



THE TELEVISION UPFRONT

A Perspective from the ANA Media Advisory Board

FOR MEDIA PRACTITIONERS

MAY 2020

The ANA Media Advisory Board is a group of 13 senior-level client-side media executives and is a subset of the **ANA Media Leadership Committee**. The primary purposes of the Media Advisory Board are to act as change agents and to identify topics and issues which the ANA should become involved with and/or take a position on. A key strategic objective of the group is to transform the media ecosystem to improve returns on media investments.

A current initiative of great importance is to challenge and reform the television upfront to provide a marketplace approach that is refined to reflect today's needs.

For more than the past month, the Media Advisory Board has been meeting internally as well as externally with CMOs, agency partners, media sellers, and independent consultants to discuss the television upfront. The following perspective is a result of those conversations.

Background on the Upfront

The television upfront is a marketplace that has been in existence for some 60 years. The mechanics of the upfront are straightforward: advertising is bought and sold in advance, or *upfront*, bringing certain advantages (and risks) to both buyer and seller.

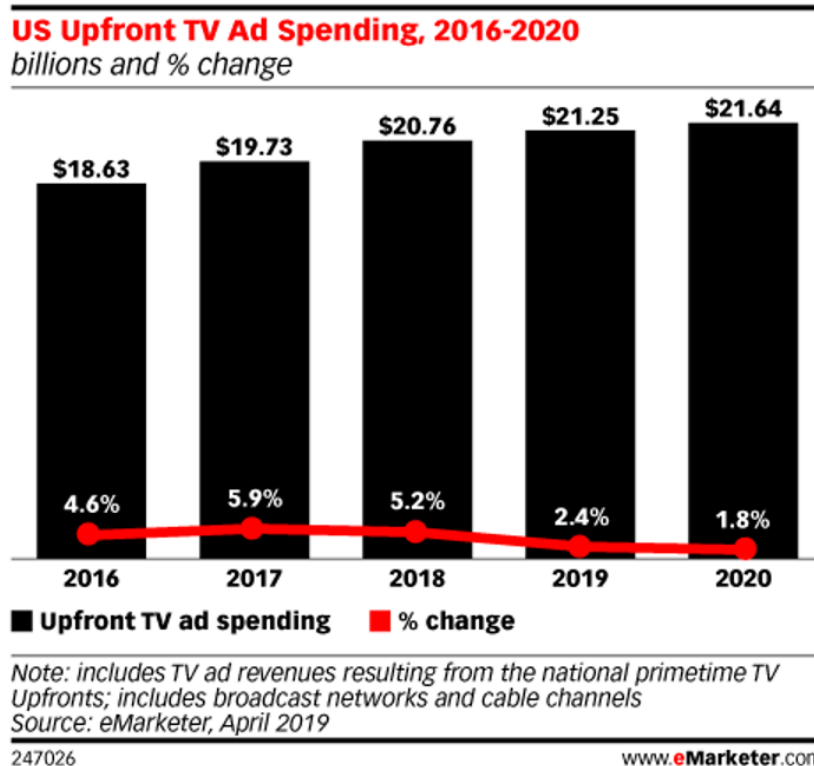
Historically, the upfront has made advertising available beginning in fourth quarter (October) for the next 12 months. That originally was tied to the automotive manufacturers, which introduced new models in the fall, and later to the fall premiere of new programming by the television networks. The “marketplace” for the upfront — that is, the buying and selling of television time — historically has taken place between late spring and early summer.

The upfront provides the advantage of a degree of certainty to both buyers and sellers. Buyers benefit from having audience/CPM guarantees and access to quality inventory. There is flexibility (called options) in later quarters to return some inventory. For sellers, the upfront provides the advantage of a known cash flow as well as a marketplace that they largely control.

Television time is also sold via “scatter.” Scatter is the marketplace outside the upfront, with deals made much closer to the time of commercials airing. Marketers and their agencies analyze the markets to help decide whether to invest predominantly in the upfront or scatter. Ultimately most buyers calculate a percentage of their investments for both and many variables (such as advertiser demand and ratings performance) will determine the ultimate value of buying upfront vs. scatter.

