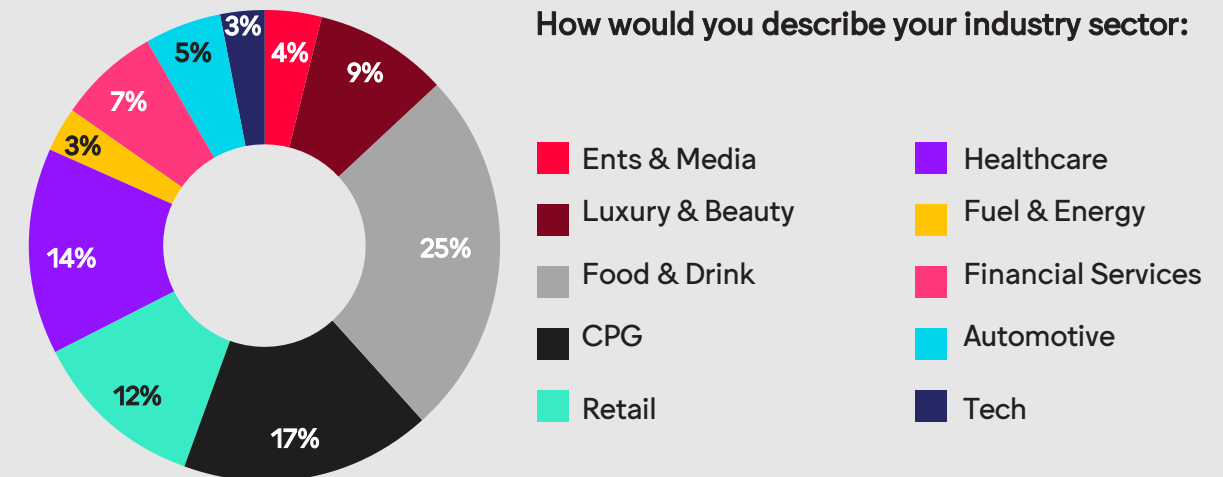
Which best describes your role function:



How would you describe your region of responsibility:



How would you describe your industry sector:



# Remuneration models:

## Hybrid approach most prevalent among survey respondents, but composition varies

The study revealed that advertisers use a mix of remuneration models, with remuneration model composition predominantly comprising of multiple models rather than just one.

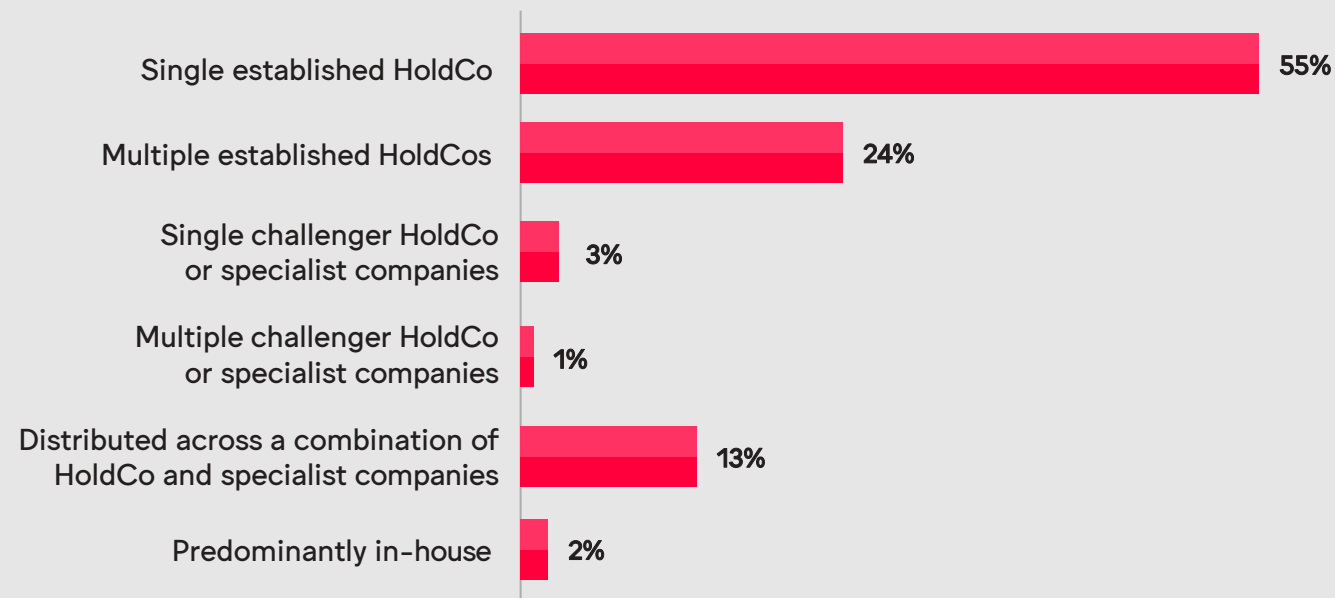
This hybrid approach to agency remuneration is symptomatic of the need for advertisers to maintain control and preserve flexibility in how they compensate their agencies. Advertisers can balance fluctuating media spend with commission-based fees, secure agency talent with labour/people-based fees and closely align incentivisation with outcome/performance-based fees.



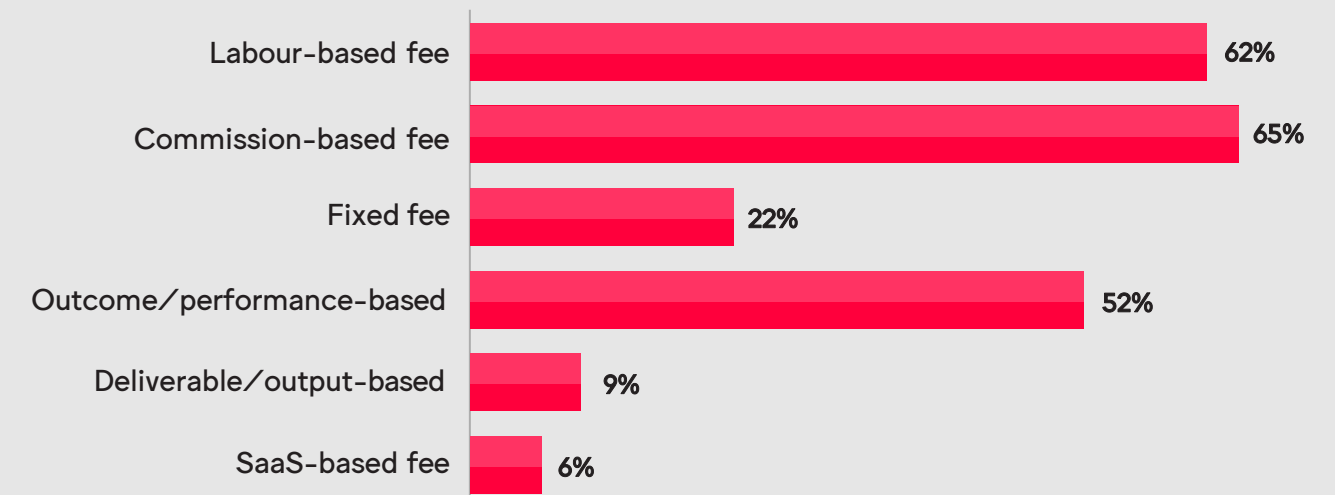
**“Our philosophy is fair fees to enable agencies to attract and retain the best talent. We then aim to incentivise exceeding expectations work via Performance-based remuneration.”**

The hybrid approach may enable agencies to be flexible too. Agencies could stabilise their cash flow by securing guaranteed revenue in the form of labour/people-based fees, while creating incentives to earn above-and-beyond their base fees through improved performance in the form of commission-based and outcome/performance-based models.

