JUN 01

Jeremy Goldman

The merged Warner Bros. Discovery could push ad prices up across the industry

Article

The news: In order to display ads on its prime content, the newly formed **Warner Bros. Discovery** is adopting an aggressive position in early upfront talks with advertisers, pressing

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

them to purchase a significant swath of inventory from its vast media holdings.

- Many media buyers say the asking prices are too high, per Ad Age—and could drive costs up industrywide.
- One buyer said Warner is **looking for a 15% to 25% jump in CPMs** (cost per 1,000 viewers) and isn't interested in negotiating much on price for volume purchased.

Premiere premium: The former Discovery Inc. has been selling a "premiere" package since its 2018 acquisition of Scripps Networks, giving advertisers the opportunity to purchase premium ad slots at higher CPMs.

- In exchange, Discovery promised advertisers a reach equivalent to broadcast and access to millennial households and mobile viewers. The bundle was priced between broadcast and cable prime at the time, according to Discovery ad sales chief **Jon Steinlauf**.
- According to various media buyers, the new premiere package, which would include Turner Sports, CNN originals, and All Elite Wrestling in addition to Discovery's top 30 series, would **charge substantial premiums above what advertisers might have paid Warner Bros. or Discovery alone** last year.

Domino effect: Warner's strategy could affect the CPMs other media giants ask for. **Disney+ is seeking premium pricing** for its inventory as it launches an ad-supported tier.

- Buyers have indicated the "House of Mouse" is looking for a CPM of $50, exceeding streamers such as **Hulu**. **Rita Ferro**, Disney's head of ad sales, recently confirmed that the lower ad load of Disney+ means its ads would be sold at a higher price than those of Hulu.
- **Netflix** is slowly unveiling the strategy for its ad-supported tier, and could seek higher prices if Warner's gambit pays off.

Will it work? Warner Bros. Discovery is, unsurprisingly, leveraging its post-merger heft by trying to force advertisers to buy less desirable inventory in exchange for premium slots.

- There are no guarantees Warner Bros. Discovery's bid to get higher CPMs will be successful. But it has to try since the merger left the media behemoth with billions in debt, which could have contributed to the rapid shuttering of CNN+ and explain why it's hoping for big things from DC Entertainment's intellectual property.

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

Analyst take: Linear TV ad prices keep rising but are still cheaper than digital options—at least on a per-viewer basis—due to TV having big reach but little targeting options. But if TV prices get too high, social video could become more attractive, explains senior analyst **Ross Benes**.

- "Another option for advertisers wanting reach is audio," says Benes. "Terrestrial radio represents $11 billion in ad spending in the US alone, and reaches three in four consumers."
- Digital audio, Benes notes, is another potential medium for price-conscious advertisers.

Why it matters:

- For advertisers, Warner's moves could mean higher CPMs not just for inventory across its portfolio, but could raise prices across linear TV and streaming.
- If Warner Bros. Discovery's strategy succeeds, it could inspire other media entities to make acquisitions and increase industry consolidation. There's evidence this is taking place already, with **TelevisaUnivision** resulting from such a merger and combining its streaming services.

Copyright © 2022, Insider Intelligence Inc. All rights reserved.