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## How to spend \$9.3 billion in three days: examining the upfront buying process in the production of US television culture

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This could be one of the last big traditional broadcast network upfronts, according to industry experts, who say that even record advertising spending won't offset spiralling program costs, plummeting prime-time profits and a weak economy. (Merimigas, 5 May 2003)

A buyers' feeding frenzy has fuelled a record-setting broadcast prime-time upfront market, with early estimates from network and advertising executives alike pointing to a total take that will exceed \$9 billion. (Chunovic, 26 May 2003)

The contested 'upfronts' to which these industry journalists refer are an annual practice of the US television industry that dates to the 1960s. Following a week during mid-May in which each of the broadcast networks produces an elaborate, million-dollar-plus, promotional event attended by advertisers and media buyers – its upfront presentation – broadcast networks sell 75 to 90 percent of the advertising time in the upcoming season of programming on tentative, but fairly reliable commitments. This upfront buying period once lasted eight weeks – but required only three days in 2003. No economic imperative forces this process, characterized by media buyers working around the clock to complete agreements with a network. The program schedule that networks provide offers speculation (at best) as the new programs advertisers buy time in have produced, at most, a pilot episode, and despite the fanfare of the upfront presentations, the schedule grids that networks announce and advertisers buy are expected to change. Further, the upfront sells time beginning in the fourth quarter of that year, through the third quarter of the next (the upfront negotiated in May 2005 allocated advertising from October 2005 through

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September 2006). Client spending plans consequently are often incomplete and uncertain as the 'broadcast year' does not correspond with the fiscal planning of most corporations, nor does it correspond with the typical calendar of media planning. Nevertheless, the US industry established the norm of the upfront in the early 1960s and it continues to define industrial practice, despite other significant institutional changes and ongoing concerns about the inequities and inefficiencies of this system.

The overwhelmingly commercial US television industry relies on the sale of commercial time to support the production and distribution costs of nearly all the television content watched by the nation's viewers. Consequently, the process by which industry workers allocate funding performs a crucial economic function that must be incorporated in comprehensive explanations of the complex process of cultural production. The process through which media buyers allocate billions of dollars in annual television advertising provides an essential starting point for industrial analysis, as developing a sophisticated conception of the commercial underpinnings of television's cultural economy is a necessary precursor to valid criticism and analysis of its cultural products.

This article uses observation of a media buying agency during the 2005 upfront buying process, attendance of upfront presentations in 2003, and interviews with media buyers and planners to both explain and analyze the importance of the upfront buying process to the cultural production of the US television industry.<sup>1</sup> I conducted this study during a period of significant industrial adjustment, and although I attempt to 'fix' the upfront in the particular circumstances of 2003–2005, its relationship to a larger set of operational norms must be understood as highly dynamic. The article also explores the various factors contributing to the alteration of this practice and examines how this buying norm affects the allocation of power among institutional roles. Significant adjustments in the conventions of the upfront buying process, and the potential for its elimination, have vast consequences for established relations within the circuit of cultural production, while subtle changes in other seemingly minor practices similarly threaten the continued viability of this purchasing and financing norm.

The long history of the upfront suggests its ritual importance for an industry that has experienced pronounced shifts in industrial organization and institutional practices during the two decades preceding this study. Many of these adjustments are slowly altering industrial norms so that residual practices such as the upfront continue, while the alteration of other residual practices and the emergence of new norms contribute to a particularly transitory institutional environment. The standard practices of the upfront buying process seemed to be in particular crisis during the earlier years of the study, with many in the industry expressing open dissatisfaction in public forums, one-on-one conversations, in trade press articles and as evidenced by the creation of an industry discussion group to formally reconsider the process. Such complaints and initiatives for reform have developed cyclically in regard to

the upfront (often in conjunction with marketplaces that particularly favor sellers), yet the practice of upfront selling remains firmly entrenched, despite decades of detractors' complaints.

Assessing industrial practices that serve both practical and ritual functions is critical to developing complex understandings of the process of cultural production as well as for supporting postulations about how media function in society. This article describes fundamental, yet relatively unexplored events that contribute to the process of textual creation and distribution in addition to analyzing the events and the role they play in the circuit of culture. This work follows existing scholarship that highlights the inconsistent interplay among 'cultural processes', and explores the intersections of culture and media production in such a way as to emphasize the 'complex, ambivalent, and contested' nature of cultural production (du Gay and Pryke, 2002; du Gay et al., 1997: 3; Hesmondhalgh, 2002: 3). Frameworks that account for multiple factors and allow for tension between emergent and residual practices are particularly useful for examining the transitional nature of industrial norms at the time of this study.

