National TV ACES

(Ad Cost Efficiency Service)

2010-2011 TV Season: Upfront
TV Network Cost Efficiency Estimates

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Introduction

For over 20 years, Media Dynamics, Inc.'s annual reports (**TV Dimensions**, **Magazine Dimensions**, **Radio Dimensions** and **Intermedia Dimensions**) have provided the advertising and media industries with independent estimates of the cost efficiencies associated with various media. In order to satisfy requests for more detailed breakdowns for national TV's upfront, we launched ACES (Ad Cost Efficiency Service) in 2005, incorporating new features, such as month-by-month distinctions and a different approach to targeting buys, especially for cable.

The following is our 2010-11 ACES report, which covers TV upfront CPP/CPM estimates for broadcast networks, syndication and cable. The networks had an "up" upfront, scoring CPM gains of 7-10%, depending on the dayparts and demographics involved. These results held fairly even across the three network types, although the averages always include a wide range of individual negotiations and buying objectives.

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 at the conclusion of the upfront. 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 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 on this hypothetical network 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÷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 the hypothetical network, the resulting CPM for this demographic is $41.44 ($95,000÷2,292,500).

Dayparts Covered

Broadcast Networks

Early AM news/info shows (M-F); daytime (M-F); early news shows (M-F); 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)

Time Periods Covered

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

Demographic Breaks Covered

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

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How often will National TV ACES be released?

Annually, immediately following the conclusion of the upfront.

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 usually 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 ACES, while those emphasizing cost efficiency above most other issues may pay 10-20% lower rates within the same network types. There are, however, many gradations and exceptions, depending on the class of advertiser, program preferences and other factors, particularly when it comes to cable.

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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 added edge?)
g) Prior negotiations between the same parties. Often, these build "relationships" that can benefit a buyer. First time deals with a new media seller are on less familiar grounds.

Obviously there is no way that generalized CPP or CPM estimates as provided by 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. *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 demographically variable mix of network types to project CPP/CPM data for each demo segment. We do not simply average the data for all networks.

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.

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How do you validate your CPP/CPM estimates?

While we have access to a wide range of CPP/CPM data via long-standing relationships throughout the media industry, 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**. Except for an occasional inquiry about definitional aspects, 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.

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?

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 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 intended to provide a baseline reference to the annual variations in CPMs by network types, demos and dayparts. It is not advertiser- or buy-specific.

How can I use ACES data for media planning purposes or trending?

One way is for budgeting upcoming buys. Bearing in mind all of the caveats 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 the cost-per-rating point for women aged 18-49 in 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 data are presented to an advertiser. Based on experience or changing marketplace situations, the buyers' counsel should be heeded by the planners.

For the first time in TV's history, CPM/CPP-guaranteed deals starting with the 2007-08 upfront were based on so-called "commercial ratings," with 3-day DVR "viewing" included. This represents a significant departure from prior practice, which was based on average minute, all-content ratings, and did not include DVR viewing. As a result, trending CPMs from prior seasons may be misleading, and caution is required when interpreting such data.

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Questions?

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