

Media Selling, 4th Edition

Chapter 18 – Television

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The History of Broadcast Television

1939

The watershed year of 1939 had a number of milestones that marked both the beginning and end of lives and trends that would change the world of geopolitics, business, and popular entertainment:

- January 1 – Two engineers start Hewlett-Packard in their garage.
- March 3 – Mohandas Gandhi begins fasting to protest British autocratic rule of India.
- April 1 – Dictator Fernando Franco captures Madrid and the Spanish Civil War ends.
- April 9 – Singer Marian Anderson sings before 75,000 people on the Lincoln Memorial after the Daughters of the American Revolution deny her access to Constitution Hall.
- April 30 - President Franklin Delano Roosevelt gives a speech to open the New York World's Fair and become the country's first president to appear on television. The National Broadcasting Corporation (NBC), owned by RCA, broadcasts the ceremony, thus becoming the first television network in the U.S. to begin regular broadcasting.
- May 1 – Batman makes his first appearance in comics.
- June 12 – Major League Baseball opens its Hall of Fame in Cooperstown, NY.
- July 4 – Future Hall of Famer Lou Gehrig, suffering from a terminal disease that would be named after him, gives a moving farewell speech in Yankee Stadium.
- August 2 – Albert Einstein writes President Roosevelt about developing an atomic bomb and the idea for the Manhattan Project is born.
- August 17 – “The Wizard of Oz” opens to rave reviews at the Capitol Theater in New York—a movie that symbolized Hollywood's Golden Age and the greatest single year in film history—at a theater that would eventually close because of the debilitating effects of television on the motion picture industry.

- September 1 – Nazi Germany invades Poland, beginning World War II in Europe.
- September 23 – Sigmund Freud dies.
- October 30 – Gracie Slick is born and later becomes the lead singer in the pioneer psychedelic rock band, Jefferson Airplane.
- December 15 – “Gone With the Wind” opens at Lowe’s Grand Theater in Atlanta—another theater that would close because of television’s impact on the motion picture industry. GWTW would go on to win nine Oscars.¹

NBC’s telecast of the opening ceremony of the New York World’s Fair was watched by viewers on TV receivers inside the RCA Pavilion at the fairgrounds as well as on TV sets installed on the 62nd floor of the RCA building in Rockefeller Center. NBC programming in 1939 consisted of operas, cartoons, cooking demonstrations, travelogues, and fashion shows. RCA’s chairman was David Sarnoff, whose primary interest in television was the same as it was in radio – selling receivers. RCA was in the manufacturing business and it mounted radio and television programming in order to create demand for radio and TV sets.

Radio Roots

KDKA-AM in Pittsburgh was the nation’s first regularly programmed commercial radio station. Beginning on November 2, 1920, it broadcast the U.S. presidential election returns from a shack on the roof of a Westinghouse building in Pittsburgh. WEAJ-AM in New York aired the first commercial in 1922 for the Jackson Heights real estate company in Queens – it was referred to as a “talk” and lasted 10 minutes.

In the 1920s radio station transmitters popped up randomly and chaotically like daisies in America’s yard, broadcasts interfered with each other’s frequencies, so in 1927 the government established the Federal Radio Commission (FRC) to bring order out of the chaos and assign specific frequencies to current stations and to new applications. In 1934, the FRC became the Federal Communications Commission (FCC) and Congress assigned it the mission of regulating the exploding number of radio stations. The FCC regulated radio station licenses, not networks, as it still does today. It gives licenses to stations to “serve the public interest, convenience, and necessity.” Therefore, it can only regulate programming on stations, not programming produced by program distributors and suppliers such as networks and syndicators.

NBC, established in 1926 by RCA, was the first radio program distributor, sending its programs through telephone transmission lines to stations across the country. In 1927, William S. Paley’s Columbia Broadcasting Company (CBS) began to compete with NBC in the radio network business.

The FCC kept licensing new radio stations to a point that NBC had so many stations, several in the same city, that it divided its stations into two networks, the Red and the Blue. In 1943, the FCC felt that NBC has too big and potentially too influential, and forced a sale of their Blue network to Edward Noble, who formed the American Broadcasting Company (ABC) as a third radio network.

TV's Early Growth

The first licensed commercial television station was WRGB-TV in Schenectady, NY, operated by General Electric (GE). GE's basic business was manufacturing appliances and it was a leading producer of radio receivers, competing with RCA. GE saw television as a new opportunity to make television sets for America's living rooms. Other television station transmitters quickly poked holes in the American sky as the technology advanced and as the government became more interested in providing this new video service to everyone. Established media owners, such as the three radio networks, radio station owners, and newspapers saw television not only as a major competitor, but also as a potentially valuable asset.

