TV Year in Review: Advertising Remains Strong, but Road Ahead Is Murky

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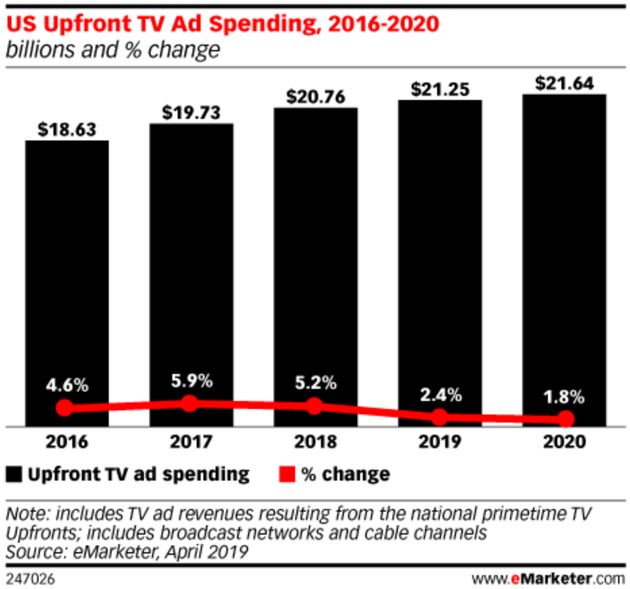
Despite the acceleration of cord-cutting, demand for TV advertising remains strong. In 2019, that demand was reflected in increased ad prices and a growing appetite for targeted TV ads.

Media Dynamics estimated that the average CPM for US primetime TV ads shown on broadcast stations that were sold during the Upfronts increased 13.2% to $36.19 during the 2019-2020 season. Cable CPMs increased 11.1% to $19.45 this year. Since 2016, broadcast and cable CPMs have increased by at least 8.0% per year.

Because TV companies have been consistently raising their prices, Upfront spending was once again strong this year. We estimate that total US ad spending at the TV Upfronts increased by 2.4% to $21.25 billion in 2019.

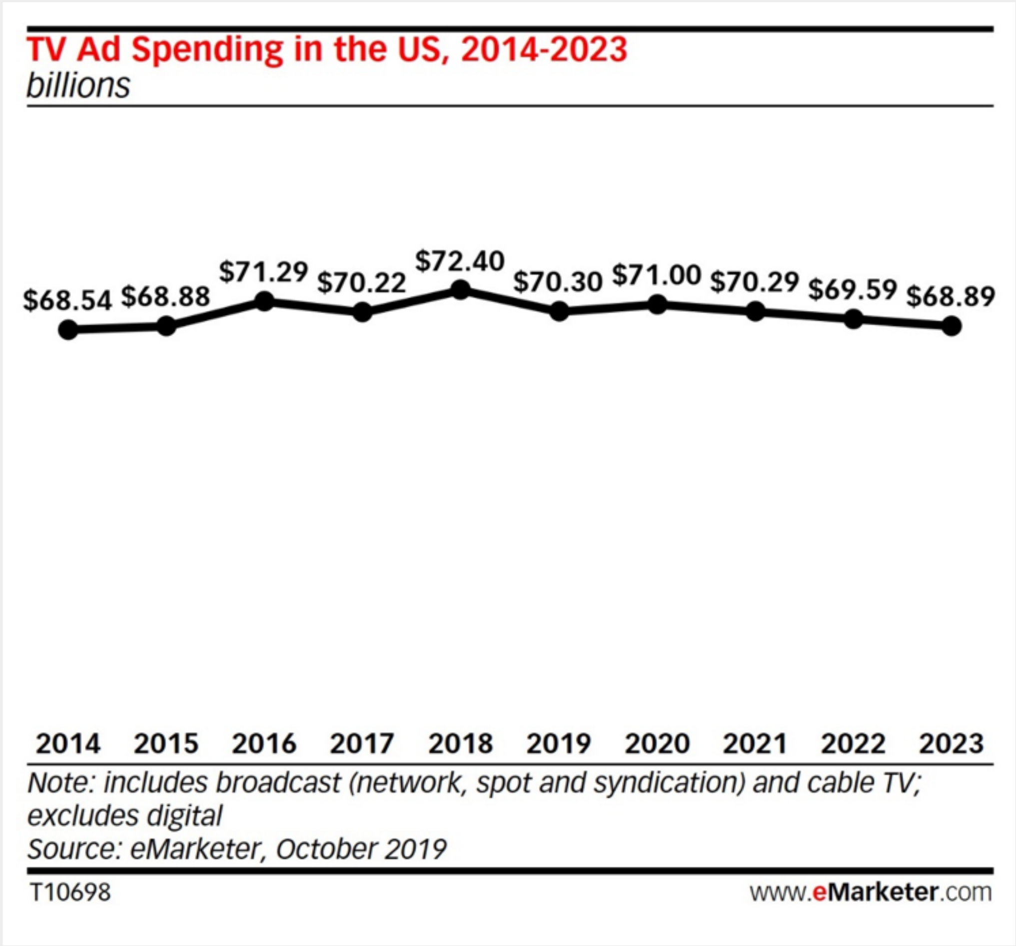


Addressable TV advertising also grew in 2019. We define addressable TV ads as targeted TV ads delivered on a home-by-home basis via cable and satellite boxes. We estimate that US addressable TV ad spending increased 37.0% to $2.00 billion in 2019. While addressable's growth rate is nothing to scoff at, keep in mind that US TV advertising is a $70-billion-a-year industry. Therefore, addressable is just a small portion of it.

Addressable TV is typically constricted to the two minutes of ads per hour that the satellite and cable providers sell themselves. The rest of the inventory is sold by TV networks, and that inventory, which is the bulk of total TV inventory, is not addressable. At multiple advertising events this year, I heard panelists advocate for TV networks opening up to make more of their inventory addressable, and a few consortiums are trying to create momentum around that. But as it stands, addressable has considerable limits.

The strong demand for targeted ads and inventory sold in advance isn't enough to reverse TV ad spending's stagnation. However, 2020 will be a relatively bright year for TV ad sellers.

We estimate that US TV ad spending will grow 1.0% to $71.00 billion in 2020. That growth rate is small, but it is an improvement from the 2.9% decline that TV ad spending had in 2019.



In 2020, US TV ad spending will experience a bump because the presidential election and the Olympics will attract TV viewership, and advertisers will spend heavily around these events. But that lift will be short-lived. Following 2020, US TV ad spending will resume its descent, and TV's share of total US media ad spending will drop from 29.4% in 2019 to 22.8% in 2023.