### **Understanding the upfront buying process**

The practice of presenting a new 'season' of programming and then selling nearly all its advertising time began in the 1960s. In his article chronicling the history of the upfront, Erwin Ephron, a long-time media buyer and now consultant, argues that three practices were necessary for the creation of the upfront, networks had to: control their own programming, shift advertisers from sponsorship to package buying and invent the 'television season' (Ephron, 2003: 1).<sup>2</sup> The networks achieved Ephron's first two practices in the late 1950s, a time during which the US industry moved from its initial experiments to the norms that would dominate production and industrial operation for three decades (Boddy, 1993). The third practice Ephron acknowledges occurred by chance when the weak third-place network ABC decided to premiere all of its programs in the week following the Labor Day holiday in 1962 – the same week new car models were unveiled and advertised (Angwin and Vranica, 2006; Ephron, 2003: 1). According to Ephron, NBC and CBS quickly followed suit, and a television season that mirrored the pattern of the US school year was in place by the mid 1960s.

The annual September debut of programs led to the related annual process of securing advertising commitments in the spring. The buying process quickly became a contest between networks and advertisers – with media buyers as their intermediaries. Networks offered 'discounted' rates and eventually guaranteed audience delivery on advertising purchased upfront in exchange for the early commitment. The upfront functions as a speculative market; advertisers can either buy time 'upfront' or later in what is called the

'scatter' market. In recent years, broadcasters typically have sold about 80 percent of their advertising inventory upfront, but may hold back more inventory if they believe scatter rates could be significantly higher. The laws of supply and demand lead most advertisers to purchase time upfront because the limited supply of programming in certain programs and on particular networks makes some buys available only during the upfront. The later scarcity also has led to scatter rates that commonly average roughly 15 percent higher (Laporte, 2003). It is difficult to predict the scatter situation and much depends on the market in a given year. Frustrated with networks' hikes in pricing, in 1975 the J. Walter Thompson agency attempted to contest the 25 percent price increases demanded by the networks by boycotting the upfront (Ephron, 2003: 2). This proved a poor strategy, however, as its clients paid even higher rates when they purchased time in the scatter market. In the case of a soft market, in which networks have much remaining inventory, advertisers can negotiate for guarantees on their scatter buys as well.

#### *Upfront procedures*

In terms of the actual planning and buying process, preparation for the upfront begins in early spring. Agencies meet with their clients to discuss tentative budgets, tactics and other promotional strategies. After obtaining this information from the clients, the planners develop a media plan for the following year that includes budgets allocated over specific quarters (and even weeks) for each media type (although here I will only focus on the budget allocated for national television). Media planners identify general types of shows and networks that are ideal for their clients' various products, but do not guarantee specifics to the client. Once the client agrees to the media plan, the responsibility shifts to the media buyers, who construct a plan that they will submit to the networks.

The central transaction in buying television advertising relies upon networks selling exposure of the advertiser's message to a set number of viewers of a certain demographic characterization. CPMs (costs-per-thousand) provide the central currency: the cost to reach one thousand viewers of a certain demographic type (50,000,000 viewers  $\times$  \$15 per thousand viewers = \$750,000). Networks guarantee that they will reach a certain audience size if the advertiser purchases in the upfront and provide audience deficiency units (ADUs) – supplementary advertising slots also referred to as 'make-goods' – if they fail to achieve the guaranteed audience reach with the initial purchase. Contrary to those who perceive that most advertising transactions consist of advertisers buying a commercial in a specific show, the upfront functions much more like the block booking that once dominated US theatrical distribution. The buying agency submits a total budget to the network and the network sales department then develops a plan that allocates the budget over

various shows and specified weeks. (A clear difference in the relative power situation of theatre owners and advertisers, however, makes the economic consequences of this practice quite different.) The package buying of the upfront allows the networks to place an agency's commitment in both popular and less established programs.<sup>3</sup>

The process for the media buyer differs considerably dependent on whether the client purchased time from the network in a given daypart in the previous year. If so, the client will have an existing base rate ('base'), which includes the CPM rate paid in the previous upfront, dollar allocation (total volume spent on the network in that daypart) and 'mix' (the package of shows in which the advertiser aired). Typically, the base provides a starting point and networks generally expect advertisers will continue to advertise with an equivalent or greater volume of dollars each year. The media buying agency negotiates with the network to establish a single rate for all of its clients with established bases by daypart (different increases/decreases dependent on the network's performance in primetime, early morning, news, daytime, late night, overnight). If the advertiser is new to the network daypart, the agency negotiates a starting base separate from its negotiation of returning business.

Each client an agency represents likely has a different base dependent on when it began advertising with the network and the specific considerations each requires. Clients who have been advertising the longest typically have a lower base than those who began advertising on a network more recently. Consequently different companies pay different amounts to reach the same size and 'quality' of audience, and these discrepancies remain year-to-year because of the even base increase or decrease across all existing advertisers.

Factors such as the competitive position of the network in the previous year and the outlook for its new development determine its negotiating power. The power of the agency results from the amount of aggregate business that the agency brings to the network (that it is equivalent, if not increased from the previous year), and the ratio of 'good' to 'bad' money the agency can offer in the deal. ('Good' money is that with a comparatively high CPM. 'Bad' money commonly can be found in old brands that established very low CPMs long ago; often packaged goods advertisers.) Based on these variables, the agency and network settle on an increase (or in some cases, decrease), from the previous year's CPM. So, if Proctor & Gamble paid a CPM of \$34.11 in primetime, and the agency negotiates a 3 percent increase in primetime, this year P&G will pay \$35.13. It is fairly uncommon for existing business to negotiate a new base, but this may happen if the base is inconsistent with similar agency clients and a network has a weak year and wants to boost advertising volume. Returning clients can increase the value of their purchase by renegotiating their mix of buys, although substantial remix may require a higher base price.

