



# Industry principles for media agencies

## LEADING SWISS AGENCIES



## I. General

In their actions, the parties reflect the ethical and legal principles as defined hereinafter and seek co-operation based on partnership.

### **1. Validity**

The following industry principles govern all relationships between client and agency once they have become a part of the agreement. Numerous terms and provisions reflect normal business practice. Any deviating terms and provisions are to be agreed upon in writing.

These terms and provisions govern all present and future services supplied by the agency.

## II. Working principles

### **2. Rules of fair competition**

In its activity for a client, the media agency is to follow the legal requirements and national and international principles concerning fair competition in commercial communications in as far as these requirements are applicable to media work.

### **3. Loyalty duty**

The agency acts as the agent of its client and safeguards the client's interests to the best of its knowledge and belief. Agency and client are both committed to keep each other's trade secrets fully confidential.

### **4. Representation, third party services**

The agency is authorised to call on third parties to fulfil contracts. It bears responsibility for the careful choice and appropriate briefing of such third parties, but not for their errors of performance.

As a rule, the agency represents the client and acts on his account vis-à-vis third parties.

Mandates are executed according to the terms of business of the contractor.

### **5. Coordination responsibility**

Should the client not appoint the media agency as the lead agency, the client carries the coordinating and information responsibility towards the other participating agencies and third parties.

### **6. Intellectual property**

The client respects the intangible property rights of the media agency concerning the services supplied by it (especially services in accordance with para. 12/13 hereinafter).

### **7. Transparency**

Upon the client's request, the agency is at any time obliged to supply a detailed report on its activity on the client's behalf.

### **8. Commission/discounts**

Should commissions and discounts not be included in the fee agreement, cipher 16, para. 2 becomes effective.

### **9. Data and documentation**

Concerning the obligation to restore possession of data and documentation, the provisions of the law of mandate apply.

## III. Agency evaluation

### 10. Initial meeting

The initial meeting is free of charge for the client and without any obligations for both parties involved.

### 11. Follow-up evaluation

All agency activities following the initial meeting are against payment, and the agency is to inform the client in advance of the price.

### 12. Presentations, exposés

The agency is not obliged to perform any free-of-charge preliminary work. Should the agency accept the brief to prepare a presentation, it is required to inform the client of the presentation fee in writing.

#### Presentation fees

The client remunerates the agency in terms of a presentation fee in accordance with expenses. The fee is to be determined during the briefing meeting.

Third-party expenses (such as Media Focus) and traveling expenses are not included in the fee, and they are invoiced separately as previously agreed upon.

Should the agency recommendations find client approval, the presentation fee will be offset appropriately.

## IV. Agency services profile

### 13. Key services

The client is entitled to expect state-of-the-art media competence including up-to-date planning data. The agency provides its services to the client on the basis of a permanent relationship (lasting many years), or on a per-case basis for individual jobs.

#### The agency's key services include:

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| <p>a) Situation analysis</p> <ul style="list-style-type: none"> <li>• Evaluation of data and facts supplied by the client (briefing documentation)</li> <li>• Comment on the supplied marketing goals and strategies with regard to market structure, competition, buying, consumption, or use</li> <li>• Cooperation in the design and interpretation of research (research on market, attitude, motivation and advertising means);</li> </ul> <p>b) Strategy</p> <p>Formulating a strategy based on the situation analysis and including the following elements:</p> <ul style="list-style-type: none"> <li>• Communications targets (Formulating quantitative and qualitative goals that can be achieved by means of advertising)</li> <li>• Target group (Definition of target groups and their characteristics)</li> </ul> <p>c) Concept</p> <p>Developing a basic media concept to serve as the basis for the media strategy and planning;</p> | <p>d) Planning</p> <p>Definition of the appropriate media (media strategy) and of the input concerning time, place and finance (media planning).</p> <p>It is custom that the agency works out a maximum of three planning variations within the framework of the fee agreement;</p> <p>e) Implementation / buying</p> <ul style="list-style-type: none"> <li>• Obtaining quotations</li> <li>• Buying all media</li> <li>• Placing orders</li> <li>• Following-up of deadlines</li> <li>• Quality control</li> </ul> <p>f) Administration</p> <ul style="list-style-type: none"> <li>• Checking all third-party invoices</li> <li>• Expense and budget control</li> <li>• Settlement of orders issued</li> </ul> <p>g) Performance monitoring</p> <ul style="list-style-type: none"> <li>• Reporting</li> <li>• Post Buying</li> <li>• Documentation</li> </ul> <p>h) Audit</p> <ul style="list-style-type: none"> <li>• Supply of raw data or existing standard reports twice yearly at most for the purpose of an audit (based on available data content, without special analyses)</li> </ul> |
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Not included in the key services:

