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For many marketers, the investment that they make in media support for their brands is one of the most strategically important and financially significant elements of their business model. Given the importance of a marketer’s advertising activities, many advertisers want to ensure that their investment in media is properly calibrated, expertly managed and carefully monitored.

There are many aspects of optimizing a marketer’s advertising initiatives. This publication has been developed for advertisers that utilize audits as part of their governance approach to managing and monitoring local television activities.

“Best Practices Guidelines for Local TV Media Audits” is structured to provide advertisers with important information about the way local TV transactions are planned, negotiated and executed.

The first in a series of media auditing guides, this publication suggests industry best practices and recommends constructive steps that advertisers can, and should, take to ensure that their media investments are effectively and efficiently planned, purchased and verified.
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Larger marketers that invest considerable economic resources in media-driven marketing programs are endeavoring to leverage scale and optimize both the effectiveness and efficiency of their media investments. This critical task has become more challenging with the proliferation of media vehicles, dynamic changes in the media buy-sell marketplace and evolving audience measurement methodologies. As a result, media planning and buying services have taken on great significance in the advertiser’s marketing service mix.

The increased complexity of media operations necessitates that client organizations work with knowledgeable media professionals and utilize appropriate media-specific authorization, disbursement and media stewardship systems and suppliers. Comprehensive stewardship of media transactions includes communications planning, media planning, media buying, disbursements and post-buy analysis. Many advertisers also include verification, audits and marketing accountability/ROI in their stewardship process.

This guide specifically deals with best practice approaches applicable to local television media audits.

The media audit is more comprehensive and serves a different purpose than a traditional financial audit.

Generally, a media audit is based on buy performance and compliance with pre-established client guidelines that can, and do, vary from client to client. Advertisers will often utilize a separate specialist media audit company to conduct a media audit while using a traditional CPA or internal audit group to conduct a financial audit.

The media audit is an operational review that can help identify (and prevent in the future) sub-optimal practices, mistakes, inappropriate shortcuts or missed opportunities across the media advertising supply chain.

There are complexities inherent in media audits. The magnitude of the expenditures involved and the decision by some advertisers to employ outside auditors that are paid based on the number of variances that they find during a media audit can exacerbate the tension and cost involved with media audits. (The contingency media auditing business model can result in conflicting objectives that lead to variable audit practices that are inconsistent with standard industry media planning and buying practices.) This document serves to outline best practices for local television media audits for agencies, advertisers and the media auditing companies.

The stewardship process must begin prior to initiating a buy. The agency and client should develop and formalize buy specifications, audience delivery assumptions and any other advertiser guidelines in advance of the buy. Once all parties have agreed upon standards and assumptions and the buy is executed, these guidelines form the platform for any future verification or media audit. Everyone involved should be on the same page with respect to guidelines.

Agencies recognize a client’s responsibility to steward their media investment. It is important to identify media/buying issues that were not properly attended to and that should be corrected to maximize an optimal effective media schedule. A media audit must fully explore the conditions and issues that will deliver the optimal effective schedule. There are a broad range of elements that need to be considered when developing a best practices media audit process. This document endeavors to outline key principles and best practices, along with suggestions on how to achieve optimal media results in an efficient and appropriate manner.
Substantive media guidelines and implementation of parameter assumptions should be determined and agreed upon by the advertiser and agency prior to the start of the buying process.

The guidelines established by the advertiser and the agency will subsequently become the sole basis of performance and measurement in any media audit.

This best practice requires consistent communication and scope planning when the marketer establishes the parameters of the audit. Auditors should know and adhere to these agreed-upon guidelines and audit parameters.

From time to time during the course of a media audit, some auditors ignore or unilaterally amend advertiser guidelines in their analysis and report on how they believe the buy should have been purchased, posted, etc. In addition to ignoring advertiser guidelines, some ill-informed auditors do not understand or, worse, chose to ignore accepted industry best practices for posting buys. These types of audit deviations are an inappropriate and inefficient business practice for both advertiser and agency.

A media audit entails a post-buy analysis. At this point, we should establish exactly what the term "post" means. As defined by the industry and the 4A’s, "post," or "posting," is the industry term for post-buy analysis, which is an analysis of a schedule’s performance after it runs. A post-analysis offers a means of measuring a media buy as run, as opposed to the original goal or the estimate of what the buy was expected to achieve.

The auditor’s role is to analyze and verify the buy/post as per parameters established utilizing industry accepting measurement criteria.

Principal marketing criteria that have auditing implications will include:

- Auditing parameters prior to start of buying, e.g., post criteria, client guidelines
- Measurement criteria to be used in performing the audit, e.g., Nielsen
- Communication process between agency and auditor (e.g., determine how data will be sent to auditor, timing and due dates for audit delivery and agency response)
- Agency procedures for following up on any significant and mutually agreed upon variances uncovered during audit.

In addition to the criteria noted above, there are a number of industry standard measurement considerations that should be recognized in media audit procedures. These industry best practice standards include:

- Final approved schedules are the basis of a media audit
- Industry standard practices are to be followed, e.g., +/- 10 percent market delivery is acceptable in local television.
Step 2

Establishing Conditions Under Which Local TV Buys Are Made

Local TV has unique conditions and issues that relate to planning, negotiation, authorization and reporting of buy results to the advertiser.

The ultimate results that are generated from a media buy will vary depending upon buy specifications, timing and market conditions. Market conditions are a major issue, because desired programming may not be available. For example, if a buy is made close to the air date, the price might be subject to higher rates due to clearance issues. If a buy requires both prime time and non-prime time, or if stations that are not normally part of the buy are added to the buy, costs will be affected. The impact of market conditions on each buy’s results and costs are one of the reasons that it is inappropriate for advertiser and auditors to evaluate a buy solely based on the performance of previous buys.