In the case of new business to a network, the agency negotiates a separate rate for each client, which becomes that client's CPM base with the network in that daypart so long as the client continues to advertise in that daypart each

year. The network and agency negotiate these CPMs entirely independent of the flat increase or decrease agreed upon for returning business. The networks approach the returning and new business as two different supplies of inventory that seemingly have their own supply and demand. One of the many unwritten rules of the upfront buying process is that the networks honor the returning business, regardless of how much more they might earn if they took new advertising in its place at substantially higher CPMs. Networks do this because agencies typically do their best to return the previous year's business, even when network demand is soft (an aspect of the ritual norms that indicate the importance of economic intangibles like relationships). If the agency does not return some established business, this weakens its negotiating position. In a year in which there is a lot of demand, a network may decline added business from a returning client who has a low CPM.

In the case of both returning and new business, the agency submits tentative budgets to the network and the network develops a proposed programming mix for each client. The agency evaluates the mixes and often counters the network proposals with requests for movement among the number of units (commercials) in different shows, shifting units to different shows, or adjustments in the weeks advertisements are likely to air (original weeks are more valued than repeats; clients often pay a premium to air in season premieres and finales). The agency and network may propose counter schedules two or three times before reaching an agreeable mix. Then, the agency negotiates the price – the percentage adjustment on the CPMs for returning business and the bases for new business. (Sometimes when there is exceptional demand for a network, the agency may agree to a 'conceptual deal', in which the agency agrees to CPMs and total volume before seeing the specific unit allocation mix for each client. Although this is not the preferred practice, once one agency agrees to write a conceptual deal, the competitive environment effectively requires others to write these deals as well.)

Once the network and agency agree upon the mix and price, the buy is effectively 'on hold' and the buyers and planners develop a report that they then present to the client – typically in late summer. The clients then must agree to the mix, volume and allocation. (Some clients are more involved and request to see mixes as the agency negotiates with the network.) Once the agency secures this consent, the buys are 'firm'. Typically, all of the buys allocated to the fourth quarter are 100 percent guaranteed (meaning the client cannot pull any of the budget, which makes this money particularly attractive to the networks). The buy is commonly 75 percent firm for the first quarter (25 percent optionable) and 75 to 50 percent firm (25 to 50 percent optionable) for quarters two and three. If a client chooses to utilize their options, they must notify the network 60 days before the quarter, which enables the network to sell that inventory in the scatter market.<sup>4</sup> Networks and advertisers view the upfront agreements as commitments, but they are not ironclad. 'Breakage', the term used to describe advertisers renegeing on upfront

commitments, is not unusual and typically amounts to 2 percent of the committed spending (McClellan, 2003).

The agency usually negotiates its upfront deal with each broadcast network, and then with cable networks and syndication suppliers. Some of the norms differ for cable networks. In general, there is less demand for cable networks and a much greater volume of available units. Cable also only sells about 40 to 50 percent of its advertising time upfront – largely a function of the sizable inventory that exists. Rather than buying specific shows, most cable networks are sold by daypart. National syndication then sells its inventory after or concurrently with cable.<sup>5</sup>

The timing of the market varies year to year depending on the strength of the market and performance of different sectors of the industry. In 2003, broadcasters completed their upfront in three days with record gains. In 2004, some cable networks sold before broadcast, and cable in general achieved 6.2 percent gains in CPM prices and 20 percent more volume, while broadcasters received 7.8 percent gains in CPM but lost volume (Myers, 2005). In 2005, the market was fairly soft, with negotiations for some broadcasters extending over two weeks, while buyers made few deals with cable until completing deals with broadcasters. The speed of the market depends greatly on perceived demand and whether advertising dollars are up or down.

#### *Upfront analysis*

The established norm of the upfront process has many consequences for the cultural production of television. A different method of purchasing would reallocate capital and value throughout the television industry in ways likely to affect the programming produced. Clearly, a direct relationship between the method for allocating economic support and production of cultural texts is not in operation. The upfront process has been in place for over 40 years and substantial variation exists in the programming produced in each year and over that period of time. However, factors such as the distribution of power within the buying system and other aspects of procedure are likely to affect programming in distinctive ways. For example, in the spring of 2005, a marketing executive for a major American automobile corporation called for changes in the upfront process that would formalize and make public the back channel and speculative information about the rates at which networks were selling and who had completed purchases (Mandese, 2005). Julie Roehm, DaimlerChrysler's director of communications suggested a system more akin to the way stocks are traded on Wall Street, with public awareness of the CPM for different shows so that agencies could then purchase and trade, driving the price up or down dependent on demand. Such a system would likely have substantial implications for processes of production and what series networks would develop. The current equilibrium in the relationship between buyers

and sellers that leads to yearly sell-out would likely be disturbed as costs for top shows would be bid up to higher and higher rates, while networks would likely have substantial difficulty selling lower-rated and new shows.

