Workshop

Alternative Compensation Models
The Players

Screen Actors Guild

American Federation of Television and Radio Artists

Joint Policy Committee for Broadcast Talent Relations
Joint Policy Committee
for Broadcast Talent Relations

15 Appointees from the ANA
15 Appointees from the AAAA
Chief Negotiator
Counsel
• A legacy company from a P&G/Accenture joint venture.
• Originators and leaders of Enterprise Marketing Management.
• Creator of EMMPower™, enterprise marketing software; backed by Cognizant.
• Authors of *The New Marketing Mission* and *Improve Your Marketing to Grow Your Business* (Wharton School Press).
• Authors of the industry standard marketing accountability studies for the ANA, the largest marketing trade organization in the world.
• Codifiers of the end to end marketing best practice process used as the benchmarking gold standard by the ANA for its 400 members companies.
Serving B to C and B to B Marketing Needs
Current Contract
SAG and AFTRA – October 29, 2008
The 1950’s
3 networks
Affiliates
Independents

The 1990’s
8+ networks
Affiliates
Independents
Cable
Satellite
Internet

The New Millennium
Virtual networks
IM
Hotel
Airport
Mobile
Digital
iPods
PC’s
Webcasts
TIVO
VOD
Wireless
SMS
Games
PDA’s
Satellite
and more…

Reed Smith
The business of relationships.
The New Media

- User Generated and User Uploaded Content
- Online/Interactive Advertising
- Podcasts and Webcasts
- Advercasting
- SPAM
- Blogs, Vlogs, RSS Feeds
- Key Words and Metatags
- Social Networking
- Virtual Communities and Reality
- Streaming Music and Video
- Interactive Gaming
- Pre-Roll/Post Roll, Interstitial Advertising
- Search Engine and Optimization Revenue Model
- Viral and Buzz Marketing
- Embedded Players, Gadgets and Widgets
- Cookies: Spyware, Invisible GIFs & Web bugs
- Opt In and Opt Out
- Promercials
- Microsodes, Mobisodes
- Digital Downloads
- CGI and Video FX
- DVRs/On-Demand Programming
- Satellite, Wired, Unwired, WiFi
- Favorites and Bookmarks
- SMS, WAP
- Advergaming
- e-[fill in the blank]
• Find a balanced way to:
  • pay performers fair compensation
  AND
  • give advertisers a measurable return on investment
Modernize the talent compensation system to reflect the digital age
Simplify the current system
Maintain revenue neutrality
Narrow Focus

Create several financial models for consideration by the JPC and the unions
Scope of Booz Allen Initiative

In-Scope Contract Provisions

- Provisions related to compensation of principal performers for English or Spanish language commercials, including use in various broadcast channels, session fees, editing, etc.
- Geographic scope of the contract
- Exclusivity policies

Out of Scope Contract Provisions

- Any provision related to working conditions or labor policies, e.g., policies around meals periods, non-discrimination policies, policies for working with animals
- Provisions related to health or pension benefits
- Provisions related to extras
Future marketing spend shifts

Marketers Will Shift Mix to Focus on Media That Offer a More Direct and Deeper Connection

<table>
<thead>
<tr>
<th>Decrease Spending</th>
<th>Increase Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital</td>
<td></td>
</tr>
<tr>
<td>Mobile</td>
<td></td>
</tr>
<tr>
<td>PR</td>
<td></td>
</tr>
<tr>
<td>Events</td>
<td></td>
</tr>
<tr>
<td>Direct Mail</td>
<td></td>
</tr>
<tr>
<td>TV</td>
<td></td>
</tr>
<tr>
<td>Print</td>
<td></td>
</tr>
<tr>
<td>Out of Home</td>
<td></td>
</tr>
<tr>
<td>Radio</td>
<td></td>
</tr>
</tbody>
</table>

% of Respondents

Source: Marketing and Media Ecosystem Study 2010: Preliminary Results
Overview of Approach to Compensation Recommendations

**Adjusting Tiers Model**
- Simplify existing terms and increase equity across Class A and Cable
- Introduce greater predictability for both advertisers and talent
- Minimize tracking complexities of pay-per-play in Class A
- Consolidate or eliminate legacy use categories such as Dealer A/B, etc.

**GRP Model**
- Dramatically simplify the contract structure and eliminate current silos
- Utilize GRP as a means to link advertiser value to talent compensation
- Minimize tracking complexities of pay-per-play in Class A
- Create impression-driven variability in rates for internet and new media
- Consolidate or eliminate legacy use categories such as Dealer A/B, etc.

