TV DIMENSIONS 2020

ALERT Issue 1/07/20

TV & Digital Video Buying Methods: Will The Twain Ever Meet?

Digital media sellers who have not worked at ad agencies where traditional media planning is done and media buying deals are negotiated have a rather hazy idea of how these operations occur. Take the case of national TV time buying. Based on the demands for a single audience metric and for reach/frequency analyses across platforms (meaning linear TV and digital video), one might assume that TV time buyers devote great time and effort to calculating/estimating how much reach is attained by each buy singly and cumulatively, relative to the incremental costs of each component.

For example, a national TV time buyer may agree—with a client's permission—to take an ABC primetime package that guarantees 100 GRPs at a certain price for the upcoming quarter. Then, when a 90 GRP NBC package comes under consideration, the buyer estimates what its reach may be, and how much is added to that attained by the proposed ABC buy. This process theoretically continues with subsequent buys until the desired total reach is attained at the lowest cost.

It sounds reasonable, doesn't it? But nothing like this happens in the real world. Reach goals for a media buy, be it a single medium or a mix, are primarily part of the media planning function, not media buying. Few buyers have the knowledge or the tools to conduct the kind of analysis we have just described, so it's the planners (in conjunction with their clients) who must decide what mix of dayparts and network/channel types should be used to attain specified reach goals, and how many GRPs it takes for each component to accomplish this end at a reasonable cost. The requirements are then expressed to the buyers on a desired GRP basis for each component—primetime broadcast TV, late night cable, etc.—with the knowledge that if these are garnered individually, then the combined result will deliver the total plan's desired reach and average frequency.

Another reason why time buyers rarely engage in audience duplication/incremental reach cost exercises is that they are buying time in future programs, often in new series that have yet to establish a ratings track record. Moreover, while the sellers guarantee total schedule GRPs, this is never conducted on a show-by-show basis. In other words, how does a buyer determine how an 85 GRP buy on one network duplicates a 90 GRP buy on another, three or more months in the future? What source would supply such data?

Finally, a very large percentage of national TV time buys are made on a corporate level, not brand-by-brand. This is because many marketers use the clout of their multi-brand buys to (theoretically) strongarm the sellers into giving them lower CPMs. As a result, while individual client brands may plan very specifically for certain dayparts/network type/program type mixes and reach/frequency goals, all of their requirements are aggregated into GRPs, not reach, as a typical corporate buy for 15-30 brands will have no difficulty attaining an 85-90% reach level, so why bother with that aspect? The objective then is to ensure that the great mass of GRPs to be purchased will come at a reasonable (low) CPM. Later, the client's media team will divvy up the goodies among the various brands as best they can to conform to each one's stated needs.

Digital ad sellers, oblivious to such realities that must seem like seat-of-the-pants operations to their data-fixated minds, keep pressing for a single audience metric that somehow equates an ad exposure on TV with its counterpart in digital video. Moreover, they want a cross-platform audience measurement service that would allow media buyers to evaluate every possible combination of TV and digital time buys, using hard data to optimize their reach and frequency deliveries. And such machinations would (unsurprisingly) be best served by computerized, "programmatic" systems.

Or would they?

Suppose a magical, one-size-fits-all metric was accepted for TV and digital video audiences. Let's also assume that a single-source measurement system existed that reported on every ad exposure for every TV and digital video venue. How would such a system handle an upfront corporate TV/video buy that called for 5,000 primetime GRPs, 10,000 daytime GRPs and 2,500 late night GRPs, with specific cost-per-rating point and reach goals for the next season?

The problems are myriad. First would be getting the sellers for all possible TV shows and digital videos to lock in their prices per commercial placement in advance…and stick to it. That's not really likely, is it? So, a mechanism would be needed to allow losing sellers for each network type and daypart to make a second and even third bid for each piece of business. And what about brands who use various combinations of commercial lengths? The single-source metric may assume that a 15-second ad has half the exposure value of a :30, but what if the client feels that :15s have 75% of the value of a :30? And what about ad clutter? How does the system penalize channels that cram too many ads in each break? There are also program involvement considerations; some program genres generate higher ad exposure levels than others by virtue of their content. Other shows target certain favorable mindsets, while others are highly merchandisable to "the trade" and other influentials. How would these aspects be factored into the equation?

The reality is that most of these are planning, not buying, issues. Of course there are tradeoffs regarding media cost efficiencies, since most "must buys" are priced higher by sellers who understand that some advertisers feel obligated to buy time in certain TV sports, news, specials, thematic cable channels and primetime in general, despite the fact that other options exist for reaching exactly the same viewers at considerably less expense. Such must-buys are built in during planning at the client's behest. The buyer's role is to execute these purchases, along with those where cost efficiencies are the key consideration.

The digital sellers' dream is that all of this might be circumvented by a data-driven, programmatic-style buying system based on a standard audience metric coupled with a single-source audience measurement facility. But that's not a realistic proposition, particularly because the intangibles we discussed are not minor elements. Indeed, for many TV advertisers, they are the most important consideration. The media sellers are well aware of these needs, and price their content accordingly, not only to maximize ad revenues, but also to pay the higher program costs associated with prestige programming.

The solution for digital sellers lies not with data, but in developing the kinds of premium content that TV advertisers find attractive, even at higher CPMs. Such programming will need to capture a significant degree of reach, and the supply of GRPs must be limited—like TV—to motivate advertisers to make firm commitments and lock buys into such venues on an ongoing basis. At the same time, digital sellers would need to continue to supply run of the mill, eyeball tonnage content for CPM-driven buyers.

As for relying on a single audience metric and computerized optimal targeting efficiency buying, we think this is founded on misconceptions about how TV time is bought and sold. Why not learn how TV actually works and adapt to it, not keep pushing for TV to turn itself into a buyer-dominated commodity with computers and "data" driving most or all decisions?