*The upfront process provides both buyers and sellers with certain efficiencies and value.* Networks are afforded some guarantee of income by selling well in advance of airing and having much of the advertising allocation firmly committed. Mediacom Chairman Jon Mandel recounted once meeting with an executive from a Spanish network who looked nervously at his watch and BlackBerry messaging device during the meeting (a network located in Spain, not a Spanish-language network in the US) (J. Mandel, personal communication, 8 June 2005). When he asked what was so urgent, the executive explained that, in Spain, advertisers had until one hour before airing to cancel advertising commitments, which he was monitoring. Although extreme relative to the US example, this situation illustrates the stress placed on a network when advertising pressures are compound in the short term and suggests the different decisions networks might make in this context. The long-term allocation of the US upfront helps networks take greater risks and leads programmers to allow shows more time to find an audience than might be the case if advertisers could exercise more day-to-day evaluation of their purchases. On the other hand, incumbent programming derives value from having a known audience, which contributes to the tendency of US broadcasters to maintain existing programs for many years.

Many advertisers have objected to being forced to make allocations so far into the future. Perhaps the most obvious alternative to the existing system would amount to a situation in which all CPMs were sold in a manner similar to the existing scatter system. Although advertisers would be able to allocate dollars closer to the airdate, this would have significant implications for network planning and could effectively exacerbate the work of the media planners and buyers. The upfront is an intensely busy time for the agencies. In many cases, the upfront negotiations require them to work through the night and into the early morning for weeks at a time. An all-scatter market might lead to doing the type of work required to prepare for and participate in the upfront on a quarterly rather than yearly basis, which might be too inefficient in terms of the increased costs in planning and buying fees such a system would require.

The peculiarity of the 'broadcast' year also exacerbates the advanced buying required by the upfront; however, changes in conventional broadcast practices have led to an erosion of the norm of the 'television season' that determines this 'year'. The specific fourth-through-third quarter organization of the yearly purchase also seems decreasingly imperative for broadcasters. The general efficiency of the system could be maintained if advertising were allocated on a year-long basis more in accord with most corporate planning and budget development.<sup>6</sup> The largest impediment to such a reconfiguration of the buying process would result from breaking ritual schedules and

behaviors, whether that of viewers accustomed to autumn premieres or network planning timelines built on the existing norm.

*Aggregation provides an important tool for buyers in influencing the negotiation process.* Agencies package a number of clients together in negotiating agency increases and decreases, which helps the client because fluctuations in individual budgets are less likely to affect the relative negotiating position of the agency. Likewise, individual clients derive advantage from aggregating yearly spending. Many advertisers have particular quarters in which they locate much of their advertising volume (toy and game makers in the fourth quarter for example), while other companies may not advertise at all in certain quarters. (A company with a more seasonally driven product such as an ice cream store is unlikely to advertise in the first quarter.) In an all-scatter market, the quarterly variation would likely complicate the situation for such advertisers who would have more difficulty maintaining a steady base because of significant quarterly fluctuations. In general, this would lead to more variation and uncertainty for both buyers and sellers.

The status and role of the agency are important to understanding the allocation of power in the purchase of CPMs. Mandel explains that at its core 'the whole game is giving them [the networks] something they value more than you and getting something that you value more than them' (J. Mandel, personal communication, 8 June 2005). Networks try to maximize the CPM rate and achieve the ideal volume of base and new business. Both measures are important, but, in each year, a network may be in a position of valuing one over the other. In one year a high CPM increase may be particularly important as an indication of the network's strength to the Wall Street community. In another situation, the network may be coming off a year in which they had too much volume to sell in scatter and may particularly want to increase the volume of sales, even if it is at a lower CPM. An advertiser also has particular interests that likely vary year to year, and variation exists among advertisers. Some advertisers are most concerned about efficiency and buying the most possible exposures for the lowest CPM, regardless of where their commercials air. Other advertisers are particularly concerned to air in content that matches demographic and psychographic profiles of their targeted consumer and willing pay a premium to air in those shows. If the agency can aggregate a range of advertisers whose individual interests offset each other, the agency has more flexibility in responding to what the network needs than if each client were to negotiate individually.

In response to these different types of clients and related priorities, some agencies specialize in being more attractive to certain clients. Some agencies concentrate on securing only large accounts in which the process of buying and planning is primarily just a matter of volume and less a matter of careful targeting (situation of US auto manufacturers). Other agencies emphasize efficiencies and collect clients mainly concerned with buying the cheapest CPMs available. Yet other agencies develop a balance of clients likely to have

varied priorities. Each buying agency has a distinctive character and situation in the negotiation process as a result.