Before any planning and buying commences, it is critical that an advertiser’s marketing and financial personnel, in conjunction with the agency or third-party media buying service, identify and agree upon buy specifications, authorization procedures, makegood guidelines, post-buy tools and tolerance standards, e.g., +/- 10% market delivery.

It is important for advertisers to instruct their auditors that media buy guidelines, verification methodology and the industry practices post-buy analysis methodology—that advertiser and agency jointly agreed upon in advance of the buy—should be the focus of an audit and not the audit company’s methodology.

Specific conditions that must be considered when assessing a media buy include:

- Target demo
- Flight dates
- Spot Lengths
- Days of the week
- % GRPs/daypart parameters
- Total budget by market
- Makegood policy
- GRP substitution and tolerances by daypart
- Any additional information specifications relating to an individual advertiser’s buy guidelines.

Anything not detailed in the advertiser’s buying guidelines or in the methodology of the agency’s local broadcast buying standards should not be part of an audit verification process.

Basis of unit costs.

Media costs are generally negotiable. Most media rate cards have become little more than guidelines for advertising unit or schedule pricing and don’t necessarily reflect the final price paid. Advertising rates are greatly affected by the decisions made on which buying parameters and techniques are used. The following are several examples that illustrate the impact of buy specifications on unit costs:

- If the buy is required to have 10-second units, and none are available, a higher rate may need to be paid
- Sell-out conditions could also require higher rates to get on the air
- If specific premium primetime programming is required, a higher CPP might be incurred, since rates are generally established using average prime rates
- Some stations price their units differently, depending on how or when the buy is made.

Guidelines for Local TV Media Audits
Some of these differences provide greater assurance of schedule integrity to advertisers who pay a higher price. Advertisers that are willing to pay a higher price may gain access to inventory units by preempting those advertisers paying lower rates.

It is critical that the advertiser understands the basis on which the buy will be negotiated, and the risks and opportunities associated with the selected buying technique.

The criteria under which unit rates were established (e.g., lead time, density of planned GRPs in a daypart, sellout issues) need to be considered as part of the audit. Industry benchmarks cannot be used without applying the same criteria.

**Year-to-year cost changes.**
Because published rates are either inaccurate or don’t exist for many television stations, annual cost changes are sometimes used as a barometer to gauge pricing. Rates paid in prior years by an advertiser may be compared to year-to-year changes in “street rates” as reported in industry trade media, if the buy specifications and buying techniques are comparable from year to year. Significant differences in year-to-year rates between an advertiser’s rates and “street rates” should be disclosed; however, no further action is to be taken.

**Enhancements to media buys.**
Many media vendors offer buyers promotional enhancements—including editorial coverage, sponsored features or special events in lieu of lowered advertising rates—making industry pricing comparisons difficult to determine. Before a buy is made the advertiser’s marketing or media units must delineate to the agency or buying service how they expect to value media buy enhancements in lieu of conventional audience delivery metrics. If there are enhancements included as part of the buy, the value of those enhancements should be included in value delivered with the buy and should be included in the post-analysis as media delivered.
Step 3
Establishing the Basis of Audience Measurement

Television is measured by secondary research providers.

It is essential that a mutual understanding as to the selection of the available media research, along with an understanding of the limitations of the methodology and interpretation of its use, be reached between the advertiser and the agency and/or third party media buying service in advance of media placement. This should be the basis of the audit, not an alternative method employed by an audit company.

The following variables should be discussed in advance when establishing the ground rules for evaluating the delivery compliance of an advertising schedule:

Timing.
Frequency of measurement varies by market size. The method of measurement to be used in evaluation should be established upfront.

Availability of ratings information.
As of fall 2008, the most utilized ratings information benchmarks are:
- LPM markets—Overnight ratings for households and key demographics
- Metered local TV markets—Overnight ratings available at the household level only
- Diary markets—Ratings information is delayed as much as three to six months.

Demographics.
Nielsen measures a wide range of demographic segments. Research for local TV covers a limited array of demographic segments or no segments at all depending upon market size. This should be taken in to consideration during demographic selection.

Reliability.
It is important to understand the limitations of audience measurement methodologies. There are significant sampling issues with some media and with certain demographics, which can cause wide deviations in ratings data from survey to survey. This is significant consideration when projecting audience size and dimension, especially for media categories and media vehicles with smaller audiences.
Step 4

Establishing the Basis for Appropriate Financial Management of the Buys

Media service arrangements between an advertiser and agency are generally well defined in the form of an advertiser-agency contract. When it is appropriate to conducting a media audit, it is advisable that the advertiser make relevant media planning and buying information from the advertiser-agency contract available to the media auditor; the auditor should be guided by the advertiser-agency agreed-upon terms and conditions that are contained in the contract. In lieu of a formal contract that addresses specific financial arrangements between advertiser and agency, the auditor should base the review on the prior business practices between the two parties as the basis of audit compliance. Client payment and discrepancy resolution policies should be provided to the media auditor and discussed prior to engagement of the audit.

Financial Considerations

Payment Policy
Media-related payment policies are commonly guided by payment terms provided by the respective media suppliers. However, industry practice recognizes that payments to the media may be extended primarily due to “discrepancy” resolution resulting from differences between estimated or ordered activity versus actual media deliveries. Accordingly, the advertiser and its agency should consider these circumstances when establishing an agreement on media payment policies and determining what constitutes timely advertiser remittance and timely agency payment.

Media Discrepancy Resolution Policy
When there are discrepancies between the service paid for and the service delivered, the resulting negotiation between buyer and seller may result in the buyer either receiving a “makegood” (in which case the discrepant media falls into a future media placement) or the buyer receiving a credit from the media supplier.
When developing media performance expectations the advertiser’s compliance parameters should include reasonable performance latitudes that recognize the multifaceted dynamics of the media marketplace.