**Editing**
- Increase flexibility and improve economics for advertisers to entice editing opportunities
- Ensure adequate compensation to talent for exposure with protection against exclusivity conflicts
- Address need for increased frequency of Editing in internet and new media
- Simplify Section 26 of TV contract
Overview of the BAH models

Gordon Wade
Founding Partner
EMM Group, Inc.
Content

- Purpose
- Background
- Booz Allen Hamilton’s Assignment
- The Challenge of Model Building
- The Two Approaches
- Winners and Losers
- Model Demonstrations
Purpose

- Help you gain confidence in any decision to change talent compensation
- Familiarize you with BAH models
- Encourage you to play with the models
- Get educated by you regarding your issues and problems with the models (Listen!)
- Long term … identify any areas in the two recommended models that need changing
The Challenge and Our Role

- The talent compensation challenge has three components
  - **The Financial Component.** How much should be paid to whom for what?
  - **The Execution Component.** How does the industry value chain pay the right people the right amounts (process, data, organization, cost)?
  - **The Negotiation Component.** How do the industry and unions negotiate a common position right for everyone?

We are focusing solely on the financial component. Everything else, including editing, is outside the scope of this seminar.


The Challenge of Building a New Model

- Start with the objective of re-distributing all the fee monies across 30K commercials;
- Recognize the two essential drivers of the models:
  - Session fees for diverse talent profiles across the 30K commercials, and
  - Media plans that create residuals (75% of total outlay); and
- Develop a data sample that replicates the total universe of talent profiles and media plans and all combinations thereof.
The Sample Problem

- No single source provides all the necessary data of talent profiles, talent payments, media plans and ratings for any given commercial;

- From three sources, BAH was able to get comprehensive data on 3.9K commercials out of the 30K total ... a 13% sample:
  - Ordinarily a 13% sample would be more than adequate if it were a random sample, but
  - The BAH sample is not random; so
  - BAH had to prove to themselves the sample is representative. They did and it seems to be representative.
BAH Created Two Excel Spreadsheets

- They created an **aggregate** spreadsheet because their assignment was industry revenue neutrality in the aggregate:
  - This contains all the universal session and media plan math rules that produce revenue neutrality, and
  - This is done by an iterative balancing act.
- Then they created an individual commercial spreadsheet because you need to understand how the aggregate rules affect a specific commercial.
- Each of these spreadsheets can be driven by different approaches such as the Adjusted Tiers Model and the GRP Model.
## Aggregate Model Drivers

### GLOBAL INPUTS

<table>
<thead>
<tr>
<th>On Camera Principal Rate</th>
<th>Role</th>
<th>% of Principal On</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV Session Fee</td>
<td>Principal On</td>
<td>100%</td>
</tr>
<tr>
<td>$ 567.10</td>
<td>Principal Off</td>
<td>75%</td>
</tr>
<tr>
<td>TV Holding Fee (see note below)</td>
<td>Group (3-5) On</td>
<td>73%</td>
</tr>
<tr>
<td>$ 567.10</td>
<td>Group (6-8) On</td>
<td>65%</td>
</tr>
<tr>
<td>Dealer Rate</td>
<td>Group (9+) On</td>
<td>54%</td>
</tr>
<tr>
<td>$ 2,225.29</td>
<td>Group (3-5) Off</td>
<td>42%</td>
</tr>
<tr>
<td>Min Payment</td>
<td>Group (6-8) Off</td>
<td>37%</td>
</tr>
<tr>
<td>$ 567.10</td>
<td>Group (9+) Off</td>
<td>30%</td>
</tr>
</tbody>
</table>

*to enable any change to Holding Fee amount:
1) run Baseline model
2) run alternative models using individual model buttons or "Run Model"