*Elaborate circuits of informal information play a key role in this process.* Perhaps the most complicated and important aspect of understanding the allocation of power involved in the upfront results from the status and role of information. Information in the upfront process is highly imperfect – at least by objective measures. Roehm's proposal for a system of public trading akin to the stock market expresses the desire many have for a single, publicly known rate at which a network prices CPMs at a given moment. The lack of public and verifiable information leads to uncertainty and provides much of the inefficiency in the process. Each agency negotiates individually with the network without truly knowing what other deals the network has completed and at what rates, while the network knows precisely what its own situation is, but does not know the status of other networks. 'Information' circulates in the trade press, but the prices reported are substantially inflated or deflated depending on the interests of who is providing them. Attention to the upfront in more popular venues has increased in recent years. The annual process is now covered in great detail by the general business press, which has resulted in an expanded range of stories and unnamed sources providing a greater amount and more varied 'information'.

Media buyers and planners work in an insular community, full of situations in which buyers have friends and former co-workers at other agencies who they might call to get a 'read' on the market. Even among those who know each other well, this information is unlikely to be exact, as no buyer wants to give another the advantage of certain information. The task of the buyer, then, is to evaluate the varied information in circulation, the source, and that source's reputation, in order to judge the likely veracity of the information or the degree to which figures might be inflated or deflated.

Buyers are often most concerned with what 'the number' is: the percentage increase or decrease on base business that a network writes with other agencies. The buyer also needs to gauge the status of the market – what agencies have completed deals with a network – in order to strategize about when to begin negotiating relative to what other agencies have completed deals. For example, in the 2005 marketplace, perhaps the biggest questions were how significant an increase ABC would receive and how significant a decrease NBC had earned. Agencies negotiated deals with ABC first because the network had a number of hit shows and had comparatively low CPMs due to years of competitive weakness. These deals went quickly, and once one agency agreed to a conceptual deal, the others were forced to go along or risk being left out as they would be busy negotiating program mixes while other agencies secured definite increases and locked volume. Once estimates began circulating in the trade press and buying community that ABC was up 4 to 6 percent, the relative fate of CBS and FOX was established. The agencies negotiated a similar or slightly lower increase with CBS and then proceeded likewise with FOX.

In 2005, NBC had completed a year unlike any in recent memory. It had fallen from first to fourth place in primetime in the key 18–49-year-old demographic. It also had not met some of its guarantees and was using CPM inventory to provide advertisers with audience deficiency units. Additionally, there was little buzz about the network's new programming and it seemed unlikely to be competitive in the coming year. The network had been able to set the market as the leading network for a number of years and most advertisers consequently paid higher CPMs for shows on NBC than the equivalent exposure on other networks. NBC demanded sizable increases during its dominance in previous years as well as premium pricing for high-profile finales of shows such as *Friends* and *Frasier*. As a result, the network had poor relationships with some buyers who were very ready to enjoy the relative shift in power. NBC's initial posturing (in the trade press) suggested that the network expected that CPMs would be flat, but as the agencies wrote deals with the other broadcasters with increased volume (in a year in which volume was expected to be down or flat), it became increasingly likely that NBC would be writing deals at lower CPMs than the previous year.

Because NBC had been strong for so long, there was great uncertainty in the market about what the 'number' for NBC would be. Additionally, agencies were slow to begin dealing with NBC because there is no advantage to being the first agency to write a deal in a situation where demand is soft. As agencies prepared to negotiate, various numbers circulated in the press and through the grapevine – X agency had written a –4 or –5 – while NBC maintained the number was flat. Eventually it seemed NBC began pushing the market, suggesting that other big agencies had already completed deals, which led to other back channel reconnaissance ('Didn't Y agency have a going away party last night – they couldn't have been at the office late closing the deal', 'We'd have heard if Z agency closed a deal, they are too big for it not to get out').

The availability of information within this system is certainly not absolute, yet it is also incorrect to say information is not available. Media buyers develop relationships with each other and with the network sales executives that help them assess the likely validity of the information a particular individual offers. This provides a particular advantage to those who have worked in buying for a longer period of time. Related, the relationship history among agencies, networks and the individuals who represent each can have an important, but less tangible role in the conduct of business. Many of the same people develop these deals each year, which creates a substantial degree of institutional memory. Networks remember if an agency or a client has a record of being flexible or difficult and these patterns of behavior can also affect negotiations.

*Conglomeration among buyers has produced significant but uncertain effects.* Complicating an already uncertain process is the fact that the media buying agencies have experienced considerable consolidation in recent years. Four holding companies (Omnicom Group, WPP Group, Interpublic Group and Publicis Group) dominate US advertising and account for approximately

\$30 billion in annual revenue. Industry newsletter *The Jack Myers Report* estimates that four media buying firms control 40 percent of all broadcast buying and that fewer than the top ten control 80 percent – a figure that amounted to nearly \$8 billion dollars in 2003 (Ephron, 2003; Myers, 2003). These holding companies possess varied branches of media buying and planning agencies, creative units, and public relations and specialized marketing firms.<sup>7</sup>

Conglomeration of buying agencies has had different effects within the industry, making consequences uncertain. Individual buying agencies have been consolidated in some holding companies and negotiate a single rate increase/decrease despite maintaining separate divisions with distinct character and clients. Other holding companies have allowed buying agencies to remain distinct and negotiate separately, although the networks are uncertain how much information may be shared, which may lead them to negotiate similar deals with all like-owned agencies in order to maintain good relations.

