

National TV ACES

(Ad Cost Efficiency Service)

**2008-2009 TV Season: Upfront
TV Network Cost Efficiency Estimates**

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Introduction

For over 25 years, Media Dynamics, Inc.'s annual report, **TV Dimensions**, has provided the advertising and media industries with independent estimates for national TV buys. For years we received inquiries about expanding such a service with particular emphasis on the upfront, which led to the launch of National TV ACES (Ad Cost Efficiency Service) in 2005. This annual report, released each summer following the completion of most upfront TV buys, provides CPM and CPP estimates for broadcast network, syndication and cable buys by daypart for each season, including breakdowns by month and quarter. The fourth season of ACES, covering the 2008-09 upfront, will be available October 6th 2008.

As explained in further detail in this prospectus, National TV ACES presents generalized cost-per-rating-point and cost-per-thousand *estimates*, which must be used with caution by subscribers. They are not intended to substitute for specific negotiations between individual buyers and sellers of TV time, and we urge all subscribers to carefully study the explanations and particularly the FAQ section that follows.

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General Explanatory Note

National TV ACES (Ad Cost Efficiency Service) is a copyrighted service of Media Dynamics, Inc., published annually in the late summer. It provides our estimates of the cost-per-rating-point (CPP) and cost-per-thousand viewers (CPM) for upfront national TV network time buys (broadcast networks, syndication and ad-supported cable channels) by commonly utilized demographic segments. Estimates are shown on a monthly, quarterly and full season (12-month) basis for upfront buys, which generally account for 75-85% of national network time sales.

Definitions

Cost-Per-Rating-Point (CPP)

The cost to the advertiser of reaching 1% of all homes or a given demographic group via a particular form of national network TV. Example: an average primetime TV series on a broadcast network reaches 2,292,500 women aged 18-49 per minute, or 3.5% of the 65 million women in this age segment. If an average primetime 30-second commercial in that show was sold for \$95,000, the typical advertiser's cost for reaching 1% of all women aged 18-49 via this type of buy is \$27,143 ($\$95,000 \div 3.5$).

Cost-Per-1000 (CPM)

The cost to the advertiser of reaching a thousand homes or people in a given demographic group via a particular form of network TV. Using the example above, if an advertiser pays \$95,000 to reach 2,292,500 women aged 18-49 per minute via a single primetime commercial on this hypothetical network show, the CPM for this demographic is \$41.44 ($\$95,000 \div 2,292,500$).

Broadcast Networks

Early AM news/info shows (M-F); daytime (M-F); early news shows (M-Sunday); primetime; and late fringe (M-F)

Syndication

Daytime (M-F); early fringe (M-F); prime access; and late fringe (M-F)

Cable

Daytime (M-F); early & late fringe; primetime; and run-of-schedule (all dayparts)

Dayparts Covered

Time Periods Covered

For each network type/daypart, CPP and CPM estimates are provided for the entire upfront (12-month average), along with quarterly and month-by-month projections.

Demographic Breaks Covered

Each network type/daypart includes an all-household average and the following age demographics for adults, men and women: 18+; 18-34; 18-49; 25-54 and 35+. Please note that in the daytime tables, CPP/CPM estimates are not provided for the adult male demos, since men are rarely targeted in this daypart.

ACES Sample Tables

Visit www.MediaDynamicsInc.com/ACES.cfm

FAQs

NATIONAL TV ACES (Ad Cost Efficiency Service)

How often will National TV ACES be released?

Annually in September or October, assuming the majority of upfront buying for the following October-September season is concluded by then.

What format are National TV ACES available in?

ACES reports are published as PDFs and distributed by email, but if necessary, we can accommodate subscribers who require print copies.

Do you plan to monitor the scatter market as well?

Not at this point. Since the upfront accounts for upwards of 80% of most sellers' full season GRP inventory, we feel that it is more broadly representative for planning and budgeting purposes.

Why don't you provide CPP/CPM estimates for the children's market or for TV sports buys?

There seems to be relatively little demand for such information. We may add these categories at a later date, depending on the availability of data.

Why don't you report CPP/CPM estimates for specific networks?

This might encourage subscribers to skip the vital negotiation process between buyer and seller, which by definition trumps more generalized CPP/CPM estimates such as those we provide.

What is the range of CPP/CPMs above and below ACES estimates?

Generally speaking, advertisers who are less concerned about cost efficiency and more focused on program environment, merchandisability and other promotional or image-shaping values may pay 20-30% higher CPP/CPMs than shown by National TV ACES, while those emphasizing cost efficiency above most other issues may pay 10-20% lower rates. There are, however, many gradations and exceptions, depending on the class of advertiser, program preferences and other factors, particularly when it comes to cable.

Continued

FAQs

NATIONAL TV ACES, continued

Can you be more specific about some of the factors that affect CPP/CPM ratios for individual network TV buys?

Many factors affect the outcome of negotiations between TV ad buyers and sellers. Among them:

- a) The amount of the purchase and its terms (i.e. special scheduling demands)
- b) The exact networks, dayparts and programs selected
- c) The skill, motivation and clout of the buyer, plus the client's strategy (CPM-driven or willing to pay premiums for "quality environments")
- d) The seller's willingness to "deal" or hold firm on price demands
- e) The timing of the purchase (last minute or well in advance)
- f) The general marketplace situation at the time of the negotiation (is it a "tight" seller's market or has demand softened, giving the buyers an edge?)
- g) Prior negotiations between the same parties. Often, these build "relationships" that can benefit a buyer. First time deals with a new mediaseller are on less familiar grounds.

