

# McIntyre Rants: Ten million TV spots for sale

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Is there an elephant in the lounge room? Less than two years ago commercial broadcasters each had about 1.2 million TV spots to sell a year. Today each of them have about 3.6 million to shift and even for the slickest of TV sellers, moving an extra 6 million extra TV ads is no easy task.

For all the praise heaped on the free-to-air digital channels for their audience and revenue success in the past year, one concern is looming large: how are TV owners going to deal with the staggering increase in TV spots they have to sell? And perhaps more importantly, how do they maintain their historically plump TV ad margins?

It's a topic which has executives in listed media companies competing with TV in a catch-22. On one hand it means the "Queens of Screen", as former Prime Minister Paul Keating once called TV owners, are under unprecedented pressure, helping the cause for non-broadcast media stocks. But on the other hand, excess TV supply could force down airtime pricing and suck more advertising marketshare from other media categories or apply even greater pricing pressure across the whole media market. That's one theory which could see things get ugly.

Then there's another from News Ltd's director of sales, Tony Kendall. He downplays any knock-on effect to other media sectors from TV but says TV broadcasters could face real trouble when the ad market softens, as it has this year compared to 2010.

"The issue is going to be what happens when demand comes off a bit," Kendall says. "They [broadcasters] would have set a new rate card for their main channels and it's going to be very difficult to play the supply and demand game when TV's got so much more inventory."

It's a fair point. The TV sector has always trotted out the line that unlike print or even digital, they have absolute limited advertising supply. By law they have a finite number of spots they can flog so supply and demand – and pricing - has been relatively easy to manipulate. With 6 million extra spots now in the market, it gets trickier.

Macquarie Equities media analyst Alex Pollak says he gets the supply-yield argument but has yet to see any data which proves the point. "Statistically if you're selling more ads you must see some pressure on overall yield," he says. "But whether that is statistically significant and whether there's a meaningful variation in the CPM I just don't know yet. I suspect you do get a higher CPM when delivering a higher audience because people always attach a premium to scale."

Nine's sales director Ian Patterson is certainly pushing that line although ultimately he accepts TV CPMs are under pressure. "Yes, the CPMs on main channels has changed," he says, without divulging details. "I take the point but a majority of agencies are still coming through the front door of the main channel before they start to consume the multichannel platform. It's not so much a yield issue but certainly we've had the opportunity to develop different pricing strategies. We've all realised we've got more audience through the multichannels but the market doesn't necessarily pay the same CPM for them as the main channel. Our multichannel pricing is reflected as more of a discount to the main channel than a wholesale reduction."

Mindshare's chief executive James Greet reiterates his belief that the traditional approach to pricing and selling airtime – and therefore valuing TV networks - is in for a big overhaul. Within

18 months, the way networks sell airtime will be very different, he says. They will package up content involving advertisers and it will be sold quite differently to traditional spot pricing, particularly on the multichannels. TV spots will stay but increasing blocks of ad dollars will be invested differently.

“The bottomline is there are more ways advertisers have to engage smaller, discreet audiences using the power of TV,” Greet says.

“The world has moved on from just a TV campaign. It’s about understanding who really is our audience, who are we genuinely trying to build a relationship with and how can we do that more deeply? The fact that there are more TV channels creates more opportunities for media owners to help us build bigger engagement-driven opportunities beyond the obvious.

“We’re still in a quite short-term transition. Clearly the networks have to get more revenue and there are ways to do that other than bunging out cheap frequency.”