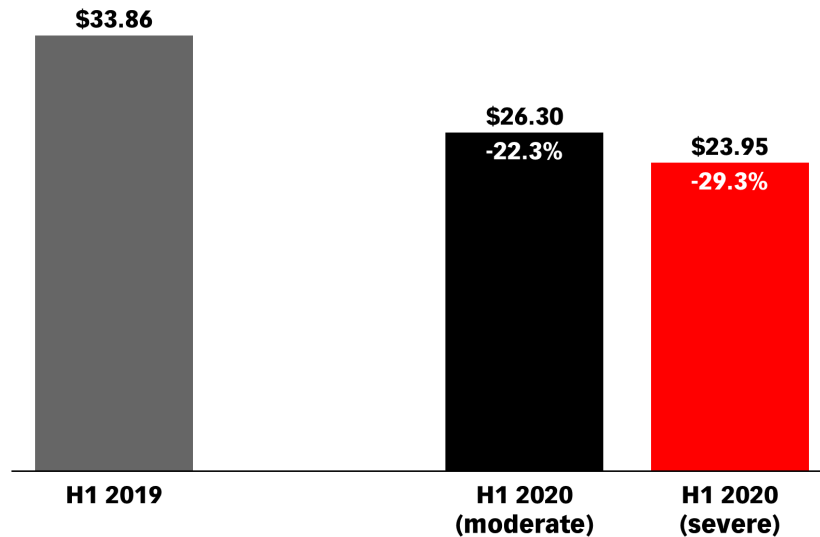
The upfront is a marketplace that has worked especially well for the industry, but it has its challenges:

- Many advertisers have fiscal years based on the calendar. Buying television time for a period between this October and next September misaligns with that calendar fiscal timing. Many advertisers have voiced concern that the upfront selling season is too early and affects the accuracy of forecasting spend given the long lead times (i.e., committing to future spending in the May-to-July negotiation time frame when even budgets for the current year may be in flux).
- Sellers largely control the information. Sellers require advertisers — and the agencies on their behalf — to “register” budgets for the upfront. This gives sellers the market intelligence to know how much money can potentially be invested in the upfront and set prices accordingly.
- Although network television viewing has been declining, prices for advertising have nonetheless been increasing. This is driven by two primary factors:
 - *Continued Demand*: eMarketer estimates advertising revenue resulting from the national primetime television upfronts to have increased 16 percent from 2016 to 2020 (see chart below).
 - *Decreased Ratings*: TV continues to fragment across the video spectrum. This has lowered ratings and hence the supply of GRPs.



As a result of the COVID-19 pandemic, advertising spending has been reduced. According to its **latest forecast**, eMarketer projects television ad spending will decline between 22.3 percent and 29.3 percent in first half of 2020.

Analyst Take: US TV Ad Spending, H1 2019 & H1 2020
billions and % change vs. the prior-year period



Note: includes broadcast TV (network, syndication and spot) and cable TV; excludes digital
Source: eMarketer, April 2020

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www.eMarketer.com

According to a new report from the IAB, **“Coronavirus Ad Spend Impact: Buy-Side,”** 73 percent of buy-side decision-makers estimate that the coronavirus will have an impact on 2020–21 TV upfront spend commitment; a 20 percent decline in TV upfront spend is the average estimated impact.

In Addition, the TV Upfront Season is in Jeopardy

73%

Estimate that Coronavirus will have an impact on 2020/2021 TV Upfront spend commitment

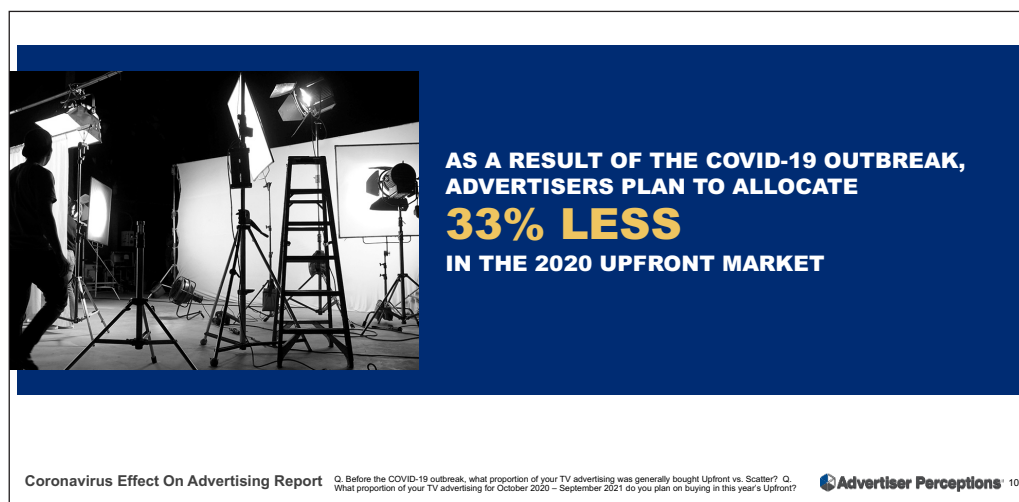
-20%

Is the average estimated impact on TV Upfront spend this year

iab. Base: n=390, TV Upfront commitment estimated change n=283
 Q: Please provide your estimated percent change (+/-) that you anticipate Coronavirus will have on your 2020/2021 TV Upfront spend commitment?