### How would you describe your current predominant agency model?



### How do you currently compensate your media agencies:



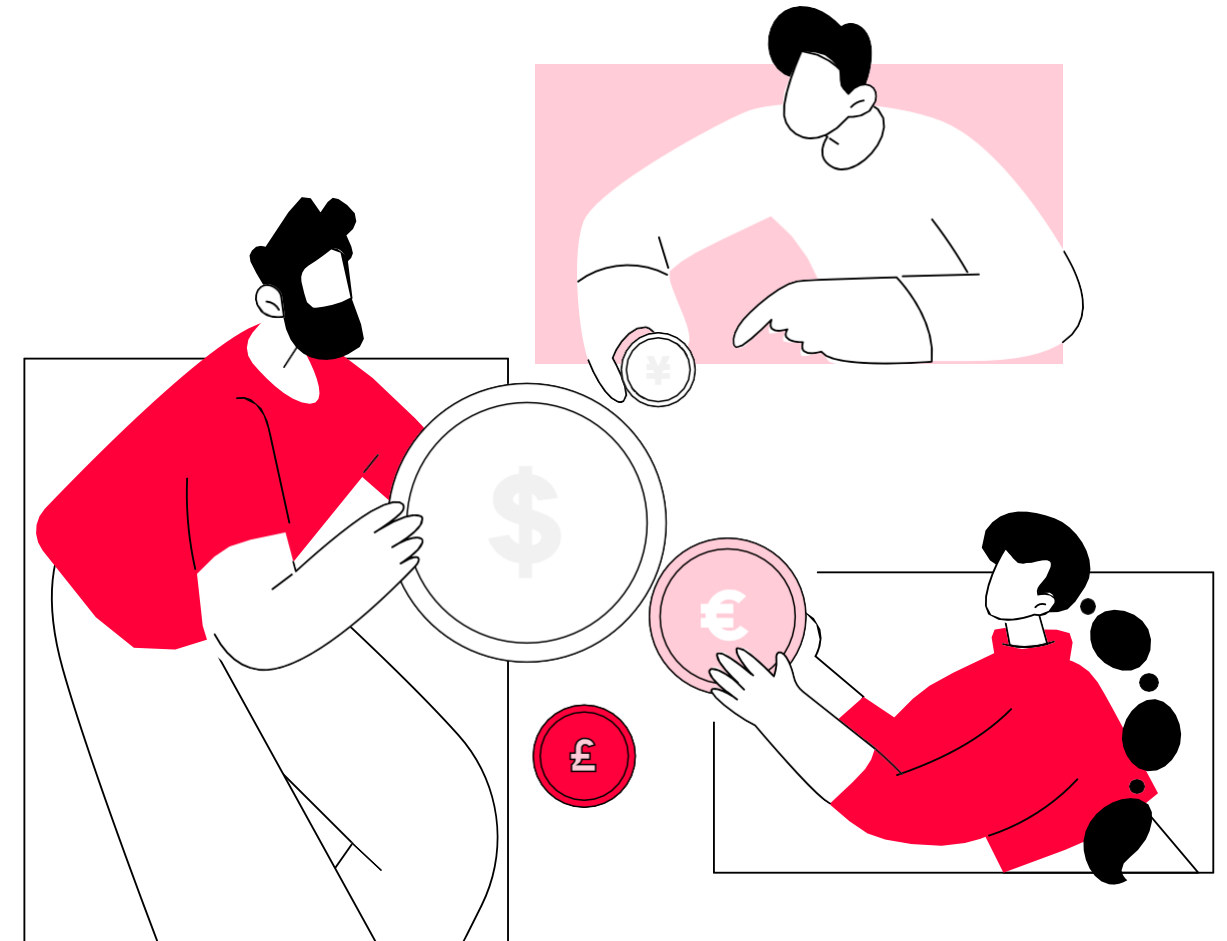
Based on the results of the study, it seems most advertisers employ a combination of commission-based, labour/people-based and outcome/performance-based models. However, within this study, we also see the emergence of alternative remuneration models in fixed-fee, deliverable/output-based and SaaS-based fees.

While currently fledgling, these models could increase in popularity as advertiser requirements become more prescriptive, agency processes are accelerated through automation and the marketing ecosystem becomes increasingly technology-driven. Notwithstanding, they present better ways for agencies to generate revenue from the proprietary technology solutions they have developed.

Despite the flexibility a hybrid approach creates, many advertisers still do not feel their remuneration model is driving the right behaviours - **75% of respondents are planning on making changes to their agency remuneration model in the next three years either with their existing agency or a new agency.**



**“Our commission model gives very little margin for us to challenge them in terms of performance. The number seems fair, but I’d prefer to establish a hybrid model where there’s a variable based on result or outcome (KPI driven).”**



Model	✓ Potential benefits	✗ Potential challenges
<b>Commission -based fee</b>	<ul style="list-style-type: none"> <li>• Aids budget management with clear relationship between spend and fees</li> <li>• Creates flexibility in case of budget volatility</li> <li>• Low upfront fees or costs, with fees paid against media spending</li> <li>• Agencies incentivised to exceed spend targets, as this could unlock further investment</li> </ul>	<ul style="list-style-type: none"> <li>• No real relationship between fee and the weight of work required</li> <li>• Can challenge the perception of media neutral planning if there is high disparity in commissions by channel</li> <li>• Incentives are to increase media spend, not necessarily outcomes</li> <li>• Hard to anticipate resource requirements in case of budget volatility</li> </ul>
<b>Labour/ people-based fee</b>	<ul style="list-style-type: none"> <li>• Creates closer relationship between the weight of work and team required</li> <li>• Secure dedicated talent aligned to requirements with predictable fees</li> <li>• Transparent in the time and resources being allocated</li> </ul>	<ul style="list-style-type: none"> <li>• Limited flexibility in case of budget volatility</li> <li>• Less incentive to accelerate automation and reduce labour requirements</li> <li>• Focus can be on inputs (hours worked) rather than outcomes</li> </ul>
<b>Outcome/ performance-based fee</b>	<ul style="list-style-type: none"> <li>• Compensate according to delivery of performance, not just outputs</li> <li>• Align advertisers' business performance to agency compensation</li> <li>• Incentivise desired behaviours, reducing risk of paying for ineffective campaigns</li> </ul>	<ul style="list-style-type: none"> <li>• Challenge to set-up and measure</li> <li>• Risk of misattribution of agency performance to business performance</li> <li>• Challenge of managing relationship between risk and reward</li> </ul>
<b>Fixed fee</b>	<ul style="list-style-type: none"> <li>• Aids budget management with predictable and planned costs</li> <li>• Once agreed, the fee is simple to manage and requires little back-office administrative input</li> <li>• The fee signals a commitment between advertiser and agency, supporting long-term partnership</li> <li>• Agencies can invest in building capabilities, as their cash flow is more transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Finding a mutual definition of 'value for money' between advertiser and agency (it always benefits one side more than the other)</li> <li>• Flexibility to scale up and (especially) scale down the fee</li> <li>• Limited accountability over outcomes, focussing on scope delivery over performance</li> </ul>
<b>Deliverable/ Output-based fee</b>	<ul style="list-style-type: none"> <li>• Clarity and transparency over what is being delivered for both the advertiser and agency</li> <li>• Agencies are assessed based on deliverables, rather than hours worked</li> <li>• Allows for flexibility as requirements change</li> <li>• Ensures a focus on clear and detailed scoping</li> </ul>	<ul style="list-style-type: none"> <li>• Complexity in defining 'outputs' each time new outputs are required</li> <li>• Risk to proactivity and integration with the focus on tactical deliverables</li> <li>• Lack of alignment to performance, potentially resulting in volume over quality</li> </ul>
<b>SaaS-based fee</b> (used for agency technology solutions)	<ul style="list-style-type: none"> <li>• Like commission, a simple mechanic linked to volume of spend</li> <li>• Scalable depending on the usage, features and requirements</li> <li>• Flexible to integrate with advertiser in-housing requirements</li> <li>• Limits the need for up-front investment, while allowing for predictable budgeting</li> </ul>	<ul style="list-style-type: none"> <li>• Limited customisation, with services usually laid out in strict tiers</li> <li>• Incentive to drive utilisation beyond capability or requirements</li> <li>• May remove the provision of strategic thinking and account management, human-led services</li> </ul>

