Recommendation of the MAKSZ Media Section on Tenders for Bid-Based Media Advertising

The Challenges of Price Guarantees in Bid-Based Media Advertising

It is increasingly common in tenders for advertisers to expect price guarantees from agencies in areas where this is simply unfeasible. The nature of bid-based platforms is that prices are fluid, influenced by market dynamics, and therefore providing price guarantees is not possible, as agencies have no tools to enforce the prices set during the tender process with the platforms.

For this reason, the prices submitted by MAKSZ agencies during tenders are mainly indicative: they reflect the average price level based on past experiences, currently available settings (targeting, formats, purchasing methods), platform algorithms, and market trends (seasonality, consumer trends). However, agencies cannot provide future price guarantees.

About Bid-Based Media Buying

Bid-based media advertising is a dynamic and competitive approach where advertisers bid in real-time to show their ads to a specific audience. This model is common on various digital platforms, including search engines and social media, and works similarly in the programmatic market.
The cost of ad placements is determined by an auction where factors such as the bid amount, ad quality, and targeting specificity play a significant role. Initially, advertisers, or their agencies, can estimate how much reach they might achieve with their budget on a given channel, format, and targeted audience over a specific period. However, this is only a snapshot, and the initial plan can change due to factors such as increased budgets, targeting new audiences, or the general rise in digital spending.

These changes present several challenges for media agencies to maintain guaranteed prices for bid-based media tools during tenders:

> **Market Fluctuations:** Bid-based advertising is inherently volatile, with prices fluctuating according to demand. Guaranteeing prices ignores the dynamic nature of the market.

Competition: As more advertisers enter the market or increase their budgets, competition for ad space intensifies, driving up costs. This competition is for the audience's attention, meaning not only direct competitors but all advertisers entering the digital space contribute to rising prices.

Changes in Audience Targeting: Alterations in targeting criteria can significantly impact costs. More precise targeting can reach niche groups, but this typically requires higher bids.

Platform Algorithm Updates: Advertising platforms frequently update their algorithms, which can affect campaign costs and efficiency. These updates often happen without notice, so agencies only realize the impact during campaign optimization.

Seasonal Changes: Certain periods of the year see increased advertising activity (e.g., holidays), resulting in higher costs that are difficult to predict and guarantee.

Economic Factors: Broader economic changes can influence advertising spending and consumer behavior, impacting bid prices and making guarantees unsustainable.

Significant Changes in the Advertising Market: If there are major changes in the advertising market, such as price increases or delivery issues in traditional media, additional budgets may flow into the online advertising space, significantly affecting bid-based channels.

Innovation and New Formats: The introduction of new ad formats or developments can alter a channel's performance (reach, awareness) and engagement capabilities, impacting pricing structures.

Global Reach vs. Local Markets: Expanding into new geographic markets can make costs unpredictable due to different levels of competition and market maturity. Increasingly, advertisers can target specific national audiences globally or regionally, introducing previously "invisible" budgets into the local market.

Changes in Consumer Behavior: Shifts in how target audiences interact with media can affect the most cost-effective channels and formats, impacting pricing.

Regulatory Changes: New regulations or changes in data privacy laws can affect targeting capabilities and ad effectiveness, influencing costs.

Summary: Due to the dynamic and unpredictable nature of bid-based media advertising, it is challenging for media agencies to maintain guaranteed prices during tenders. Factors such as market competition, changes in audience targeting, and external economic and regulatory shifts contribute to this volatility. Moreover, it is difficult to find a comparison point that ensures the lowest price while also delivering a high level of audience reach. Both agencies and advertisers must adopt flexible and adaptable strategies to navigate this environment effectively. Fixing certain conditions at a given point in time is less effective, as it complicates maintaining competitiveness in the market and leveraging new opportunities, formats, and channels that this ever-evolving system offers.

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