All of the early television stations operated on channels 2 through 13, known as VHF (Very High Frequency). It was not until 1952 that the FCC approved UHF (Ultra High Frequency) stations, using channels 14 through 83. In the early days of broadcast television, VHF was technically far superior to UHF. That advantage has vanished in the modern era due to improved technology and the distribution of television signals by means of cable television.

The first television stations produced live local entertainment, news, and kids programs. They needed additional programming and looked to the same companies that provided radio programming – the networks – to fill out their broadcast day. The new television networks were the same three companies that produced programming for radio stations: ABC, CBS, and NBC. These three radio networks cobbled together television networks in 1948 and became the program providers for local television stations. In return for the programming that the networks provided, local stations became affiliates and provided an audience for the networks in local markets. This audience was quite valuable because the networks, along with the local stations, relied on advertising revenues as their sole source of revenue. CBS had a slight head start on NBC for supremacy in television. ABC was far behind the older, more-established NBC and CBS networks in attracting successful local stations as affiliates, primarily because of CBS's and NBC's lineups of popular personalities and movie stars. The networks provided programming, while affiliates provided local audiences – a win-win for both.

The three network program providers were also television station owners. CBS, NBC, and ABC each owned stations in the country's largest markets. New York, Los Angeles, Chicago, Detroit, and other top markets, which provided huge local audiences and, therefore, large national audiences for their networks' programming. These stations owned by the three network companies were then, and still are, known as O&O stations – owned and operated – although in November, 2007, changed the name of its station group from The NBC Owned-and-Operated Stations Group to the NBC Local Media Division. According to an NBC press release the name change reinforces its mission: “Our stations produce local content for a multitude of platforms beyond their primary channels. NBC Local Media better reflects the full scope of our capabilities, as well as our ability of offer clients a fully integrated, local media solution across the full portfolio of our assets.”ⁱⁱ This announcement reinforces the trend of integrating online media with traditional media and selling them in a cross-platform package.

The competition to have the most popular local affiliates was keen among the three networks. In order to keep the local stations in the fold, the networks asked stations to sign affiliation contracts that laid out the terms for paying the stations compensation

for network option time – the times that stations had to run network programming. Network compensation was a fee based on a station’s hourly advertising rate. The amount of compensation varied from station to station and was based on market size and local station ratings. Network compensation became an important revenue stream that supplemented a station's local advertising revenue. Affiliate contracts varied in length from one to five years, and at the end of each contract, strong affiliates had the bargaining power to negotiate an increase in their compensation, reinforced by the potential treat of switching network affiliations if a network was unwilling to increase its compensation.

Explosive Growth

By 1980, most cities around the country had three affiliated television stations, each aligned with one of the three networks. In smaller cities there may have only been one or two stations licensed by the FCC. During the 1970s and early 1980s, the FCC continued to grant more and more television licenses. When the FCC licensed a fourth or fifth television station in a market, those stations had no network affiliation and were, therefore, known as independent stations. Independent stations had to program their entire broadcast day without the aid of network programs and, therefore, they relied heavily on syndicated programming. Most new stations, operating without network programming and network compensation, were not in a financial position to produce significant news programs or other local productions. Without highly popular network shows and without local news programming competitive with affiliated stations, independent stations struggled to achieve financial solvency, especially in markets outside the top five.

In 1985 News Corp., an international media company controlled by Rupert Murdoch, paid \$250 million dollars for a 50 percent stake in the 20th Century Fox movie studios. In May of that year, News Corp. paid \$1.55 billion to acquire television stations in six major U.S. media markets (New York, Los Angeles, Chicago, Dallas, Houston, and Washington D.C.) from Metromedia. By September of 1985, Murdoch’s company bought the rest of 20th Century Fox and the stage was set for Murdoch to launch a new television network. With a program production capability from 20th Century Fox, a nucleus of local television outlets, and an increasing number of independent stations thirsting for programming, Murdoch created the Fox Television Network and began to challenge broadcast television’s establishment – ABC, CBS, NBC, and their affiliates.

By the fall of 1986, FOX had established a list of 96 local stations that became the foundation of the Fox Television Network. The fledgling network was competing with the three older networks, each with more than 200 affiliate stations, and by the end of the 2007 season FOX became the number-one network with adults 18-49, largely because of its mega-hit “American Idol.”

Encouraged by the success of FOX, other networks were created, each trying to secure a slice of the lucrative broadcast television advertising pie. UPN, the WB, and Paxton all joined the fray along with the Univision and Telemundo Spanish language networks in seeking audience and ad revenue. UPN and the WB combined in 2005 to become the CW network, and Paxton became the Ion network.

