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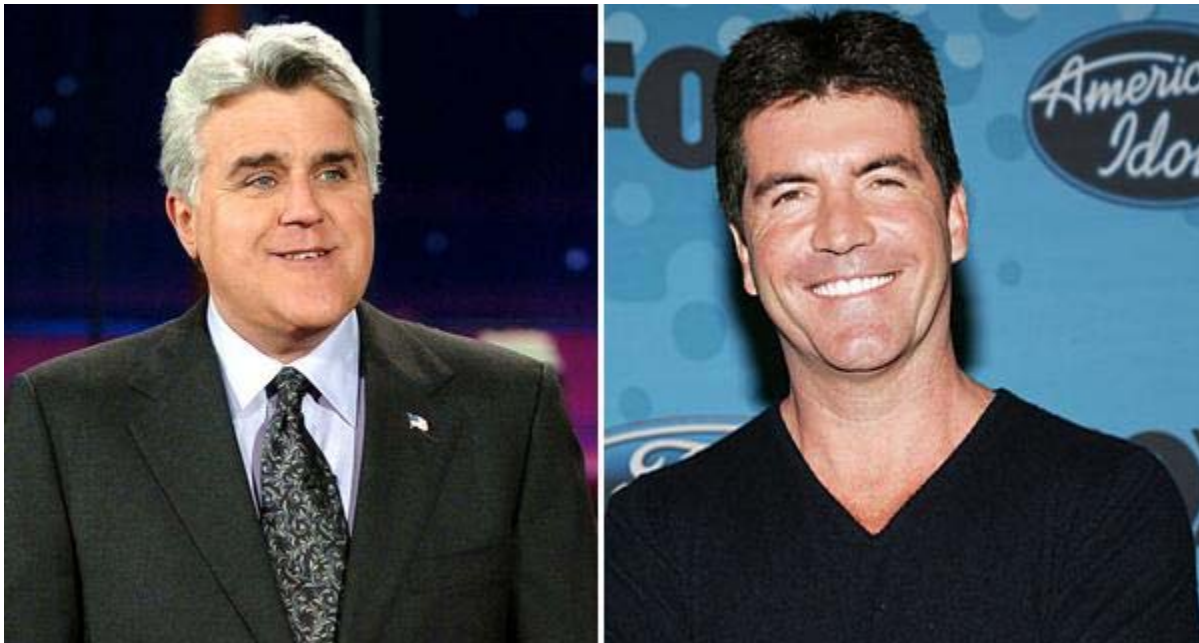
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## Ad Buyers to TV Execs: We Have The Upper Hand

Two months after the upfront presentations, no advertising deals have been made.



In a normal year, TV networks will meet with advertisers shortly after showing off their new fall schedules in May, they'll demand big price increases on their commercial time, the ad guys will pay up, and everyone will go on vacation.

But this isn't a normal year.

Major TV advertisers GM and Chrysler are entering Chapter 11, and NBC experimenting with a latenight show at 10 p.m. And, of course, there's the recession.

Indeed, it's the week after July 4, and the "upfront" -- the negotiation period when broadcast and cable networks sell the bulk of their commercial time for the coming TV season -- hasn't even started yet.

On Tuesday, reports surfaced that NBC was in advanced talks with media agency Group M for a flurry of advertising deals.

Consummating a deal would probably spark the broader upfront market into action, with the better-performing CBS, Fox and ABC networks waiting for NBC to establish some form of pricing benchmark before entering negotiations with advertisers themselves. But no deal has been announced yet.

So what's been the holdup?

"There's unprecedented uncertainty regarding the directions of audiences, advertisers and media purveyors," said John Rash, who negotiates for advertisers on behalf of media agency Campbell Mithun.

Currently locked in several stalemates of his own with TV networks, that's Rash's way of saying that there are myriad factors keeping this year's dealing from getting started.

For one, media agency operatives say it's an acutely buyer's market this year, and they have felt no need to rush into negotiations as they have previously.

In a typical year, media buyers are quick to secure what they perceive as a scarce resource, that is commercial time for popular prime-time shows like "American Idol" and "The Mentalist" -- programs that can do what few other media entities still can, that is, draw audiences in excess of 10 million.

In fact, often times, media agencies buy commercial time without having a firm fix on just how much money their clients have to spend, or what it is exactly the networks will have on next fall.

"There were so many years where it was a seller's market, and the agencies didn't have a lot of time to get all their ducks in a row," said one media buyer. "We kind of had the luxury this year of, No. 1, figuring out our clients' budgets, and No. 2, requesting detailed plans from the networks."

Meanwhile, with media buyers initially demanding double-digit-percentage price rollbacks on commercial time, the big broadcast networks -- which typically consummate their upfront deals ahead of cable networks and syndicators -- have bided their time, too.

In recent upfronts, the networks have typically secured price increases in the low teen range on CPMs, that is, the cost of a thousand viewer impressions. Last year, these CPM increases were in the single-digit range, with Fox getting as much as a 9% increase for some of their inventory amid an upfront that would exceed \$17 billion combined for broadcast and cable networks.

This year, early talks had buyers demanding price decreases in the range of 10% and above.

“The networks are almost fighting for their lives,” said Jack Feuer, a former executive editor for Ad Week who now writes the Media X column for the ad-business-targeted website Mediapost. “They weren’t going to give away double-digit decreases.”

Further complicating negotiations has been NBC’s decision to put the “Jay Leno Show” at 10 o’clock each weeknight.

“It really is a game-changing decision,” said Feuer, noting that not only are media buyers unsure as to how much to pay for such an unscripted show being programmed at 10 p.m., they’re also not certain as to what will happen if NBC’s experiment works.

“That could convince the other networks to plop in cheaper unscripted shows at 10, too,” he explained.

Meanwhile, the ever-growing complexity of modern, multi-platform media sales means that dealmaking simply takes more time to do these days.

NBC Universal, for example, is not only selling ratings points for the flagship NBC network, but also cable networks ranging from USA to Bravo to MSNBC to SyFy.

Also, the rapid emergence of brand integration into shows, which must be accounted for in a much different way than the traditional 30-second spot, has also complicated matters.

Despite the protracted standoff, the general feeling among network ad sellers and agency buyers is that the market should finally break in the next week or so, with the networks resigned to the fact that their CPMs won’t increase in value this year, or even stay flat, and buyers accepting that double-digit increases are probably not going to happen, either.

Most upfront watchers peg the decreases to be in the 2%-3% range, on average.

“This week we’re having more substantive conversations,” said one buyer. “We hope to get more serious about offers and counteroffers later this week and into next.”

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