Industry best practice compliance considerations recognize pragmatic realities of the media buying process:

- Negotiating media buys and securing advertiser authorization based upon estimated expectations that are in line with established plan goals.
- The first step in determining compliance focuses on expectations of the buyer to deliver the goals that were established and authorized by the advertiser and the planning team. Inasmuch as this is the buyer’s estimate of delivery and achievement, the advertising, marketing or media staff should be responsible for establishing guidelines and evaluating results with the agency or buying service in advance of the buy. These guidelines are best developed in conjunction with the buying team so that reasonable expectations can be established based upon areas such as market conditions, rating realities and industry practices.

Compliance considerations include:

- Identifying expected timing for completion of the buys
- Identifying the extent of buy detail required for buy completion as per client authorization
- Detail buying guidelines and adherence to those guidelines
- Determining what target audience(s) should be displayed, estimated delivery of those audiences and the source(s) used to compare estimates to goals
- Displaying estimated target audience delivery by medium, station, market and by daypart within that medium (goals versus purchased)
- Summary of costs compared to budget
- Discrepancy make-good policy.

Deviations from planned and/or authorized schedules, as noted above, must be thoroughly explained and supported with reasonable and appropriate rationale.

Deviations should be approved by the planning team and client prior to the buy being placed.

Once the buy is placed goals should be replaced with purchased data so that audits are performed on what was approved for purchase.

Deviations from goals should be minimal at this stage. Buys are generally executed close to the construction of the media plan with negotiated rates that should be fairly consistent with estimates used to develop the media plan. If a considerable period of time has elapsed from the time the media plan was constructed and the time the buy is approved by the client or sent to the buying team, then deviations from goals may become a consideration. If there is a substantial difference, explanations are in order. For example, at the buy authorization stage too much underdelivery can endanger effective target communications, while too much overdelivery can siphon advertising funds that might have been better deployed elsewhere.

The final media buy achieved those estimated expectations.

The next stage of determining compliance entails a post-analysis of final delivered audience compared with the estimated delivery projected in the original buy authorization. The post-analysis may also reference the original goals; the primary report, however, should focus on “purchased/affidavit results versus estimated,” since that was agreed upon to buy.
Consistent with previously discussed phases of the buying process, post-buy compliance is the joint responsibility of both the advertiser’s media staff and the agency’s buying staff.

The post-buy stage assesses the buying agency’s ability to effectively steward all of the elements of the schedule and to demonstrate how they have worked to fulfill client expectations.

All guidelines and criteria concerning the post-buy evaluation should be established ahead of time by the advertiser and the buying agency, before any media is purchased. These guidelines, which should be communicated to an auditor, should address the following:

• The ratings data source to be used and the specific survey periods
• Method of data transfer from agency to auditor—this should be electronic and in a format that allows the agency to transmit data efficiently (e.g., electronic transmission of Excel formats rather than PDFs)
• Ratings deviation limit—The current industry standard states that this deviation should not exceed plus or minus 10 percent of the estimated ratings on a market-by-market basis in local television; often, narrower target demos require a significant increase in deviation limits
• Break averaging—The break average should include the 15 minutes preceding and following the break
• Agreement on ratings data to be used for schedules that include both “In Sweep” and “Out of Sweep” schedules
• Source of data used for evaluation—acknowledged industry data sources should be used; auditors should not adjust any agency information or use conversion factors
• Reconciliation of ratings underdelivery and makegoods to run on future flights.

Tolerance range parameters should be designed in advance. Furthermore, upon delivery of the post, if variances can be explained by virtue of ratings methodology or by station issues, that should resolve most compliance issues.
The best practice gold standards for conducting media transactions and verifying performance through audits involve five important steps:

1. **Step 1**
   Substantive media guidelines and implementation of parameters assumptions should be determined and agreed upon by the client and agency to prior to the start of the buying process.

2. **Step 2**
   The ultimate results that are generated from a media buy will vary depending upon buy specifications, timing and market conditions. Ramifications of buying conditions must be clearly understood.

3. **Step 3**
   In advance of placing media, the advertiser and the agency should reach a mutual understanding as to the selection of the available media research, along with an understanding of methodology imitations and interpretation of its use.

4. **Step 4**
   Relevant media planning and buying information from the advertiser-agency contract and client payment and media discrepancy policies should be made available to media auditors. The auditor should then be guided by those terms and policies.

5. **Step 5**
   The advertiser’s compliance parameters should include reasonable performance latitudes that recognize the multifaceted dynamics of the media marketplace. Industry best practice compliance considerations recognize pragmatic realities of the media buying process.

Well-designed media audits, conducted by appropriate and capable auditors, can be an integral component of a well-managed, efficient and accountable advertising investment program.
The two primary types of media buying guidelines are:

1. **General Buying Guidelines:**
   Issued by the advertiser (or its parent company or a franchisee or dealer group) and agreed upon by the planning and implementation departments of both the advertiser and the agency.

   TV buying guidelines include: programs on the “do-not-buy” list; separation policy (e.g., standards for competitive commercials proximity to advertiser’s commercials, proximity to the advertiser’s own commercials); overall demo preferences; and a general makegood policy, as well as traffic vendor information.

   General buying guidelines can be issued by the advertiser—parent or franchisee/dealer group, either individually or together. In some cases, the parent company, who may not be the immediate client, has preferences that will have to be approved by the franchisee/dealer group prior to the campaign guidelines being issued. These two separate advertisers should agree upon a single set of guidelines prior to the buy being authorized, otherwise the buy may be made without adherence to either group’s specific parameters. In addition to issuing guidelines for TV, the advertiser should indicate if they need to approve the buy prior to it being placed by the agency with the media. This section of the general guideline should also indicate preferred process and timeline expectations such as timeframes and information needed for the advertiser to assess a proposed buy and authorize the buy at predetermined timeframes in advance of schedule air dates.

2. **Campaign Buying Guidelines:**
   Issued by the planning department to the implementation departments as part of a buy authorization regarding the specific campaign to be purchased.

