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'It's more transformational': For the third time in five years, advertisers will launch a mediapalooza of account reviews

Remember mediapalooza? Five years ago, the world's biggest advertisers put tens of billions of media dollars up for grabs for agencies to duke it out over. Now, they're doing it again.

So far this year, 950 advertisers have concluded media reviews worth $10 billion in ad spending, while another 75 are underway that represent $5 billion, according to research firm COMvergence. A further $13 billion could be up for grabs over the coming months.

Indeed, some advertisers like Burberry are due to restart global reviews that were postponed at the onset of the coronavirus crisis, while others like Unilever are long overdue one. **Should both reviews take place before the end of the year then it would represent more than $4 billion in media billings, per COMvergence.**

***"Based on recent conversations I've had with agencies and industry analysts, it seems that the number of multi-country and local pitches are increasing again as advertisers who had planned to review their media arrangements this year will go ahead, while adapting to the new ways of running a pitch virtually,"* said Olivier Gauthier, CEO at COMvergence.**

Events like this have become a regular occurrence over the last five years. The first mediapalooza happened in 2015, only to be followed by another three years later and now another is on the way.

Corporate cost cuts amid shifting commercial priorities are making advertisers think long and hard about how much they spend on marketing — and therefore their agencies — coming out of the pandemic.

"There's a mediapalooza happening now, but it's not public," said John Donahue, CEO at media consultancy WLxJS. "A lot of processes that lead to global reviews started on March 14 when lockdowns came into force."

Behind the scenes, advertisers are busy doing all the things that eventually lead to reviews.

“While a review process is very public there’s a whole other process to get to that point; there are audits to run and questions to ask before ruling whether the relationship with your agency is set up the right way,” said Donahue.

But whereas previous mediapaloozas revolved around advertisers’ concerns over how agencies spent their money, now there’s a greater focus on redefining what agencies do. When the world changes as much as it has in 2020, so do go-to-market strategies. Businesses that were traditionally reach-based advertisers are being forced to act like direct-to-consumer ones, for example. Little wonder then why those advertisers are debating whether their agencies are up to the task.

“From the many pitches we’re seeing in the works, they’re less about advertisers being inherently unhappy with their current agency and more an acknowledgment that they need different things from them,” said Ruben Schreurs, managing partner at digital media consulting firm Digital Decisions.

With so much financial and civil unrest, advertisers are marketing in a faster-moving marketplace, and that means two things. First, advertisers need more insights into shifting media trends they can exploit. Second, they need the flexibility to adapt media plans in response to those trends.

Both concerns have put newfound pressure on the perennial list of advertiser concerns around strategy, operating model, efficient use of technology, compliance of data use, in-house plans and brand suitability. In response, the holding groups are pitching advertisers more integrated models capable of tapping into various expertise across their agencies, from data management platforms to e-commerce strategists.

“The briefs for pitches we’re seeing come through now are more transformational,” said Martin Kelly, CEO of Infectious Media. “Marketers are questioning whether they have the right marketing mix and subsequently the right operating models with the right partners, and that’s leading to these more strategic briefs.’

Neverthless, brokering cheaper media prices will still play a role in upcoming negotiations, especially given the financial straightjacket advertisers now find themselves in.

“If the business is hit hard then there will be logical cuts to the budget and with that also likely a shift in scope with an underlying need for savings,” said a marketing procurement director at a pharmaceutical company who asked not to be named.

For many global advertisers, recoveries will be driven by efficiencies, rather than top-line growth. While an extreme example, the recent Kraft-Heinz review is emblematic of how ruthless advertisers are prepared to be in pursuit of cost efficiencies needed to maintain margins on media. The advertiser had asked agencies on the pitch to agree to its 120-day payment terms, for example. By pushing out payment terms to four months, Kraft-Heinz has more cash for other areas.

“There are some advertisers like Kraft-Heinz that see the pitch they’ve just concluded as the last opportunity to drive some hard savings from their media before more of their money moves toward auction-based channels,” said a consultant with knowledge of the CPG company’s plans.

As much all these pitches represent a chance for agencies to win some much needed cash they’re also an additional cost. Already short-staffed in light of cost cuts, agency bosses will need to weigh up their chances of winning new business with the impact it will have on work for current clients. From there, it’s a slippery slope for those CEOs struggling to balance short-term commercial gains and the longer-term stability of their business model.

“There’s a risk that clients will become unsettled as agencies continue to cut out headcount — the effects of which will only be fully understood once the government’s furlough scheme draws to a close,” said the CEO of an independent agency in the U.K. on condition of anonymity. “Given the cost-cutting challenges that the agencies face themselves I fear that there will be a number of players who are willing to continue the race to and through the bottom just keep media billings coming in.”