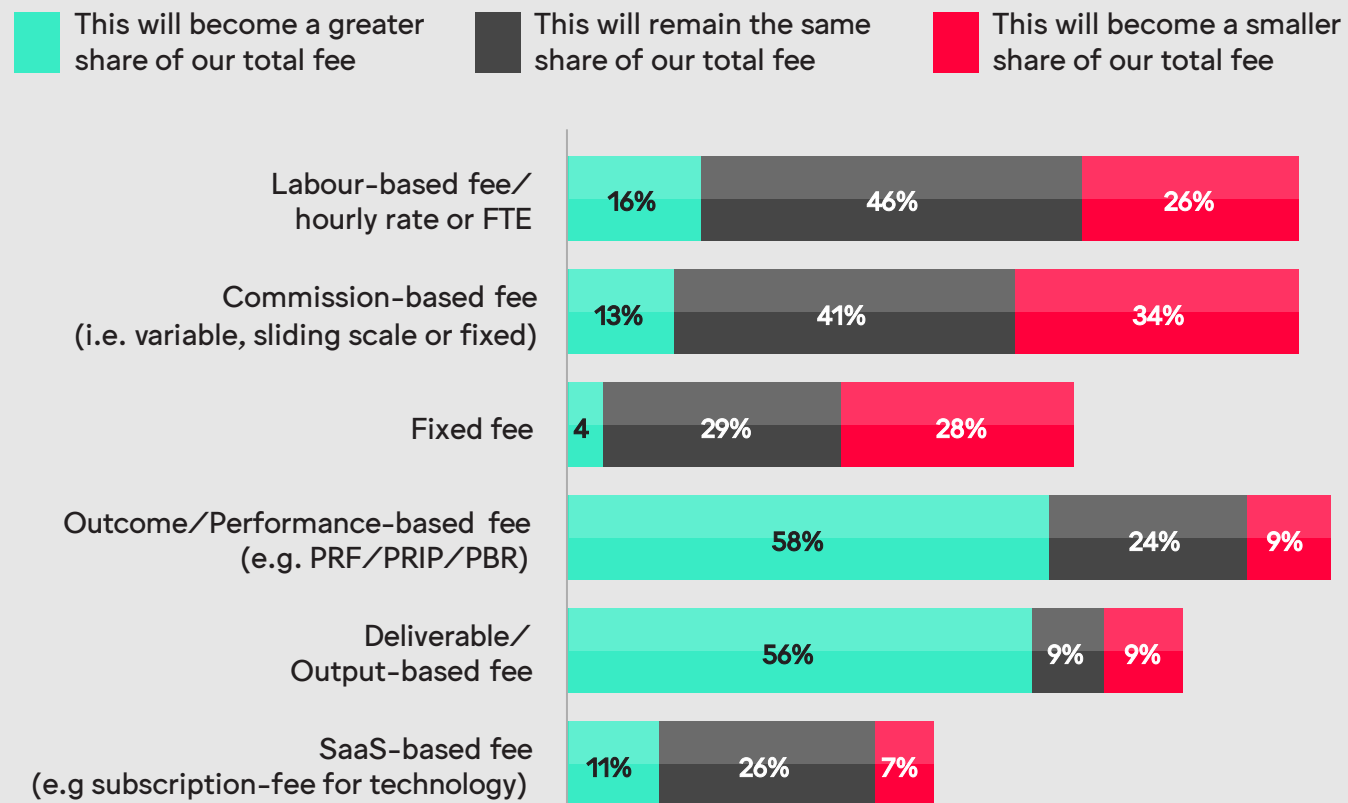


## Direction of travel: Flexibility and accountability

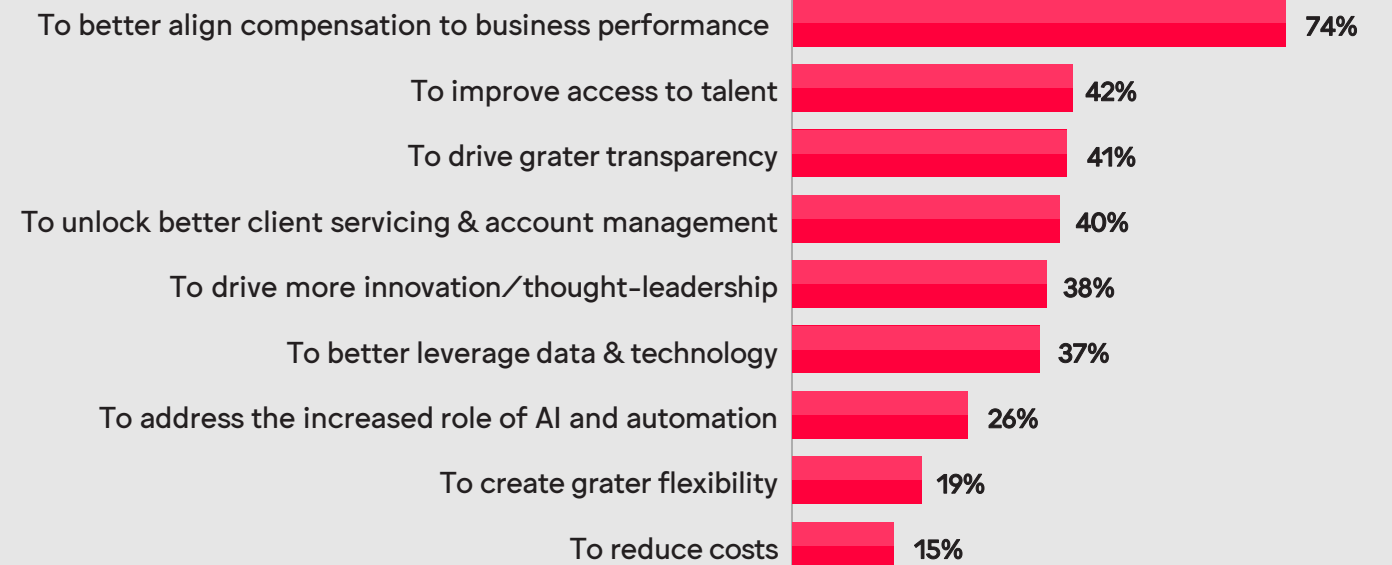
This study reveals a strong desire by advertisers towards more accountable agency compensation models, with 58% of advertisers expecting outcome/performance-based fees to increase as a share within their remuneration models. Additionally, 56% anticipate deliverable/output-based fees to increase.

This appetite to move away from the conventional commission and labour-based model is a reaction to the desire to better align agency remuneration to the advertiser's intended outcomes. An overwhelming 74% of advertisers identified this point as a reason for change.

### How do you anticipate you will be compensating / remunerating your media agencies in the next 3 years?



### What are the reason(s) for wanting to change your compensation/remuneration model? Please select the THREE most important factors?



**“The big challenge, of course, is to prove the contribution of media campaigns to our business (rather than to just campaign, marketing or vanity KPIs).”**

This desire towards more accountability has been influenced by a timely combination of **strategic, economic** and **technical** conditions.

**Strategically**, the service model between client and agency has become more complicated. Proliferation of media, the expanding role of data and technology, and desire for speed and agility has increased the complexity of the work and talent required to produce it.

