



CONFLICT POLICY GUIDELINES

A Position Paper from the American Association of Advertising Agencies

I. This position paper addresses trends in client/agency conflict policies and reflects consideration of these issues by the AAAA New Business Committee.

Little has been published on conflict policies, and in client/agency contracts such policies are either not referenced or only vaguely defined. In fact, many conflict “policies” are only loose understandings determined on a case-by-case basis.

II. The definition of conflict is becoming more liberal, i.e., less restrictive, due to current business trends.

Conflict policies at most advertisers and agencies are generally becoming more liberal due to a number of factors:

- Consolidations by both clients and agencies have made previous, more restrictive policies impractical. Major marketers generally define conflict by “agency brand” rather than by holding company. Under prior thinking, holding companies would have to “clear the decks” to accept any of the operating units or companies of a global packaged goods client. Clients have mostly moved from the holding company policy and many are accepting office separation as valid (whereby competitive companies are handled through different offices).
- Global expansion by both agencies and clients play an important role. Many advertisers permit seemingly direct conflicts on a country-to-country basis because any other perspective would cause undue hardship to the client or to the individual agency offices where even large multinationals may have relatively small budgets in local markets.
- The depth and scope of interlocking services in categories such as financial services and telecommunications makes strict conflict policies impractical and, in some cases, impossible and undesirable to implement.
- Clients are forging joint ventures and marketing agreements on a category-by-category and deal-by-deal basis. This partnering is often with what had previously been life-long competitors, and frequently these companies remain competitors in all dealings outside the specific alliance.
- Head-to-head conflicts at the brand or category level are real business issues, but taking it to the divisional or even corporate level is impractical. The best gauge of the strength of the client/agency relationship is the client’s willingness to define conflicts based on business issues vs. emotional definitions. Statements of agreement and trust are in favor, replacing formal conflict policies.
- Conflicts are in the eyes of the beholder. Senior executives generally place high value on relationships and might endorse arrangements that less senior management might not feel empowered to approve.

III. Guidelines for evaluating whether there is a conflict:

- The agency brand should be used as the criterion, not the holding company.
- The agency office can be a valid separation (i.e., different staff as is the case with consultants, lawyers and accountants).

- Unbundled services are considered a valid separation.
- Conflict should be based on “brand vs. brand” or “category vs. category” rather than at the divisional or corporate level.
- Definition of conflict should be based on real business issues on a product by product and country-by-country basis.

Members should consider incorporating the agreed-to conflict policy (using the above five points as guidelines) in the client/agency contract, unless doing so would lead to an unnecessarily restrictive or difficult to negotiate provision for either or both parties.

IV. Summary

Conflict policies are evolving, and restrictive thinking has generally loosened. This trend is due to significant change in the way marketers and agencies compete and is further accelerated by the consolidation and convergence in many industries.

The electronic marketplace will continue this trend. “Shelf space” is now unlimited and advertisers compete within an infinite “global store”.

Conflict policies are often based on trust and, in the case of new relationships, trust is often not fully established. Considering that trust grows over time, and also because of the rapid turnover of both advertiser and agency personnel, it is prudent to define conflict within newly drafted client/agency contracts. Again, this should be done to confirm a business-oriented flexible approach, not to formalize a restrictive policy.

Conflict policies should be developed based on what is best for the advertiser’s business. When choosing advertising agencies, as well as most other professional support systems, selecting the best resource should take priority over emotional issues, and this may affect the definition of conflict.

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