

The New York Times

Why Traditional TV Is in Trouble

By Sapna Maheshwari and John Koblin

May 13, 2018

Television networks will draw hordes of advertisers to New York City this week for their annual bonanza of presentations and parties, a decades-old tradition known as the upfronts that is meant to dazzle marketers and loosen their purse strings.

New shows and top talent will be pitched from the stages of Carnegie Hall and Lincoln Center, followed by lavish evening affairs where marketers can eat lobster rolls and snag selfies with network stars. The fanfare will kick off weeks of negotiations, with networks aiming to get advertisers to commit to billions of dollars in spending for the year ahead.

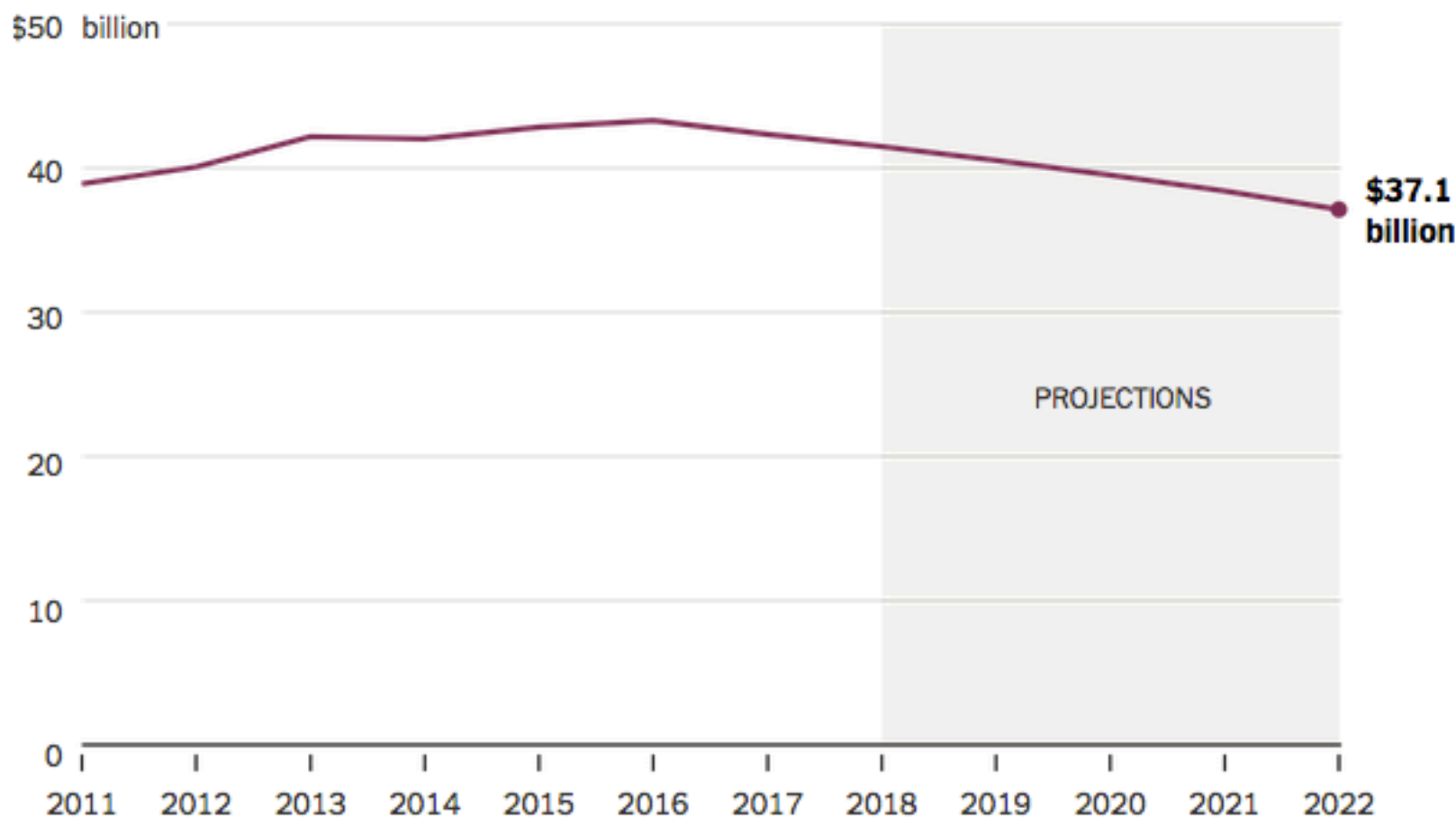
But beneath the sparkle and the canapés, the networks are also navigating a serious advertising upheaval. Ratings are on the decline, especially among young people, some of whom don't even own televisions. It's hard to keep up with the many devices and apps people now use to watch shows. And there is a host of material from Silicon Valley that is competing for viewers' attention, including Google's YouTube, Facebook and Netflix. It all adds up to a precarious situation for broadcast TV.