From an **economic** perspective, pressure on advertisers to prove the value of their investments along with a desire to mitigate financial risk has created a demand for more accountable marketing activity and therefore more accountable agency compensation.

Finally, from a **technical** perspective, advancements in marketing measurement have bred more widely accessible methods for advertisers to align their marketing investments to business outcomes, and therefore build remuneration models around this capability.

Today, where outcome/performance-based models are in place, they tend to be a smaller portion of the overarching fee (typically 10-20%). These models are usually tied to a performance bonus/malus, on top of what an agency may receive in revenue from commission-based or labour-based fees.

Conversely, deliverable/output-based fees are still very much in their infancy and more commonly applied to creative services than media. Hence only 9% of advertisers reported they were using this model. While creating unit pricing for core outputs such as strategies, media plans and reporting may sound straightforward, the reality is complex given the many variables that could influence the unit price - particularly the scale of a regional or global engagement. Nevertheless, it is expected to be embraced more aggressively by agencies as they accelerate the use of automation and shift focus from hours to outputs.

### Any change will test both advertiser and agency risk appetite

The desired shift towards outcome/performance-based models represent a lower commercial risk for advertisers, with agency fees directly correlated to business outcomes i.e “if we win, they win”.

Currently where outcome/performance-based models represent a smaller portion of the total agency fee, agencies are more willing to take a commercial risk in aligning their fee to business outcomes. This explains why outcome/performance-based fees may exist within many hybrid remuneration models today as a smaller portion, rather than the total fee.

However, as advertisers demand their remuneration models be increasingly made up of outcome/performance-based fees, this agency risk appetite will inevitably decrease. An agency is unlikely to relinquish a significant portion of their fee to this model considering all the factors affecting business outcomes that are outside of their control (and therefore which have a direct impact on the agency’s ability to make money).



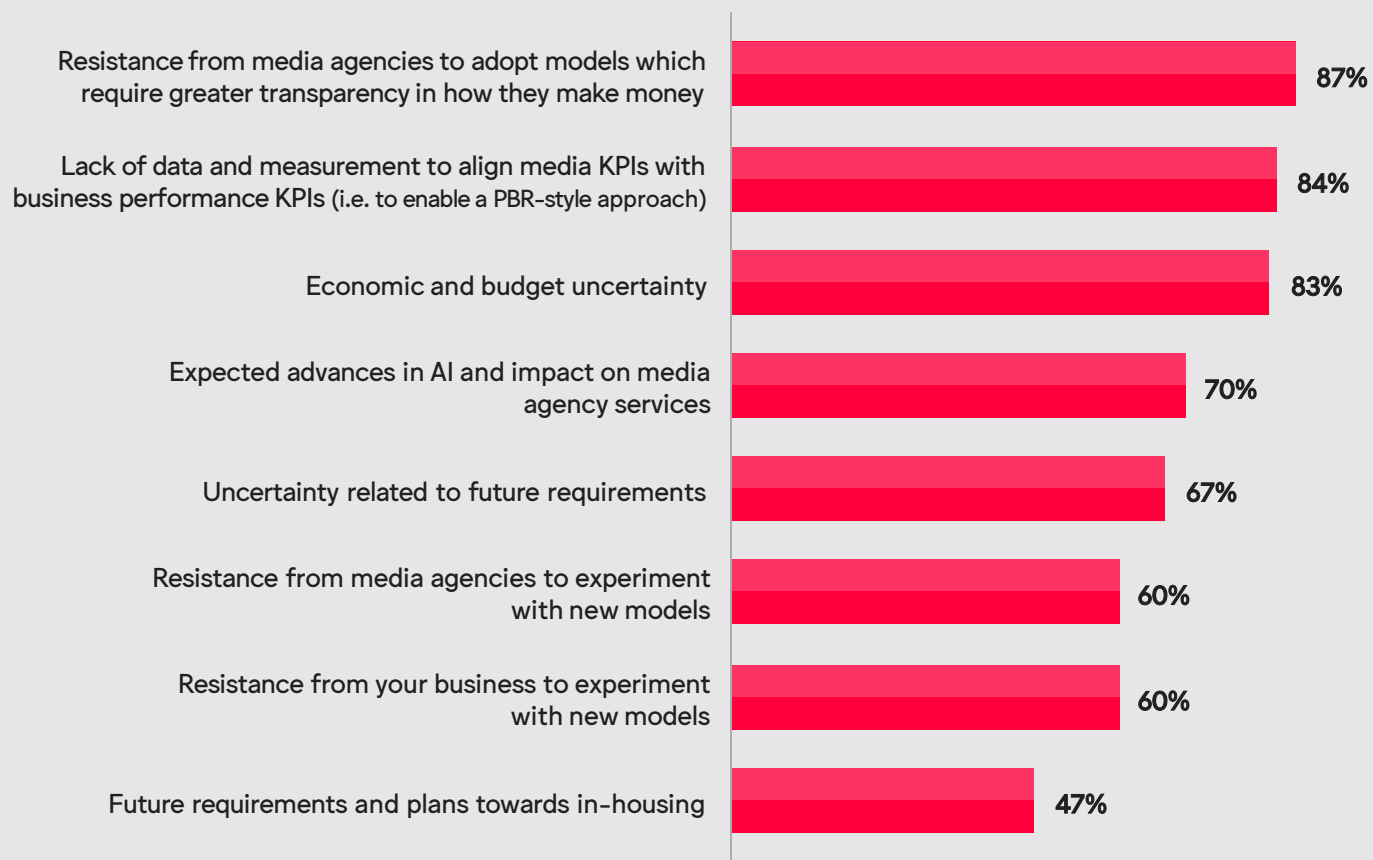
**“Agencies are reluctant to agree performance-based fee components, and prefer FTE based fees, which is easier for them to control cost and profitability. However, there is an inherent misalignment of goals - clients want outcomes such as sales and profit, agencies want to fill their capacity and bill hours without overburn.”**

In addition to commercial factors, there are logistical barriers around data and measurement that are impacting the implementation of such remuneration, with 84% of advertisers believing there is a lack of data and measurement to facilitate outcome/performance-based models.

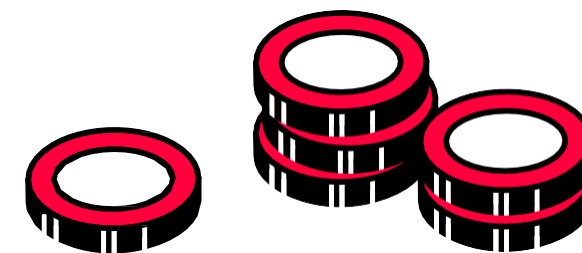
These logistical barriers don't just sit on the agency side - advertisers may also struggle to convince their internal finance and procurement teams to risk an outcome/performance-based model. When tying agency compensation to business success (revenue, sales volume, profitability), finance teams could challenge that the media agency's role is not reflective or proportionate to such a large outcome/performance-based fee.

In the short-term, creating a collaborative advertiser-agency measurement framework that ties media KPIs to business KPIs can help to further outcome/performance-based models. While designing and implementing such frameworks can be a complex process involving in-depth data analysis and modelling, it can set the foundations for a system that reduces the commercial risk and logistical obstacles for both the advertiser and agency. However, this alone won't accelerate outcome/performance-based fees to the level at which advertisers desire.

#### What are the major challenges facing your organisation in evolving your compensation/remuneration model over the next 3 years?