- Completion of auditor templates
- Special analyses such as visibility rates, technical costs (for example ad management, Suisa, production supplements, etc.)
- Additional work associated with the audit: preparation/execution/follow-up

#### **14. Additional services**

In principle, quotes for additional services or costs of outside service suppliers are submitted separately and invoiced only following client approval. These services include:

- a) Expenses for extraordinary trips and travel expenses, and special administrative and organizational tasks executed upon the client's request;
- b) Work supplied by specialists (such as market research companies, legal advisors, etc.).

#### **15. Special services**

Special services are other services beyond the key services listed in article 13. They are governed, if required, by separate agreements. This applies particularly in the case of services in connection with media audits. Special services are invoiced at cost.

## V. Agency fee

### 16. Compensation – general principles

LEADING SWISS AGENCIES are basically ready to consider any forms of compensation, provided they generate a fair level of income. Whether they are percentage-based, or concept / performance flat rates combined with agency or employee hourly fees, agencies generally suggest a modular system tailored to the particular customer and the type of mandate.

In the absence of an agreement that they shall constitute a part of the agency's compensation, all commissions or rebates are passed on the customer. In this respect they may also be used for settling outstanding compensation due to the agency. The agency informs the customer on an ongoing basis regarding the current status.

All forms of compensation commonly accepted for media services in Switzerland, and particularly compensation for direct ordering (DBE) and for online ordering (OBE), constitute recognised market practices to which clients are not entitled. Agencies retain the exclusive right to such compensation.

### 17. Percentage compensation

The customary form of compensation is percentage-based. For a professional media service to be provided, a minimum fee needs to be fixed depending on the size of the media budget. For very large budgets this should not be less than 3% net, with medium-sized budgets not less than 5% net and for small or online budgets the minimum should be at least 10%

net. Other types of "non-classical" communication may be compensated either by a

higher percentage fee or within the overall cost of the job.

The percentage-based compensation fee covers all key services provided by the agency (see § 13), unless otherwise agreed.

### 18. Flat-rate fees

These may be simply an overall flat rate, or based on hourly rates.

### 19. Coordination / supervision

For integrated communications mandates and for assuming leading or supervisory roles with other companies in a partnership situation, the agency may make claim additional compensation for services rendered in implementing customer-approved strategies and coordination.

### 20. Additional special provisions

LEADING SWISS AGENCIES takes a positive view on performance-based compensation. However, experience to date shows that performance-based schemes cannot constitute the fundamental element of agency compensation.

Compensation for qualitative performance may constitute an additional incentive. The quality of relationships, the achievement of marketing and advertising goals as well as positive customer sales figures are the usual criteria for qualitative performance compensation.

Compensation for quantitative performance in terms of cash or payment in kind obtained by the agency (shared incentives), should normally be shared between the client and agency on a 75/25 basis.

**21. Transfer of right of use (usufruct)**

Payment of the fees compensates for the use of the data provided during the contractual cooperation.

**22. Termination or budget cuts**

Should a contract be terminated before completion, or its scope curtailed significantly, the client has to compensate the agency as follows:

- a) Should services such as strategy and planning have been supplied, then 50% of the fee may be invoiced.
- b) Should media buying also have been supplied, up to 75% of the agreed upon fee may be invoiced.

The budget originally agreed upon serves as the basis for invoicing.

Services not included in the fee are to be paid in full.

## VI. Termination of co-operation

### **23. Termination of contract**

Taking into account the work capacity supplied by an agency, agency agreements may be terminated by observing a six-month term of notice given effective 30 June or 31 December. During this period the agency executes all outstanding tasks agreed upon. Any termination that does not take into consideration this term of notice is considered untimely and the agency is entitled for compensation by the client. Contracts for individual jobs terminate once the conditions have been met.

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