Obviously there is no way that generalized CPP or CPM estimates as provided by National TV ACES can reflect any or all of these variables. The only way to come up with client-specific or buy-specific CPP or CPM projections is to negotiate directly with one or more media sellers. *National TV ACES estimates cannot be used as a surrogate for this essential step.*

When ACES provides a CPP/CPM estimate for a particular demographic, is this based solely (or primarily) on networks with the highest compositions of such viewers?

No. The networks learned long ago to exploit favorable audience compositional profiles to their advantage. Thus an advertiser targeting adults 18-34 who singles out only those networks with high concentrations of this demo in their total audience, often pays much more per target viewer than would be the case if broader-based, more cost-efficient networks were also included in the mix. Recognizing this, ACES utilizes a reasonable but variable mix of network and cable types to project CPP/CPM data for each demo segment.

What are your sources?

Media Dynamics, Inc. is the source for ACES National TV estimates, based on decades of experience including the initiation of several TV and radio CPP/CPM estimation services now available through other parties. We additionally receive input from individuals with experience in the media advertising industries to help us refine our estimates.

Continued

FAQs

How do you validate your CPP/CPM estimates?

If my client's CPMs for men 18-49 come in at \$45.59 and ACES' estimate for the corresponding network type and daypart is \$35.00, does this mean that we bought badly?

How can I use ACES data for media planning purposes?

NATIONAL TV ACES, continued

While we have access to a wide range of CPP/CPM data via long-standing relationships throughout the media industry, National TV ACES estimates are *not* derived by statistically averaging all-inclusive databases of network buys. Rather, ACES offers subscribers a highly-educated third party estimate of typical CPP/CPM ratios attained in the annual upfront network time auctions. Used with proper caution and bearing in mind the caveats cited above, ACES adds depth to the media planner's or buyer's arsenal of tools, at relatively little cost.

We have been publishing cost efficiency estimates for network TV and other media since the early-1980s in our research annual **TV Dimensions**. None of the numerous ad agencies (including all of the top shops) who routinely subscribe to **TV Dimensions**, has questioned these estimates. Ultimately, our research validates itself. Interested parties may request samples of our 2006-07 National TV ACES report to see our prior estimates; contact information is listed at the end of this prospectus.

Of course not. Your CPM depends on which channels and program packages you selected out of those originally considered, how tight the negotiations were, how flexible you were (willing to walk away from a channel with excessive CPM demands?) and many other factors. The only way for National TV ACES' cost-per-1000s to match your client's buy would be if all networks charged all advertisers exactly the same CPMs for each demo, no matter how big an ad budget was involved, which shows were included, when the deal was made, what scheduling requirements were stipulated, how savvy the buyers and sellers were, etc. ACES is not advertiser- or buy-specific.

One way is for budgeting upcoming buys. Bearing in mind all of the cautions cited earlier, if a media planner needs to get an approximate idea of how many audience exposures (rating points) can be attained via a particular form of TV for a given ad expenditure level, the process works like this:

If National TV ACES's cost-per-rating point estimate for women aged 18-49 in broadcast primetime is \$27,143, and an advertiser wanted to attain 1,000 such GRPs using this daypart, s/he could expect to spend about \$27.1 million (\$27,143x1000) to accomplish this goal. Such calculations are particularly revealing when comparing current media buys with possible alternatives; however, the buyer or network buying group should always be consulted before any of the projected data are presented to an advertiser. Based on past experience or changing marketplace situations, the buyers' counsel should be heeded by the planners, who may need to adjust their budgeting calculations if higher or lower CPPs seem mandated.

Continued

FAQs

NATIONAL TV ACES, continued

How do you estimate your month-by-month projections and how can I use them?

We have seen an abundance of data, including ad spending projections relative to commercial loads, all of which guide us in making our month-by-month projections as valid as possible. It's clear that the finer we cut our estimates, the greater the variability, which probably makes the monthly projections less stable than the quarterly ones. That said, if one accepts that CPMs are 15% above the annual norm in the second quarter, it should be obvious to experienced buyers that May will come in somewhat higher than the quarterly average. To make this work, April and June CPMs (and CPPs) must tie in to produce a valid quarterly level, meaning that they come in lower than the second quarter average.

The obvious use for the data lies in the timing of an advertiser's flight. If a media planner is budgeting a buy that is scheduled for April 1-May 15, it is better to use our April CPM or CPP estimates--counted with a weight of two--along with our May estimates counted with a weight of one, rather than the full second quarter averages, which count April, May and June equally. Variations between month-by-month CPM/ CPP projections and quarterly averages are especially pronounced around May and December/January.

How do you plan to handle the commercial rating and DVR playback issues in the 2007-08 report?

Until the industry comes up with a standard way of reporting on these new metrics, we will continue to use the traditional average minute, all-content definition for CPM and CPP projections. If a subscriber feels that another definition is more appropriate and knows from Nielsen that the application of this definition reduces rating levels by say, 3%, we would suggest that such adjustments be applied ad hoc to our data.

Why is there a need for more than one source for upfront CPM/ CPP estimates?

The more reference points used in the media planning process the better; National TV ACES approaches its analysis very differently than other sources, making it a valuable second opinion. While some prefer across-the-board averages of all buys in a given daypart by network type, we try to provide a picture of CPMs and CPPs attainable if buyers make a reasonable effort to target each of the demographics individually. This distinction is particularly evident for younger demos generally, as well as for cable, where there are many options and pricing tiers to select from. Thus, our cable data for men 18-34 may reflect a different mix of channels than for men 25-54 or 35+ and, even within the same age group, we do not use the same mix of channels for women 18-34 as for men 18-34.

Contact Us

If you have questions about National TV ACES,
or would like samples from the previous
reports, please contact

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