   Campaign buying guidelines, normally issued by the agency’s planning department, will include the following elements:

   - Media type
   - Client/product/estimate numbers
   - Estimate name
   - Flight dates
   - Due dates
   - Demos to be purchased and in what order
   - Name of the planner/spot broadcast contact
   - Statement that the buy has been authorized by the client (may include name of authorizer and date of authorization)
   - Trafficking responsibility designation
   - Instructions on buy up to dollar budget or buy up to GRP budget
   - The objective of the campaign
   - Instructions on moving buy dollars from one market to another
   - Instructions on moving GRPs from one daypart to another daypart
   - Separation policy (if not stated in general buying guidelines)
   - Cutoff times of the buy
   - Holiday restrictions
   - Instructions for handling enhancements, e.g., Web site packages associated with the buy
   - Makegood policy (if not included in the general guidelines)
   - Total GRPs expectations by daypart and by market
   - Total dollar budget parameters by market.
The combination of comprehensive general and campaign buying guidelines provides a solid platform for planning, executing and assessing media buy activities in a manner that is compatible with the both advertiser’s business goals and industry best practice media buying methods. Any media audit should focus exclusively on verification of compliance with these established guidelines.
Appendix B

Rating Services

In the case of local broadcast, the predominant audience ratings are provided by Nielsen, which has three TV rating approaches:

1. **Local People Meter**
   The LPM uses a “box” supplied by Nielsen. Nielsen’s panel members “sign” into the LPM box, which allows Nielsen to generate a constant, daily electronic measurement of demographics.
   Although LPM data are available daily, the industry uses the monthly averages because the monthly average data are far more reliable. The LPM methodology is still evolving. There will be approximately 15 LPM markets by the end of 2008, with a projected 60 LPM markets by 2012.
   It is important to note that with the limited market penetration of LPM methodology, in combination with agencies having slightly different methods for estimating and posting, the general industry standards are still to post off of the “monthly book.” The notable exceptions to this are special programs that are one-time-only events.

2. **Household Meter/Diary**
   The household meter/diary method employs an electronic measurement for the household (HH) data and diaries for the demographic data, this combination methodology is in approximately 45–50 markets; it will ultimately be replaced by the LPM. While the HH information is electronic, the demographic diary data still relies upon human foibles and is, therefore, less accurate.

3. **Diary Markets**
   In markets ranked 66 through 210, all HH and demographic data is collected via the diary methodology, which means people are writing information in a diary, as opposed to information being collected electronically; the results are subject to wide variances in information. This makes estimating and posting a difficult process.

The industry has traditionally transacted spot TV business within a plus or minus 10 percent acceptable variation range. However, Nielsen’s GRP calculator, which estimates the range of reliability in schedules, seems to indicate that the traditional 10 percent variation range may be too broad. Occasionally an auditor will suggest that it is possible to post a diary and HH meter/diary (top 50) market at 100 percent, but Nielsen has indicated that a 100 percent standard is too stringent (100 percent standard is difficult to achieve even in LPM markets that are posted properly).
Appendix C

4A’s Standardized Advertiser Questionnaire
for Media Auditors/Consultants

Introduction

The Standardized Advertiser Questionnaire for Media Auditors/Consultants is designed as an aid for advertisers that are seeking a media specialist organization to conduct an agency media audit.

The advertiser’s assessment of a media audit organization should include the organization’s ability to review and report audit results based upon the pre-established guidelines to which advertisers and their agencies have agreed to prior to conducting the audit.

Utilizing this questionnaire will provide advertisers with the key information they will need to better assess the specific qualifications of the media specialist organizations that they have identified as a possible resource in this area.

Recommended key areas to be discussed with media specialist organizations include:

A. Organization information
B. Auditing qualifications
C. Compensation methodology
D. Experience with third party providers
E. Computer systems used for evaluations
F. Uses of data collected
G. Data sources and related product subscriptions
H. Audit practices.

This questionnaire is specifically customized for a pending local television audit.
Appendix C

AAAAA Standardized Advertiser Questionnaire
for Media Auditors/Consultants

Questionnaire

A. Organization Information
   - How many employees are in your organization?
   - What level of experience do they have (e.g., buyer, biller, client service, planner) and in what areas of media (e.g., spot, network, print, DR)?
   - What is the average number of years your employees have been in the media business?
   - Is experience hands-on or supervisory?
   - How many employees are involved in a standard audit?
   - What role do they play?
   - Provide organization chart detailing overall organization including titles.
   - Provide organization chart for this assignment.
   - How many years has your company been in business?
   - How did your business evolve? (accounting firm? in-house agency?, etc.)
   - If you are a public company, who are your partners?
   - Do you practice full disclosure?
   - Is all work done on premises? Is anything farmed out to a third party for data inputting, etc. If yes, explain.

B. Auditing Qualifications
   - How many accounts do you audit annually?
   - How big is your current client roster? Of this list, how many short-term versus long-term clients?
   - How diverse is your client roster? What categories do you cover?
   - What categories does your client roster include (entertainment, retail, packaged goods, etc.)?
   - What is the average number of markets per audit?
   - What is the average expenditure per audit?
   - Does your organization contract to purchase ad time/space for clients independent of your audit duties?
   - If buying is a function of what is planned, how, or do, you audit a plan?
   - Provide references.

C. Compensation Methodology
   - What compensation terms do you employ?
     - Fee?
     - Fee plus bonus? (What would bonus be based on?)
     - Other? Please be specific (e.g., recovery).
Overview

Larger marketers that invest considerable economic resources in media-driven marketing programs are endeavoring to leverage scale and optimize both the effectiveness and efficiency of their media investments. This critical task has become more challenging with the proliferation of media vehicles, dynamic changes in the media buy-sell marketplace and evolving audience measurement methodologies. As a result, media planning and buying services have taken on great significance in the advertiser's marketing service mix. The increased complexity of media operations necessitates that client organizations work with knowledgeable media professionals and utilize appropriate media-specific authorization, disbursement and media stewardship systems and suppliers. Comprehensive stewardship of media transactions includes communications planning, media planning, guidelines for local TV media audits.