In 2006, NBC, owned by GE, purchased the motion picture company Universal Entertainment from Vivendi and became NBCU.

TV Station Programming

Local television stations' programming is a combination of locally produced programs, network programs, and syndicated programs. There are two types of syndicated programs, off-network and first-run. Off-network programs are those that previously ran as prime time shows on one of the national networks. Once a program accumulates approximately 100 episodes, it becomes a candidate for sale on an exclusive and market-by-market basis to individual stations. Programs such as "Seinfeld," "The Simpsons," and "Everyone Loves Raymond" are examples of programs that have had successful runs on a network and then put into syndication.

The second type of syndicated programming, first-run, is original programming produced specifically to sell to stations and that never has had any network exposure. Programs, such as "Oprah," "Inside Edition," and "Wheel of Fortune" are examples of first-run syndicated programs.

Both off-network and first-run syndicated programs are sold on an exclusive station-by-station, market-by-market basis. The companies that syndicate television programs are typically the same movie studios that are most active in producing network shows, such as Warner Brothers, Paramount, Sony Pictures, and 20th Century Fox.

Networks, local stations, and syndication companies rely on advertising as a primary source of revenue, which means that there are sales positions and opportunities in all three areas of broadcast television.

Stations

In 2007, there were 1,372 commercial television stations in the United States, 585 VHF stations (a signal radius of about 60 miles for Very High Frequency) and 787 UHF stations (a signal radius of about 35 miles for Ultra High Frequency).ⁱⁱⁱ You may want to check these numbers, as they are updated yearly on the Television Bureau of Advertising's Web site (www.tvb.org, in the Research Central link, in the Market Trends Track link, under TV Basics). The majority are network-affiliated stations.

DMAs

Broadcast station licenses are issued by the FCC and are licensed to cover a particular area or market. Markets define a trading area surrounding a city or group of cities. Nielsen Media Research calls local television markets Designated Market Areas (DMAs). DMAs include a cluster of counties that are covered by the local television signals in the market area. Every county in the United States is assigned to one and only one DMA. Each DMA is usually named after the biggest city the market area, such as the Chicago DMA (#3) or the San Antonio DMA (#37); although, there are several multi-city DMAs such as San Francisco-Oakland-San Jose (#6) or Tampa-St. Petersburg-Sarasota (#13).^{iv} Each county is assigned to that DMA in which the television stations most watched in the county in question are located.

In addition to these formal uses of the term market, there are several other uses for the term market in the television business. Some of the common uses are the African-American market, the Hispanic market, or an upscale market, for example. These markets are market segments that are of interest to advertisers. In all its usages the term market indicates a consumer segment that can be targeted by an advertiser.

Advantages of Broadcast Television

There are many advantages of broadcast television. First, television has enormous reach. TV reaches more people each day than any other medium – 89.9 percent of all adults every day. There were 111,348,100 TV homes in the United States in 2007, according to Nielsen, in 210 DMAs – the largest being New York, with 7,391,940 TV homes, or 6.553 percent of the homes in the country and the smallest, #210, being Glendive, MT, with 3,980 homes.^v All of those homes in all of those DMAs watched TV an average of 8 hours and 11 minutes per day during the 2004-2005 season, up ten minutes over the previous season.^{vi}

Second, advertisers and their agencies believe TV is the most powerful advertising medium, and, therefore, invest more money in broadcast television than any other medium – see Table 18.1. A very large percentage of what we learn, we learn through sight. The visual aspect of television is exciting and dramatic and, thus, a major reason that TV skyrocketed in popularity when it was first introduced. And because advertising is all about informing, persuading, and creating brand equity in a product or service, the sensual aspects of sight, sound, motion, and color make television exceptionally compelling as an advertising medium.

Table 18.1 Jack Myers' Ad Spending Estimates

| Medium | 2007 | | 2008 | |
|-----------------------------------|--------------|----------------|--------------|----------------|
| | (\$ million) | % Share | (\$ million) | % Share |
| Broadcast Television ¹ | 48,083 | 21.0% | 52,271 | 21.0% |
| Broadcast Network | 18,936 | 39.0% of TV | 19,542 | 37.0% of TV |
| Cable Television ² | 24,048 | 10.0% | 25,701 | 10.0% |
| Cable Network | 17,702 | 74.0% of cable | 18,941 | 74.0% of cable |
| Newspapers | 45,763 | 19.8% | 44,665 | 18.1% |
| Magazines ³ | 23,669 | 10.0% | 24,448 | 10.0% |
| Radio ⁴ | 20,934 | 9.0% | 21,632 | 9.0% |
| Online/Internet | 16,708 | 7.2% | 20,717 | 8.4% |
| Total Advertising | 230,617 | | 246,601 | |

Source: <http://www.jackmyers.com/commentary/media-spending-forecasts/9805012.html>. Used with permission.