**“Only when we consolidate all our agency requirements into a single Holding company, where it is clearer the impact our combined agency model is contributing to our business, will we be able to move to a more meaningful outcome-based model.”**



## Shifting attitudes towards what to pay more or less for?

The study reveals how 3 in 4 brands seem to be seeking to change their remuneration model in the future and many could be forgiven for thinking the motivation behind this is cost reduction. In fact, the study reveals only 15% of respondents put their desire for change down to cost reduction, and strikingly **61%** of respondents expect to pay their agencies more over the next three years versus only 18% of respondents expecting to pay their agencies less. As alluded to previously, the growing complexity and acute need for talent is clearly supporting the argument for investment over cost reduction. There is however a major ‘but’ as it relates to the onset of AI, where 58% highlighted they would expect to pay agencies less as AI becomes more widely deployed.



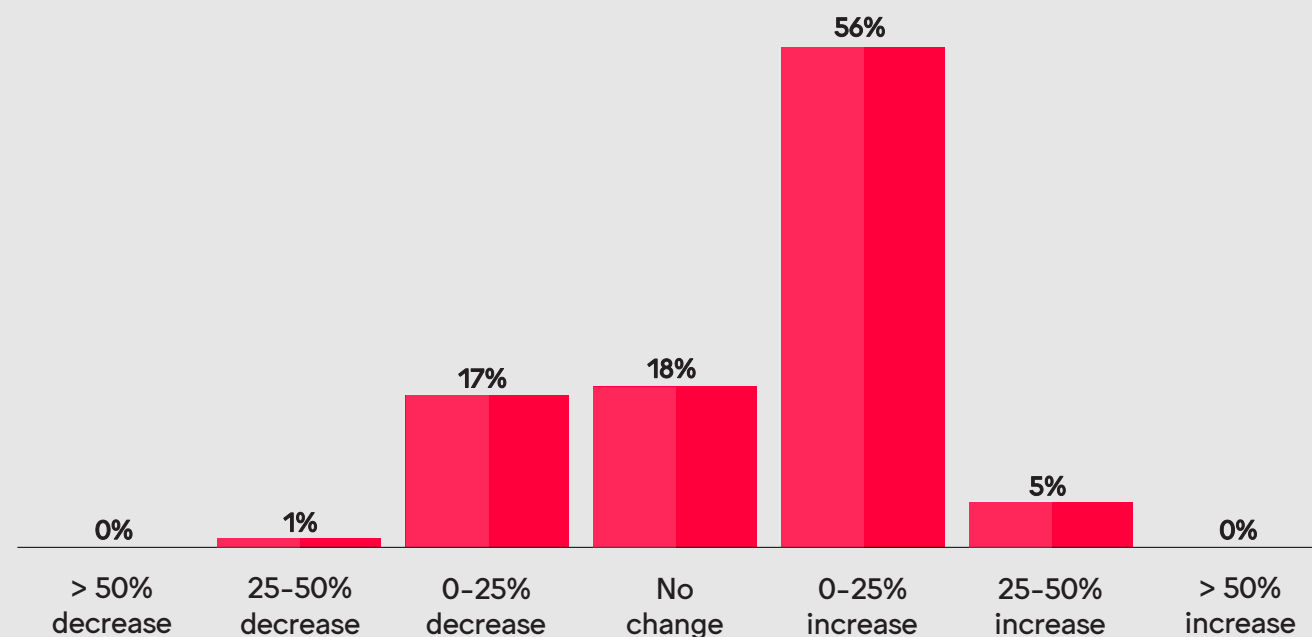
**“As technology changes the way agencies work, there is little visibility to the positive impacts this has on the agency resources we require. We are not yet seeing the benefits of this improvement.”**

This points to an inevitability of automation and AI forming a key topic in future remuneration negotiations, but also a potential paradox in advertiser expectation of how their fees will be affected.

While there are very plausible operational efficiencies through the reduction of manual tasks, many agencies would argue that automation and the use of AI will improve productivity of their people allowing them to spend time on higher value tasks. Notwithstanding, 2024 has seen over \$1bn of investment earmarked for AI developments which will need to be amortised.

The operative word here is ‘deployment’, and as the WFA and MediaSense [‘Future of Agency Models’](#) research revealed, only 21% were satisfied by their agency capabilities in the area of automation. So as agencies accelerate their capabilities in this area, they should expect greater scrutiny on their fees, unless they can demonstrate how they are reinvesting the efficiencies elsewhere or leverage this to drive greater performance. Alternatively, they pivot towards a more tech-focused remuneration model, such as SaaS-based and structure their fees according to utilisation or licensing of their technology.

How do you anticipate total fees paid to media agencies may change over the next 3 years?



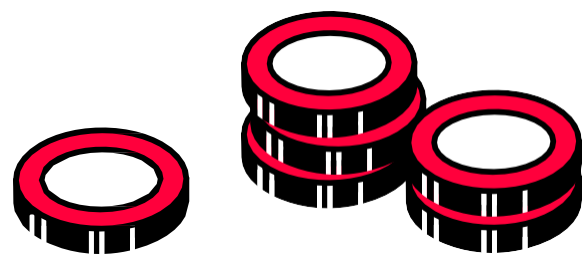
### Strategic expertise is still highly valued by advertisers

Improved access to talent was the second-highest driver of remuneration model change as reported by 43% of respondents, reflecting that most advertisers are in acceptance (61%) that agency fees will increase overall over the next 3 years.