### ADJUSTING TIERS

**Per Channel Tier Rates / Per On Camera Principal**

<table>
<thead>
<tr>
<th>Tiers</th>
<th>OPTION 1:</th>
<th>OPTION 2:</th>
<th>OPTION 3: Tier 1 Pay per Play</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CPM/ Ratings</td>
<td>Rebalanced</td>
<td>Tiers 2-5</td>
</tr>
<tr>
<td>Tier 1</td>
<td>$ 1,566.9</td>
<td>$ 1,034.6</td>
<td></td>
</tr>
<tr>
<td>Tier 2</td>
<td>$ 400.4</td>
<td>$ 843.1</td>
<td></td>
</tr>
<tr>
<td>Tier 3</td>
<td>$ 252.3</td>
<td>$ 531.1</td>
<td></td>
</tr>
<tr>
<td>Tier 4</td>
<td>$ 178.2</td>
<td>$ 375.1</td>
<td></td>
</tr>
<tr>
<td>Tier 5</td>
<td>$ 89.1</td>
<td>$ 187.6</td>
<td></td>
</tr>
<tr>
<td>Tier 6</td>
<td>$ 44.1</td>
<td>$ 92.8</td>
<td></td>
</tr>
<tr>
<td>Tier 7</td>
<td>$ 30.0</td>
<td>$ 63.1</td>
<td></td>
</tr>
</tbody>
</table>
Balancing the Advertiser Costs by Model

<table>
<thead>
<tr>
<th>Channel</th>
<th>Baseline $</th>
<th>Adj Tiers - CPM / Ratings</th>
<th>Adj Tiers - Rebalanced</th>
<th>Adj Tiers - PpP</th>
<th>GRP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td></td>
<td>% Change</td>
<td>% Change</td>
<td>% Change</td>
<td>% Change</td>
</tr>
<tr>
<td>Session</td>
<td>$ 5.22 $</td>
<td>0% $ 5.22</td>
<td>0% $ 5.22</td>
<td>0% $ 5.22</td>
<td>0% $ 5.22</td>
</tr>
<tr>
<td>Holding</td>
<td>$ 9.00 $</td>
<td>0% $ 9.00</td>
<td>0% $ 9.00</td>
<td>0% $ 9.00</td>
<td>0% $ 9.00</td>
</tr>
<tr>
<td>Class A</td>
<td>$ 21.53 $</td>
<td>36% $ 19.37</td>
<td>-10% $ 19.19</td>
<td>-11% $ 16.02</td>
<td>-26%</td>
</tr>
<tr>
<td>Syndication</td>
<td>$ 4.10 $</td>
<td>-61% $ 3.36</td>
<td>-18% $ 3.65</td>
<td>-11% $ 1.78</td>
<td>-57%</td>
</tr>
<tr>
<td>Class A + Synd</td>
<td>$ 25.63 $</td>
<td>21% $ 22.74</td>
<td>-11% $ 22.84</td>
<td>-11% $ 17.80</td>
<td>-31%</td>
</tr>
<tr>
<td>Cable</td>
<td>$ 26.06 $</td>
<td>-20% $ 28.86</td>
<td>11% $ 28.86</td>
<td>11% $ 33.63</td>
<td>29%</td>
</tr>
<tr>
<td>Wild Spot</td>
<td>$ 6.08 $</td>
<td>0% $ 6.11</td>
<td>0% $ 6.11</td>
<td>0% $ 6.11</td>
<td>0%</td>
</tr>
<tr>
<td>Dealer</td>
<td>$ 1.15 $</td>
<td>4% $ 1.19</td>
<td>4% $ 1.19</td>
<td>4% $ 1.19</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>$ 73.1 $</td>
<td>0.2% $ 73.12</td>
<td>0% $ 73.22</td>
<td>0% $ 72.95</td>
<td>-0.3%</td>
</tr>
</tbody>
</table>
The Two Recommended Approaches

- The first is **Adjusted Tiers Rebalanced Model**. It seems similar to the current contract but revalues the tiers closer to ratings and CPM.

- The second is the **GRP Model** which aligns talent payments to the number of eyeballs viewing the commercial.

- Both will change the amount paid versus the current contract for any given commercial.

- Other approaches have a variety of problems although they and the two above achieve the goal of aggregate revenue neutrality.
Will I pay more?

- Yes, you could. Because aggregate cost neutrality does not guarantee that any individual commercial will cost the same under a different contract.

- You may pay more for the same commercial under either or both of the recommended approaches.

- You may pay less.

The only way to discern the impact of the new models is to test them!
Every Situation Is Different

- The key driver is the media plan.
- Plans with Class A, with Cable, and with syndication will all behave differently.
- Varying relative spending levels among channel types and day parts will also effect costs.
- The effect varies by payment model type, Rebalanced Tiers versus GRP.