IAB Proprietary Research 15

A new study from Advertiser Perceptions has been released: “Coronavirus Effect on Advertising Report, Wave 4.” A key finding: as a result of the COVID-19 outbreak, advertisers plan to allocate 33 percent less in the 2020 upfront market.



AS A RESULT OF THE COVID-19 OUTBREAK, ADVERTISERS PLAN TO ALLOCATE 33% LESS IN THE 2020 UPFRONT MARKET

Coronavirus Effect On Advertising Report Q. Before the COVID-19 outbreak, what proportion of your TV advertising was generally bought Upfront vs. Scatter? Q. What proportion of your TV advertising for October 2020 – September 2021 do you plan on buying in this year's Upfront? Advertiser Perceptions 10

ANA Media Advisory Board Perspective

The ANA Media Advisory Board offers the following perspective for the broader ANA client-side membership to be aware of and to consider.

1. Uncertainty is the new normal.

While some past events have been surprising and changed markets (e.g., 9/11, the 2008–09 recession), most of those had fixed periods of uncertainty. The COVID-19 crisis that we now face brings uncertainty like we haven't seen in the past 60 years.

- *For Marketers:* Uncertainty of the overall impact on business, cash flow, and ability to project the future; uncertainty about media budgets; uncertainty of programming available to buy.
- *For Consumers:* Dramatic changes to purchase behavior and media consumption (more viewers sheltering at home and watching television) with uncertainty of future behavior, massive unemployment, uncertainty of the impact on buying power and the purchasing ecosystem.
- *For Media Companies:* Studios have shut, preventing the production of new programming, which affects available inventory; currently there are no live sports or events (political, etc.); unstable ratings projections; varying revenue forecasts.
- *For the Marketplace Overall:* When the crisis ends, there is likely to be a highly unusual media environment and economic climate. Will sports without fans change media consumption? Will economic fallout affect streaming subscription services? We have no precedent to guide our planning, and the effects are across all parties: marketers, consumers, media companies, and media agencies.

Media Leadership Committee members were surveyed in April on the specific areas of uncertainty related to the upfront. The question asked was: “What areas of uncertainty concern you the most related to the upfront? Please rate the following on a scale of 1–5, where 1 = Not a Concern and 5 = Great Concern.”

Results (top-2 box concerns; ratings of 4 or 5):

- 61 percent: Uncertainty of media budgets available to invest in 2020–21 upfront
- 58 percent: Uncertainty of the programming available to buy
- 42 percent: Uncertainty of the overall health of your business

Some categories have been absolutely devastated by the COVID-19 pandemic, including brick-and-mortar retail, casual dining/restaurants, entertainment, live sports, cinema, theater, and travel.

Uncertainty is the new normal, along with fear, anxiety, and stress.

2. There are benefits to an upfront marketplace.

The upfront is a legacy that has been in the industry for generations. There are benefits to both buyers and sellers of an upfront marketplace. Benefits for brands include programming stability and pricing/CPM certainty with access to premium inventory, coming with a degree of flexibility in later quarters of the deal. Sellers benefit in their ability to forecast, negotiate, and gain budget commitments, which then allows them to plan out the balance of the year for sports, tentpole events, and other sources of revenue. Most fundamentally, the upfront is an organized marketplace with the critical mass to support the trading of billions of dollars in television advertising time. However, even with an upfront marketplace, buying occurs throughout the year. Individual buyers (and sellers) should always conduct their own thoughtful analysis on what works best for them for the television upfront as well as their buys overall.

3. Uncertainty has created the need for greater flexibility.

Marketers have clearly expressed the need for greater flexibility related to their media investments. Flexibility has different meanings. What we’ve heard more than anything else is flexibility around the timing of the upfront (more on that in section 5). But greater flexibility could also be:

- Committing less initially to the upfront, but then having “expansion” options to increase the buy later in the year at the same upfront prices
- Pushing back option deadlines further, or have “rolling options” with multiple stages of option dates
- Having opportunities with advanced/addressable television

4. The traditional upfront marketplace timing will likely shift and extend longer.

The timing for the 2020–21 upfront will likely shift and extend longer. Many cable networks were originally scheduled to have their upfront presentations, where new programming is announced, in March and April. Meanwhile, the major broadcast networks were scheduled to have their upfront presentations the week of May 11. Those have been either postponed or rescheduled as virtual presentations. The “selling season” kicks off after the upfront presentations. Sometimes that season ends as early as May and other times could extend into August. We now anticipate that the timing of the traditional upfront marketplace will shift — i.e., be pushed back later — and likely extend longer than it has in the past.

