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Dealing with National Agencies

Sometimes the best questions I get don't come during my training, but after I've finished my session. Recently while packing up after a training session I was approached by a publisher who asked, "How would you handle the challenge of national agencies who want my paper to run their pre-prints, but want to beat us up for a lower rate?" This is one of those "good news—bad news" issues. The good news is that national agencies are finally including weekly and free papers in their marketing plans. Just a few years ago, media buyers wouldn't even consider anything but a paid daily newspaper as a vehicle for distributing pre-prints. This has changed in recent years due to PaperChain's efforts to include free and community papers in SRDS and to the declining circulation of the dailies. The bad news is that while they are willing to place their flyers in our papers, they are not willing to pay us our published rate to do so! While it is tempting to say, "That's the price pal, take it or leave it!", few of us can afford to be surly to any potential customer. In this month's Link and Learn we will discuss how to handle these "extortion attempts" without losing your proverbial shirt.

When a media buyer requests a deep discount, you have several options ranging from complying with the request to holding to your rate card. The best response to this challenge usually falls somewhere in between these two extremes. The buyer's initial offer is typically an "opening bid" rather than their "final offer." They probably expect to pay more than the rate they offer in their opening bid. In a perfect world, transactions are simple; you tell the buyer the price listed on your rate card and they pay it. In our imperfect world, buyers expect you to give them a price reduction to win their business. Given the current economic and competitive environment our goal should be to negotiate a price with media buyers that secures their business while allowing your paper to make a reasonable profit on the transaction.

Agencies often like to throw their weight around. They "name-drop" using the national clout of their clients to intimidate the "little community paper." They take on the "alpha" role and try to dictate a price to the paper rather than the other way around. Do not fall for this ploy. Remember that they would not call your paper if they, or their client, did not want to distribute their materials in your market. Disregard who is calling and treat it as a normal sales objection. Do not cave into their demands and instead stand your ground and justify your rates by explaining the value your products offer. While you may have to eventually "bend" a little on your rates, by standing your ground you will receive the best possible negotiated rate.

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Negotiating your best deal

Businessdictionary.com defines negotiation as: *"Bargaining (give and take) process between two or more parties (each with its own aims, needs, and viewpoints) seeking to discover a common ground and reach an agreement to settle a matter of mutual concern or resolve a conflict."* To do this we must try to understand not only our own goals in a negotiation, but also we must strive to see things from the media buyer's point of view.

It is important to have a clear understanding of your costs and the margins you are willing to accept prior to negotiating with a media buyer. Agency orders tend to be time sensitive and often come in at the very last minute leaving little time for you to think about what you can charge and still maintain your profitability. Anyone who is empowered to accept an order should know what rate you will accept from an agency for each of your products. You want to avoid being pressured to accept a rate that you have not researched due to deadline pressures. Remember that whatever rate you accept will become your "standard" rate for that agency. It will be difficult to raise your rates beyond this point in the future so you need to be sure that you are making an acceptable profit on each and every deal. Never lose sight that your objective is to make a profit. Agencies like to talk about the credibility that a major advertiser will give your publication. They will make the case that inserting "Big Box Inc.'s" preprint in your paper will drive readership of your publication. While this may be the case, you can't pay your light bill with readership. Reject any deal that does not contribute to your bottom line.

The life of a media buyer

Media buyers occupy the bottom rung of an agency's career ladder. Most media buyers see their position as merely a stepping stone toward becoming an account or brand manager. Typically, media buyers are a twenty something with a degree in marketing or advertising. They are poorly paid and often work long hours. They are tasked with executing the marketing plans developed by superiors by placing advertising in markets all over the country. Their objective is to place this advertising as quickly and as inexpensively as possible. They have no time to research these markets so they rely on the SRDS (Standard Rate and Data Service) website. From this site, they get your paper's phone number or website which they use to contact you. Their knowledge of your community is limited to little more than its name, population and zip code. Their knowledge of your publication is limited to the basic description of your coverage area and circulation listed in SRDS. The media buyer's low position in their agency's hierarchy means that their authority to negotiate prices are severely limited. They are generally given a maximum rate that their agency is willing to pay for placement of an ad or an insert. Anything beyond this rate must be approved by their supervisor. If they can secure a price that is lower than the approved rate they will look good in the eyes of their superiors and hopefully advance their career.

