

# US political media buying 2004

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This study examined political spending in all nine categories of advertising and marketing communications, broken down by media segment, political race and election year. The advertising sector includes spending on broadcast television, cable television, radio, newspapers, the Internet, outdoor and magazines/ITV. The marketing sector includes spending on direct mail and public relations/promotions.

## Comparison with past campaigns

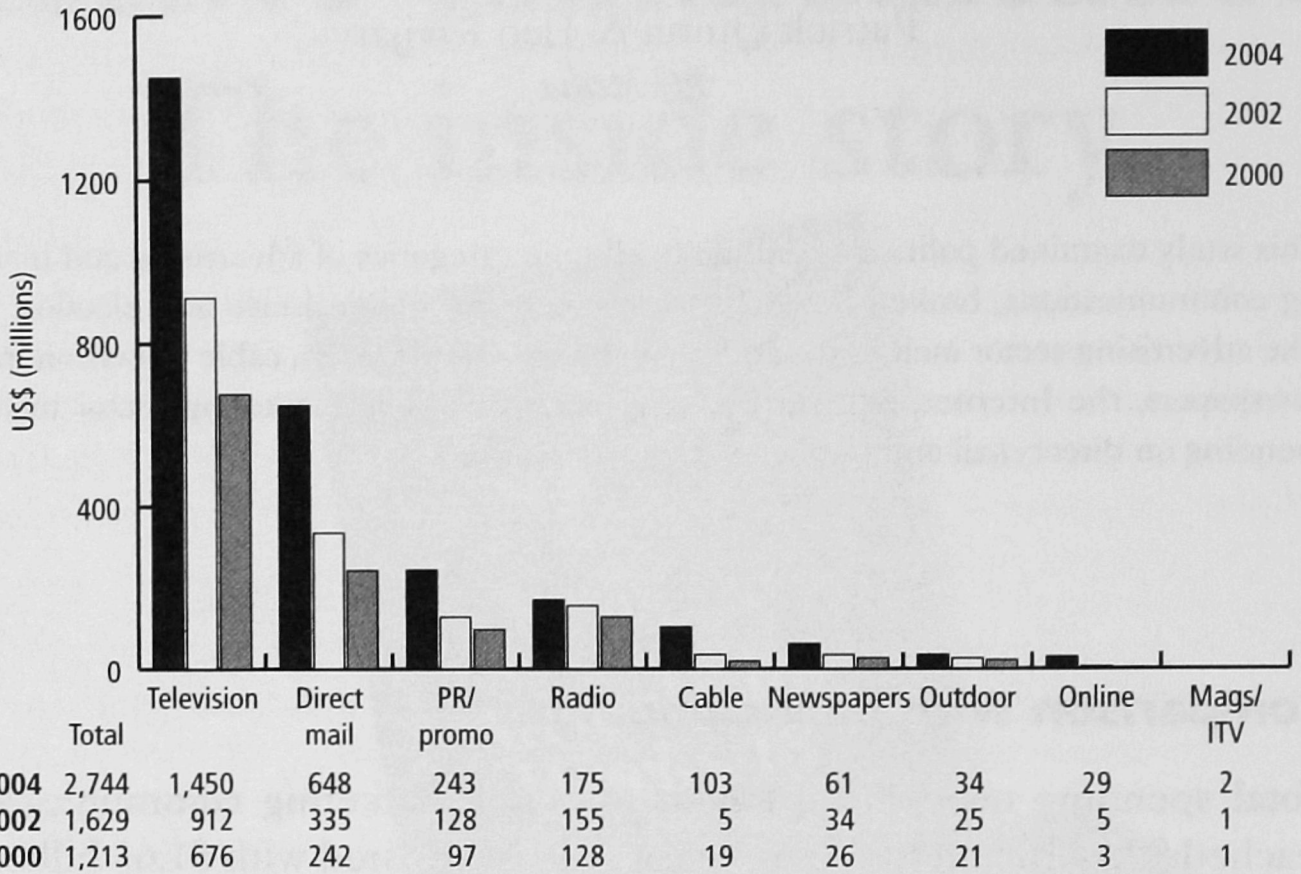
Total spending on political advertising and marketing communications reached \$2.74 billion for the full year 2004, compared with \$1.63 billion in 2002 and \$1.21 billion in 2000. Total political spending on all media outlets increased 68.5% in 2004 compared with 2002 spending and rose 126.1% compared with 2000.

