MDI ALERT

January 09, 2024

TV's CPMs CLIMB UPWARDS

If you track the way that TV CPMs have been escalating over the years (with the exception of last year's primetime upfront CPMs declining by about 2-3%), you are in for a shock. Fifty years ago, a national advertiser paid a fraction of a penny to reach a viewer compared to four cents today. The accompanying table examines the trends going back to the 1970-71 season when there were no cable channels to offer buyers a means to lower their overall CPMs by mixing in cable with broadcast buys.

As shown, in the 1970-71 season, what we now call upfront primetime buys accounted for about $750 million dollars of the three-network total of roughly $1.6 billion, which included scatter prime as well as ad revenues from other dayparts. In those days upfront buys had the highest CPMs whereas scatter usually involved failing shows or those already cancelled, and commanded lower CPMs. In other words, it was the exact opposite of today's national TV market where scatter often exceeds upfront CPMs by 40-50%.

To "reach" adults with primetime :30s in 1970-71, an upfront CPM buy cost $1.80. Think about that. If you believed that the average minute "audience" stats of the time really meant that those people were viewing your commercial—which was not true—then it cost an average national advertiser only a small fraction of a penny to communicate a sales message to an adult consumer.

TV PRIMETIME ADULT CPM TRENDS
1970-2024

	Ad Spend ($ Mil.)			Adult CPM
	Linear TV	Streaming	Total	(:30s)
1970-1971	.8	---	.8	$1.80
1999-2000	10.9	---	10.9	8.60
2004-2005	15.4	---	15.4	10.90
2010-2011	17.9	---	17.9	15.20
2015-2016	18.6	---	18.6	20.50
2020-2021	18.6	1.6	20.2	29.25
2023-2024	19.1	8.0	27.1	36.10

Source: Media Dynamics, Inc.

Since then, a lot of changes have taken place in TV. First was the advent of cable, and its steady growth marked the beginning of rating erosion for the broadcast TV networks. Then along came the internet and later streaming as an alternative way to access video content. This caused the broadcast TV networks’ share of all TV viewing to shrink from about 50% to only 10-12% currently, and even though the availability of more program content produced a modest rise in the average person’s total TV viewing time, this was hardly enough to offset the impact of so many alternative program sources. The TV networks responded by greatly increasing their ad clutter to generate GRPs that replaced those lost to rival program sources, and they also began a major effort to increase the amount paid by advertisers per viewer "reached." By the 1999-2000 season the average primetime upfront CPM for adults had risen to $8.60; this included cable, which typically charged half or less than the broadcast networks. And what is the current picture? As shown in the table, taking all three types of time sellers—broadcast TV networks, cable channels and streaming AVODs and FASTs—the average primetime adult CPM for linear TV plus CTV :30s now stands at $36.

The implications are obvious. While the cost of "reaching" an adult via primetime TV is now about 3-4 cents, compared to a small fraction of that figure many decades ago, this is only the beginning of CPM escalations that will see major attempts by TV time sellers to monetize as much device usage as possible to boost their ad revenues. Coupled with this will be increased ad clutter, particularly on AVODs and FASTs, as this is the only pathway to profitability because there are too many program content services competing for too little viewing. We should also note that the real cost of getting an adult to watch a primetime :30 is far higher than 3-4 cents. When you consider the fact that only a third of the reported "audience" watches an average commercial and many of them devote only a few seconds to doing so, the real cost per viewer is more like 10 cents. So, advertisers may at last be forced to pay attention to what is happening and begin to explore new ways to target consumers and new ways to buy TV time.