2012 Spending on Television Political Advertising

The London Summer Olympics and the 2012 presidential elections will bring exceptional growth to the broadcast television industry this year. The Olympics always bring in big dollars for the U.S. media industry and this year is projected to generate $600 million in advertising, according to media strategy services firm MagnaGlobal. The 2012 election season will bring a record-breaking $4.9 billion in political advertising spending, say analysts at Wells Fargo, and nearly half of that money will be spent on broadcast television.[1]

This record-breaking political advertising spending is due in part to the recent [Supreme Court ruling in Citizens United] that removed restrictions on campaign donations from third party entities such as corporations and unions. This decision resulted in the formation of Super Political Action Committees ("Super PACs"), focused on collecting large pools of cash and pouring that money into political ad campaigns. Borrell Associates estimates that political action committees will contribute 48% of the record-breaking political spending this year.[2]

MagnaGlobal predicts that political and Olympic spending will increase 2012 core media advertising revenue by 4.0% over 2011, with local television station and national television ad revenue increasing 10.4% and 3.9%, respectively, over the same period.[3] Our own revenue projections have total local television advertising increasing by 12.8% in 2012.[4] Internet media advertising will also make notable gains this year, rising by an expected 12.2% over 2011 levels, reaching $35.6 billion and representing a 20% market share.[5]

The political advertising spending has already begun for broadcast television, with $73.4 million spent as of Super Tuesday (March 6th) in the 23 states that

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1 "2012 Political Advertising Forecast: $4.9 Billion," Deborah McAdams, TV Technology, January 4, 2012.
"Online Political Ad Spend to Rise 616% in '12," NewNewsCheck, March 7, 2012.

3 "MagnaGlobal: 2012 Ad Revenues to Climb 2.2%," Radio and Television Business Report, May 1, 2012.

4 NAB/Bond & Pecaro, The Television Industry: 2012 Market-by-Market Review.

5 "MagnaGlobal: 2012 Ad Revenues to Climb 2.2%," Radio and Television Business Report, May 1, 2012.

held GOP primary elections.[1] Florida, Iowa, New Hampshire, and South Carolina were among the states in which the most money was spent, with Florida raking in the most political advertising dollars at an estimated $21.8 million.[2]

According to Kantar Media's Campaign Media Analysis Group ("CMAG"), between April 10th (the day Rick Santorum announced he was dropping his presidential bid) and May 29th, nearly 64,000 television spots were aired in 57 of the nation's 210 DMA's. Over that same period, more than $8.4 million of political ads were broadcast in Ohio alone.[3] Additionally, CMAG estimates that over $18 million was spent in Wisconsin between November 2011 and the recall election in early June.[4]

Historical data suggests, however, that the majority of the political advertising will be spent in the fourth quarter just before the November elections. SNL Kagan predicts that politicians and PACs will spend approximately $500 million in the first half of 2012, another $500 million in the third quarter, and a staggering $1.5 billion in the fourth quarter alone.[5]

In the remaining months of the political campaigns, the bulk of the broadcast television advertising dollars are expected to be poured into swing states that will be crucial to the outcome of the presidential election. These states include Colorado, Florida, Iowa, Michigan, Nevada, New Hampshire, New Mexico, North Carolina, Ohio, Pennsylvania, Virginia, and Wisconsin.[6]

Companies that own television stations within these battleground markets will benefit greatly during the election cycle. With 17 television stations in the 12 swing states, LIN Media is expected to take home a record-breaking $457 million in revenues this year, an increase of 12% over last year. CBS owns ten television stations in these states, and could receive $230 million in political advertising.[7]

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1 "6 Station Owners Report 2011 TV Political Ad Revenue Up 28% over 2007," Tony Lenoir, SNL Kagan, March 27, 2012.

2 Ibid.

3 "Following The Money," The Cook Political Report, June 8, 2012.

4 "Walker and GOP win Wisconsin recall ad spending war," CNN, June 4, 2012.

5 "Broadcast TV Political Ad Revenue Projections, 2012-2021," Tony Lenoir, SNL Kagan, January 11, 2012.

6 "Record Political Advertising as Swing-State Cash Spreads to Local Outlets," Bloomberg News, February 10, 2012.

7 Ibid.

Other media companies that are expected to fare well include Hearst, which owns 12 television stations within these states; Gannett and Gray Television, with eight each; and News Corp. and E.W. Scripps, with five each. Comcast's NBC and Walt Disney Company's ABC each own two television stations in swing states as well.

Earlier this year analysts at Wells Fargo estimated broadcast television will likely gain at least $2.8 billion in political spending this year, up 16% from the 2010 election cycle. By comparison, political advertising estimates for cable are at $442 million; the Internet, $295 million; radio, $256 million; and newspapers, $74 million.[1]

Television markets expected to see the largest increases in political spending are listed below:

State	Designated Market Area
Colorado	Colorado Springs; Denver; Grand Junction
Florida	Ft. Myers; Gainesville; Jacksonville-Brunswick; Miami-Ft. Lauderdale; Mobile-Pensacola; Orlando-Daytona Beach-Melbourne; Panama City; Tallahassee-Thomasville; Tampa-St. Petersburg-Sarasota; West Palm Beach-Ft. Pierce
Iowa	Cedar Rapids-Waterloo-Dubuque; Davenport-Rock Island-Moline; Des Moines-Ames; Ottumwa-Kirksville; Sioux City
Michigan	Detroit; Flint-Saginaw-Bay City; Grand Rapids-Kalamazoo-Battle Creek; Lansing; Marquette; Traverse City
Nevada	Las Vegas; Reno
New Hampshire	Boston (Manchester, NH)
New Mexico	Albuquerque-Santa Fe
North Carolina	Charlotte; Greensboro-High Point-Winston-Salem; Greenville-New Bern-Washington; Raleigh-Durham-Fayetteville; Wilmington
Ohio	Cincinnati; Cleveland-Akron-Canton; Columbus-Zanesville; Dayton; Lima; Toledo; Youngstown
Pennsylvania	Erie; Harrisburg-Lancaster-Lebanon-York; Johnston-Altoona; Philadelphia; Pittsburgh; Wilkes Barre-Scranton
Virginia	Charlottesville; Harrisonburg; Norfolk-Portsmouth-Newport News; Richmond-Petersburg; Roanoke; Washington, DC
Wisconsin	Green Bay-Appleton; La Crosse-Eau Claire; Madison; Milwaukee; Wausau-Rhinelander

While television and Internet ad spending will increase total media revenues, the 2012 outlook for most other media sources is not as bright. According to MagnaGlobal, revenues for newspapers, magazines, and radio are all

[1] "2012 Political Advertising Forecast: $4.9 Billion," Deborah McAdams, TV Technology, January 4, 2012.

expected to decline due to competition from television and digital media. Outdoor media is the one exception, expected to grow 4.0%.[1]

Experts also warn that while we will see growth in many areas in 2012, our country still faces high unemployment rates and a weak economy in the wake of the recession. GroupM Futures Director Adam Smith suggests that 2013 could be a reality check, stating that next year's ad-growth numbers "might be harder to look at."[2] For now, however, most television broadcasters can count on a robust increase in overall revenues in 2012 supported by unprecedented spending on political advertising.

For more information on how various media outlets and markets will fare in 2012, please feel free to contact any of the principals of Bond & Pecaro.

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1 "MagnaGlobal: 2012 Ad Revenues to Climb 2.2%," Radio and Television Business Report, May 1, 2012.

2 "Ad Forecasters Say TV and Digital Will Benefit Most from 2012: UBS Confab," David Lieberman, Deadline Hollywood, December 5, 2011.