

What's the Problem?



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Could A Super Bowl Commercial Really Be Worth \$10 Million?

Surprisingly, Yes.

NBC executive Seth Winter made headlines when he told reporters on a recent conference call that the network had already sold 95% of its ad spots for the Super Bowl, with 30-second spots selling for up to a record \$4.5 million. And yet, despite the price increase of \$500,000, or 12.5%, from the \$4 million or so that Fox charged last year, Winter went on to argue that the asking price is a steal for advertisers. In fact, he said that the true value of exposure, which includes things like online views and other positive PR associated with the game, is closer to \$10 million:



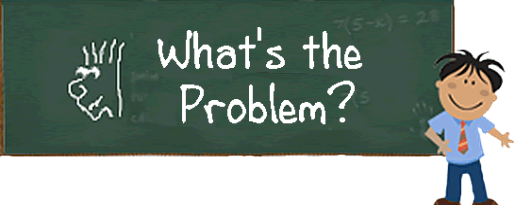
We did an analysis around last year's Super Bowl that Fox ran, and our analysis showed that with all of the video distribution pre- and post-game, the value of the PR, the value of all of that which advertisers used to activate around their investment that it reached a very solid good foundation number of \$10 million.

Winter of course isn't suggesting that a Super Bowl commercial ought to *sell for* \$10 million, but that total value figure is still enormous. Even with a telecast like the Super Bowl, could the true value really be more than double its current asking price?

The network was kind enough to share its research and, believe it or not, the numbers add up.

That \$10 million value is based on a few main components. **First is basic television viewership.** Last year's game had around 112 million live viewers, just edging out the previous all-time record set two years prior when the Giants defeated the Patriots in Super Bowl XLVI. And surveys of last year's viewers showed what advertisers have long intuited: Super Bowl ads create a particularly strong brand recall. After all, what other event has viewers tuning in just to watch the commercials? It turns out the typical advertiser received 54% higher brand recall from a Super Bowl ad than it did for commercials aired in primetime over the previous year. In other words, those 112 million sets of eyeballs were the equivalent of more than 170 million viewers.

And that's just on TV. **The second component is social media**, which, between YouTube, Facebook and Twitter, adds another 19 million impressions. Keep in mind that's just an average, and that particularly successful ads can do much better online - the popular "Puppy Love" spot has some 55 million views on YouTube alone. Adding that 19 million to the base audience brings the total up to 191 million impressions for a typical Super Bowl ad, or 1.72 impressions per live viewer. In other words, a price tag of \$4.5 million - which, again, companies have been clamoring to pay - would give advertisers a true consumer ad value of \$7.7 million.



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The third part is the value generated by widespread media coverage of the game's commercials. Market research firm Repucom calculated that the typical Super Bowl ad generates another \$480,000 in TV and online media exposure, bringing the total ad value to just over \$8 million. Rounding out the final \$10 million is a roughly estimated component comprised of increased brand awareness, an immediate boost in company sales and a measurable surge in stock prices, as detailed in this 2011 study by researchers from the University of Wisconsin-Eau Claire.

Advertisers have long recognized the Super Bowl as far and away television's single greatest ad platform, and these numbers perfectly illustrate why that's the case. And while detractors might quibble over the true value of things like media exposure and stock price movement, you can throw all that out and still come to the conclusion that advertisers are getting a serious bargain. In fact, on brand recall alone \$4.5 million is a discount price.

The typical way to determine an ad cost's real value is **CPM**, a measure of an advertiser's **cost per thousand viewers**. Last year's game had a raw CPM of \$37, and this year's pricing would bump it up to around \$40 if the game's audience size remains stable. Those are right in line with other major TV events; last year's Academy Awards had a CPM of \$42 thanks to an audience of 43 million and a record ad cost of \$1.8 million.

But nobody tunes into the Academy Awards to watch the commercials. As highlighted above, because commercials are so central to live Super Bowl viewership and so popular online, each live viewer really counts as 1.72 people, thus generating an effective audience of around 190 million. With a price point of \$4.5 million this year, advertisers are getting an effective CPM of just \$24. That's an insane steal. Even tossing out the social media impact would still give you an effective CPM of \$26.

Put another way, if a CPM of \$42 is considered fair value for such a major event, then an effective audience of 190 million people would suggest a total ad cost of \$8 million. That means advertisers in this year's game are essentially getting a 44% discount on what the fair base price of a 30-second spot ought to be, and that's without even accounting for additional benefits like media coverage and stock price movement.

That's not to say every company should invest! For those unable to capitalize on ad value, Super Bowl commercials can be wasted spending - but, simply put, no other TV property allows advertisers to squeeze so much value out of every dollar spent.

Source: <http://www.forbes.com/sites/chris-smith/2015/01/16/could-a-super-bowl-commercial-really-be-worth-10-million/>

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