Political spending on advertising media reached \$1.85 billion in 2004 compared with \$1.17 billion in 2002 and \$874 million in 2000. Total advertising spending increased 58.9% in 2004 compared with the 2002 level and rose 112.1% compared with 2000. Advertising expenditures accounted for 67.5% of all political media spending in 2004, down from 71.6% in 2002 and 72.0% in 2000. The decline is mainly a result of the significant increase in marketing expenditures at the national level.

Expenditures on political marketing communications are expected to reach \$890.5 million in 2004 compared with \$462.6 million in 2002 and \$339.4 million in 2000. Marketing communications spending increased 92.5% over the 2002 level and 162.4% from the 2000 results. Marketing expenditures accounted for 32.5% of all political media spending in 2004, up from 28.4% in 2002 and 28.0% in 2000.

While broadcast television again commanded the largest share of political media spending in 2004 with 52.8%, this is down from the 56.4% share

**Figure 1: Total spending on political media, by medium**



Source: PQ Media

in 2002 and 56.1% share in 2000. Of all nine advertising and marketing communications segments, spending on Internet advertising saw the fastest growth since 2000, up 998.1%, followed by cable television, which rose 432.5%, and public relations/promotions, which climbed 149.7%. The largest gains in share since 2000 were direct mail, up 3.6 points to 23.6% of all spending, cable television, up 2.1 points to 3.7%, and Internet, up 0.9 of a point to 1.1%.

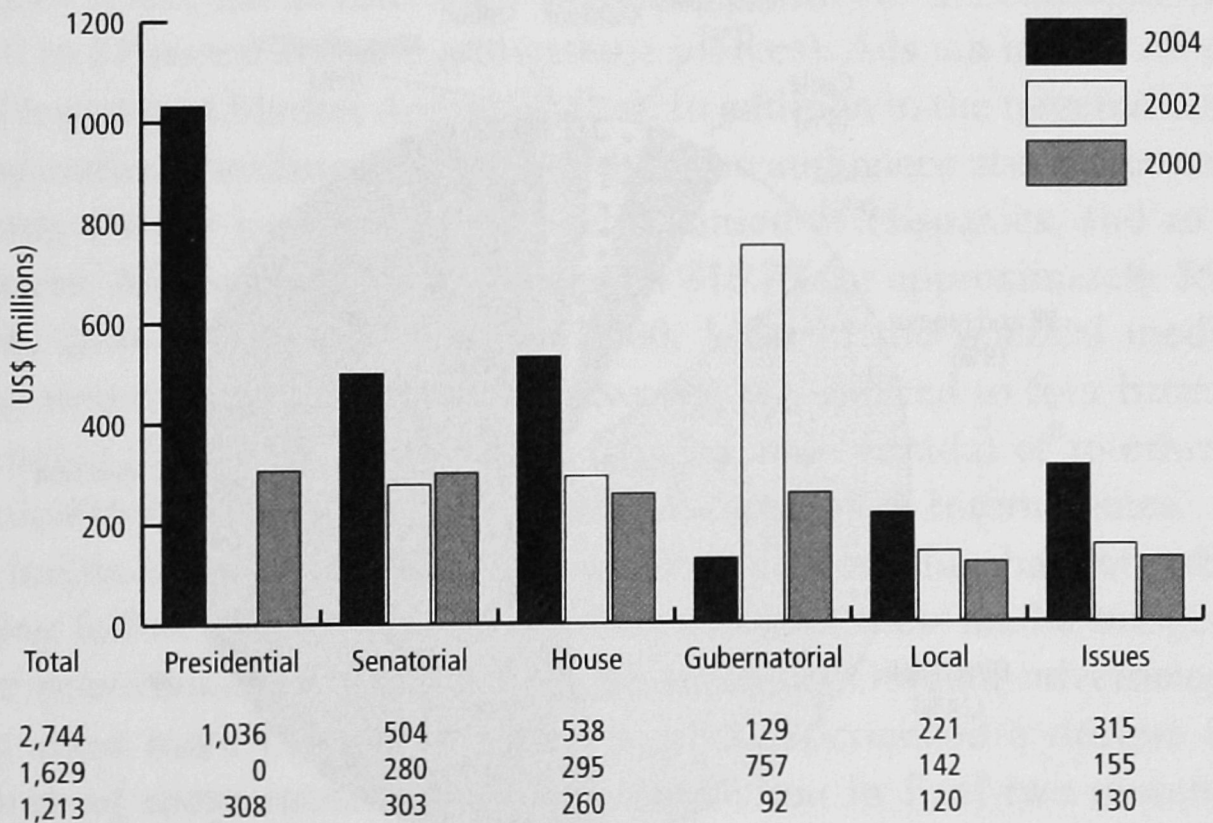
Radio advertising's share of overall political spending fell in 2004 compared with the 2002 and 2000 election cycles, despite a double-digit increase in spending on this medium for the full year. Radio remains the number two advertising choice for candidates, particularly on the local level, but competition from other media has begun to take share from this medium. Most political spending on radio tended to take place in September and October, especially all-talk and ethnic stations, in addition to surprise buys by the Republican Party on country stations.