Advertising on TV has long been the best way for marketers to reach a large number of people at one time. And it is still a formidable medium. But cracks are showing.

National TV ad sales peaked in 2016, when they exceeded \$43 billion, according to data from Magna, the ad-buying and media intelligence arm of IPG Mediabrands. Sales fell 2.2 percent last year, and the firm estimates that they will

Drop in National TV Ads Forecast

The ad-buying firm Magna said that national TV ad sales fell 2.2 percent in 2017. It predicted that they would decline at least 2 percent each year through 2022.



Top Shows Have Older Viewers

The median ages of viewers for the top 10 entertainment shows during the 2017–2018 television season.



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Some of the decline could be mitigated through new business with platforms like Hulu, but “it’s not yet enough to upset the decrease of traditional sales,” said Vincent Letang, Magna’s executive vice president of global market intelligence. At the same time, he said, while networks have raised the cost of advertising on their airwaves in recent years, ratings have declined sharply, including some in unexpected areas like the National Football League.

TV is still a good value for plenty of advertisers. Mr. Letang said pharmaceuticals and personal care products were increasing their presences on TV. But the combination of rising prices and falling viewership is giving some big brands pause.

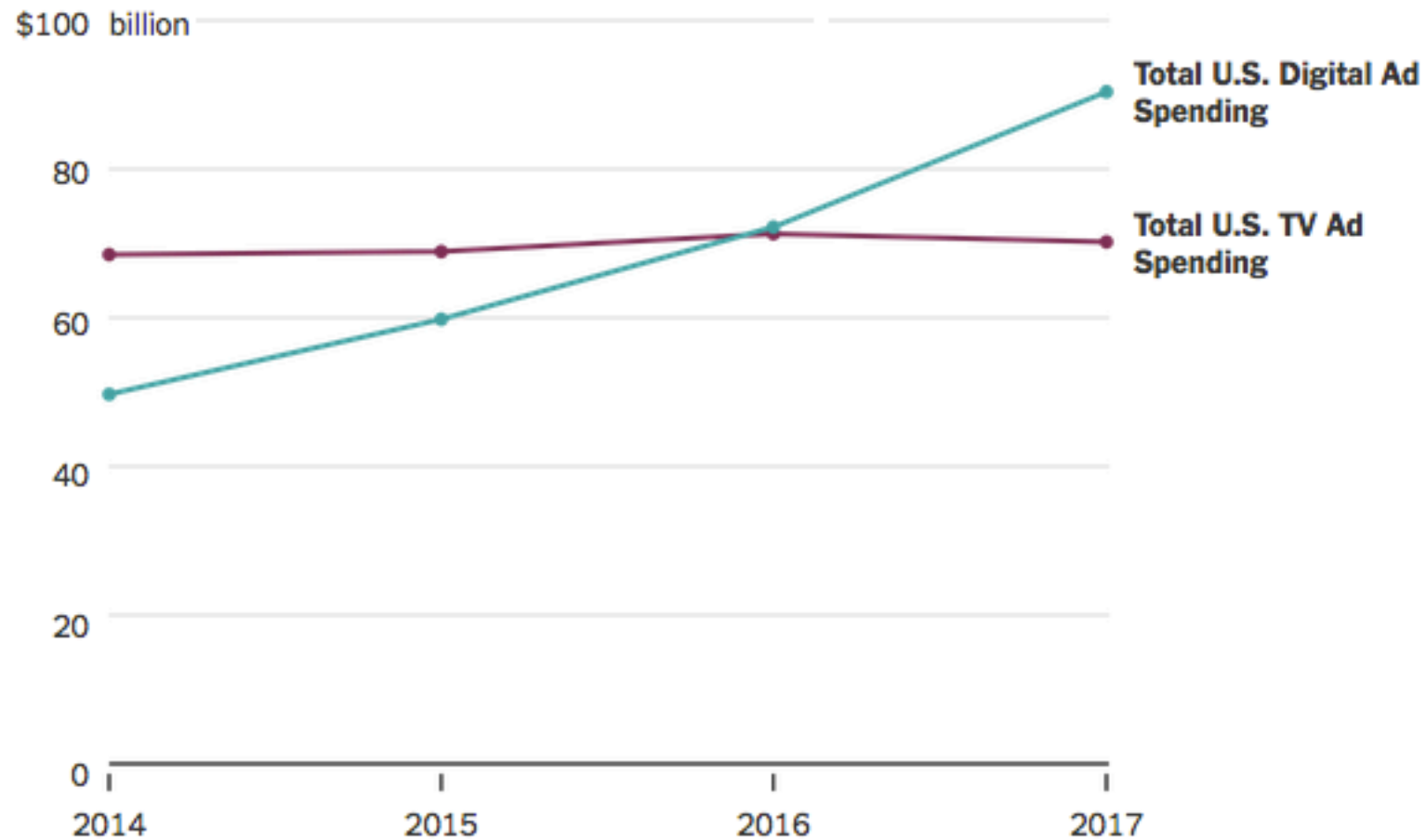
The hottest shows on TV networks — which command the highest ad prices — are attracting older viewers, which is a challenge for brands that want to reach millennials and teens. For instance, this season’s top-rated show, the revival of “Roseanne,” has a median viewer age of 52.9 years. The network show with the lowest median age is “Riverdale” on the CW, at 37.2.