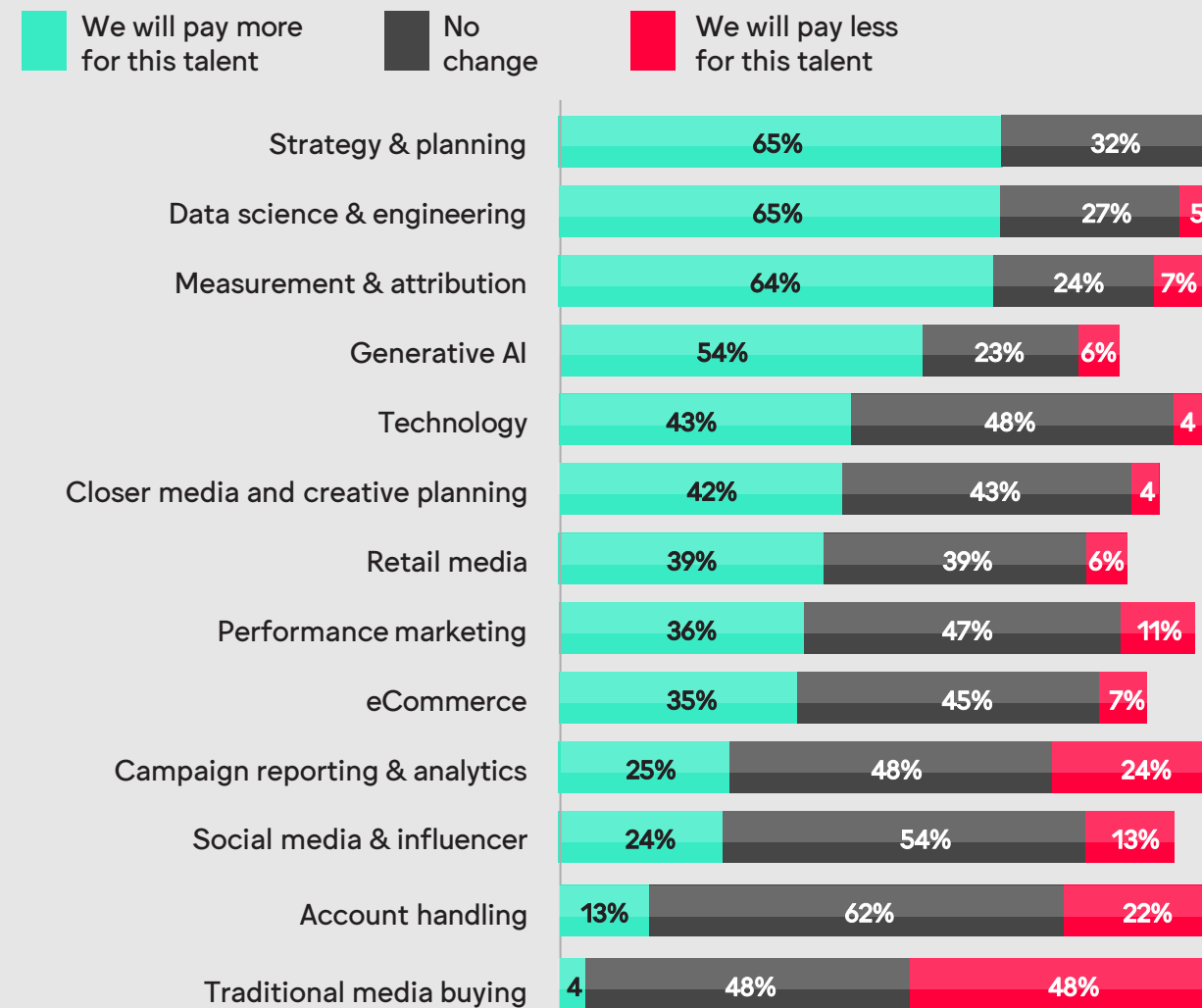


**“We moved from a mostly commission-based model to one that favours FTE to ensure our agencies can maintain a level of profitability to keep the right talent on our business.”**

This study sought to understand which capabilities advertisers would be willing to pay more for with strategic and technical expertise indexing higher than more traditional executorial capabilities. Specifically, **Strategy and Planning, Data and Measurement, and Generative AI** were ranked highest, a theme consistent with MediaSense’s recent [Media 2025: Wave 6 study](#) which highlighted the importance of **Media Strategy** as one of the most sought-after internal capabilities for advertisers. In an ecosystem that is increasingly technology-driven, advertisers recognise the advantage of great strategic thinking in driving much needed clarity and focus across their communications.



Considering the importance of media agency talent in key disciplines and service areas, over the next 3 years to what extent do you think the industry will be prepared to pay more or less for the following:



The demand for data and measurement has also been a prevailing theme over recent years, in response to the perpetual challenge of attributing media investments to business performance, deriving insight from ever-expanding data sets, and designing techniques which enable faster measurement and optimisation.

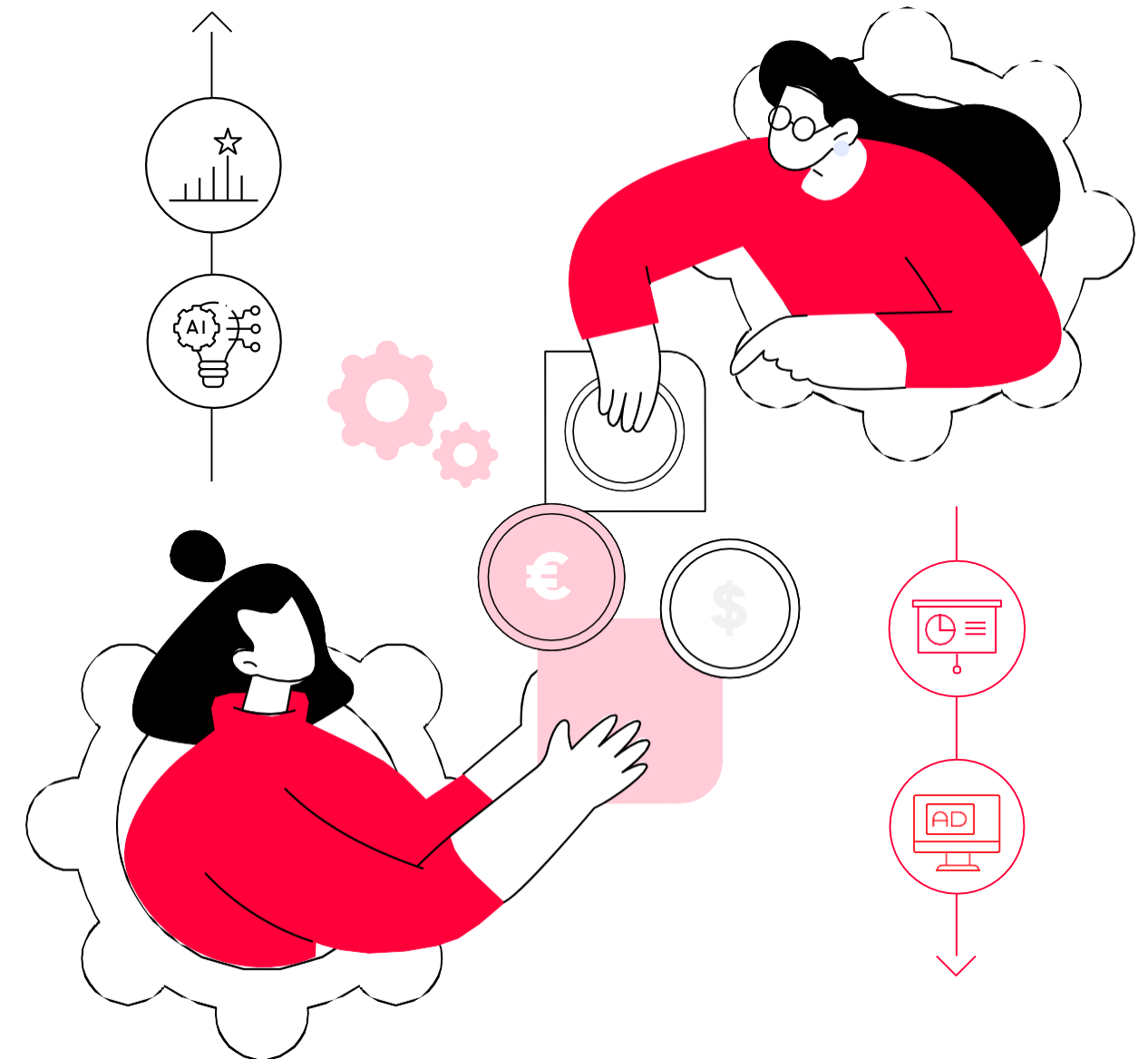
Although advertisers see AI reducing fees in the long term, they are willing to pay more for **Generative AI** expertise to accelerate their ambitions. In such a fast moving and innovative field, advertisers will increasingly look to their agencies to plug knowledge and capability gaps in their own internal teams.

It is a starker picture for more commoditised agency services like **Traditional Media Buying, Campaign Reporting** and **Account Handling** where there is an expectation fees will reduce. The perception is that these disciplines are more standardised and open to automation, leading to leaner teams and operational efficiencies.



**“Payment for certain capabilities will be based on system activity over billable hours.”**

This should signal encouragement for agencies as they look to how they build their teams with the right balance of strategic and technical expertise, and data and technology enablement. How they manage, nurture and retain this talent will however start to come under greater scrutiny. 71% of advertisers believe that accessing agency talent isn't about what they pay, but how the agency is managed. And as demand grows for certain disciplines, particularly those which command a premium, agencies have the choice to either compete for the same talent pool in the recruitment market, or double-down on developing their own talent to acquire the much sought after skills.



## What will it take to change?

Despite their best efforts, many advertisers still feel they are lacking sufficient clarity over their agency's commercial model. This varies between the advertiser and their agency, but there is currently a disparity between advertiser expectation and reality – 75% care how their agencies make money, but currently only 28% believe they have transparency in how they do.

While a disparity between what advertisers want to know versus what agencies are prepared to divulge is unsurprising, this study revealed an overwhelmingly negative sentiment towards undisclosed revenue streams that was impossible to ignore.