Appendix C

AAAAA Standardized Advertiser Questionnaire
for Media Auditors/Consultants

D. Experience with Third-Party Providers
- Number of years and agency
- Hands on or supervisory with:
  - Adware
  - DDS
  - IOS
  - MediaBank
  - Strata
  - Other?
- Do you work with any monitoring services? If so, which one(s)? What type of confidentiality clause do you have with them?

E. Computer Systems Used for Evaluation
- If proprietary, provide an overview of system capabilities.
- Do you work with agency via electronic transfer?
  - If yes, do you have data file written for agency to follow?

F. Uses of Data Collected
- Are agency affidavits input into auditor’s processor?
- Use of overnight data for evaluation?
- Detail any differences between auditor’s methodology and other major third-party providers.
- Is your benchmarking based on pure data, or does it include conversion factors calculated from another demo?
- What happens to the data once the audit is over? Is the data used to populate a proprietary database? If so, what is included in the database and how do you use it?
- Do you keep all information obtained in an audit confidential and use it only for purposes of the audit?

G. Sources and Related Product Subscriptions:
- To which sources and products does auditor/consultant subscribe?
- Nielsen Examples
  - VIP---210 DMAs (reporting period dependent upon market)
  - NSI HH overnight ratings for metered markets
  - LPM data for applicable markets
  - Sweep Reports:
    - DMA Audience Allocation Report
    - DMA Planners Guide
    - DMA TV Trends by Season
    - Market Daypart Summaries
    - Total Activity Report
    - VIPS for Black (40-plus DMAs) and Hispanics (16 DMAs)
- Software:
  - NSI Navigator
  - NSI Galaxy Profile
- SQAD (If yes, how many issues a year, all levels?). [See Appendix D]
H. Audit Practices

- What information does agency need to provide?
- Will auditors adjust any agency information transferred? (e.g., daypart codes, ratings adjustment, etc.)
- If yes, will rationale be provided to agency prior to client presentation?
- Is audit completed with or without agency involvement? Will auditor discuss explanations with agency in advance regarding discrepancies between agency/auditor reports?
- Please provide an overview of the timeline for a typical audit, including a list of reports, when they are issued, and appropriate formats.
- What method(s) of data transfer from agency to auditor, and auditor back to agency, is being used?
- Do you issue “client/auditor guidelines” to agency so that all expectations are clearly communicated?
SPOT TV Data Description and Guidelines for Use

I. The Data

Indicated costs are Average 30-second Costs-Per-Rating Point (HH or Target) and are determined from confidential buy data for Spot TV purchases. No data from TV stations is used in SQAD’s sample. The SQAD CPP data is published and intended to be viewed as a yardstick and not as a listing of the lowest prices achieved within a market. Future quarter CPPs represent SQAD estimates of what the costs will be as the quarters become current.

TV Household CPMs are derived from the latest DMA Marketing area population estimates available. TARGET CPMs, when available, are derived from the same sources.

Contributors supply SQAD with confidential Spot TV purchase data, pre-coded by daypart, on a monthly basis. The data is then subjected to the following controls:

1. The data is edited to eliminate erroneous, inconsistent, illogical and/or incomplete information.
2. The data is sorted by quarter.
3. The data is processed through SQUARE, SQAD’s mathematical model for estimating costs-per-point.
4. SQUARE estimates costs-per-point by integrating and analyzing:
   a. The newly received monthly contributor data
   b. Previous SQAD estimates for the quarter
   c. Historical quarterly relationships
   d. Individual market idiosyncrasies

II. Guidelines on Use of the SQAD Data

The following guidelines are meant to represent "rules of thumb" indicators, since exceptions can exist in individual markets and/or dayparts.

A. Communal length  Factor to apply to SQAD CPP
   10-second  X .50
   15-second  X .60 to .80
   60-second  X 2.00

B. Single-station markets
   Special caution must be used in markets where there is only one station, and/or markets where there is one VHF station and one or more UHF stations.

March, 2004
Overview

Larger marketers that invest considerable economic resources in media-driven marketing programs are endeavoring to leverage scale and optimize both the effectiveness and efficiency of their media investments. This critical task has become more challenging with the proliferation of media vehicles, dynamic changes in the media buy-sell marketplace and evolving audience measurement methodologies. As a result, media planning and buying services have taken on great significance in the advertiser’s marketing service mix. The increased complexity of media operations necessitates that client organizations work with knowledgeable media professionals and utilize appropriate media-specific authorization, disbursement and media stewardship systems and suppliers. Comprehensive stewardship of media transactions includes communications planning, media planning, and media audits.

Appendix D

SQAD Data Description and Guidelines for Use

Spots TV

C. Daypart Definitions

<table>
<thead>
<tr>
<th>Codes</th>
<th>Eastern/Pacific Time</th>
<th>Central/Mountain Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERM*</td>
<td>5:00 to 9:00 AM Monday-Sunday</td>
<td>5:00 to 8:00 AM Monday-Sunday</td>
</tr>
<tr>
<td>DAY</td>
<td>9:00 to 4:00 PM Monday-Sunday</td>
<td>1:00 to 3:00 PM Monday-Sunday</td>
</tr>
<tr>
<td>FPM**</td>
<td>4:00 to 6:00 PM Monday-Sunday</td>
<td>1:00 to 3:00 PM Monday-Sunday</td>
</tr>
<tr>
<td>PM***</td>
<td>6:00 to 7:00 PM Monday-Sunday</td>
<td>5:00 to 6:00 PM Monday-Sunday</td>
</tr>
<tr>
<td>PA**</td>
<td>7:00 to 8:00 PM Monday-Sunday</td>
<td>6:00 to 7:00 PM Monday-Sunday</td>
</tr>
<tr>
<td>FPM**</td>
<td>8:00 to 11:00 PM Monday-Sunday</td>
<td>7:00 to 10:00 PM Monday-Sunday</td>
</tr>
<tr>
<td>L3**</td>
<td>11:00 PM to 1:00 AM Monday-Sunday</td>
<td>11:00 PM to 12:00 AM Monday-Sunday</td>
</tr>
<tr>
<td>LF</td>
<td>1:00 AM to 3:00 AM Monday-Sunday</td>
<td>12:00 AM to 3:00 AM Monday-Sunday</td>
</tr>
</tbody>
</table>

