TELEVISION ADVERTISING IN A WEIRD PLACE

Prior to 2011, economic experts across the world were predicting that television advertising revenue would increase by six percent in the United States, a number that would be a record high. As the summer months of 2011 hit, television advertising slowed down, with growth slowing to less than two percent for the year. Before the year is out, ad revenue for television should hit $68 billion, which is a record, but will also remind those in the business that television advertising can be very vulnerable.
"The ad market has been slowly drifting downward over the course of the year," said Jon Swallen, senior vice president of research at Kantar Media. "Traditional media sectors are lagging, experiencing softness, which suggests broad-based caution on the part of advertisers." Advertisers have reduced their spending recently because of the recession and the amount of people without jobs. The large unemployment numbers prevent people from shopping and purchasing items, which hurt the advertising industry. The advertisers hit the hardest include retailers, car dealerships, automakers and home sellers. Swallen stated that advertisement spending in the United States is only supposed to increase by 1.8 percent this year, which would jump the numbers to $144 billion. The first quarter of 2011 saw media companies purchasing premiums that were 25 percent over last year's rates because they felt the recession was in the past. When June came around, when television ads are sold for the upcoming season, network chiefs were hoping to cash-in on double-digit rates. "There was a slowdown in car sales and so other automakers did not advertise as aggressively," Kantar's Swallen said. "They figured they didn't need to advertise as much to meet their sales quotas. Now, those floods are threatening to severely curtail production from Japanese automakers because they source a lot of their parts from Thailand." Some of the most common heavy spenders are movie studios, but even they have been cutting back on their advertising spending. Over the past couple of years, studios have released fewer big-budget movies, which is why they have scaled back on advertising spending. Disney is releasing only 14 movies in 2011, a number that is down from 19 released in 2000 and 32 released in 1995.
"It's a very complex market," said Lisa Herdman, director of national programming at RPA, a Santa Monica ad agency. "There is not one thing that is driving it, but it seems that the root of all of this can be tied back to the consumer confidence level."
David Campanelli, senior vice president of national broadcast for ad-buyer Horizon Media Inc., said, "CBS is in the strongest position of the broadcast networks based on their current prime-time ratings performance. And sports programming has been strong and reliable. Sports have become a safe haven for advertisers."
Television networks will get a break with the Summer Olympics in London, which should create at least $600 million in advertising spending.
"Local media has been crushed," Creutz said. "The Internet is replacing local media, but it is not replacing it dollar-for-dollar."