Meanwhile, the dramatic rise in campaign funding this year led to the expanded use of other media vehicles such as direct mail and the Internet. Direct mail ranks second behind broadcast television in total spending by medium at \$648 million in 2004, which represents an increase of 167.5% from 2000 spending. Direct mail expenditures increased significantly as candidates used more sophisticated databases that provide zip code targeting in an attempt to find niche audiences at lower price points, as opposed to the mass mailings used in the previous elections.

National races (President, Senate, House) commanded a 75.8% share of all political spending on media, up from 71.8% in 2000. Of these categories, the presidential election accounted for the highest share in 2004 at 37.8% compared with a 25.3% share in 2000. As a result of fewer gubernatorial races in 2004 compared with 2002 (11 vs. 34) and no presidential election in 2002, the share of spending on local races fell to 24.2% in 2004 compared with 64.7% in 2002.

Figure 2: Total spending on political media, by candidates



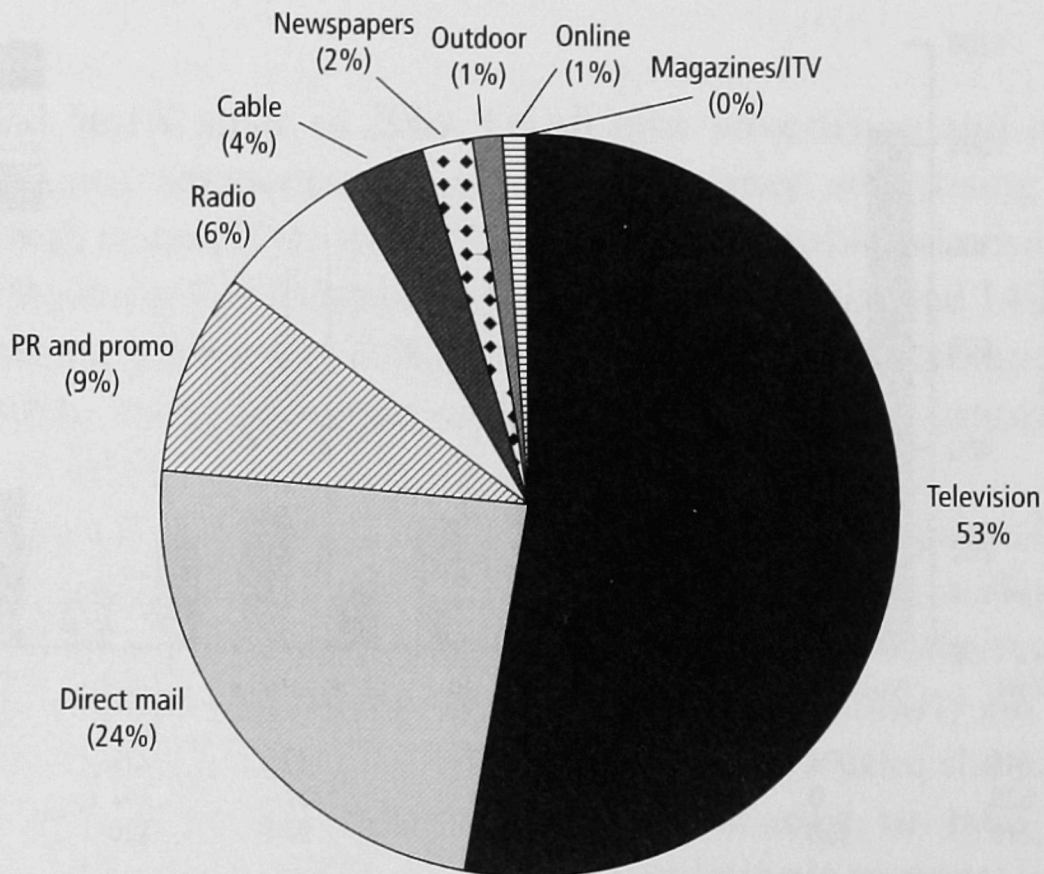
Source: PQ Media

## Summary of major trends

The key trend driving overall growth in 2004 was the dramatic increase in campaign donations at both the national and local levels, especially by the Democratic Party candidates and 527 groups that resulted in levels equaling the Republicans. Other trends included early spending by both parties, niche advertising and marketing were mainly at the 21 “battleground” states in the presidential election, approximately two dozen hotly-contested Senate, House and gubernatorial races, and communications designed for specific audiences such as Hispanics.

Spending on political advertising during the primaries proved to be less than first expected as a result of Senator Kerry winning the nomination relatively early in the campaign. Once Senator Kerry won enough delegates, however, the Republican Party began to spend heavily to negatively define him rather than wait for the Democrats to launch a positive spin.

**Figure 3: Shares of total spending on political media in 2004 (updated)**



Source: PQ Media



The hypothesis behind the Republican strategy was that it is easier to create an image than change an image.

Furthermore, President Bush and Senator Kerry both raised more money than any presidential candidate before, but due to the limitations set by the McCain-Feingold Act, the candidates were required to spend it all before their respective conventions or donate it to their national parties. This didn't slow down overall media spending for the rest of the year, however, as the national parties and 527 organizations scrambled to outmaneuver their rivals backing the other party. The strategy was evident during the Republican convention when many organizations continued to advertise, such as Club for Growth and Moveon.org. It's unusual to see a proliferation of ads during a convention, but both parties sought an edge in this tight election.