** FPM: Excludes News. Includes SAT/SUN 1:00 to 6:00 PM (1:00 to 5:00 PM Central/Mtn) but excludes Weekend Sports and Kids programming.
*** FNM: Early News and Late News programs are extended in many markets. Costs for extended news programs are included in BM and LF respectively.
**** FPM: On Sunday. 7:00 to 11:00 PM (6:00 to 10:00 PM Central/Mtn)

D. Average, Low and High Estimates

The recommended use of SQAD’s three cost levels should be based on lead times and buying Guidelines. Average SQAD is developed from contributor data and reflects actual current buys. Low and High Average SQAD have been modeled based on the Average level. The buys that SQAD receives are confirmed buys. There is no date stamp. Use the necessary levels to reflect a particular strategy for planning and buying as follows:

Low SQAD can generally be used when a buy is to be executed with more than 13 weeks lead-time. SQAD recommends that these estimates be used when market conditions are softer than usual and buying guidelines require a broad daypart mix with no unusual requirements (e.g., no restrictions on number of spots in strip programming).

Average SQAD can generally be used when a buy is to be executed with 13 weeks or less lead time. SQAD recommends that these estimates be used when market conditions are stable and buying guidelines require a standard daypart mix with reasonable restrictions (e.g., only a few spots in strip programming and/or unallowable programs within a required daypart).

High SQAD can generally be used when a buy is to be executed very close to or within the quarter. SQAD recommends that these estimates be used when market conditions are tight and/ or unstable and buying guidelines require a restrictive daypart mix (e.g., specific programming and/or fixed positions).

The industry generally accepts that commercial time is a highly perishable commodity and is offered by the sellers subject to prior sale. Inventory levels fluctuate in this volatile industry, and actual rates are subject to the laws of supply and demand. The publisher cannot warrant that the report is beyond human error or computer error or is complete or accurate. The CPP and CPM estimates should be used as a yardstick and guide only, without representation or warranty that time buyers will be able to match the indicated costs. It should be noted that buying negotiations occur daily while the SQAD Report is published on a monthly basis.

March, 2004
### Guidelines for Local TV Media Audits

**HISPANIC SPOT TV Data Description and Guidelines for Use**

#### I. The Data

Indicated costs are Average 30-second Costs Per Rating Point (by Target) and are determined from confidential buy data for Spot TV purchases. No data from TV stations is used in SQAD’s sample. The SQAD Hispanic TV CPP data is published and intended to be viewed as a yardstick and not as a listing of the lowest prices achieved within a market. Future quarter CPPs represent SQAD estimates of what the costs will be as the quarters become current.

TARGET CPPs are derived from the latest Nielsen Hispanic TV Populations by DMA Marketing area available (NHIS).

Contributors supply SQAD with confidential Spot TV purchase data, pre-coded by daypart, on a monthly basis. The data is then subjected to the following controls:

1. The data is edited to eliminate erroneous, inconsistent, illogical and/or incomplete information.
2. The data is sorted by quarter.
3. The data is processed through *SQARE HISPANIC*, SQAD's mathematical model for estimating costs-per-point.
4. *SQARE HISPANIC* estimates costs-per-point by integrating and analyzing:
   a. The newly received monthly contributor data
   b. Previous SQAD Hispanic estimates for the quarter
   c. Historical quarterly relationships
   d. Individual market idiosyncrasies

#### II. Guidelines on Use of the SQAD Hispanic Data

The following guidelines are meant to represent "rules-of-thumb" indicators, since exceptions can exist in individual markets and/or dayparts.

**A. Commercial length**

<table>
<thead>
<tr>
<th>Length</th>
<th>Factor to apply to SQAD Hispanic CPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-second</td>
<td>X .50</td>
</tr>
<tr>
<td>15-second</td>
<td>X .60 to .80</td>
</tr>
<tr>
<td>60-second</td>
<td>X 2.00</td>
</tr>
</tbody>
</table>

**B. Single-station markets**

Special caution must be used in markets where there is only one station, and/or markets where there is one VHF station and one or more UHF stations.

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*August 2004*
**Appendix D**

**SQAD Data Description and Guidelines for Use**

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### Report Description and Guidelines for Use (continued)

#### C. Daypart Definitions

<table>
<thead>
<tr>
<th>Codes</th>
<th>Eastern/Pacific Time</th>
<th>Central/Mountain Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>AM</td>
<td>5:00 to 9:00 AM Monday-Friday</td>
<td>5:00 to 8:00 AM Monday-Friday</td>
</tr>
<tr>
<td>DAY</td>
<td>9:00 AM to 4:00 PM Monday-Friday</td>
<td>9:00 AM to 3:00 PM Monday-Friday</td>
</tr>
<tr>
<td>FF*</td>
<td>4:00 PM to 11:00 PM Monday-Friday</td>
<td>3:00 PM to 10:00 PM Monday-Friday</td>
</tr>
<tr>
<td>FF**</td>
<td>6:00 PM to 11:00 PM Monday-Friday</td>
<td>5:00 PM to 10:00 PM Monday-Friday</td>
</tr>
<tr>
<td>PRIME</td>
<td>7:00 PM to 11:00 PM Monday-Sunday</td>
<td>6:00 PM to 10:00 PM Monday-Sunday</td>
</tr>
<tr>
<td>LNT**</td>
<td>11:00 PM to 12:30 AM Monday-Friday</td>
<td>10:00 PM to 12:30 AM Monday-Friday</td>
</tr>
</tbody>
</table>

* Excluding News.
** Entry News and Late News programs are extended in many markets. Costs for extended news programs are included in EN and LN respectively.