In addition to providing sight, sound, motion, and color, television also provides a means to demonstrate and dramatize a product's use, function, and appeal. Print advertising can be attractive by using vivid colors, but it is static. Television can provide the same colorful scene, plus the images move. Sight, sound, motion, color, drama, and high-definition also evoke emotion, and engaging people's emotions is one of the most powerful ways to stimulate them to take action.

¹ Includes broadcast network, broadcast syndication, and local and national spot television.

² Includes cable network and local/regional cable television.

³ Includes consumer and business-to-business magazines.

⁴ Includes terrestrial and satellite radio.

Television commercials can be as short as five seconds, called billboards, which lead into and out of a program, to 10 seconds, to 15 seconds, to 30 seconds, to 60 seconds, and all the way up to half-hour and hour-long programs. These long-form program-length commercials are commonly referred to as infomercials.

Television is also attractive to marketers for its nation-wide coverage through network and syndicated programming. In the current highly fragmented media world, broadcast television still has the broadest reach – 99 percent of American households – and the ability to have impact on the greatest number of people at any one time. Television events and programs such as the “Super Bowl,” the “Academy Awards,” “American Idol,” and “CSI” are unmatched in their ability to amass enormous audiences.

When people are surveyed, they select television as the “most influential,” the “most credible,” the “most authoritative,” the “most exciting,” the “most persuasive,” their “primary news source,” and the medium that they spend the most time with, as seen in Table 18.2 through Table 18.8.

Table 18.2 Time Spent with Media

% of Total Daily Media Hours - 2006

| | |
|------------|-------|
| Television | 58.28 |
| Radio | 22.8 |
| Newspapers | 4.44 |
| Internet | 12.44 |
| Magazines | 2.04 |

Source: www.tvb.org. Used with permission.

Table 18.3 Television News

Primary Sources of News-Adults 18+

| | |
|----------------------|-------|
| Broadcast Television | 43.5% |
| Cable News Networks | 23.8% |
| Newspapers | 11.2% |
| Radio | 9.3% |
| Internet | 9.4% |
| Public TV | 3.4% |

Source: www.tvb.org. Used with permission.

Table 18.4 Television as a Medium

Most Authoritative-Adults 18+

| | |
|------------|-------|
| Television | 51.0% |
| Newspapers | 23.5% |
| Radio | 9.6% |
| Magazines | 11.4% |
| Internet | 4.5% |

Source: www.tvb.org. Used with permission

Table 18.5 Television as a Medium

Most Exciting-Adults 18+

| | |
|------------|-------|
| Television | 76.5% |
| Internet | 5.4% |
| Radio | 6.3% |
| Magazines | 8.1% |
| Newspapers | 3.7% |

Source: www.tvb.org. Used with permission.

Table 18.6 Television as a Medium

Most Influential-Adults 18+

| | |
|------------|-------|
| Television | 81.8% |
| Internet | 3.7% |
| Newspapers | 6.6% |
| Radio | 4.5% |
| Magazines | 3.5% |

Source: www.tvb.org. Used with permission.

Table 18.7 Television as a Medium

Most Persuasive-Adults 18+

| | |
|------------|-------|
| Television | 66.5% |
| Newspapers | 11.8% |
| Radio | 8.0% |
| Magazines | 9.0% |
| Internet | 4.7% |

Source: www.tvb.org. Used with permission.

Table 18.8 Television as a Medium

Learn About Products-Adults 18+

| | |
|------------|-------|
| Television | 52.2% |
| Magazines | 20.8% |
| Newspapers | 11.1% |
| Internet | 11.0% |
| Radio | 5.0% |

Source: www.tvb.org. Used with permission.

One of the disadvantages of broadcast television is that it is not highly targeted. Some advertisers are more interested in a smaller geographic area or in households with high income and education levels. Other media, such as Interactive, may be more effective in reaching a desired target audience more precisely. Some advertisers believe broadcast television is expensive. It can be costly on a unit cost basis or when it comes to creating award-winning commercials, but for reaching a mass audience, broadcast television is usually the most efficient medium and is certainly the most effective one in terms of the impact of and engagement with its advertising messages.

