

Let's re-look the advertising pricing model

By  Lufuno Makungo

14 Aug 2018

It's an open secret that advertising people hate timesheets, though it remains the preferred pricing model with no sign of an alternative. Our daily job is to find creative solutions for our clients, but we have done little to find a solution to our ancient pricing model that we despise so much even though our industry keeps changing.



phichai angthong via 123RF.com

Hourly rate is one of the simplest pricing models, almost like a copout for people who don't know how to price their services. What can one do in an hour? Plenty. Are all hours worth the same? No, they are not. Each advertising task requires a specific approach and effort. And when it comes to creative solutions, you can never estimate the amount of time it will take to come up with the big idea. Then why is each hour given the same fee when they produce an unequal value of work? I guess the hourly rate is a safe option. You can also charge for all your unproductive hours.

The inaccuracy of timesheets

Timesheets are very inaccurate. That's because everyone hates them and as such the time is often logged days after the work has been done. You find employees who are two months behind on their timesheet and when they finally fill them, it's about finding ways to reach the target hours as they would hardly recall exactly what they did two months ago. Through this inaccuracy, agencies are likely to overcharge clients or shortchange themselves. If I were a client and you come to me asking for more money based on the hours spent on my account I would ask for the work done.

If we trust each other (agencies and clients), we can do away with timesheet with no alternative model. The retainer model or project fee is primarily based on the scope of work, not time, and that scope can still be priced without putting time on it but resources and their costs which are not based on time but expertise and experience of the resources. When the scope increases, the fee can be renegotiated based on that. Instead of presenting hours spent, you present the work done to show you have done more than the agreed scope.

Presenting the work done is more accurate than presenting hours spent. I doubt anyone would create fake layouts to show they've done more work. More work could be because of the number of reverts on the projects or additional projects over and above the agreed scope. Presenting the work done could also improve efficiency and reduce future wastage as we unpack why there were more reverts on those projects. If the contract says a retainer fee covers two reverts, during a fee review you will present all the layouts done on each project to see if it's within the agreement or not.

The additional work will be priced the same way as the original retainer- based on the resources used and their costs. It's a value-based approach. Clients should also be able to negotiate us down for poor quality work.

Pricing potential success of our campaigns

Over and above the resource costs, we should also price for the potential massive success of our campaigns. Campaigns like Ayoba, Share A Coke, and Carling Label Be The Coach should earn creative agencies involved additional income derived from the generated revenue. This could encourage more great work from agencies knowing that there's reward for doing amazing work. The pricing of the campaign success should be a percentage of the additional revenue client generated over and above the campaign target.

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This is an initiative I would like the ACA to embark on. In the current advertising production chain, agencies are the least remunerated for their effort. Voiceover artists get paid performance fee and also earn royalties each time the ad flights, the same with actors in the commercials. Photographers are paid each time their images are re-used, the same with stock libraries. The originators of the ideas get nothing more than a retainer or project fee. Agencies used to earn commission on their commercials when media booking was still done in-house. Since media agencies are now separate from creative agencies, creative agencies are now losing out on that revenue.

A portion of the commission that media agencies earn for booking media space should go to the creative agency that did the work and that should be the case each time the ad flights. This will be at no cost to our clients, but will just reduce media agencies' revenue. This will encourage agencies to do lasting creative work that can earn them more revenue. It would also improve cooperation between creative and media agencies.

Media agencies are currently earning a lot of commission on the work that's not theirs. That commission should be shared with the creators of the work. ACA should pursue this idea to be an industry regulation to be adhered to by everyone. This will help improve agencies' financial stability and job security.

In conclusion

Timesheets are an annoyance and make people, especially creatives, hate advertising. To remove this burden off them can be something of a morale boost.

People are less encouraged to continuously work hard for the same fee. Earning more money from successful campaigns will encourage more creative thinking.

Agencies are financially unstable and struggling to generate decent profit while media agencies are making millions out of work they never did. This should change.

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