#### D. Average, Low and High Estimate:

**Note:** As of 1/30/06 SQAD is re-evaluating the Low and High estimates and only Average Estimates are available.

The recommended use of SQAD’s three cost levels should be based on actual times and buying Guidelines. Average SQAD is developed from contributor data and reflects actual current buys. Low and High Average SQAD have been modeled based on the Average level. The buys that SQAD receives are confirmed buys. There is no date stamp. Use the necessary levels to reflect a particular strategy for planning and buying as follows:

- **Low SQAD** can generally be used when a buy is to be executed with more than 13 weeks lead time. SQAD recommends that these estimates be used when market conditions are softer than usual and buying guidelines require a broad daypart mix with no unusual requirements (e.g., no restrictions on number of spots in strip programming).

- **Average SQAD** can generally be used when a buy is to be executed with 13 weeks or less lead time. SQAD recommends that these estimates be used when market conditions are stable and buying guidelines require a standard daypart mix with reasonable restrictions (e.g., only a few spots in strip programming and/or allowable programs within a required daypart).

- **High SQAD** can generally be used when a buy is to be executed very close to or within the quarter. SQAD recommends that these estimates be used when market conditions are tight and/or unstable and buying guidelines require a restrictive daypart mix (e.g., specific programming and/or fixed positions).

The industry generally accepts that commercial time is a highly perishable commodity and is offered by the sellers subject to prior sale. Inventory levels fluctuate in this volatile industry, and actual rates are subject to the laws of supply and demand.

The publisher cannot warrant that the report is beyond human error or computer error or is complete or accurate. The CPP and CPM estimates should be used as a yardstick and guide only, without representation or warranty that time buyers will be able to match the indicated costs. It should be noted that buying negotiations occur daily while the SQAD Report is published on a monthly basis.

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*August 2006*
Appendix E
Contract Examples

Sample Confidentiality Media Services Contract

The contract between an agency and an advertiser should include a confidentiality section that protects each party’s proprietary information. The confidentiality section of the agency-advertiser agreement should cover any disclosure of information to third parties (e.g., media auditors) and use of information.

A comprehensive confidentiality section of a contract should include the following components:

- Mutual protection
- Cover third-party organization and their employees
- Definition of C.I. includes media rates, plus agency cost and compensation info
- Restrictions----access to and use of confidential info
- Duration of confidentiality provisions.

Illustrative language that can be considered when drafting the confidentiality section of an agency-advertiser contract is provided below.

Both during and after the term of this Agreement, both “Agency” and “Client,” as well as their employees, agents, consultants and any other intermediaries, agree that a confidential relationship exists wherein each party (each a “Receiving Party”) understands that the other party (the “Disclosing Party”) has disclosed or may disclose certain confidential and proprietary information that has commercial and other value in the Disclosing Party’s business. In consideration of the access the Receiving Party may have to Confidential Information (as defined below) of the Disclosing Party, each Receiving Party hereby agrees as follows:

“Confidential Information” shall mean all strategic and development plans, business plans, co-developer identities, rate data, business records, client lists, project records, market reports, employee lists and business manuals, policies and procedures, information related to processes, technologies or theory and all other information which may be disclosed by the Disclosing Party or to which the Receiving Party may be provided access by the Disclosing Party in accordance with this Agreement or which is generated by the parties hereto as a result of or in connection with this Agreement.

Client acknowledges that the rates negotiated by Agency on behalf of Client are protected by Agency as trade secrets and are not generally known by the public, Agency’s competitors or Client’s competitors (“Agency Confidential Information”). The disclosure of Agency Confidential Information to third parties, including but not limited to any advertising agency, media planning firm, buying service, marketing consultant, auditor or discussions of these rates with the media by Client, may cause the media to withdraw the rates or otherwise disrupt the business relationships of Agency. Furthermore, Agency may also disclose commercially valuable confidential information concerning the terms and conditions of Agency’s financial position with Client, including, but not limited to, Agency’s compensation for services rendered for Client as well as the Agency’s direct and indirect overhead expenses, and the method for calculating said compensation (Agency Confidential Information). For purposes of this agreement, “overhead expenses” are business expenses of the Agency, including, but not limited to, employee wages, payroll related expenses such as payroll taxes and employee benefits, corporate expenses such as advertising and publicity expenses, professional fees such as fees paid to auditors and legal
Overview

Larger marketers that invest considerable economic resources in media-driven marketing programs are endeavoring to leverage scale and optimize both the effectiveness and efficiency of their media investments. This critical task has become more challenging with the proliferation of media vehicles, dynamic changes in the media buy-sell marketplace and evolving audience measurement methodologies. As a result, media planning and buying services have taken on great significance in the advertiser’s marketing service mix. The increased complexity of media operations necessitates that client organizations work with knowledgeable media professionals and utilize appropriate media-specific authorization, disbursement and media stewardship systems and suppliers. Comprehensive stewardship of media transactions includes communications planning, media planning, counsel, and facilities expenses such as rent, light, heat, electric and repairs. Notwithstanding the foregoing, Client agrees to restrict dissemination of Agency Confidential Information received to those of its personnel and those consultants (the person to whom such disclosure is permissible being collectively referred to as “Representatives”) who require knowledge of that confidential information in order for Client to evaluate Agency’s performance under this agreement. Agency Confidential Information shall be used for no other purpose including, but not limited to, use in databases or benchmarking tools of Client Representatives or agents. Client shall not disclose Agency Confidential Information to its Representatives or agents without written consent from Agency. Upon consent from Agency, Client shall require its Representatives and agents to sign an agreement in the form approved by Agency agreeing to hold all Agency Confidential Information in confidence and to forward a copy of said agreement to Agency. Client agrees to be responsible for any breach of this agreement by its Representatives and agents. Any unauthorized use of Agency Confidential Information or disclosure thereof to third parties is likely to be damaging to Agency and may constitute a violation of applicable securities laws. Client further agrees that it will not trade in securities of Agency or any of Agency’s affiliates on the basis of Agency Confidential Information and acknowledges that any transaction in any of such securities affected on the basis of Agency Confidential Information may constitute a violation of United States Federal securities laws punishable by monetary fine, imprisonment or both.

