

Pay-for-Performance Agencies: Risky Business?



Marketers increasingly demand to share risk
with online agencies

Press Release

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i33 communications – For Immediate Release

FOR IMMEDIATE RELEASE

Pay-for-Performance Agencies: Risky Business? *Marketers increasingly demand to share risk with online agencies*

SAN FRANCISCO, April 25, 2006 – Nearly 50 percent of large advertisers are now employing some sort of incentive-based compensation for agency work, according to the Association of National Advertisers (ANA).

“Clearly agency risk-sharing compensation models are starting to gain favor,” says David Levin, president of i33 communications, an interactive agency serving Fortune 500 and mid-sized companies. “Since online is the most quantifiable medium, more and more marketers will seek out an interactive agency willing to put its money where its mouth is with a risk-sharing model.”

Levin is a key industry proponent of risk-sharing models and will speak on the topic at Ad:Tech San Francisco. His April 27th talk is titled “Pay Your Agency on Results: Risk-Sharing Compensation Models.”

According to the ANA, marketers are moving away from traditional agency commission and fee models to performance-based options, a move that Levin has been advocating since 2000. During his talk at Ad:Tech, he will share his formula for structuring an equitable risk-sharing compensation model to ensure that marketers incent the right behavior and get the right results from their online agencies.

“A risk-sharing pay structure changes the relationship between agency and marketer. Clients like to know that we want to succeed as much as they do and that we work that much harder to deliver results,” says Levin. “We’re in the trenches with them, and it allows us to work together as a real team.”

Although risk-sharing models are becoming more popular, online agencies are not necessarily rushing to offer pay-for-performance compensation plans. “Even though we can track leads and sales generated online,” says Levin, “some agencies, and even marketers themselves, remain averse to this type of model.”

Win-Win Risk Sharing

“Shared-risk models work because they eliminate the agency’s tendency to increase media spend solely to increase commissions and instead correctly focus the agency on results,” explains Levin.

Leveraging its proprietary AdMaximize(SM) ROI-reporting service and other tracking tools, i33 employs risk-sharing models for clients including GMAC Insurance’s CoverageOne, multiple L’Oreal brands, IAC/InterActiveCorp’s Entertainment Publications, and eFax.

i33 client Peter DeMaris, vice president of marketing at Entertainment Publications, says, “i33 has been a true partner for driving growth in our online channel. Efficient media planning, metric-driven testing and effective creative all have helped us more than double online sales of The Entertainment Book year over year.”



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About i33 communications

David Levin has long been a champion for online accountability. In 1997, he founded i33's interactive marketing practice, specializing in high-volume sales and lead generation. He also created i33's proprietary AdMaximize(SM) service -- the industry's first, and still most customizable, ROI-reporting tool.

Founded in 1995, i33 (www.i33.com) is a leading full-service interactive agency specializing in website design & development and search & online advertising for Fortune 500 and mid-sized companies. i33 is so confident in the results it can achieve that the agency often employs risk-sharing compensation models with its clients. i33's clients include GMAC Insurance, multiple L'Oreal brands, Delphi, and eFax. i33 has offices in New York, Detroit and Washington, D.C./Maryland.

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