5. There is more interest than ever in a calendar-year upfront.

As stated earlier, many advertisers have calendar-based fiscal years, and the traditional timing of the upfront misaligns with that fiscal timing. That traditional timing affects the accuracy of forecasting spend given the long lead times (committing to future year spending in the May-to-July negotiation time frame when even budgets for the current year are still in flux). Given the uncertainty resulting from the COVID-19 pandemic, there is more interest than ever among ANA members in formally delaying the timing of the upfront to a calendar-year basis.

Many advertisers may not realize that a significant number of deals are already done on a calendar-year basis outside the traditional upfront marketplace.

- Two major sellers told us that buys on a calendar-year basis already represent 20 percent of their respective businesses.
- According to one major agency, 25 percent of their client investments for national television are on a calendar year.
- Another major agency has 50 percent of such investments on a calendar year.

Over the past month, the ANA has conducted three separate surveys asking members, **“Would you be supportive of or opposed to the ANA suggesting to the networks that the television upfront be delayed and moved to a calendar year (starting January 2021)?”**

Groups surveyed were the ANA Media Leadership Committee, the ANA Board of Directors, and attendees of the May 5 virtual meeting of the Media Leadership Committee. Results were deduped to make sure a given respondent was only counted once. Our key finding:

- **In aggregate, 83 percent of ANA members surveyed support that the television upfront be delayed and moved to a calendar year.**

For those who expressed support for a delay of the upfront to a calendar year, representative verbatim responses were:

- “Because we will have more ability to understand the economic situation and needs of our businesses.”
- “Too much uncertainty on all sides of the equation (business, budgets, content, etc.) for a regular upfront in a month — and the uncertainty is likely to remain for some time.”
- “All sides have too much uncertainty to move at the usual time. The upfront has many benefits to all sides; timing is just a huge problem for all right now. Perfect reason to push back timing.”

- “Too much uncertainty in normal negotiation period to commit such significant dollars with limited flexibility.”
- “There is likely to be much uncertainty around programming, particularly as it relates to sports.”
- “Calendar year makes more sense given budgets.”
- “It would provide advertisers an opportunity to get through the worst of this pandemic cycle, evaluate how our business has managed, and make sound decisions around strategy and budgets. There are too many unknowns right now to make big investments with confidence.”

The ANA Media Advisory Board believes that the shift to calendar-year deals will now further accelerate. Given the uncertainty resulting from the COVID-19 pandemic, there is more interest than ever among ANA members in formally delaying the timing of the traditional upfront marketplace to a calendar-year upfront marketplace.

6. The sellers are “open for business 52 weeks a year.”

A regular comment heard from every media seller during our discussions was that they are open for business 52 weeks a year. They said it different ways, but the intent was the same:

- “We are open for business 52 weeks a year.”
- “We’ll be ready when the time is right.”
- “We will be ready when you are.”
- “When a customer comes to us, we are ready.”
- “We don’t decide the timing; the advertisers do.”
- “We will do deals whenever advertisers are ready. We will be there now, September, January, whenever.”

7. There will be some early movers.

There is clearly no “one size fits all” approach to the television upfront marketplace. Uncertainty will cause many advertisers to seek delays in making their upfront commitments. But there will be some seeking an advantage by moving in the traditional broadcast-year marketplace timing. Ultimately, companies will and should choose to transact at a time and in a manner that works best for their own respective businesses. We heard from the agencies and networks:

- “There are some clients who want to engage now.”
- “There are some categories ready to go; many are super competitive.”

In the aforementioned ANA survey, among those opposed to the television upfront being delayed and moved to a calendar year, representative open-ended responses were:

- “We have everything in place and are ready to start negotiating the upfronts.”
- “We are ready to go and expect the networks and agencies to be in position as well. We will remain active in the market and are ready to buy and open for business.”

While there will be some early movers, what is clear is that because the networks do business year-round, those who prefer to wait should not have FOMO — fear of missing out.

