MDI ALERT

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WHY AN UPFRONT?

Many ask this question, especially those who work in digital media. After all, don't advertisers appreciate the fact that their buys could be so much better targeted if they were made brand-by-brand, and each brand was to go its own way regardless of the higher CPMs it paid to get there? How can any advertiser think that 18-49 targeting is an effective means of singling out prime consumer prospects?

To set the record straight, let's begin with the fact that this year national TV time buys will probably amount to about $42 billion for linear and another $10-13 billion for streaming for a grand total of roughly $54 billion. Of this, the upfront will gobble up not $18 billion as is widely thought, but at least $40 billion across both "TV" platforms. This includes all dayparts, not just primetime, and all national sales, including national syndication as well as broadcast network, cable and AVOD/FAST buys. A high proportion of this spending will go to "must buys," which are legislated by brands who wish to promote themselves in big time specials, TV news and sports as well as the broadcast TV networks' primetime entertainment shows, despite higher CPMs. Finally, much of the scatter buys are also negotiated on a corporate basis, not brand-by-brand. So even here, the number of ad dollars available for specific brand targeting is very limited.

So, what about those dollars that are free of the corporate buying mandate? Why aren't those, at least, used more selectively? It's a fair question and the answer, we are sorry to point out, is that the degree to which a brand can pick and choose who it reaches with TV is limited. One reason for this is the fact that TV viewing is very heavily concentrated among older and lower income consumers, particularly for broadcast TV and cable. For its part, streaming offers more or less equal coverage among all age groups, but accounts for only 20% of the available GRPs. If you try to slant your TV audience delivery away from oldsters and lowbrows who are less likely to buy your product and more towards younger and middle-aged/upscale consumers, there simply isn't enough GRP inventory to go around, even in the unlikely scenario where sellers would allow cherry picking within their program schedules. It's more likely the sellers would respond by creating bundles of program placements that include many older/lowbrow viewers as well as a slightly higher proportion of the most desired viewers, but charge CPMs that are 30-40% higher than what the brands pay for the same viewer "impressions" when their shares of the corporate upfront buys are allocated to them, often with CPM adjustments designed to make a plethora of off-target shows more acceptable. In other words, the average brand will probably get more targeted GRPs based on its needs through participation in upfront buys than it can expect by going it alone in small ad dollar transactions that do not intimidate the sellers like the huge upfront pacts do.

There are exceptions, however, especially for brands with highly selective products and user constituencies. But can broader based products like toothpaste, detergents, insurance and coffee really zoom in on many sectors of the consuming public as they see fit and not pay too much for doing so? Are upfront buys using adults 18-49 as their audience guarantee "demo," which deliver huge amounts of eyeballs of all ages at the lowest cost, really a bad option?

Practicality is also an issue. Currently about 500 upfront sales account for 90% of the total. Suppose, instead, that there was no upfront. Now you would have something like 10,000 individual bands, many with fairly small ad budgets, vying for various sets of viewer "impressions." How would that work out? Would the smaller and mid-sized brands do well competing against the larger ones to get what they think they need? How would the big agency media shops handle all of those individual transactions without having to charge higher fees to their clients since much more work is needed? Would they be forced to make big volume "agency deals" with the sellers and then re-sell the time to their brands? If so, nothing would have changed as the sellers would approach such deals in the same way as they do now, by bundling all of their GRPs together and offering volume discounts to the agencies, which, in theory, should be passed on to their clients.

Another factor is the outlook of most client CMOs. They believe that how their brands are positioned (what they are trying to say) and how well their ads are executed (how they say it) are crucial to their ad campaigns. They also believe that being given a mass of eyeballs—including consumers who are more inclined and less inclined to buy their products—is OK, as their commercials will garner enough effective exposures to do the job, providing the cost is held in check. In contrast, few mass product/service marketers believe that a 5-6% gain in targeting impressions, coupled with a 10-20% loss in somewhat valuable but non-targeted impressions, at an increased cost of 35%, will pay out in ROI. And they may be right.

Of course, there are ways that the upfront can be improved. One of these is to have two upfronts: one for individual brands who accept much higher CPMs in exchange for trying to get what they specifically want and another, larger, upfront which caters to the huge corporate volume discount deals we see now. Meanwhile, and contrary to the expectations of the many dreamers who fail to realize the practical issues that support the upfront concept for advertisers, the upfront goes on.