Another disadvantage of television advertising is that it is not tangible and is fleeting. While a print ad can be read, studied, re-read, and passed along, once a television commercial is over, it is gone until the next airing or until someone replays it (and watches it) on a digital video recorder (DVR).

Furthermore, the short length of most television commercials does not allow for a lot of detail. A print ad can include many more facts and information, while a 30-second television commercial is restricted to the presentation of dramatic headlines and emotion-arousing appeals.

How Local Broadcast Television is Sold

Because broadcast television's audiences are measured continually in the majority of markets, the audience of any program or time period is known with a reasonable amount of precision, as you learned in Chapter 16. Not only is total audience measured, but also its demographic components. Advertising rates in local television are based primarily on five elements: (1) The size of the audience, (2) the demographic make-up of that audience, (3) the supply of available inventory, (4) the current demand for that inventory, and (5) reach. Sales management of a local station, not a station's network or national sales representative firm, controls local television station pricing.

Local television stations generally price and sell their inventory by dayparts, as seen in Exhibit 18.1.

Exhibit 18.1 Local Television Dayparts

Local Television Stations

Early Morning News (Monday-Friday)

Daytime (Monday-Friday)

Early News (Monday-Friday)

Early Fringe ((Monday-Friday)

Primetime (Monday-Sunday)

Late News (Monday-Friday)

Late Night (Monday-Friday)

Source: www.tvb.org. Used with permission.

Special programming such as sports and news specials are priced at levels that are not tied to traditional daypart pricing, but are driven by demand – in high-demand sporting events such as the Super Bowl, a 30-second commercial can be priced as high as \$3 million.

Regular daypart pricing is based in large part by audience levels and demographics in those dayparts. Thus, Late Night is the least expensive because television's audiences are smallest at that time. Primetime is the most expensive because television audiences are the highest during primetime (8:00-11:00 P.M. Eastern Standard and Pacific Standard Time, and 7:00-10:00 P.M. Central Standard and Mountain Standard Time), and, more important, the huge reach of primetime commercials makes them more desirable and in higher demand by large national advertisers whose products have mass appeal.

In local television a very large percentage of an affiliated station's revenue comes from news programming – Early Morning News, Early News, and Late News, which can

add up to as much as three-and-a-half or four hours of news programming. Local television stations can only sell commercials between network programs during the daytime, primetime, and late night. The time between network commercial programs is referred to as a break and there are only between five and seven breaks in three hours of primetime programming. These breaks total no more than, perhaps, a total of eight minutes of commercial time during prime time, thus limiting the amount of revenue stations receive when network programming runs. When local programming such as news or syndication airs, a station makes much more money because a half-hour of news programming can carry as much as eight minutes of commercial time.

Both local and network television is bought and sold based on negotiating. When rates are negotiated, an advertiser pays based on audience delivered and on current supply and demand. Therefore, if you are considering a career as a television salesperson, you are urged to pay particular attention to the section on negotiating in Chapter 12 of this book, as it will serve you especially well.

Local television station sales managers often evaluate salespeople based on what share of an advertiser's television budget they get when they make a sale. Even though the strategy of selling for share is prevalent in local television, it is not the most effective strategy for maximizing revenue. See Chapter 1 - Strategy in *Media Sales Management*, available free at www.mediaselling.us.

Account Lists

Television stations assign salespeople account lists that contain the names of prospects and advertisers. Sales managers usually attempt to balance accounts that are prospects into three levels: excellent, good, and fair, often referred to as A, B, and C prospects respectively. Often new, inexperienced salespeople are assigned account lists that are mostly prospects and are evaluated on how well they turn these prospects into revenue-producing customers. Typically experienced salespeople are assigned an account list that has revenue-producing accounts and agencies. In large markets the most prized account lists contain big agencies that have large accounts that invest a lot of money in television.

When experienced salespeople interview for an open job at a local television station, or even at a network, the first question they usually ask is, "What agencies are on the open list?" Because the vast majority of local television station salespeople are paid on some sort of commission basis, having a list that produces a lot of revenue is of vital importance. Agency-oriented salespeople are farmers, and as such they know their success depends on good seed and fertile ground.

In local television, sales staffs are typically organized by agency and direct account lists based on a salesperson's established relationships and experience. Often they are divided into agency/transactional staffs and retail/development staffs. Occasionally a station will organize its staff geographically, but this type of structure is more typical with national reps, that often organize geographically. Some local stations are using a category structure, in which salespeople are assigned accounts by category or vertical, such as automotive, retail, or financial. For more information about sales department structure, see Chapter 2 of *Media Sales Management* at www.mediaselling.us.