Agency shall use all reasonable efforts to prevent disclosure to any third party of any proprietary information or data developed by Agency on behalf of Client or under this Agreement; and/or disclosed by Client to Agency, including, without limitation, any information regarding Client’s operations, processes, products, concepts, ideas, inventions, formulations, improvements, packaging, trade secrets, marketing plans or strategies, or other confidential information or affairs (collectively, Client Confidential Information).

The Confidential Information, Agency Confidential Information and Client Confidential Information set forth in this Section shall exclude information that:

a) At the time of disclosure to the recipient, is in the public domain; or
b) After disclosure to the recipient, becomes part of the public domain, by publication or otherwise through no fault of the recipient; or
c) The recipient can show by written documentation was in its possession at the time of disclosure to the recipient and had not been acquired, directly or indirectly, from the disclosing party; or
d) Is later furnished or made known to the recipient by third parties as a matter or right and without restriction or disclosure; or
e) Is required to be disclosed by court order or other legal process binding on the recipient, in which case the recipient shall promptly notify the disclosing party of such requirements so that it may take steps (with recipient’s reasonable cooperation) to obtain a protective order.

This section will continue to apply for two years following any termination of this agreement. Upon written demand from either party, the other party will destroy or return all documents and other materials containing or reflecting any such confidential information of the demanding party.
Appendix E

Contract Examples

Each party acknowledges that the other would be irreparably damaged by its breach of any of its obligations under this section and each party further acknowledges and agrees that the other party will be entitled to injunctive relief to prevent its violation of its obligations under this section.
Larger marketers that invest considerable economic resources in media-driven marketing programs are endeavoring to leverage scale and optimize both the effectiveness and efficiency of their media investments. This critical task has become more challenging with the proliferation of media vehicles, dynamic changes in the media buy-sell marketplace and evolving audience measurement methodologies. As a result, media planning and buying services have taken on great significance in the advertiser’s marketing service mix. The increased complexity of media operations necessitates that client organizations work with knowledgeable media professionals and utilize appropriate media-specific authorization, disbursement and media stewardship systems and suppliers. Comprehensive stewardship of media transactions includes communications planning, media planning, and

**Sample Audit Media Services Contract**

The contract between an agency and an advertiser should include a section that stipulates each party’s rights and obligations. A comprehensive audit section of a contract should include the following components:

- No contingency auditors
- Advance agreement on scope of audit and an audit plan
- Adherence to reasonable and customary industry best practice procedures
- Verification versus disclosure
- Time frames
- Costs.

Illustrative language that can be considered when drafting the confidentiality section of an agency-advertiser contract is provided below.

Agency agrees that it will retain and maintain accurate and complete records and files (including without limitation, all contracts, papers, correspondence, records, copybooks, accounts, invoices, and/or other information) relating to the services provided under this Agreement and/or its dealings on behalf of Client with media, production vendors, and other third parties (collectively, “Records”). Agency, at its discretion, may receive, submit and/or retain Records in an electronic/digital format.

Agency shall maintain the Records in accordance with recognized commercial accounting practices for a minimum period of one (1) year after termination of this Agreement, other than Records required by government regulation, which shall be retained for the time period required by law (if longer than one [1] year). Client may conduct audits of Agency Records relating to the provision of services under this Agreement pursuant to the following terms. Client at its expense shall have the right, no more frequently than annually, upon reasonable notice (no less than ten [10] business days for a local audit and three weeks for a regional or global audit), during normal business days and hours, to examine the Agency’s records of expenditure pertaining to Client’s account for the purpose of verifying any media, production or other bills of outside suppliers which Agency has re-billed to Client for the period of up to one (1) year immediately preceding receipt of written notice of intent to audit. The Agency’s services, scopes of work and compensation specified in this Agreement do not include time or charges to accommodate any Client audits and Client acknowledges that the cost of additional Agency time and other charges associated with compliance under this Audit provision is incremental and will be paid for by Client.

Agency agrees that Client and the auditor chosen by Client and subject to Agency’s approval may verify and have access to Agency Records that specifically relate to the Client account. Client agrees that it can not choose as an auditor under this provision any person who, or the division of any firm that, is engaged in the business of providing consulting services to businesses in the advertising industry. The Client also agrees that auditors or consultants whose compensation is in whole or in part derived from analysis of advertising industry audit findings have an inherent conflict of interest and are prohibited under this section of the Agreement.
Client or Client’s authorized auditor will conduct the audit in such a manner as to minimize interference with Agency’s ongoing operations. Client, Agency and the auditor will agree to an audit plan and scope of audit work prior to commencement of the audit. As part of the scope of audit work, the parties will agree upon which Agency Confidential Information, if any, will be disclosed to the auditor but not disclosed to Client (Client access being limited to verification from the auditor of Agency compliance or non-compliance with contract terms). Client agrees that it will not accept disclosure of Agency salary data, overheads, non-billable expenses, other internal Agency costs or other proprietary information of the Agency in any audit report to Client.

Agency will have the right to review a preliminary draft of all auditors’ report to Client and provide comments to the auditor prior to the presentation of any report to Client.

Prior to conducting an audit, the auditor and Client shall require their participating representatives to sign an agreement in a form approved by Agency agreeing to hold the Agency’s Confidential Information in confidence, and to forward a copy of said agreement to Agency.