**“The upfront scopes and out of scope agency fees are straightforward, but their own technologies/media solutions are not transparent at all.”**

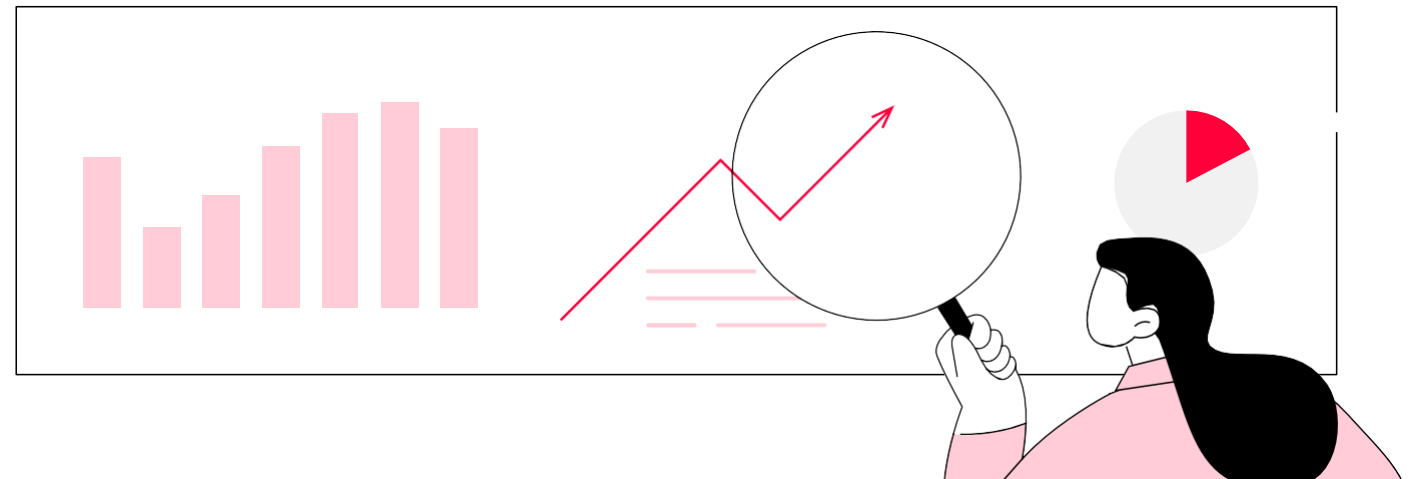
Non-contracted revenue streams such as pooled AVBs, opaque programmatic supply chains and inventory media were all frequently referenced as significant challenges for advertisers to navigate over the coming years, with no real indication of how they are being solved.

Where transparency over commercials was referenced in a positive light, these instances were credited to work by industry trade bodies to create best practice guidance, with only 34% of respondents believing transparency with their agency has improved over the last 2 years.

As outlined by MediaSense's voluntary [‘Proprietary Media Best Practice for Advertisers’](#) it's possible to turn these non-disclosed revenue streams into disclosed fees through transparent agreements around their implementation. Such transparency is a two-way approach and requires collaboration, supported by industry-led guidance and best practice.



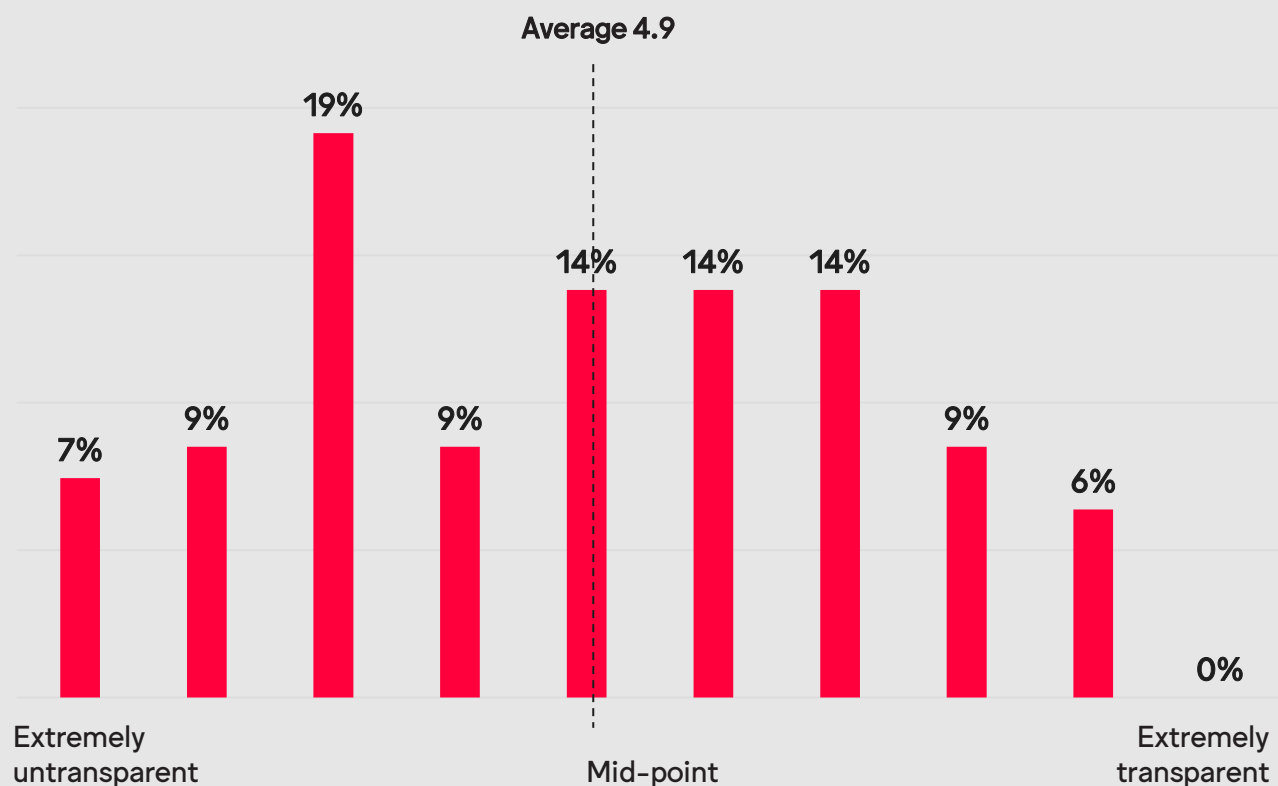
**“The programmatic supply chain remains a grey area, as does the fair share of ‘pooled’ AVBs given to the agency from biddable buy points. Of course there are others, but these are probably our biggest exposure/risk.”**



## Transparency is halting progress of outcome/performance-based remuneration models

The tension between what constitutes appropriate transparency is also prominent within remuneration model adoption. Advertisers are evenly split on the transparency of how their media agency partners make money (see below), and 87% of advertisers believe agencies are resistant to adopt models which require greater transparency (see page 11)

Thinking about the visibility you have into how your media agency partners make money on your business, how transparent do you believe this to be?



Shifts towards deliverable/output-based remuneration models should, in theory, create greater commercial transparency with a clear pricing structure for a set of defined outputs. But it's in the outcome/performance-based models where we anticipate there being the most tension, as this model requires transparency from both parties.

Advertisers seem to want closer agency compensation alignment to business outcomes, but also want commercial transparency. If an agency is willing to take on the commercial risk of tying their compensation to elements outside of their control, they will likely demand the autonomy to organise their resources in such a way that enables that model to be profitable for them.



**“We’ve worked hard to ensure transparency, but as you close one thing something else tends to pop up.”**

Many agencies would also argue that if they are delivering high quality, highly effective work that transparency shouldn't be as big a factor. Again, most advertisers disagree with this - only 23% agree that transparency in how their agency makes money is less of a concern if the work itself is delivered to a high standard.

