



DEDICATED TO INDEPENDENT
POST PRODUCTION

IN-HOUSE POST PRODUCTION POLICY STATEMENT

A Push for Greater Transparency, Fairness and Ethics

The proliferation of in-house editorial and post services offered by ad agencies is an area of concern for the independent post production community. While these capabilities have been available for some time, the business practices surrounding their current implementation and their impact on agency clients and the independent post production community has motivated AICE to raise questions about transparency, ethics and fair competition for advertisers, agencies and the industry at large.

Despite being touted by agencies as efficient ways to edit and finish work faster and cheaper – a claim not always supported by facts – in-house facilities exist largely to create additional revenue streams for the agencies themselves.

In addition, holding companies have reportedly begun to mandate that targeted levels of client work be handled by their respective in-house operations, such as WPP's Hogarth, IPG's Craft, Publicis' Prodigious and others, forcing their creatives to work in-house, whether they think it's in the best interests of the project or not. For advertisers, this can often mean working with second-tier operations that provide no bargain for clients but exist only to funnel additional revenue to holding company coffers.

The presence of these facilities has transformed agencies from being the clients of AICE members to being competitors, and competitors that have gatekeeper access to their bids and their creative approach to problem-solving. This unfair advantage alters the relationship that previously existed between companies that served as the agents for their clients and those that functioned as vendors to those agents. As such, our concerns can be summarized as follows:

- **Transparency:** We believe many marketers may be unaware that their agency or agencies are under a financially-driven holding company directive to keep as much of their work in-house as possible, thereby limiting choice and cutting them off from

potentially better deals or better creative solutions. They may also not be aware of what they're getting when their work is completed at agency in-house facilities, or whether the use of them represents the best option to ensure the best final product and the best talent for their money.

Also, the bidding process is not always done in the open, with clients fully informed as to the ownership status of the post entities submitting the bids. (Some agencies use generic and unrelated names to brand their in-house facilities, which can mask the fact that they're wholly owned by and housed within the agency.) We believe in-house facilities should clearly identify themselves as such when bids are submitted to help ensure that the bidding process is done in a fair and upfront manner.

■ **Fairness:** For agencies to steer work to in-house facilities is perceived as an overt conflict of interest. Are agencies rewarding senior staff to steer client work to their in-house operations? In addition to holding company mandates, some agencies reportedly offer financial incentives to department heads when they meet targets for in-house volume. If true, this practice can easily corrupt the objectivity of the post production process and smacks of pay for play.

In-house work also raises questions about how potential problems will be addressed. For example, are clients satisfied that there are appropriate means of resolving overages on in-house jobs? And how will the in-house facility address creative or technical problems, or deal with risks or liabilities?

■ **Ethics:** Independent post houses are often asked by agencies to submit bogus 'check bids' on particular jobs. These are ostensibly competitive bids which are in turn submitted to clients to meet requirements for multiple bids. AICE contends that requesting 'check bids' is a corrupt and potentially illegal practice, and that its members often feel coerced into providing them for fear of alienating an agency and risking future opportunities for work.

Beyond that, the in-house model allows the agency to manipulate the bidding process based on an unfair advantage: They get to analyze what their competitors are proposing while simultaneously laying out the specs upon which their competitors base their estimates. This raises the suspicion that agencies are using this position to ensure that

their bids appear to come in lower than those from independent companies, which damages trust and credibility.

AICE's position is that transparency can be adversely impacted when it comes to dealing with in-house operations. As a result, we recommend clients insist on the following:

- Ask to see unaltered, originally-submitted bids for every project, and have them evaluated by an independent third party rather than having them go through your agency.
- Require that your agency disclose, on the Agency Cost Estimate, when in-house post production resources are being used on your projects.
- When appropriate, demand to see treatments (particularly in the case of complex jobs requiring visual effects and design services) as originally submitted.
- Insist on knowing who will be the lead post production artist or artists on your project, and consistently review their work.

It's our fundamental belief that honest competition promises a better product at a lower price. To that end, we urge clients to ask their agencies the following questions when it comes to how their production and post production budgets are being spent:

- 1) Has your holding company parent set up a mandated in-house quota for the work you create for our brands? If so, does anyone at our organization know about it?
- 2) Is anyone at your agency being rewarded for steering our work to your in-house facility?
- 3) If they had their choice, would the creatives and producers who work on our business choose your in-house facility, or go to an independent post company?

AICE is determined to educate the client community on the ramifications of using in-house post production facilities, the inherent conflicts they present and the impact they have on their ability to get the best possible product at the best price. Our goal is for clients to be able to make informed decisions about where their commercial content should be finished, and by whom.

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