A clear advantage of conglomeration for the agencies results from the increased information about the market. The agencies know the budgets of all of their clients before the upfront, and an agency that has a broad sample of the population of advertisers is best positioned to predict the marketplace. The network supply of GRPs (gross rating points) is well known by all, but only the advertisers know how much money they plan to spend in the marketplace, which determines the relative demand. Buying agencies that have conglomerated and share budget information about their clients from diverse sectors enter the negotiations with an informational advantage.

It is difficult to assert that conglomeration results in a single set of consequences, and it may be the case that conglomeration yields unintended effects. As the earlier statement by Mandel notes, the fact that each client is a bit different in what they desire complicates the upfront negotiation process. The advertiser and network may have symbiotic goals, yet the market fixates on the 'number' as the comparison point and relative measure of success. The number is economically important, but functions more symbolically than as a valid point of comparison. A client is likely to be disgruntled if it hears that another agency negotiated a lower number than its agency. (Some large companies contract with multiple agencies for different products, which provides them with fairly accurate information about what numbers other agencies negotiate.) Ultimately, the 'number' is a poor indicator because the mixes and CPM bases of clients vary, and the rate of increase is commonly less important than having originally negotiated a good base, which conglomeration does not appear to affect.

*The dominance of the upfront affects the cultural production of US television.* Understanding the means by which the US commercial system allocates the funding for creative production is necessary in order to evaluate subsequent components of the process. It is difficult to argue that the dominance of the upfront buying practice yields any particular or specific effect on cultural production. The upfront alone is not responsible for any tangible aspect of US

cultural production; rather, the practice circumscribes the conditions of cultural production by establishing certain norms and a particular industrial environment. The sale of most advertising upfront decreases the risk networks bear, and they would likely approach programming differently if advertisers allocated more support on a shorter term basis. Programmers who know they can package unconventional shows with established hits are likely to regard these shows differently than if they had to sell them individually. This may lead to scheduling a riskier show, but can also lead to keeping established series on the air past their creative prime. If CPMs were sold on a show-by-show basis networks might be more responsive to advertisers' desires. Such responsiveness would affect cultural production, although the consequences are difficult to predict with certainty.

The reliance on 'bases' also decreases much potential volatility from the marketplace. This helps moderate cyclical variation for both advertisers and networks. The role of bases is likely responsible for the measured buying adjustments that have occurred over the past 20 years, despite the substantial changes in viewership patterns (fragmentation and migration to cable). The base system supports dominant industrial practices of the network era, despite the sizable possibilities for radical change introduced by subsequent technological innovation and increased competition.

Advertisers buy CPMs not shows. The record of shows' performance with particular audience groups drives decisions about media buys more than evaluations of content. Existing research and established theory about the consequence of advertising on cultural production have emphasized the chilling power of advertisers on creative products (Gitlin, 1983). 'Advertisers' are frequently blamed for programming that fails to take risks, defy dominant ideological positions, or identified as the force behind the highly derivative programming that too often occupies network schedules. Although 'advertisers' do pull out of certain episodes or do not buy certain shows, my observations and interviews indicate that critical media scholarship has taken an overly broad and generalized approach in its understanding and evaluation of this process, particularly as it exists in the competitive environment of the early 21st century.

In addition to their media buying and planning functions, agencies also monitor the advertisements they purchase to make sure they air as intended. Part of this function includes pre-screening content to identify whether there might be any reason for an advertiser to withdraw support from the program. Most agencies subcontract this work to a company that previews the programming (in the case of primetime, typically the morning before it airs). The subcontractor then submits a screening report to the agency upon which the agency bases its decision. By the accounts of all I spoke with, the incidence of advertisers pulling out because of content is rare, and different clients evaluate the risk of airing in controversial programming in very different ways.

According to those at the agency, the most common situation in which they would suggest an advertiser pull an advertisement occurs when a conflict exists between the product and the storyline. An auto manufacturer would not want to sponsor an advertisement immediately following a grisly car crash or a pharmaceutical company may wish to withdraw an advertisement from an episode of a medical or legal drama depicting drug makers in a negative light. Certain advertisers are particularly sensitive about association with hot-button content (politics, religion, abortion) that might result in letters from disgruntled customers, as commonly known within media scholarship; however, some companies are willing and even eager to associate their products with controversial content. Other clients have little concern for whether they receive letters from viewers and place primary importance upon the efficiency of the advertising buy. They willingly advertise in programming that has advertiser defections in order to receive a lower price. Some industries are not particularly susceptible to viewer boycott, target the audience likely to view boundary-defying content, or seek the publicity that might result from involvement in a 'risky' venture. Film studios are one such advertiser; their advertisements often target a specific audience that is younger than average and is particularly time sensitive. Disgruntled viewers may choose to boycott a film because of the show its advertising airs in, but viewers are unlikely to boycott an entire studio as a result. (It is questionable whether the viewer would likely have seen a film likely to capitalize on associating with controversial content to begin with.)