Google’s YouTube, on the other hand, is wildly popular with much younger viewers. And the brands are so eager to reach those viewers that they have been willing to continue advertising on YouTube despite the issues it has faced around ads showing up on offensive content, like racist videos.

As TV ad spending has begun to drop, marketers have been diverting more money to tech giants like Google and Facebook, which have increasingly focused on expanding their video — and video ad — business.

TV's Digital Threat Looms Large

Networks are increasingly seeing one another as allies against Google, which owns YouTube, and Facebook. Google and Facebook accounted for about \$53 billion, or 60 percent, of last year's digital ad spending in the United States.



Companies love digital advertising because it gives them the ability to target ads based on their own lists of customers — like holders of store loyalty cards — and profiles like “first-time car buyers” or “people who like foreign travel.” And they want that kind of capability on TV, too. That desire has prompted four competing media companies — NBCUniversal, Turner, Viacom and Fox — to work to standardize the language and some of the data sets that they use, hoping to make it easier for brands to buy cross-platform advertising with them.

Old Navy has long been a prominent TV advertiser, and television remains crucial to the company’s marketing. But the way Old Navy defines TV advertising has evolved, said Jamie Gersch, its chief marketing officer.

“When we say we buy TV, even within that, a percent of that buy is in the digital video space and is on platforms like Hulu and Google Preferred and programmatic buying and Facebook,” she said. The company is focusing on figuring out where customers might see its content, whether that’s on traditional TV or “digital TV,” she said. Ms. Gersch said that on traditional TV, the company has been talking to networks about product integrations in TV shows — similar to Procter & Gamble’s recent deal, where the company was written into the plot of the ABC show “Black-ish.” How viewers will react if more brands start showing up in the actual dialogue of their favorite shows remains to be seen.

Those opting out of traditional TV packages are watching Netflix and videos on Amazon Prime, and to a lesser extent, paying for services like Dish Network’s Sling TV, according to Kagan, a media research group within S&P Global Market Intelligence.

As networks navigate these changes, they are moving to reduce the number of ads they show. Ads, after all, make money, but they also annoy viewers. Last year, the average number of commercial minutes during an hour of broadcast TV was 13.6, according to Nielsen data.

Both NBCUniversal and the Fox Networks Group have said they will trim the

A Generational Gap in How Americans Consume Content

Here's how many hours per week younger and older Americans are spending on different platforms.

