



ARE NETWORK INTEGRATION FEES LEGITIMATE?

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Joint perspective from:

- AAAA Media Policy Committee and AAAA National TV/Radio Committee
- ANA Television Advertising Committee

In today's environment, marketers are demanding accountability from their media investments and transparency in their relationships with media partners. CEOs, CFOs, and procurement specialists are asking more questions than ever before about marketing expenditures and the impact on business results. Every dollar invested has to prove its worth. Given all this, it's only natural that marketers are again questioning the network integration fees charged by ABC, CBS, and NBC.

For many years, ABC, CBS and NBC have charged advertisers an incremental fee to "integrate" a commercial into its advertising breaks. The fees vary by daypart but are pretty consistent from network to network—approximately \$470 per unit in prime and evening news and roughly \$230 per unit in daytime and late night. This all adds up to an annual bill to advertisers that totaled \$125 million in 2007 (as estimated by TargetCast tcm). For perspective, an advertiser spending \$125 million on network television would rank about 50th among all network television advertisers.

Only ABC, CBS, and NBC charge network integration fees; FOX and CW do not. According to the TVB, representing 500 over-the-air local broadcast TV stations, none of their members charge integration fees; this includes a number of network affiliates with stations owned and operated by ABC, CBS, and NBC. According to the CAB, none of their 75-plus members charge integration fees. Further, syndicators don't charge integration fees. Looking at the broader picture, *no other media charges advertisers to physically place their schedules.*

Over the years, ANA has polled its members a number of times on the issue of network integration fees, and the response has always been similar. Most recently, at the 2006 TV Forum we asked, "Is it fair to be charged network integration fees by ABC, CBS, and NBC?" An overwhelming 87 percent of respondents answered "no." That's a landslide! We have also heard verbatim comments such as:

- "The notion of integration fees is antiquated ... This is a throwback fee from the old days when commercials had to be physically integrated into programming."
- "It's obsolete and doesn't recognize technology changes."
- "The fees are a legacy charge and no longer have a justifiable purpose."

In addition, the \$125 million network integration fees have other hidden costs to both agencies and advertisers. They are a burden for agencies to administer, and the extra staffing required to do so invariably costs advertisers more in labor fees.

All advertisers and agencies should "do the math" for their companies or clients on the annual cost of network integration fees. If those payments seem excessive or unjustified, advertisers and agencies are encouraged to bring this issue up at every opportunity with ABC, CBS, and NBC to encourage a dialogue on the purpose and value of network integration fees.

We welcome a response from the respective networks. Why do network integration fees still exist in today's media environment? Can network integration fees be rationalized? If not, let's make them go away and end this debate so advertisers, agencies, and networks can talk about other issues ... like driving business results! Finally, the AAAA Media Policy Committee, AAAA National TV/Radio Committee and ANA Television Advertising Committee would welcome the creation of a joint task force with the networks to discuss this issue.