By July, President Bush had spent more on political advertising than Senator Kerry, but spending by Democratic-leaning 527 organizations, such as the Media Fund and Moveon.org, had leveled the field. The 527 phenomenon fueled record spending through the November elections. One strategy used to spend this money was the use of "shadowing," that is, when one candidate visited a state, the other candidate spent heavily on all media in that market immediately before or after the visit.

Broadcast television advertising was limited mainly to the battleground states (16 to 21 states, according to various sources). Ads ran in only 96 of the 210 Designated Market Areas (DMAs). In addition to the targeted battleground states, spending aimed towards niche audiences also increased. Advertising for the presidential campaign aimed at Hispanics, and to a lesser extent African-Americans, increased 816.7% to approximately \$55 million in 2004 versus \$6 million in 2000. Most of the political media spending aimed at these minorities, however, was limited to four battleground states (Florida, Arizona, New Mexico and Nevada) or to ethnic media, such as Univision, BET, Hispanic newspapers or Internet sites.

As to media choices other than broadcast television, the share of radio advertising fell as candidates increased the share of their media budgets for cable television, newspapers and the Internet. Outdoor advertising, normally used more often in local races, also experienced a decline in share. Both of these media were used more often in final two months, especially all-talk and ethnic radio stations, as well as boards with heavy foot and auto traffic aimed at niche audiences.

Meanwhile, newspaper publishers actively sought more political advertising dollars in 2004 with their own public relations campaigns aimed at attracting political consultants and campaign managers. Although newspapers' share of overall spending rose slightly in 2004 compared with the 2000 level, total spending on newspapers more than doubled this year to \$61.3 million compared with 2000 expenditures. Cable advertising saw a significant bump in spending for the full year for three reasons. First, local MSO sales departments became more astute at selling time. Second, cable viewing's share of the overall audience has increased substantially since 2000. As a result, a number of hotly-contested Senate and House races allocated approximately 10% of their television budget to cable, while some local contests saw a 20% cable share. Third, President Bush and the Republican Party surprisingly allocated a larger share of their television budgets to cable networks to reach niche audiences. Attempting to reach Hispanics and loyal Republicans, they advertised on 12 different cable networks in the final two months of the campaign.

