

AAAA Survey Finds Eight Percent Hike In Cost To Produce 30-Second Tv Commercials:¹

■ More Than 1,700 Spots Analyzed in Annual Report

New York, October 14, 2002: The average cost to produce national television commercials in 2001 increased eight percent for 30-second spots and five percent for commercials regardless of length, according to the American Association of Advertising Agencies' (AAAA) 2001 Television Production Cost Survey.

The results were in stark contrast to the previous year's report when the average cost to produce a national spot in 2000 declined three percent for 30-second spots and one percent for commercials regardless of length.

In actual dollars, the eight percent increase represents \$26,000—the difference between the national thirty average cost of \$358,000 reported in 2001 and \$332,000 revealed in 2000. For national commercials of all lengths, the five percent production cost increase equals a \$16,000 difference from the previous year—from \$306,000 in 2000 to \$322,000 in 2001.

Sixty-nine percent, or 1,189 of the 1,725 national commercials (of all lengths) reported in 2001 were 30-second commercials. Since thirties supply the majority of the report's data, the figures presented for the various production elements are based on costs incurred in the creation of 30-second spots.

The survey showed that, among other factors related to increased costs, the average total production company net costs went up four percent, from \$228,000 in 2000 to \$236,000 in 2001. In contrast, overall costs fell three percent from 1999 to 2000.

Directors' fees per 30-second commercial increased ten percent to \$23,000 in 2001 compared to 2000, when they fell five percent. The practice of studio shoots decreased to 15 percent, while combination shoots increased to 24 percent when compared to last year's study. When shot in a studio, a national thirty took an average of 13-plus hours while an on location shoot took about 14-plus hours—both about the same as last year. An average of 14-plus hours was required to shoot a 30-second commercial shot both in the studio and on location, down from 18 hours in 2000.

Single bids increased two percent compared to 2000, while 97 percent of the thirties were firm-bid, the same as in 2000.

Increase in Post-Production Fees

The survey found the average cost to edit and finish an original thirty increased by seven percent, from \$42,000 in 2000 to \$45,000 in 2001. The average cost decreased two percent the previous year.

Creative/labor fees increased by nine percent, and music costs remained the same in 2001 as in 2000, averaging \$34,000 per job. Video finishing increased five percent while sound recording and mixing increased four percent.

Cost Averages by Category and Commercial Type

Seven categories witnessed the greatest increases, with one rising more than 50 percent: Furniture/Appliances/AV Products. The others included Consumer Services/Retail/Stores (41 percent); Other Products (31 percent); Retail and Fast Food

Restaurants (29 percent); Travel/Vacation Destination (26 percent); Drugs/Toiletries (21 percent); and Autos/Trucks/Motorcycles (19 percent). Production costs for four other categories posting increases rose by nine percent or less.

¹ Source: www.icommag.com [icom Film & Video Production & Postproduction Magazine]

In contrast, three categories showed significant decreases-Office Equipment/Computers fell more than 50 percent, while Beauty/Fashion/Cosmetics dropped 17 percent and Banking/Financial/Insurance dropped 15 percent.

When viewed by commercial type, costs increased more than 50 percent for commercials classified as Monologue and for Interview/Testimonial, followed by a 39 percent hike for Special Effects. Classifications showing a decrease included Song & Dance (32 percent); Multi-Story Line/Vignettes (13 percent); and Single Situation-Dialogue (12 percent).

About the Annual Report

Twenty agencies and branch offices, including all of the top 10 U.S. advertising agencies, and 15 of the top 20, participate in the AAAA Television Production Cost Survey each year. The computerized system for reporting television production costs was started by the AAAA Broadcast Production Committee in 1987. This continuous collection and dissemination of television production cost information enables the industry to make valid comparisons across several advertiser categories.

The results of the AAAA 2001 Television Production Cost Survey are for the 2001 calendar year only. Full Report Available

The full AAAA 2001 Television Production Cost Survey (Executive Summary attached) is available now and may be ordered at a cost of \$40 per copy to AAAA members and \$110 to non-members by contacting AAAA Publications at 212-850-0777 or publications@aaaa.org.

The AAAA is grateful to the participating member agencies, the AAAA Broadcast Production Committee, and The Association of National Advertisers, Inc. for their ongoing contributions to and support of this annual project.

AAAA TV Production Costs Report: National 30-Second Commercials Average Gross Costs		
Year	Cost	% Change
1989	\$180,000	+ 4 %
1990	\$188,000	+ 12 %
1991	\$210,000	+ 3 %
1992	\$217,000	+ 11 %
1993	\$242,000	+ 11 %
1994	\$268,000	+ 4 %
1995	\$263,000	- 2 %
1996	\$278,000	+ 6 %
1997	\$308,000	+ 11 %
1998	\$295,000	- 4 %
1999	\$343,000	+ 16 %
2000	\$332,000	- 3 %
2001	\$358,000	+ 8 %

2001 Executive Summary of the AAAA Television Production Cost Survey

The development of a computerized system for the reporting and analyzing of television production costs was begun by the AAAA Committee on Broadcast Production in 1987. This report represents year 15 of the continuing project.

