



## Media Agency Overhead

Media agency overheads is an element within fee calculations when media agencies are establishing and/or negotiating their remuneration with clients, however, a lot of speculation and confusion exists around what constitutes media agency overheads and how they are calculated.

### The MFA Agency Cost Benchmark Report

Each year in February, the MFA invites member agencies to complete the MFA Agency Cost Benchmark survey that captures financial data such as agency billings, revenue and expenses. The resulting reports are confidential and are available only to participating member agencies whereby each media agency may benchmark their financial results against the combined industry data.

MFA member agency CFO's saw the opportunity to use the framework and data from the MFA Agency Cost Benchmark Report to calculate a media agency overhead around consistent and clear guidelines of what costs are included and what costs are excluded within the overhead calculation.

The resulting calculation establishes an industry standard more attuned to today's marketplace and covering the full range of services that media agencies provide.

### MFA definition of industry overhead

Agency Overhead represents all the costs of running an Agency other than the direct labour costs involved in fulfilling all levels of services offered and provided by the media agency to its clients.

Agency Overheads is then shown as a percentage of direct labour costs.

The following table provides a broad outline of the types of costs that fall into the definition of agency overhead:



MFA Industry Overhead – What’s in / What’s out

<b>What’s in:</b> <b>Media Agency Overhead</b>	<b>What’s out:</b> <b>Direct costs</b>
Indirect Salaries (includes all non-client related roles such Corporate Management, Finance, Administration, Media Systems Support, HR / Payroll, IT)	Salaries directly related to fulfilling all levels of services offered and provided by the media agency to its clients
Employment On-Costs on the Indirect Salaries (includes superannuation, payroll tax, workers compensation etc.)	Employment On-Costs on the Direct Salaries (includes superannuation, payroll tax, workers compensation etc.)
Office Occupancy Costs (includes rent & outgoings, utilities, leasehold improvements, depreciation costs)	
IT & Communication Costs (includes hardware depreciation, Media software and telecommunication)	
Media Surveys / Subscriptions	
Travel and Entertainment	
Stationery Paper & Supplies	
Postage and Couriers	
Dues and Subscriptions	
Insurance (includes credit insurance, public liability, left, professional indemnity etc.)	
New Business and Promotion	
Management fees / Charges (ie regional)	