Though banner ads and rich media were purchased, almost two-thirds of Internet spending was aimed at campaign fundraising and voter registration rather than pushing a candidate or issue. It was estimated that over 1.25 billion political spam messages were sent during the campaign as many candidates used e-mail to supplement direct mail campaigns. Direct mail spending increased significantly, especially in the battleground states (Ohio residents were said to receive over 20 direct mail pieces a day) as candidates attempted to find targeted audiences through dynamic databases. It was projected that over 5.8 billion direct mail pieces were sent during the campaign. Other marketing communications categories, such as spending on event sponsorships, also exhibited higher growth in 2004. For example, spending on corporate sponsored events during each convention increased by more than 100% compared to 2000.

The only decline in spending was seen when comparing those races in 2004 that were defined as "hotly-contested" against the same type of races in 2002 and 2000. Most of the hotly contested Senate, House, and gubernatorial races in 2004 were found in smaller DMAs when compared to the two previous elections. Only a handful of the top 25 DMAs saw any advertising from these campaigns, though some spillover occurred in a few larger markets due to the lack of major DMAs in the smaller contested



states. For example, candidates advertised in Boston media to reach New Hampshire voters and in Washington, DC to reach Northern Virginia.

## **Spending trends – September to the elections**

When compared against the original spending estimates released in August, overall spending on political media was slightly higher than expected. When examined from the various races, the adjustments were mainly based on increased spending on the Presidential and local races, as well as on issues and referendums. However, these increases were somewhat tempered by lower than projected spending on the Senate, House and Gubernatorial races. When examined from a media perspective, the overall spending increase was caused by a significant climb in direct mail and cable television expenditures as well as slightly higher spending on the Internet and newspapers. Media with less-than-projected spending were broadcast television, promotions/public relations, radio, outdoor and magazines/ITV.

As the campaign wound down, spending on the presidential campaign continued to increase because various polls kept showing close results in key battleground states, narrowed to approximately a dozen by Election Day. As the number of the uncommitted voters shrunk, niche-marketing techniques took on more importance, driving up direct mail, Internet e-mail and cable & satellite television spending. Although radio played a less prominent role in the 2004 presidential election than in 2000, the Republican Party devoted a higher-than-expected share of its budget during the last two months to reach loyal party members in the battleground states by buying time on country and Christian stations.

Spending on the Senate and House races, though significantly higher than 2002 and 2004, were not as high as originally expected because the number of hotly contested states remained relatively stable throughout the entire campaign. Though a few surprises surfaced during the final two months, such as the Kentucky senatorial seat held by Jim Bunning and the eastern Connecticut House seat held by Rob Simmons (both won by the Republican incumbents), for the most part the races went as expected. Incumbents normally raised and spent at least two to three times as much as opponents, even in states where there was a rout, like Senator Schumer of New York spending more than \$15 million on media. Furthermore, because of the privileges associated with their offices that include a

**Table 4: Comparison of actual spending on political media with original estimates (\$ millions)**

	Total	Broadcast TV	Direct mail	PR/ promo	Radio	Cable	News- papers	Out- door*	Online	Mags/ ITV
Actual	2,744	1,450	648	243	175	103	61	36	29	2
Estimate	2,681	1,505	564	244	189	79	58	18	25	2
Difference	63	(55)	84	(2)	(13)	24	4	18	4	(0)

Source: PQ Media

\*Outdoor advertising data was also significantly revised for 2000 and 2002 based on new information.

significant postage budget, incumbents were able to spend more on direct mail than their opponents. Though the Internet was integral for e-mail purposes, the lack of strong local Web sites or local Internet search technologies – other than newspaper Web sites, many of which attempted to stay neutral – limited the amount of spending on Internet advertising, such as banner ads and pop-ups.

Spending on the gubernatorial races was less than expected as the number of hotly contested races fell from six to four in the waning months of the election. Dollars from outside sources that had been earmarked for these campaigns got shifted to other local elections and issues deemed as more important by supporters and national organizations.