Twenty agencies and branch offices participated in the 2001 Television Production Cost Survey. They include all of the top 10 U.S. agencies and 15 of the top 20 agencies.

There were 1,725 national commercials of all lengths reported in the 2001 National Advertisers database. The average cost of these commercials, without agency commission or any other form of agency mark-up, increased five percent in 2001. The average cost went up from \$306,000 in 2000, to \$322,000 in 2001.

(Note: readers are reminded that the strike by members of the Screen Actors Guild (SAG) and the American Federation of Television and Radio Artists (AFTRA) took place from May through October 2000.)

National Advertisers - Average Costs of a 30-Second Commercial

To facilitate the interpretation of the 2001 survey, and to assist the reader in applying it to his or her own production statistics, both the survey and the executive summary will continue reporting the average cost of a 30-second national commercial. In the 2001 Survey, 1,189 of the 1,725 national commercials in the database, or 69%, were 30 seconds in length, at an average cost of \$358,000, up 8% from \$332,000 in 2000.

National Advertisers - Production Facility Costs

The practice of studio shoots decreased to 15%. Sixty-one percent of the thirties were shot on location in 2001, down 3% from 2000. Combination shooting (using both studio and location shots) went up seven points to 24%.

The hours it took to shoot a studio commercial went up 2% from 2000. Location commercials went down in shooting hours by 2% in 2001. The average studio thirty took 13+ hours to shoot and the average location thirty took 14+ hours. The average combination shoot took 14+ hours, 22% less than in 2000.

The survey showed that in 2001, 97% of the thirties reported were identified as firm-bid, while 3% were cost-plus, the same as 2000. Also, 56% of the thirties were single bid, while 44% were multiple bid. This represents a 2% decrease in single bids over 2000.

The average total production company net costs went up 4% from \$228,000 in 2000, to \$236,000 in 2001. The total director's fee per 30-second commercial was \$23,000 in 2001, 10% more than 2000, and the production company's percent of mark-up averaged 25%, down 1% from 26% in 2000.

National Advertisers - Post-Production and Talent Costs

The average cost to edit and complete an original thirty in 2001 increased 7% from \$42,000 in 2000 to \$45,000 in 2001. Video finishing increased 5% in 2001 and sound recording and mixing increased 4%. Creative/labor fees showed a 9% increase and the cost of an editor's mark-up decreased 9%. Music costs remained the same in 2001 as in 2000, averaging \$34,000 per job. Talent costs increased 14% in 2001, costing \$16,000 per spot. Commercials using on-camera principals averaged 5 on-camera principals and commercials using extras averaged 18 extras.

Total Cost Averages - Before Agency Commission					
Displayed by Product Category	# Cmcls. In Database	2001 National Thirties	# Cmcls. In Database	2000 National Thirties	+ / -
Autos/Trucks/Mtrcyls.	76	\$557k	68	\$468k	19%
Auto Accessories/Supplies	16	\$284k	9	\$309k	-8%
Beauty/Fashion/Cosmetics	52	\$455k	29	\$549k	-17%
Gifts/Toys/Hobbies/Recreation	116	\$268k	89	\$246k	9%
Furniture/Appliances/AV Prods	38	\$481k	26	\$252k	>50%
Apparel & Clothing	7	\$466k	0	N/A	0%
Banking/Financial/Insurance	79	\$431k	76	\$506k	-15%
Consumer Svcs./Retail/Stores	67	\$432k	48	\$306k	41%
Corp. Image/Media Promotion	8	\$527k	25	\$576k	-9%
Travel/Vacation Destination	13	\$445k	22	\$352k	26%
Beer/Wine	82	\$258k	65	\$266k	-3%
Soft Drinks/Snacks	91	\$397k	50	\$395k	1%
Retail & Fast Food Restaurants	61	\$304k	124	\$236k	29%
Packaged Foods	151	\$326k	189	\$305k	7%
Household Products	55	\$300k	58	\$281k	7%
Drugs/Toiletries	120	\$320k	163	\$264k	21%
Office Equipment/Computers	72	\$206k	59	\$421k	>-50%
Telecommunications	56	\$393k	40	\$433k	-9%
Other Products	29	\$422k	90	\$323k	31%
Displayed by Commercial Type	# Cmcls. In Database	2001 National Thirties	# Cmcls. In Database	2000 National Thirties	+ / -
Monologue	78	\$374k	61	\$232k	>50%
Interview/Testimonial	28	\$262k	67	\$130k	>50%
Tabletop - ECU Products/Foods	11	\$187k	54	\$155k	21%
Multi-Story Line/Vignettes	358	\$324k	386	\$371k	-13%
Song & Dance	7	\$359k	12	\$529k	-32%
Animation	78	\$311k	82	\$269k	16%
Special Effects	50	\$653k	29	\$469k	39%
Large Scale-Product Performance	50	\$397k	58	\$348k	14%
Single Situation - V/O	339	\$380k	259	\$343k	11%
Single Situation - Dialogue	190	\$330k	222	\$375k	-12%

The report does not display the actual percentage difference (+ or -) if the amount of difference is greater than 50 percent. If an increase (or decrease) is more than 50 percent, it will be shown as follows: ">50%" or ">-50%". Wherever ">" appears in the report, read it as "more than."