Pressure from advertisers unquestionably exerts a force on the circuit of cultural production. However, it is much less direct than commonly theorized, and the greatest influence likely comes not from advertisers but from perceptions of what advertisers desire that have been internalized by network executives and their own desire to avoid viewer backlash or negative press. Advertiser support plays a complicated and inconsistent role in cultural production. As financiers, they possess significant power in this process, yet advertiser influence is less direct than assumed and does not operate uniformly. The variance in advertiser behavior has increased as a result of the changing televisual competitive environment that has eliminated the mass audience and created multiple venues of varied narrow address.

In addition to withdrawing support for specific advertising units, advertisers can express ideological programming norms in their upfront purchase. Buyers recounted various situations of specific clients in such a way that suggested that nearly every client is a bit different. A few companies are controlled by families with very specific religious beliefs that lead them to buy a very narrow range of programming. Other clients create do-not-buy lists that are based on general perceptions of a program type (no reality shows) or a network (no SciFi). In most cases, the buyers were frustrated with this behavior because it was emotionally rather than economically based, and they often challenged the advertiser to reconsider because such specifications limited the value and range of options the buyer can secure.

As in other situations within the media buying process, it is valuable to understand the intricacy and variation of practices, and not assume consistent behavior among all advertisers. Mediacom's Mandel noted the many degrees of separation between advertisers and series' creative talent. He recalled the childhood game of 'telephone' in recounting how messages might change as they move from advertiser, to media planner, to media buyer, to network sales executive, to network programming executive, to creative staff. There is little accountability or means for checking the consistency of the message through the system. The separation between advertisers and series' creative teams allows the intermediaries to adjust the message to suit their needs. Each individual seeks to maximize his or her relative power among those occupying different power roles. One can easily imagine a situation in which a programming executive blames the 'advertiser' for a decision affecting creative content in order to maintain a certain status or relationship with the creative talent.

Many nuances and particularities exist in the process of media buying that bear important consequences for the process of cultural production and theorization of this practice. Detailed and specific information contributes to building more comprehensive understanding of the role of financing practices that are highly variable and complicated.

### **Conclusion: the future of the upfront process**

The upfront buying process is in many ways a residual practice of the network era in an industry increasingly defined by a transition away from network era organizations and processes. Although the ritual of the upfront buying process has dominated the US television industry for nearly 40 years, a variety of institutional, economic and cultural shifts initiated by a range of technological, social and industrial factors are increasingly challenging the status of this practice. Critique and complaint about the process seemed to be growing more vociferous during the early years of the 21st century. Much of the discontent resulted from business conditions of particular years that favored the networks and led the agencies and advertisers to be unusually disgruntled. However, some of this dissatisfaction resulted from consequences of larger shifts in the industrial environment and how these shifts altered power relationships.

No fewer than four factors suggest that the upfront buying ritual may no longer be appropriate for the industry and that a new practice for purchasing advertising time may be needed. First, one of the factors Ephron notes as critical for the creation of the upfront – the 'television season' – has diminished as a dominant practice. The television season is a quintessentially network era concept, determined by factors of competition, audience research, and program acquisition and financing. Since the early 1970s, series normally have produced 22–24 episodes per season, down from 26 episodes in the 1960s and 39 in television's initial years (Williams, 2000). The three networks did not

establish this practice through formalized collusion; rather, they developed and maintained the practice as an unofficial industrial norm of mutual benefit that freed them from the need and expense of purchasing new programming for the 52 weeks of the year. When upstart network FOX sought entry to what seemed a zero-sum industry in the late 1980s, it achieved some success by launching new series during the summer and counter-programming the reruns of the Big Three with original programming. Competition from FOX initially was not significant enough for the Big Three to adjust their conventional practices, but the increasing loss of audience members to cable during the summer months jeopardized the network era model of the television season. The practice of summer reruns also had been supported by industry beliefs of sizable programming drops during the summer months that data now show no longer exist. In the 1950s, the HUT level (homes using television) dropped 28 percent during summer months, but average summer use in 2003 measured just 5 percent lower than during the regular season (Higgins and Albinia, 2003). As networks increasingly schedule new programming year-round (albeit by using short-term unscripted series during the summer months), the established rituals of the development process, scheduling practices and related viewer expectation of when series air all erode to allow for change.

Second, factors related to the transition to a post-network era have challenged the notion of scarcity upon which the upfront traditionally has relied. The expansion of the broadcast market to six networks and the creation of hundreds of cable networks have steadily eroded the broadcast audience and expanded opportunities for advertisers. The somewhat counter-intuitive aspect of this results from the fact that the introduction of new channels and viewer migration to them has decreased supply of gross rating points (GRPs) on broadcast networks. A decrease in broadcast supply of GRPs leads to an increase in demand and explains the increasing costs of advertising on broadcast networks despite their diminishing audiences.

By creating additional suppliers of GRPs the development of cable networks does somewhat disrupt the oligopoly long maintained by the broadcast networks. Competition between individual broadcast and cable networks remains significantly disparate, which has allowed the broadcasters to maintain their status as the necessary buy to reach the broadest audience with the fewest units. This competitive situation will change significantly if broadcast share continues to decline and some cable networks can more markedly distinguish themselves from the cable aggregate to compete on par with broadcasters. Such a competitive environment would allow such cable networks to exist as an alternative to broadcasters, diminishing the demand broadcasters have long been able to assume.

