



TVNewsCheck Annual Forecast

## 2012 Spot TV: Total Up 10.2%, Core Up 2.7%

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What is expected to be the largest political advertising expenditure in history will drive spot TV revenue up 10.2% in 2012 over 2011, according to *TVNewsCheck's* annual forecasting survey of TV groups, rep firms and industry analysts.

Core revenue — all revenue less political — will be up a modest 2.7% as the U.S. economy continues to struggle, the survey found.

But growth of any kind is better than what happened in 2008, the last presidential election year and thus the best point of comparison. That year, according to BIA/Kelsey, spot fell 5.6% as the country sunk into a deep recession.

The *TVNewsCheck* survey, conducted over the past four weeks, also found that the year-over-year decline in 2011 will be 6.6%, slightly worse than [the 6% the survey forecast a year ago](#). Core for 2011 will up 3.1%, about the same as the year-ago forecast.

One of the difficulties in making predictions for 2012 is contradictory data, says Jack Myers, the media economist of *Jack Myers Media Business Report*. "There are no consistent patterns that inform intelligent forecasts.

"We see housing starts up and housing starts down. Retailers like Walmart, Target and Lowes are reporting good numbers, but other retailers like Sears and Kmart are reporting negative numbers," Myers says. "Is that economic, or is that a shift of consumer preferences? I would assume it's a little bit of the latter, but how do they balance out?"

Myers says such retail numbers and consumer confidence are the most important statistics he looks at for short-term forecasts, and consumer confidence is lower than it's been in decades.

According to one broadcaster, in 2010, every top 10 advertising sector experienced a sharp, broad recovery over the disastrous 2009. But the picture for 2012 is mixed, and that accounts for the core forecast in the low single digits.

"The economy is not recovering. Bank failures continue at a rate of 300 to 400 per year," says Kip Cassino, EVP at Borrell Associates. "Housing values continue to slide, [and] existing home sales remain stubbornly slow. If it weren't for the most expensive election in history, spot TV would be in really bad shape next year."

Cassino also notes that when networks do well, spot tends to suffer, and the networks did well in the upfronts — the advance sales the 2011-12 TV season. The broadcast networks saw high single-digit gains and some cable networks saw double-digit increases.

"That's the difference between very aggressive branding strategy on network television versus a more retail approach on the local side," Cassino says.

Broadcasters say that it has been difficult to get a firm handle on any category.

Post-Newsweek Stations President Alan Frank says some of his stations are experiencing healthy revenue from retail clients, while others say retail is down or flat.

One TV rep executive says there have been wild swings in retail spending quarter to quarter over this last year, with first quarter 2011 off about 15%, and third quarter up 5%. Others describe the back-to-school retail campaigns as tepid.

A sector that's a real "wild card" for 2012 is telecommunications, which for most is the second largest ad category behind auto. Much of the advertising stemmed from the telcos' assault on cable's broadband and video businesses.

But the category was hurt in 2011 by AT&T's cutback in spending, reportedly because it had a shortage of parts imported from Japan. And Verizon apparently reduced its ad expenditure due to its worker strike.

Categories that most expect to remain healthy 2012 include packaged goods, health/medical and quick service restaurants.

Looking across all core categories, the expected increase of 2.7% in 2012 may seem paltry, and on the downswing when compared to the increase of 3.1% expected this year. But there are several factors at play.

The bottom line on the top line in 2012 is cars and politics. To achieve double-digit growth, local broadcasting needs the Japanese auto industry to bounce back from the devastating earthquake and tsunami that hit the country in March. And, of course, it needs political spending to be as big as everybody now thinks it will be.

TV campaigning is "spirited, nasty, ugly and wonderful," says one broadcaster. Every new election cycle in recent memory has topped those that have come before it. And most observers believe that trend will continue in 2012. But don't expect the same kind of huge increase experienced in 2010, cautions Kenneth Goldstein, the recently named president of Kantar Media CMAG.

According to Kantar, spot garnered \$2.2 billion from political in 2010, and \$1.8 billion in 2008, a 22% rise.

Goldstein isn't prepared to give a dollar figure for political in 2012 now, but says he expects the growth from 2010 to 2012 will be less than what it was from 2008 to 2010. "It's going to be a competitive presidential election, but narrowly focused on 10 or 15 states, and significantly larger spending in five or six states, he says." Among them are Florida, Ohio, Pennsylvania, Iowa, Wisconsin, Nevada, Colorado and Virginia.

"I don't think we're going to see as wide a playing field as we saw in 2008. Obama was able to spend a lot of money in 2008 on Republican turf, and unless he's winning pretty comfortably, I don't think we'll see him spending ad dollars on those places," Goldstein says.

He also notes that hotly contested state races are most likely to be in mid-size or smaller states, which lowers the revenue expectations as well.

That means DMAs will experience a "haves or have-nots" scenario, in terms of how much political revenue they'll enjoy. For stations in swing states, it's a "Katy bar the door" scenario says one rep firm exec, in explaining the stampede of revenue anticipated.

On the plus side, the *Citizens United* Supreme Court decision has opened the floodgates to advertising by political action committees (PACs), says Alex Feldman, manager of global forecasting at MagnaGlobal. "If you look at the number of PACs formed, there were 200 more in January 2011 than there were six months earlier. So

that will drive spending higher."

"The PACs are a game changer in so many different ways, we can't even understand them all," adds one station executive.

The prospects for auto are far dicier than they are for political. After a healthy first quarter this year, auto spending fell sharply as the Japanese manufacturers coped with the fallout from the dual earthquake-tsunami disaster.

It's only now that spending is picking up once again," says Post-Newsweek Stations' Alan Frank. "The Koreans are in heavily, as are all the Japanese car makers. All three American manufacturers are doing well for the moment, and the Europeans are too. There are a lot of significant players [buying avails]."

Robin Flynn, a senior analyst at SNL Kagan, points to recent auto sales figures showing that Chrysler sales in the U.S. surpassed Toyota sales in August for the third time in four months. As Toyota attempts to regain market share and reverses production declines, "it's very positive for station revenue in the fourth quarter and in 2012," she adds.

The auto advertising surge might be enhanced by 0% financing promotions, says Mark Fratrik, a VP at BIA/Kelsey. "That's one of the good things about sluggish [economic] growth. Interest rates remain relatively low. And when that happens, auto companies can offer 0% financing without much cost."

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