25-T0-34

Live TV

18.4

Smartphone web and app browsing

17.9

AM and FM radio

10.9

Computer browsing

5.9

TV streaming devices

3.6

Video viewing on a computer

3.3

Gaming consoles

3.1

DVR and services like video-on-demand

2.6

Smartphone video viewing

1.2

DVD/Blu-Ray Device

0.7

50-T0-64

39.6

21.6

15.2

7.0

1.7

1.7

0.4

4.7

0.7

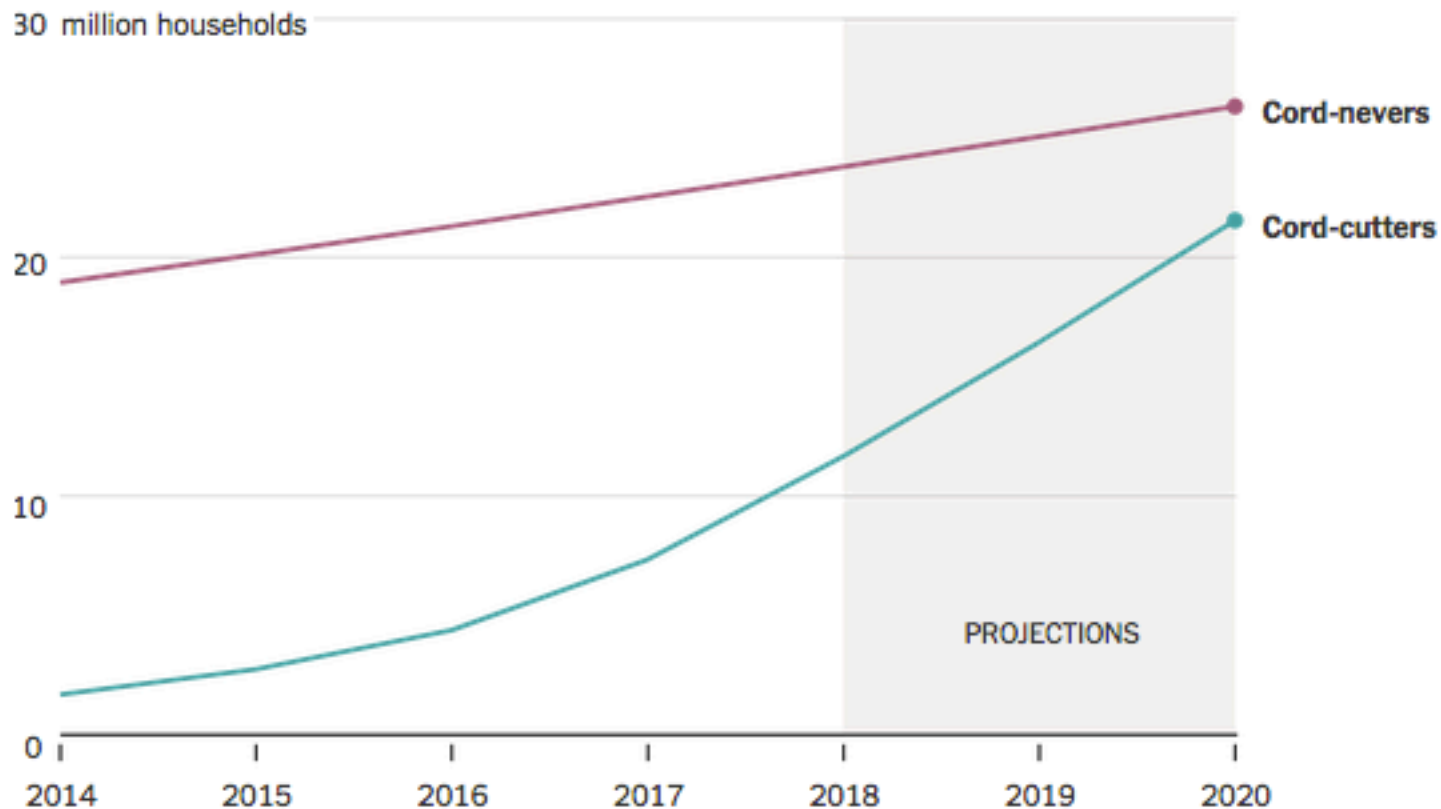
0.8

Live TV includes playbacks within seven days. TV-connected streaming devices includes viewing through Roku, Apple TV, smartphones and computers. Game consoles includes time spent playing and watching content. Smartphone video viewing is specific to video-centric sites and apps like Netflix.

By The New York Times | Source: Nielsen Total Audience Report, Q2 2017

The Rise of Cord-Cutters and Cord-Nevers

More Americans are dropping their TV subscriptions or deciding against buying one in the first place. Magna predicts that group will total 48 million U.S. households in 2020.



Magna's forecast begins with the 2018 data.

By The New York Times | Source: Magna

total time of commercials shown during some of their shows; Fox has announced a goal of reducing ad time to two minutes an hour by 2020.

So if there are fewer commercials, how do companies market their products?

Ralph Heim, vice president of media and sponsorships at Sonic Drive-In, said he was intrigued by several of the new data targeting products for television ads. But he remains concerned about how the announcements on limited ads fit with a declining audience.

“They’re trying to create a more premium advertising experience for advertisers, and they’re hoping that people will pay more,” even though the audience is smaller, Mr. Heim said.

He added, “At the end of the day, you’re following the eyeballs, right?”

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