The only way to discern the impact of the new models is to test them!
Rules of Thumb: Winners and Losers

- Who pays more under Rebalanced Tiers?
  - Low level users of conventional network -- old Class A
  - Heavy users of high rated cable with focused plans
- Who pays less?
  - Heavy users of conventional network -- old Class A
  - Users of syndicated shows
Heavy Network Two Channels

Model Compensation Comparison

- Baseline
- Adjusting Tiers - CPM & Ratings
- Adjusting Tiers - Rebanced
- Adjusting Tiers - Pay-per-Play
- GRP

- Dealer
- Spanish Language
- Spot
- Syndication
- Cable
- Class A
- Holding
- Session
Cable Scatter

Model Compensation Comparison

- Dealer
- Spanish Language
- Spot
- Syndication
- Cable
- Class A
- Holders
- Session

- $14,000
- $12,000
- $10,000
- $8,000
- $6,000
- $4,000
- $2,000

- Baseline
- Adjusting Tiers - CPM & Ratings
- Adjusting Tiers - Rebalanced
- Adjusting Tiers - Pay-per-Play
- GRP
Heavy Class A + Some Scatter Cable -- Commercial #1

Model Compensation Comparison

- Dealer
- Spanish Language
- Spot
- Syndication
- Cable
- Class A
- Holding
- Session

Graph showing compensation comparison with categories such as Baseline, Adjusting Tiers - CFIM & Ratings, Adjusting Tiers - Rebalanced, Adjusting Tiers - Pay-per-Play, and GRP.
Heavy Class A Network -- Commercial #2

Model Compensation Comparison

- Baseline
- Adjusting Tiers - CPM & Ratings
- Adjusting Tiers - Rebalanced
- Adjusting Tiers - Pay-per-Play
- GRP

Legend:
- Dealer
- Spanish Language
- Spot
- Syndication
- Cable
- Class A
- Holding
- Session
Very Heavy Cable
Just a Few Channels -- Commercial #3
Heavy Hispanic Cable

Model Compensation Comparison

- Dealer
- Spanish Language
- Spot
- Syndication
- Cable
- Class A
- Holding
- Session

Baseline Adjusting Tiers - CPM & Ratings Adjusting Tiers - Reballed Adjusting Tiers - Play-par-Play GRP
Financial Services -- No Prime Cable

Model Compensation Comparison

- Dealer
- Spanish Language
- Spot
- Syndication
- Cable
- Class A
- Holding
- Section
Financial Services -- Some Prime Cable

Model Compensation Comparison

- Dealer
- Spanish Language
- Spot
- Syndication
- Cable
- Class A
- Holding
- Session
Financial Services -- All Prime Cable

Model Compensation Comparison

- Dealer
- Spanish Language
- Spot
- Syndication
- Cable
- Class A
- Holding
- Session

Baseline
Adjusting Tiers - CPM & Ratings
Adjusting Tiers - Rebalanced
Adjusting Tiers - Pay-per-Play
GFP

$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
Some Quick Helpful Hints

- The hardest thing is collecting the media information. You will need to work with your media buyers.
- Buyers need to provide the plan data by channel AND day part.
- It helps to know the current payment system and nomenclature.
- The first one is the hardest!
# Simple Media Plan Data Collection Form

## TV Media Plan Information

### On-Camera Performers

<table>
<thead>
<tr>
<th>Principal</th>
<th>Group 3-5</th>
<th>Group 6-8</th>
<th>Group 9+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Off-Camera Performers

<table>
<thead>
<tr>
<th>Principal</th>
<th>Group 3-5</th>
<th>Group 6-8</th>
<th>Group 9+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### List National Network or Cable Network used.

<table>
<thead>
<tr>
<th>List National Network or Cable Network used.</th>
<th>Enter # of occasions used here.</th>
<th>Enter # of prime time occasions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example: ABC</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Example: ESPN</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Example: HGTV</td>
<td>8</td>
<td>4</td>
</tr>
</tbody>
</table>

Enter the profile of the cast in this section

Enter your National Media plan here. Use a separate row for each network or cable network.
NOW LET’S DEMO THE BAH MODELS
SWITCH TO THE EXCEL SPREADSHEETS
2000 Redux?
Resources
Adlaw News
Pediatricians Issue ‘Policy Statement’ That Stuns Ad World
December 19, 2006 - In a move that marks another high-water mark in the hysteria regarding advertising aimed at children, the American Academy of Pediatrics (AAP) has released a policy statement that reads more like the rantings of a lone blogger than an official document of a major trade association.

Adlaw Features
Network Clearance Corner: Tips 7 and 8
December 15, 2006 - Tip #7 - To clear or not to clear? That is the question. Tip #8 - Cookie Clearance.

IP Moves
December 10, 2006 - As corporations grow larger, technology grows more complex and the world grows smaller, companies through the ages have been forced to adapt.

www.adlawbyrequest.com
www.sag.org

www.aftra.org
Questions?