Spending on local races, along with issues and referendums, was higher than first expected. Outside sources contributed heavily to these local candidates and issues. Some of the dollars were contributed, especially in battleground states, to those candidates or issues that might help push voting on the presidential campaign; for example, the gay marriage initiatives in 13 states. In other instances, local issues were so contentious that both sides were able to raise funds to support exorbitant media buying strategies. For instance, media outlets in California, from outdoor to television, were able to report record breaking spending in this election year despite almost no presidential expenditures and an easy Senate race. In New York City, spending on media for the initiative to build a stadium for the New York Jets reached over \$8 million.

As to specific media buying, broadcast television continued to be the medium of choice for all races and issues. There were a few complaints in the final weeks of the campaign, both from politicians and regular advertisers,



that no avails existed. In most of those instances, the politicians still spent on media, but switched to local cable, radio or newspapers. Spending on broadcast television in the House, Senate and gubernatorial races did not reach anticipated levels because the number of hotly contested Senate, House and gubernatorial races remained relatively stable, thereby diverting dollars to the presidential and local races. Not surprisingly, there was no national broadcast network purchase by any candidate, even in the final two days before the election.

Cable and satellite television, on the other hand, did see significant increases especially at the network level, as President Bush and Republicans bought time on 12 networks, mainly aimed at the Hispanics and loyal party members. At the local level, reports surfaced that a number of Senate and House candidates budgeted up to 20% of their television buying for cable, including one Colorado candidate who used 70% towards the medium. However, results from many national cable companies, such as Charter and Cox, do not support these claims. While most MSOs (Multiple System Operators) reported growth due to political advertising, most complained that spending did not start until September except in the battleground states. While the number of ads appearing on local cable television increased substantially, the share of the television budget directed towards cable did not increase as significantly because of the low price points to buy cable advertising.

As with many local operators, radio station owners also complained that spending on their medium only started in earnest in September. As a result of fewer hotly contested House, Senate and gubernatorial contests, the growth in spending on radio did not rise as rapidly as with some other media, such as cable and satellite television and the Internet. Most outdoor advertisers, especially in non-battleground states, reported increases in spending up to 50%, but those increases paled in comparison to most other local media.

Newspaper publishers were more pleased with spending results during this election compared with previous campaigns. Much of this increase was expected as a result of the newspaper industry's proactive strategy of reaching out to politicians early in the campaign. Other variables also led candidates and political groups to switch from television to print, such as the impact of the Feingold-McCain Act on 527 groups and the lack of television avails in a number of markets.

While the Kerry campaign and groups supporting him were the most likely to embrace Internet advertising using banners and pop-ups, overall spending on the Internet was mainly focused on e-mail targeting. The Bush and Kerry campaigns combined were reported to have databases with a total of approximately 10 million e-mail addresses. Overall, candidates and issue supporters sent more than 1.25 billion political spam e-messages. As to Internet advertising, most were aimed at fundraising and voter registration rather than persuasion. The lack of a sophisticated local search engine mechanism or other local Web sites kept spending at a minimum outside the presidential election.

One of the biggest surprises in political media spending was the volume of direct mail sent – over 5.8 billion pieces. For example, in the Cleveland area it was not uncommon for specific voters to receive over 20 pieces of mail a day. There were a number of instances reported of major mailing strategies, including the Swift Boat organization spending \$1 million to send 2.7 million pieces in 12 battleground states. Concurrently, incumbent House and Senate members used the privileges of their offices to inundate constituents with direct mail, often spending more for postage than some of their opponents were able to raise for their entire campaign. As to promotions and public relations, local gift suppliers, event organizers and public relations firms reported significant revenue increases. This was especially true in the battleground states and during the two national conventions.

Finally, spending aimed towards niche groups increased in 2004. It was expected that spending aimed at Hispanics would increase in the high triple digits. However, much of that spending was limited to the presidential campaigns, especially in Nevada, New Mexico, Arizona and Florida. As the major Hispanic markets in California, New York and Texas were not in play, spending was not as high as originally expected. Furthermore, many Senate, House and local campaigns did not target this ethnic group because of the smaller percentage of Hispanic voters in the non-battleground states, such as Illinois. Republicans did target loyal party members via a number of media including radio and cable and satellite television, such as country stations or those associated with motor vehicle sports (Speedvision). The Kerry campaign targeted women and young voters more than the Bush campaign, spending during early access (7:00 to 8:00 PM) and on youth-oriented cable networks (MTV).



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