

9 Important Components to Include in Your Advertising Contracts

The feeling of finally sealing a deal with a client you want is so fulfilling, right? All the time and dedication you invested on [writing an advertising proposal](#) and [preparing an advertising pitch](#) paid off. Although it's exciting to do business with a new client, there's one last thing you must do. And that's to arrange a contract with the client. We all know how contracts work. Most of us in the business world have encountered them one way or another. But, not all of us know about a contract's specific components—all of which are crucial. So, before you seal the deal with a client, take time to familiarize the nine critical components that your advertising contracts should have.

Official Names and Vital Info of Both Parties

Of course, your agency's name and the client's name should be present in the contract. We all know that. But what other contracts don't include is the specifics—the information of both parties aside from just their names. In your case, these specifics are what your agency is all about, what sort of ad services it offers, and other things that define its brand and identity. For the client, the specifics would be info of his or her business or things he or she does for a living. Simply put, the contract must define both parties to clarify the entities involved in it.

Along with the names, don't forget to include contact details and location addresses.

Duration of the Agreement

Contracts have a starting date and end date. So, it's important to emphasize them on the document. Although this may sound like an easy peasy step, it's not really. You need to discuss it with the client. The duration of the agreement has a significant impact on the deal. And it could cause a lot of changes that are yet foreseen. You and the client must ensure that the starting and end date is enough time to meet every objective.

The Project's Scope

The reason why you and a client will seal a contract is to work on an advertising project. That said, it's important to include details of the project's scope. You can define its purpose, what it does, how big it is, how much workforce it needs, and other variables necessary for its completion. In other words, you should outline an overview of its operations. This clears things on what you and the client will be working on. Be careful

about using advertising jargon in defining the project's scope. Some of the contract's readers aren't advertising experts, and that includes the client.

Moreover, you can use the project's scope as a basis for measuring the contract's duration.

Agreed Budget and Schedule of Payments

Deals with clients will always involve money. Clients will lay their money, you'll work for them, and then you'll receive the money after. In the contract, the details about the project [budget](#) must be present. For this matter, you need to study the project's scope to [prepare a precise advertising quotation](#), which you'll base for the budget. The budget should emphasize how much money is at stake in the contract. To be specific, how much money the client will pay for your agency.

Speaking of pay, the contract must also state when the client must place his or her payments. There are mainly two options in [scheduling payments](#). It could be monthly or after the project's completion. It's up to you and your client's preference.

Clauses for Scope Creep

What is scope creep, you ask? Scope creep is an occurrence when there are uncontrollable expansions in the project. Various circumstances cause it, but it's mostly from the client and rarely from the agency. According to a [GoSkills](#) report, scope creeps bombard 50% of projects. Plus, only 57% of these projects stay within budget, and only 51% finish on time. Scope creeps can really affect resources and cause headaches for your agency.

With those said, your contract must have clauses for possible scope creeps. Implement contingency plans to mitigate their adverse effects and to protect your agency from losing resources. Let the client know about them and firmly insist on including them on the contract.

Overdue Payment Conditions

For sure, one of your checklists of goals is [maximizing your agency's profits](#). However, you won't achieve that if clients don't pay on time. That's why you should include overdue payment conditions. These conditions could be late fees or interest rates. Your aim must be to let the client pay additional costs for incurring overdue payments. But, the primary purpose of this clause is to encourage the client to pay early or on time, not to get more money from him or her.

Data Privacy

During operations, you and the client will exchange plenty of data concerning the ad project. And those data are confidential and must remain private all the time. For that reason, the contract must have rules and regulations for data privacy. Both parties should avoid disclosing vital information to unauthorized figures and external entities. This ensures that the client will protect whatever data you'll send to them, and your agency as well.

Sanctions for Contract Breach

A written contract will be powerless if it doesn't have consequences when either party breaches it. So, make sure to implement sanctions for contract breach. Of course, you and the client must discuss this matter thoroughly. And both of you have to be aware of this clause. Sanctions ensure that both parties will fulfill their duties in the agreement. These sanctions include lawsuits, hefty fines, and, ultimately, contract termination.

Indemnity Clause

Indemnity is a clause that obligates one party to mitigate and compensate for the losses he or she incurred towards the other. This clause is critical to protect your agency from losses due to a client's shady actions. Your agency is also liable to follow an indemnity clause if it's the one causing damages. An indemnity clause makes the contract more firm, and it makes both parties feel secure with the agreement.

A lot of planning and management will be in play in preparing a contract. It's just like [writing an advertising agency business plan](#). But the stakeholders are narrowed down between your agency and the client. So, take note of all of these components and make contracts that can bring win-win deals.