SAFEGUARDING MEDIA INVESTMENT IN CHINA: A GUIDE TO BROKER USAGE

Transparency and Risk Management in a Complex Media Market

FOREWORD

The issue of transparency in China's media buying market has once again taken center stage. Recent high-profile investigations in China's media trading sector, including the detention of senior executives in 2023 and another case in 2025 have raised significant concerns among global marketers. These incidents highlight an urgent need: **how can advertisers safeguard their media investments in a market where the role of brokers remains deeply entrenched?**

This whitepaper aims to:

- **Clarify** the role of brokers in China's media market;
- **Identify** key risks associated with broker involvement;
- Provide **actionable strategies** to strengthen transparency and protect media spend.

UNDERSTANDING BROKERS IN CHINA'S MEDIA MARKET

Before delving into the complexities, it's crucial to clarify what constitutes a "broker" in this context.

1 WHAT ARE BROKERS IN CHINA'S MEDIA MARKET:

A broker is an intermediary that facilitates bookings and payments between agencies and media publishers. Instead of agencies buying directly from publishers, brokers handle transactions. In some cases, multiple brokers may be involved before money reaches the publisher, reducing transparency. It is equally important to distinguish non-brokers.

Who are NOT brokers:

- Media resource owners, such as Douyin or Tencent
- Exclusive ad sales houses, such as Focus Media (for lift LCD and posters) or those selling ad inventory in subways or airports

Who are brokers:

- Well-known state-owned municipal or provincial media groups
- Listed advertising companies
- More often, unfamiliar private companies that may have been registered only a few years ago with a minimal staff (3 employees)

WHO WE ARE

In a word, we are about transformation. R3 was established in 2002 in response to an increasing need from marketers to enhance their return on marketing, media and agency investments, and to improve efficiency and effectiveness. We want to help CMOs make marketing accountable.

We've worked with more than one hundred companies on global, regional and local assignments to drive efficiency and effectiveness. We have talent based in the US, Asia Pacific and Europe and partners in LATAM and Africa. Through global work for Unilever, Samsung, Colgate-Palmolive, and others, we have developed robust benchmarks and process targets for more than 70 countries.

CONTACT US

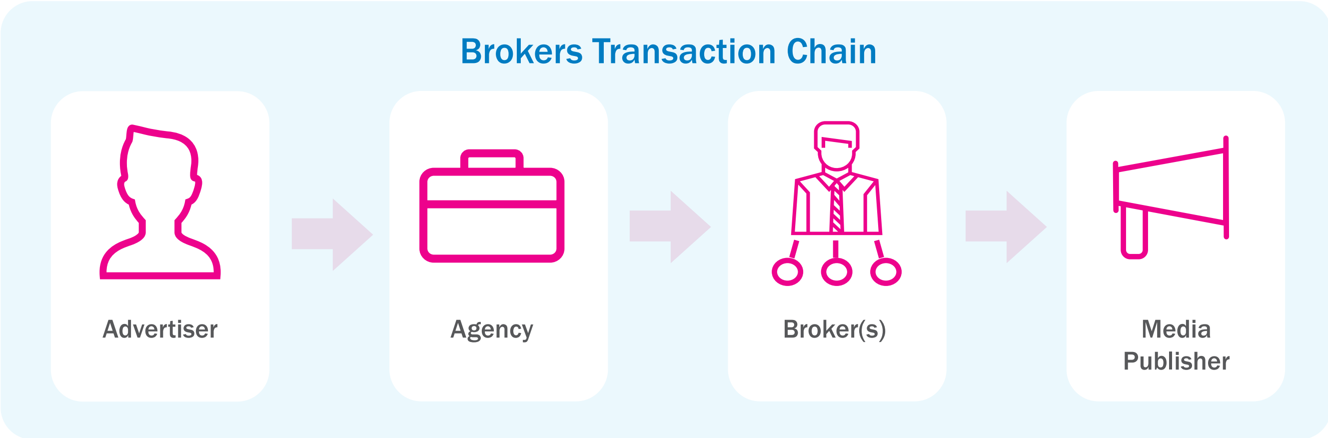
Sabrina Li
Managing Director, China
sabrina@r3china.com

Teriea Lu
Consultant
teriea@r3china.com

SOCIAL MEDIA

www.r3china.com
Website

linkedin.com/company/r3
LinkedIn



2 WHY ARE BROKERS SO INGRAINED IN CHINA'S MEDIA SUPPLY CHAIN?

Broker involvement in China's media supply chain is a deeply entrenched practice that has evolved over time due to several factors:

Historical Legacy

Since the early 2000s, TV stations (including CCTV) and OOH owners outsourced ad sales. This model later extended into the digital era, adopted by smart TV manufacturers like Hisense, TCL, and Skyworth.

Agencies' Needs to Manage Cash Flow

Agencies often face a mismatch: publishers demand payment in 60–90 days, while marketers pay agencies in 120–180 days, which requires post-campaign reports and an additional 1-2 weeks for marketers' internal aligned confirmation before an invoice can even be issued. Brokers bridge this gap.

Agencies’ Needs to Manage Smaller Media

For low-volume media, brokers provide efficiency and aggregated buying power. An added advantage is that certain brokers, leveraging their larger aggregated buying power, can often negotiate better deals than an individual agency.

Agencies' Drive for Trading Profit

- **Low profits:** Agency commissions or retainer fees are typically just 1–5% of total media spend. Much of the profit is derived from rebates offered by media publishers, which can range from 5% to 25%. While these rebates should ideally be returned to marketers, agencies often retain a portion for themselves.
- **Broker Involvement on profit-making strategy:** Brokers benefit by inflating their reported revenue to achieve growth, earning income either through a negotiated percentage for facilitating transactions or by reselling the media inventory they acquire.
- **Conflict of Interest:** As a result, Marketers aim to maximize rebates from media spend, while agency trading departments are incentivized to maximize trading profit to meet internal targets.

