



March 2017

The Marketing Research Foundation, currently operating as SAARF
54 Queens Road
Johannesburg
2191.

Dear Sir / Madam

EXPRESSION OF INTENT

1. The South Africa Advertising Research Foundation (“the Company”) exists to provide tools for the targeting and segmentation of markets, as well as to establish, commission and manage comprehensive, valid, reliable, continuous consumer behaviour research, surveys, investigations, and reports, that provide comparable multi-media and multi-product/brand usage information that reflect the totality and complexity of the South African society, and any other research required by its stakeholders.
2. To fulfil its objects, the Company has, in conjunction with the Marketing Association of South Africa (MA(SA)), the Advertising Media Forum (AMF) and the Association for Communication and Advertising (ACA), developed a model for conducting new and innovative marketing research to fill the gap left by the demise of the All Media and Products Survey - AMPS. This will be independent, neutral, transparent, audited, and consumer focused product, brand, and media consumption research.
3. As a not-for-profit, public benefit organisation, the Company requires funding in order to design, implement, manage, and oversee this research on behalf of subscribers from the marketing and advertising industries.
4. To this end, by signing this letter, the signing party declares its’ in principle and thus non-binding support for the proposed research initiative, and makes known its intent to subscribe to this initiative subject to final terms and condition being agreed and set out in a detailed funding agreement.
5. The signing party acknowledges the content of the proposed research funding framework, attached as Annexure 1 hereto.

6. This expression of intent is given to and is for the sole benefit of the proposed marketing research initiative and the Company's obligation in executing its duties in this regard, as set out in its Memorandum of Incorporation.

Duly authorised:

Signed at on this the..... day of 2017

Company:

Name:

Signature:

Capacity

Email address:

ANNEXURE 1: FUNDING OF THE MARKETING INDUSTRY RESEARCH INITIATIVE

Purpose:

- 1.1 To collect funds for the Marketing Industry Research Initiative from participating Marketers by way of contributions based on subscribers' annual advertising spend.
 - 1.1.1 "Industry" means the Marketing Industry in South Africa, including marketers and media agencies scheduling and placing advertising aimed at the broad body of audiences in various markets, but excluding private communication media such as services offered by the Department of Communications.
 - 1.1.2 "Subscribers" means marketers who elect to participate in the Industry Marketing Research Initiative, and who will thus make contractually committed contributions to the funding of such research.
- 1.2 To distribute such funds to product, brand and consumer based marketing research and associated purposes related to the efficient and effective production, management, and governance of such research to the exclusive benefit of the subscribers and their nominated Media and/or Advertising Agencies.

Calculation of Contributions:

2. Contributions will be referred to as Subscription Fees. For purposes of calculating the contribution:

2.1 Advertising spend shall mean:

- 2.1.1 all advertising and advertising related media, channel and platform related expenditure paid to a third party, whether above or below the line, and whether agency placed or direct;
- 2.1.2 expenditure on promotions, sponsorships, competitions, events and offers which involves, directly or indirectly, the purchase of space or time in a public news, advertising, or entertainment medium or on a digital media;

2.1.3 the advertising of competitions, events, promotions, and charitable functions, or in any other form which results in revenue for a media owner and which is expected to result in an immediate or direct benefit to the advertisers.

2.2 The quantification of a subscriber's Ad Spend shall be based on the actual total annual expenditure after published or contractual discounts and agency commission (trade or early settlement discount granted), as invoiced (less Value-Added Tax) to the company or brand.

2.3 Advertising spend excludes:

- 2.3.1 sponsored space in time for educational, charitable, or public service purposes;
- 2.3.2 any free advertising (including make good advertising) obtained by a marketer for any reason;
- 2.3.3 expenditure on legal and financial notices, classified advertisements, church and charity notices, company reports and prospectuses, staff vacancy and recruitment advertising; and
- 2.3.4 notices by all levels of Government.

2.4 In setting the level of subscriptions, it is important that an equitable and transparent method is implemented. International best practice confirms that where marketers and/or media agencies contribute towards industry research, contributions are calculated as a percentage of advertising spend, as defined above.

2.5 Subscriptions will be calculated using a 3-Tier Approach:

- 1. 0,5% of annual ad spend up to R250m, with a minimum contribution of R35K;
- 2. Plus (if applicable) 0,4% of annual ad spend between R250m and R500m;
- 3. Plus (if applicable) 0,3% of annual ad spend in excess of R500m, with overall subscription capped at a maximum of R2.5 million per subscriber.

Payment of subscriptions:

3. To ensure good governance, the collections function will be separated from the organisation responsible for the marketing research, and an appropriate entity for this purpose established or reconstituted. The contributions shall be paid over quarterly in arrears to the collections body by the subscribers.

3.1 "Subscribers" means Marketers who will make the contribution directly to the marketing research fund. Where a marketer chooses to delegate a media agency to collect and pay the contributions calculated from the advertising spend of the respective marketer/client, the media agency will be the agent of the subscriber.

3.2 The Subscriber or their agent shall submit to the collections body an annual subscriber's audit certificate and/or statements indicating the amounts paid to the body and calculations in respect of contribution;

3.3 The annual contribution to the funding of the Future Research initiative will be based on a subscriber's previous year's audited advertising expenditure.

3.4 The collections body will ensure that an independent auditor appointed by itself will be granted the facility to do audit checks on the receipts and payment of the contributions by collectors.

Distribution of funds:

In making distributions, the collections body shall be aligned to the research needs of the marketing industry as set out in the Memorandum of Incorporation of "The Marketing Research Foundation" (replacing SAARF). The collections body shall be accountable to the subscribers and their agents, and shall ensure the responsible and efficient use of funds. It must provide subscribers with regular reports and Annual Financial Statements on the collection and distribution of funds. It will be responsible for enabling "The Marketing Research Foundation" to carry out its objectives relative to the contractual commitments of subscribers, and subject to acceptable budgets being tabled and sufficient funds being available.