Third, changes in viewing practices, particularly those resulting from the creation of digital video recorders that decrease 'live' viewing and make it easier for viewers to skip over advertising blocks are challenging the

dominant practices of broadcast and cable advertising – such as the 30-second advertisement. Advertisers have grown increasingly concerned that viewers see the advertisements they pay for, which has resulted in the added attention to integrating products and brands within the show. Threats to traditional practice have given advertisers cause to explore other media, while those continuing to emphasize television advertising in their strategy are increasingly using new methods to reach viewers, such as sponsorship and product placement. The upfront negotiation now includes many ‘value added’ opportunities that are typically provided ‘free’ in return for increases in volume from a client. Negotiating added value for clients, such as having stars of a new movie appear on MTV’s *TRL*, receiving a ‘brought to you by’ billboard at the beginning of a commercial block, or having the cast of *The Real World* eat a meal at a client’s store have been a part of cable buying for some time. Buyers are increasingly negotiating these arrangements with broadcast networks, and occasionally in primetime. Buyers admit that these deals do not always work out because the network sales staff might agree to product inclusions that series’ creative staffs later refuse. Consequently, advertisers achieve greater success with these arrangements if they pursue them through ongoing and extensive negotiations that cannot be completed in the upfront buying period.

Notably, technologies such as video on-demand pose other challenges for media planning and buying. Many of the initial media plans an agency creates use extensive modeling that is based on who is likely to be in the audience at a certain time on a certain day. The opportunity for viewers to watch any show at any time (through video on demand technologies) decreases the utility of these models and planners’ ability to predict the audience composition for new shows. This development not only upsets the upfront norm, but also many of the standard practices of media buyers.

Finally, many aspects of the upfront buying ritual have been noted as problematic or indicative of a poor practice for some time, mainly as a result of inefficiency in the availability of information, pressures from the timing of purchases and in terms of human labor. The emergence of the other three factors exacerbates the old problems and allows them to take on new significance in challenging conventional practices. The upfront forces both the networks and the advertisers to make major financial commitments based on mostly imperfect information. For the networks, this mainly results from the changes in shows and schedules that occur as the shows develop once they go into production. From the business standpoint of the advertisers, the year-long commitments of the upfront are a less than ideal practice for a number of reasons. The timing requires a long-term obligation. Advertisers must commit to advertising budgets during the second quarter of one year that allocate spending through the first two quarters of the following year. During volatile markets this is a significant burden, but even in normal conditions this limits advertisers’ flexibility to adjust their overall media plan.

Additionally, the pace of the upfront suggests an atmosphere of high-pressure buying that leads to increased exhaustion on the part of buyers. The mere idea of the commitment of \$9.3 billion in the course of 72 hours, 80 percent of which is concentrated in the hands of less than 10 media buying companies suggests the problems with the current system. Although the process suggests the endearing torture of exam weeks or fraternal initiation rituals, one must not forget that an amount of money equivalent to the GDP of more than a few countries is at stake in the process. A slower, more deliberate upfront buying process would likely benefit the advertisers who buy exorbitantly in fear of being shut out of the market in response to networks who use high-pressure sales techniques to convince them to commit to higher rates every year.

Yet, despite these forces toward change, the upfront buying process remains remarkably steadfast given the extent of other industrial changes currently transforming the industry. The process by which advertisers allocate their funding is a fundamental part of the operation of commercial media systems. Shifting norms might yield substantive effects throughout the process of cultural production, indicating the need for detailed information about how these practices work and analysis of their consequences.

## Notes

1. A Faculty Development Grant from the National Association of Television Program Executives facilitated my observation of media buying and planning agency Mediacom in June 2005. A Denison University Research Fund grant also supported the costs involved in doing this research.

2. In the case of sponsorship, one company typically paid the costs for one show, whereas package buying occurs when a show has commercials for many different companies (sometimes called magazine format advertising). The advertiser buys a 'package' of commercials in different shows from the network.

3. In some occasions, however, the networks guarantee scatter rates to help increase rates and purchase volume.

4. Admittedly, the situation for every client is a bit different and I am describing the most common situation. A less usual case is that of buying advertising for theatrical films. These clients tend to pay more (have higher CPMs) and in exchange get more flexible conditions, which are needed in situations where studios change release dates or adjust the way they market the film near the commercial air date. The premium CPM allows theatricals more flexibility.

5. This is a newer development. Until recently, the syndication upfront occurred in February.

6. Yet disparity in fiscal years exists among companies that would prevent such a solution from wholly addressing the problem.

7. WPP Group purchased Grey Global (which owned the agency I observed) a few months before the 2005 upfront. WPP already owned two other buying agencies, Mediaedge:cia and MindShare – known in the industry as Group M. Some buyers felt this new ownership situation contributed to anomalies in that year's negotiations with some networks.

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