Selling Local Broadcast Television to Advertising Agencies

A local television station's advertising revenue is divided into local sales and national spot sales. The revenue for local sales is also split into two types, as you learned in Chapter 2: missionary/development selling and service/transactional selling. Missionary selling is typically calling direct on marketers by hunters, as described in Chapter 2. Service selling is typically calling on agencies by farmers, as described in Chapter 2.

Advertising agencies represent and advise local clients about how to use media, about creative approaches, about production of commercials, and placing commercials in the media. A television station's salespeople in large and medium-sized markets sell primarily to an advertising agency's media department and do transactional business. An agency's media department is commonly made up of a media director, media planners, and media buyers. Large agencies with many clients will have several people in each of these positions. A small local agency may only have one person handling all of the media planning and buying functions.

Television stations' service salespeople call on agencies to inform buyers and agency personnel about their station's programming, special promotions, Nielsen ratings, and advertising rates. Usually a single station salesperson is assigned to an agency and attempts to do as much business as possible with that agency's clients. Much of the interaction by a salesperson is with media buyers, and salespeople try to keep buyers up to date on a station's special opportunities and new programming. More often, a media buyer contacts television station salespeople alerting them that a client is planning to use television advertising and requests information about available time, rating information, and costs per unit, known as a request for avails. Sometimes, a request for avails comes in a more formal format known as an RFP (request for a proposal), typically sent by e-mail to a station salesperson.

When a salesperson receives a request for avails or an RFP, the salesperson typically fills out an online form containing all the RFP information. A station automated, computerized system then computes and returns to the salesperson a proposed schedule, sometimes referred to as a package containing available spots.

Because television is commonly sold by negotiating, it is salespeople's job to create value with the agency and client, as described in Chapter 8, while at the same time maximizing revenue for a station – often a delicate balancing act. During the buying process, it is the job of media buyers to purchase the best value for their clients. Hence, the negotiating process takes place with an agency outlining the perimeters of its needs and stations' salespeople responding with their best possible match to agency specifications. Stations often submit their rates at a high level, while media buyers' initial offers are typically at a relatively low level. The two sides negotiate the price along with other factors of value for a client – just like the negotiating process covered in Chapter 12.

Factors other than price that can be negotiated are commercial spot placement, rotation of commercials in a schedule, product separation, help in production of commercials, payment terms, and added value. Added value can take the form of anything that adds value to a commercial schedule, such as merchandising materials, additional exposure on the station in talk shows or with promotion spots, or tickets to local attractions and sporting events that agencies can pass along to their clients. Often stations create packages that can include a commercial schedule as well as added-value

elements such as merchandising, sponsorships of special programs, and tickets to big events, especially if an advertiser is buying commercials in an event, such as a sporting event, a station is airing.

Selling to advertising agencies requires skills in using Nielsen rating information advantageously, in using other research information, in presentation skills, in negotiating, and in excellent customer service. Salespeople assigned to agencies also need to be adept at meeting and dealing with people at the agency other than just the media buyers. The most successful salespeople make it their business to contact media planners in order to make sure that broadcast television is included in campaign plans and with account executives, who deal with the agencies' clients, to suggest special uses of television by those clients.

Selling Local Broadcast Television Direct to Marketers

In large markets (the top 50) the primary source of local television station revenue comes through advertising agencies. As market size descends, the percentage of agency-placed business decreases and the percentage placed directly from marketers increases. A top-50 market television station may do 85 percent of its business with agencies. A station in a market below the top 50 may do 85 percent of its business directly from local clients.

Although a local salesperson who calls directly on local marketers needs proficiency in using ratings information, ratings are not usually of critical importance because clients are usually more interested in return on investment (ROI) than in ratings. Missionary salespeople who sell successfully on a direct basis usually are better at fostering relationships with decision-makers, providing creative ideas on how to use television advertising, understanding a prospect's business (see Chapter 14), selling on an ROI basis, and providing customer service. There is usually less negotiation involved in direct selling than there is selling to media buyers, but sometimes negotiating skills are important, especially with retailers who are often skilled negotiators. Much of the negotiation in direct selling involves elements other than Nielsen ratings that can be negotiated, such as commercial placement, added value, and help in producing commercials.

When calling on local retailers, salespeople should understand how co-operative advertising, commonly referred to as co-op, works. To gain a basic understanding of co-op advertising, see the Co-Op Advertising section in Chapter 19 – Newspapers.

Sales Compensation

The most prevalent compensation method for local salespeople is straight commission, although some stations use a combination of salary, bonus, and incentives. Often service selling to advertising agencies earns a lower commission rate than business stimulated by the salesperson who sells direct. Therefore, if you are interested in being more highly compensated as a television salesperson, learning the skills of missionary/development selling is advisable—hunters usually make more money.