3 KEY RISKS TO YOUR MEDIA INVESTMENT

The ingrained use of brokers introduces several significant risks for client media investments:

Lack of Transparency for Marketers

- Marketers often do not know the full extent of broker involvement or their identities unless contracts explicitly require disclosure.
- During media performance audits, agencies may refuse to provide broker details, claiming they are only available in a financial audit.
- Even in financial audits, if a broker is involved, the agency typically shows the rebate contract between agency and broker, not between agency and media publisher.
- In most cases, the agency holds higher buying volumes than the broker, meaning actual rebate negotiation is directly between agency and publisher. As a result, the rebate ratio reported to marketers may appear correct but marketers might have been able to secure higher rebates.

Ultimately, this entire opaque process severely limits a client's ability to gain a clear and complete picture of their media buying process.

Reduced Rebates

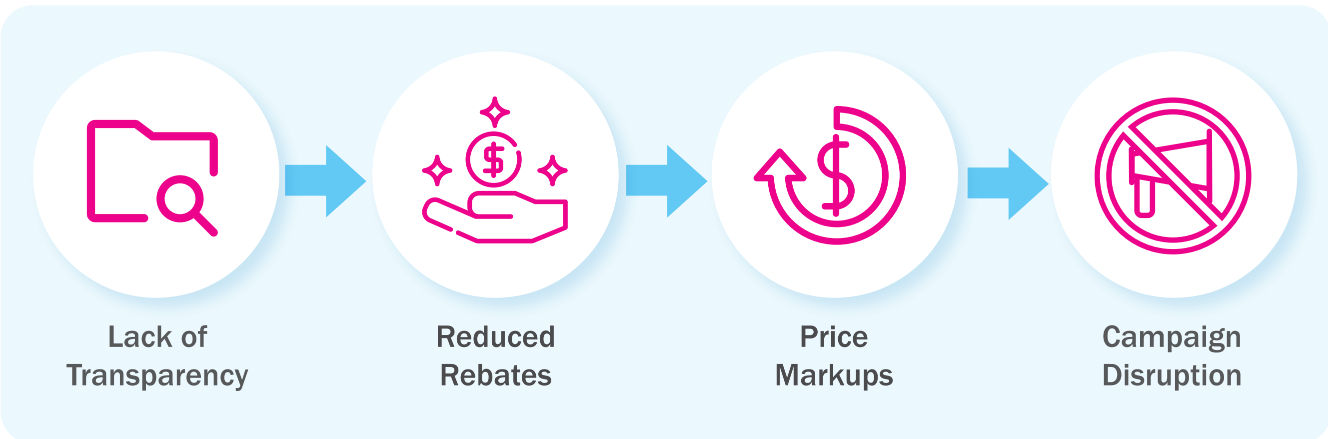
When a substantial portion of media buying (e.g., 50%) is facilitated through brokers, marketers typically receive significantly fewer rebates than they would for similar spending levels in the market.

Potential for Markups on Buying Price:

The lack of visibility into the actual buying price paid to media publishers, especially for OOH media, creates a potential for inflated buying prices or rate card markups.

Campaign Disruption:

If a broker suddenly ceases operations, they may be unable to make payments to media publishers, even if they have received payment from the agency. In such circumstances, major media publishers are generally unwilling to accept new campaign bookings until overdue payments are resolved, leading to potential campaign disruptions.



4 SAFEGUARDING YOUR MEDIA INVESTMENT IN CHINA'S LANDSCAPE

Given the persistent role of brokers, a proactive approach to managing your media contracts and media costs/rebate is paramount to ensuring the safety and competitiveness of your media investment.

Robust Contractual Safeguards

Your agency contract is your most powerful tool. It should explicitly mandate transparency:

- **Full Disclosure of Third-Party Vendors:** Require the agency to disclose all third-party vendors, including names, legal entities, and the rationale for their involvement.
- **Addressing the Broker Issue Specifically:** Demand a clear justification for selecting specific media owners or brokers, especially if direct alternatives exist. Crucially, ensure your Right to Audit explicitly allows for the disclosure of broker information during a performance audit, rather than limiting it to less frequent financial audits.
- **Specific Rebate Reporting:** Insist that the agency report rebates at a granular level—by media publisher and by media buying volume—rather than simply aggregated by media type. You should also retain approval rights for media buys that do not offer a rebate.

Negotiate an Upfront Minimum Rebate Commitment and Cost Cap

Beyond contractual safeguards, proactive negotiation further strengthens your position:

- **Encourage negotiating an upfront media deal cost** where the agency commits to a cost cap and a minimum cash rebate. Push for a direct relationship between your agency and media publisher during the negotiation process.
- **The benefit of this upfront deal is twofold:** it ensures you secure a competitive price before the agency presents a spot plan to your local team (who may lack cost intelligence or time for negotiation), This prevents a situation where you only learn about your prior year's cash rebate in Q3 or Q4, by which point your negotiation leverage is diminished, and other marketers may have already secured their favorable rebate amounts, leaving the agency with little flexibility to offer you a fair rebate ratio.

CONCLUSION

Brokers are unlikely to disappear from China's media market. Their role is too deeply embedded across legacy practices, financial flows, and agency profit structures. However, their risks can be managed.

Marketers who take a proactive stance by **demanding transparency, negotiating upfront,** and **insisting on granular rebate disclosure** can protect their investments while driving competitive advantage.