NYC 9/11 Public Portal Document

Greetings: Cancel My Ad Options

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quotes advertisers as saying, "If you make me give you an answer right now, the answer is no, but if you let me wait, the answer might be yes."

There are other signs of sluggish demand. Although prices for ads in the fourth quarter have started to strengthen, some analysts doubt that the trend is sustainable. Analysts at SG Cowen, a securities firm, issued a report yesterday stating that "industry and company-specific trends have artificially tightened inventory." For instance, a flood of ads by auto makers pushing 0% financing on new-car purchases helped media companies, as did the shift of ads to the fourth quarter after advertisers yanked commercials in the wake of Sept. 11. But the car-financing ads will likely trail off.

Ironically, dismal ratings for ABC have helped keep ad prices from falling at that and other networks. That is because ABC has had to provide advertisers with so many "make goods"—free ads to make up for shortfalls in guaranteed audience levels—that its supply of commercials has shrunk. The reduction in supply has kept prices steady.

Analysts also point to a growing trend by large major media companies to run "intracompany ads." These are commercials for their own products and programs on their own media outlets, such as ads for AOL Time Warner Inc.'s "Harry Potter" movies running on the company's WB network or ads for America Online running on CNN. AOL Time Warner recently disclosed in a securities filing that it had boosted the amount of intracompany advertising to $252 million in the first nine months of this year, compared with just $12 million on a pro forma basis for that period in 2000.

Intracompany advertising "soaks up excess inventory to keep pricing firm," noted the analysts at SG Cowen.

Advertisers make big ad commitments for the year ahead each summer in what is known as the "upfront" market. This year, the major broadcast networks sold $7 billion of advance ads for prime time, down from more than $8 billion sold a year earlier. Advance commitments to cable ads in this year's upfront market fell to about $3.5 billion, a roughly 20% decline from a year ago.

Kraft Foods, the Northfield, Ill., marketer of Velveeta, Oreo, Ritz, Oscar Mayer and other household brands, says it has cut its upfront commitments on TV ad spending in the first quarter. The company is cutting its upfront commitments by about 10%, says Kathy Knuth, a Kraft spokeswoman. The company wants to better target its consumers by running ads in newspapers and magazines, she says.

Media sellers and buyers say Coca-Cola canceled first-quarter advertising commitments and also reduced the amount it planned to spend in the advance ad-selling season this past summer. A Coke spokesman declined to comment.

"We did bring down a little bit some of our options," says GM spokeswoman Peg Holmes, who characterizes the options exercised as "a modest adjustment." GM is also a sponsor of the Olympics and the National Basketball Association in the first quarter, a commitment she noted is "locked in."

— Vanessa O'Connell contributed to this article.

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