Two rules of thumbs to remember: (1) Agencies care about ratings and responsive service; therefore, knowing the personal needs profile of an agency buyer is vital. (2) Marketers care about results and ROI; therefore, knowing a customer's business and marketing objectives and strategies are vital.

Selling Non-Traditional Revenue

In recent years, there has been increased pressure on local television station management for annual revenue increases, while at the same time audiences to local television stations have been declining as cable viewing and Internet usage has eaten into the time people spend with broadcast television. Advertising dollars follow eyeballs, so growth in local television advertising dollars has been slow and station management looks for other revenue streams for growth.

Television station revenue other than advertising revenue is referred to as non-traditional revenue (NTR), which has become a significant source of additional revenue for local television stations. Selling sponsorships of parades, station promotions and contests, and community affairs projects are examples of NTR, and virtually all such NTR is sold on a sponsorship basis, not on a CPM or CPP basis. Selling these sponsorships requires creating value, selling at higher levels (usually at the client level), and taking a more creative approach and a longer time than selling avails on a commodity, or CPM or CPP, basis. For more information about selling NTR, see Chapter 21 – Radio.

National/Regional Selling

Local television stations sell to advertising agencies and direct clients within a station's Direct Marketing Area (DMA), as designated by Nielsen. Stations generally divide agencies and clients outside a station's DMA into two categories: national and regional. The definition of what is considered a national account or a regional account is typically negotiated with a station's national sales representative company (covered in the next section of this chapter) and covered in a contract between a station and a national rep firm.

In most local television stations a national and/or regional sales manager deals with national and regional business. For example, a station in Austin, Texas might define all agencies and most clients in the state of Texas as regional business and have a regional sales manager travel to Dallas and Houston to call on agencies and regional clients. On the other hand, another station in Austin might have a contract with its national rep firm that designates all agencies in Dallas as national accounts but those in Houston as regional.

A national rep firm, which typically has offices in all major advertising centers, services accounts designated as national. A station's national sales manager is responsible for all national business and for calling on national accounts along with national rep salespeople who service those accounts.

Typically, local stations control pricing, not a rep firm or a network. Station sales management continually assesses demand for a station's inventory from both national and local accounts and determines time-period pricing, which can change daily in busy months such as November and May. See Chapter 1 of *Media Sales Management*, at www.mediaselling.us, for more information on pricing strategy.

National Representative Selling

Selling broadcast television advertising on behalf of a number of stations around the country to major advertising agencies is another type of selling. National

representative firms sprang up in the newspaper and radio industry because papers and stations realized that it was much more efficient to hire a national sales organization with offices in large advertising centers than to bear the cost of sending their own salespeople to distant cities to call on advertisers and agencies. When television stations were first licensed, companies that also owned newspapers and radio stations owned many of the original television stations that went on the air; therefore, these companies followed the tradition of using national rep companies.

There are two types of national rep firms: O&O and independent. O&O organizations represent stations owned and operated the major networks, such as ABC, CBS, FOX, or NBC. Independent reps, such as the Katz Television group and Blair Television, represent stations not owned by the networks.

As pointed out earlier in this chapter, national rep firms establish offices in cities around the country that are major advertising centers. National reps may have as many as twenty offices, some in large cities such as New York, Chicago, Los Angeles, Detroit, and Atlanta, and in these offices, the reps will employ a large number of salespeople, perhaps as many as 70 in New York. A smaller office in Minneapolis or Charlotte may have only two or three salespeople.

In large-market offices, a major rep, such as Katz Television Group's Continental Television Sales, might have 100 television station clients, but it splits the sales staffs in large offices into teams that represent smaller groups of stations. For example, one team might represent large markets and another team might handle smaller markets, or teams might be divided by network affiliation – all ABC, CBS, FOX and NBC stations in a separate group. The volume of business in the top media centers dictates that reps structure themselves in this manner in order to give better attention to each station and to give salespeople a consistent story to tell buyers. In smaller-market offices, staffed with just a few people, the salespeople are required to sell a rep's entire list of stations.

Selling for a national rep is quite different from selling locally. Local selling requires contact with both agencies and clients. In national rep selling, salespeople have very little contact with clients and they have little opportunity to stimulate business or do missionary selling, because they respond to requests from agencies to present available programs, ratings, and rates for the stations they represent. Therefore, a national sales job is much more reactive than local selling and it is more ratings and numbers oriented than local selling.