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Flex your muscles

You can use this understanding of the media buyer's situation in negotiating the best possible rates for your products. The limited time that media buyers can spend researching your market gives you an advantage. In any negotiation having asymmetrical information (I know something you don't!) is a distinct advantage. This situation is increasingly rare in our Google driven times. You can use this information to educate the buyer about your market and your products. You must remember that saving money is the media buyer's secondary goal. Their primary objective is to deliver their client's message to consumers in your market. Their agency's account managers do not want to inform the client that they were unable to provide coverage for their location in your market. The declining circulation or outright closure of many dailies and other publications puts your paper in a much stronger negotiating position. Many media buyers, particularly those who work with daily newspapers on a regular basis, assume that the challenges faced by print media gives them the upper hand in negotiations with them. When talking to media buyers, it is important to keep your audit numbers at your fingertips. If your circulation has been stable or increasing over the past several years, use this information to your advantage. The buyer will want to dwell on talking about cutting rates, you want to remind them of the exposure you can deliver for their client.

Remember that the decline of daily newspaper circulation is often why agencies are suddenly reaching out to free and community papers. They need to find a cost-effective way to reach the maximum number of consumers in the markets their clients wish to target. In markets, which lack a strong community paper, their only alternative is to use costly direct mail channels to get their client's materials in the public's hands. Do not hesitate to remind media buyers of your place in the market. For example, when asked to cut your rate, respond by saying, "I can understand your need to cut costs, but I'm afraid that we can't accept your order at that rate. Here at the Weekly Advertiser, we are committed to producing a quality publication and maintaining our dominance in this market. The costs related to being the leading paper in this area do not allow us to cut our rates that deeply."

"Give a little—Take a little."

Negotiation should be a two-way street, when a buyer asks you to cut your rates, you should ask for something in return. For example, if a media buyer asks for a deeply discounted price for inserting a big box client's flyers you should ask them to commit to a frequency program. "Mr. Buyer, you're asking for a significant discount, generally we only offer such a low rate to our regular customers. If you can commit to running your customer's flyers each month for the next six months I can commit to that rate." You can also bundle products together, "I can give you the rate you want in the Smalltown News, but you'll also have to run in our other paper which reaches another part of your client's target market." Cutting rates reduce the profit per unit sold, but a long-term commitment or expanded program mitigates this by increasing the number of units sold. All such agreements should be in writing and both parties should sign off on the terms. If the agency balks at signing an agreement, set up the discount as a rebate to be paid to the agency once all terms have been met.

Win/Win or no deal

If you wish to attract national advertisers to your paper, you must be prepared to defend the value of your products and to negotiate fair rates for your publication. The proper outcome of any negotiation should benefit both parties involved. The agency should be able to earn their fee by distributing their client's message to consumers at a price that allows them to make a reasonable profit. Your publication should also be allowed to make a reasonable profit for helping them achieve this goal. Any deal that hurts either party should be avoided. As competitive business people, we hate to turn away any paying customer, but sometimes doing so makes good business sense. Any deal that does not benefit your publication should be rejected. This requires a good understanding of your costs, of your product's reach and of the art of negotiation. It is important to remember that just a few years ago, few national advertisers would even consider advertising in a small community paper. While negotiating rates with media buyers is never an easy task, if we want to get a share of this business this is what we must do. I'll close with this thought which sums up what it takes to survive in a challenging business environment, *"Blessed are the flexible for they shall not be bent out of shape!"*

This article was written by Jim Busch.