Although most agencies will continue to reject models that require complete commercial transparency, the strong tide pushing towards greater transparency in remuneration is going to be difficult to resist. Some agencies may look to offer more transparent remuneration models as a USP versus the rest of the market, but it will take a significant change for all agencies to readily adopt outcome/performance-based remuneration to the level where it becomes most of their compensation.



**“The media agencies aren’t offering transparency and are reluctant to provide. We were only able to obtain better visibility via a competitive RFP process.”**



## Fit for future purpose? Agency perspective on remuneration model change

As the study reveals, agency remuneration is a two-way street and requires leadership from both client and agency to determine a model that creates a win-win scenario. To provide balance, a number of CEOs from leading Agency Holding companies and independents were interviewed for their reaction to this study. Reaction to the need for change was overwhelmingly positive, especially the desire to align agency remuneration to business outcomes. This was however tempered by the state of measurement with most clients ill-equipped to attribute business performance to the role of (often disparate) agencies.



**“The model needs to evolve as clients are fundamentally getting what they can measure, rather than what they need.”**

Increased ‘bundling’ of services (beyond media) and integration with in-house client teams is also changing favour towards outcome-based remuneration, with greater comfort around risk (and reward) considering the additional opportunities they have to affect outcomes. **“When you can control media, content, website experience, data, technology and measurement, my appetite for risk is far greater”**

The desire for change and especially to pay *more* for talent was still met with an element of *deja-vu*. Many pointed to the tension between different client stakeholders (from marketing to procurement to finance), and the challenge in aligning their objectives. **“They want completely different things and it’s why good intentions quickly default to the norm.”**



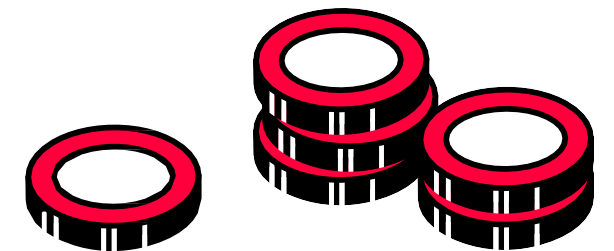
**“We are keen to move to an output-based model but it comes down to procurement teams and their comfort in buying services in this way. They are not there yet.”**

The agencies pointed to the impact certain client conditions (e.g. payment terms, year-over-year reductions) can have on transparency, flexibility and indeed talent. While agencies are willing to be more open and pragmatic with how they structure their commercial model, they are looking for consistency between what clients want and get, and a fairer value exchange based on the value they create. Interestingly some highlighted the responsibility agencies have when in competitive scenarios, to better manage the *need to change with the need to win*. All too often, unfit models are a product of a ‘win at all costs’ pitch scenario than anything pre-determined.



**“Achieving mutual clarity on objectives and the value associated with hitting those targets will render the transparency debate irrelevant.”** In another example, **“if it’s working and you’re selling, isn’t that all the transparency you need?”**

Finally a word on AI and how this should be funded which was more of a polarising topic! For some, AI is unlikely to lead to a wholesale reduction in fees provided agencies can demonstrate incrementality in terms of performance & value. Others disagreed and see a real challenge to top line revenue. While this may not drop dramatically, the nature of revenue will fundamentally change. One area where there was alignment was the fact that the competitive landscape is changing and the new competitors will not necessarily be another agency.

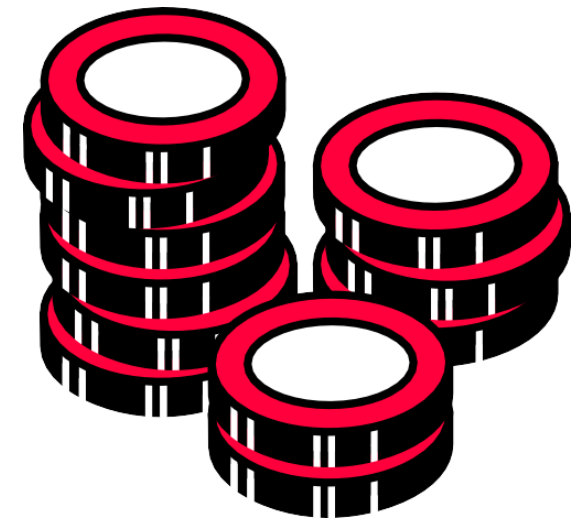


## Summary and Recommendations to consider

While it's evident why advertisers want to shift the tide to more accountable remuneration models, there are significant barriers to overcome such as measurement, transparency and internal/external alignment.

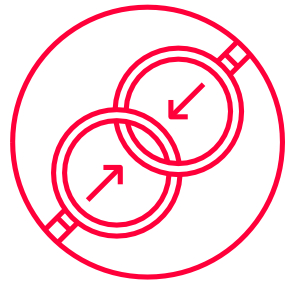
As technology becomes a more prominent part of the agency service model, alternative remuneration models like deliverable/output-based and SaaS-based will grow into favour. While currently fledgling, for some advertisers these models will see a greater share as the barriers to outcome/performance-based models prove difficult to overcome. Agencies will also seek to complement their technology offering with a growth of strategic and technical talent, with the advertisers seeing value in the multiplicative effect of technology + strategy.

The very fact that there is no perfect model suggests increased customisation of remuneration models so they can be uniquely designed to the requirements of the advertiser.



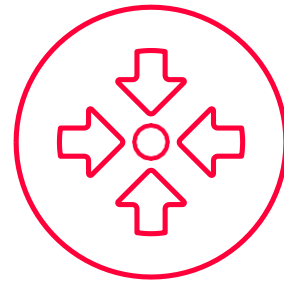
# Summary and Recommendations to consider

The responses to this study revealed a clear ambition by advertisers to evolve their remuneration models through closer alignment of agency compensation to outputs, outcomes and better behaviours.



## Improve two-way transparency

Consider establishing greater openness within the commercial relationship. For advertisers, this may mean providing agencies with greater visibility on expectations, goals, and budgets, as well as access to data that will improve how they are able to operate to those objectives. For agencies, this may mean being more transparent and proactive in communicating all revenue streams (including the non-disclosed elements) and the macro and micro challenges faced. Advertisers are willing to pay more to their agencies, but they want to understand what they're paying for.



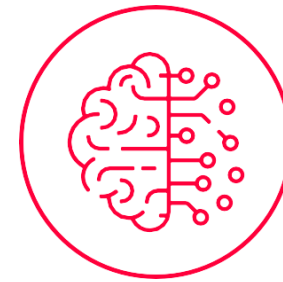
## Alignment of incentives

Conducting an evaluation of current contracts and remuneration models is a first step in understanding how agencies are currently compensated and whether there are opportunities to better align agency incentives towards desired outcomes.



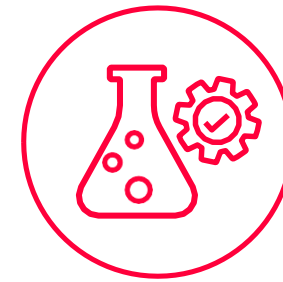
## Negotiate fair and flexible contracts

Advertisers should consider ensuring that commercial agreements allow for fair compensation for their agency partners depending on the level and type of work required. Central to this is flexibility to account for frequent strategic changes and ensuring remuneration models do not get in the way of accessing the right talent and innovation.



## Leverage technology and data

The only way that more accountable remuneration models can be realised, likely resides in the use of technology to create a system of data provision, measurement and reporting to enable both advertisers and agencies to access the necessary information. This responsibility is on the advertiser as much as the agency, with outcome/performance-based models often relying on outcomes that will come from the advertiser's owned data pools and internal systems.



## Experiment!

As different remuneration models evolve and the role of technology and automation becomes more pervasive, start to experiment with different approaches to test the impact to business performance alongside access, retention and quality of talent. Start small (by capability or division or market), and then look to scale.

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