Conclusions

As stated earlier, a key strategic objective of the ANA Media Advisory Board is to transform the media ecosystem to improve returns on media investments. An important immediate step is to challenge and reform the television upfront to provide a marketplace approach that is refined to reflect today's needs. We believe in the benefits of an organized marketplace that allows for a large volume of dollars to be negotiated, but are seeking marketplace reform that delivers:

- **Calendar-year framework that better aligns to business planning:** Given the large uncertainty affecting all parties, a delay in the structured marketplace allows everyone to negotiate with greater certainty in a timeframe that aligns more closely with business planning.
- **Transparency and greater marketplace visibility, grounded in relevant market data and information:** There should be greater transparency in understanding the market, the size of it, and the levers that we all utilize to meet our objectives. Marketers need a better understanding of the dynamics so we can better understand the tradeoffs we make.
- **Audience guarantees, based on more realistic audience estimates:** The industry will be better served with utilizing more realistic, consistent ratings sources. This will add stability not only to inventory supply but also to the resources required to monitor it and ensure the inventory runs where marketers need it. Both these factors vary wildly today.
- **Financial flexibility throughout the year (i.e., options):** Many advertisers are now looking for greater flexibility from the upfront marketplace. More than any other topic, this crisis has highlighted the need for financial flexibility. We realize benefits of the upfront marketplace come with a level of commitment, but there is the opportunity to make the flexibility conditions there consistent with other media types, including digital and spot TV.
- **Access to premium, quality programming:** Marketers believe in safe, consumer-friendly environments to surround our messages. We value what premium video media sellers bring to the market and look forward to their growth.
- **Data-driven and performance-based outcomes rooted in industry standards and vastly improved attribution models:** We look forward to an environment where we have the ability to track variables that truly drive our business. Legacy models driven primarily by media efficiencies against broad demographics are antiquated and we need the ability to measure on true KPIs. This is a vision we need to work toward.

We recommend that the traditional broadcast-year upfront be shifted permanently to a calendar-year upfront marketplace and that fourth quarter 2020 be treated separately, given the unique circumstances and uncertainty.

The ANA board of directors, all members of the Media Advisory Board, and many other marketers strongly endorse the continued reform of the media marketplace, especially now due to:

- The inability to project the future, the uncertainty of media budgets available to invest, and the uncertainty of available programming.
- The dramatic changes in purchase behavior and media consumption and the resulting uncertainty of future consumer behavior and buying power. We have never seen unemployment levels so high, and we have limited clarity on how long this will affect consumers.
- The closure of production studios preventing new program development and the absence of live sports or events, making it difficult to accurately project ratings or forecast revenue.

The ANA's mission is to drive business and brand growth and value, and has a history of driving important change:

- Media transparency
- The WFA/ANA collaboration to drive global advances in cross-platform measurement
- The Global Alliance for Responsible Media (GARM), which works to eliminate harmful content and improve brand safety
- Privacy for America to create national privacy legislation through the development of one common standard among all states
- An industry effort to address the transition to a digital ecosystem without third-party cookies

In closing, while the ANA Media Advisory Board recommends that the shift to a calendar year be permanent, individual buyers (and sellers) should conduct their own thoughtful analysis on what works best for them for the television upfront as well as their media buys overall.

Acknowledgments

The ANA Media Advisory Board is comprised of the following members:

- Ron Amram, Consultant, Global Head of Media at Heineken USA
- Charlie Chappell, Head, Integrated Media and Communications Planning at The Hershey Company
- Karen Crawford, Director, Marketing Communications/Head of Media Center of Excellence at Nestlé USA
- Jeni Gardner, Senior Director, Media, North America at Unilever United States, Inc
- Ben Jankowski, Senior Vice President, Global Media at Mastercard
- Luke Kigel, Vice President, Media & Omni-Channel Planning at Walgreens
- Alycia Mason, Vice President, Digital, Media, and CRM at McDonald's
- Renee Milliaressis, Chief Media Officer at Colgate-Palmolive Company
- Louis Paskalis, Senior Vice President, Global Media Executive at Bank of America
- Paolo Provinciali, Head of U.S. Media at Anheuser-Busch
- Lauren Radcliffe, Head of Customer Strategy and Brand Communications at A Place for Mom
- Lisa Schoder, Head, U.S. Media, Digital Optimization and Multicultural Marketing at Ford Motor Company
- Don VanFossen, Associate Brand Director at Procter & Gamble

ANA Staff:

- Bob Liodice, CEO
- Bill Duggan, Group Executive Vice President
- Marni Gordon, Senior Vice President

Media practitioners on the client side are encouraged to join the **ANA Media Leadership Committee**, which provides a forum for peer-to-peer exchange and thought leadership on key industry issues.