Agencies use cost-per-point (CPP) as their criteria for efficiency and for planning purposes when buying local markets. A typical agency request for avails might consist of a market budget of \$25,000 a week for four weeks for 30-second commercials, a target audience of women 18-49, and 300 gross rating points (GRPs) a week in early morning, daytime, prime access, and late night. The request might include ten of a rep's market with different budgets for each market. Buyers evaluate reps' submissions, which are generally in the form of different packages of spots, and buyers generally select offers based on the lowest CPPs. Rep salespeople typically do not have an opportunity to change their offers once they submit packages unless a salesperson has a particularly good relationship with a buyer.

National rep salespeople must understand Nielsen ratings and have good negotiating, relationship, and servicing skills. Because most media buyers who work for national agencies are very busy, the transactions between a buyer and a salesperson are less about understanding the business of an advertiser and more about negotiating a current buy, getting it done quickly, moving on to the next buy. The process also includes trying to minimize the administrative details that come with changes in the delivery of commercial schedules. These back-office administrative changes used have traditionally been referred to as paperwork, but because the majority of communication today is done by e-mail, the term paperwork is outdated.

Changes often occur when a local station misses commercials, runs the wrong version of a commercial, or moves a commercial for some reason. When such changes happen, station sales management will offer substitute positions for missed commercials. These substitute positions are called *make-goods*, and a vast majority of a rep salesperson's administrative details involves dealing with make-goods.

Rep salespeople are farmers who facilitate transactions; there is not a great deal of selling or creating value involved. Being a rep salesperson is a good entry-level sales job for learning the television business, but it is not a sales job that is highly paid (until you get into management) or that is likely to lead to a management job at a television station or network.

Spot Television

One of the major appeals of national spot for advertisers and agencies is the flexibility of buying individual markets – that is what spot television means, buying market-by-market. Later in this chapter, we will discuss network selling and you will learn that buying networks gives marketers the opportunity to cover the entire country with just one buy. However, with national spot, marketers have the flexibility to run schedules in selected markets to cover a specific region of the country, to cover just the top markets, or to cover a number of markets that are strategically important to their business growth. An example of strategic market selection would be if a marketer wants to protect its market share in markets in six Southern states, it would choose to use spot television in markets in those six states. Rather than select the top 50 Nielsen DMAs, where 68.9 percent of the nation's TV Households are, marketers can select markets based on such criteria as current sales, market share, ethnic makeup, or as a test market for a new product. For example, a fishing boat company may find that Tampa-St. Petersburg, FL (Nielsen DMA ranked 13th)^{vii} may be much more important than New York City, the number-one market. If a marketer's distribution is not truly nation-wide, a selective spot television buy in the Tampa-St. Petersburg market would be much more effective and much less costly.

National reps sell in the spot television marketplace.

Broadcast Television Network Selling

Each national broadcast television network has a sales staff devoted to calling on advertisers and advertising agencies. Like other television salespeople, network

salespeople try to promote their medium by encouraging the use of nation-wide networks and by selling the fact that advertisers place the largest share of their total television advertising dollars in network television. According to Jack Myers' 2007 and 2008 ad spending estimates, broadcast television networks' share of all broadcast television dollars was 39 percent.^{viii} Furthermore, according to the Jack Myers' estimates, broadcast television represented 21 percent of total advertising investment in America for 2007 and 2008. (See Table 18.1).

Unlike local television and national spot television, which is bought, planned, and, thus, sold on a cost-per-point (CPP) basis, network television is planned, bought, and sold on a cost-per-thousand basis (CPM). And television networks sell dayparts that have different nomenclature from local TV stations. See Exhibit 18.2.

Exhibit 18.2 Network Television Dayparts

Network Television

Early Morning (Monday-Friday)

Daytime (Monday-Friday)

Primetime (Monday-Friday)

Early Evening News (Monday-Friday)

Late Evening News (Monday-Friday)

Source: www.tvb.org. Used with permission.

Upfront and Scatter Markets

Furthermore, networks sell their inventory in two different markets, or frames of time, during the year: in what are called the *upfront market* and the *scatter market*. The upfront market takes place each spring, with advertising schedules purchased to start with the networks' upcoming fall season. There is no exact date for the start of the upfront market, but it usually breaks in May. Networks jockey for position and try to get off to fast start in order to capture as much money as they can before the other networks begin selling their inventory. Typically, prime time inventory is the first to be sold and then other day parts follow.

During the upfront market, which lasts only a few weeks, each network decides what percentage of the next season's inventory it will sell. Networks establish their upfront CPM pricing based on projected ratings and then negotiate with agencies to determine final pricing. Because networks sell based on CPMs based on estimated ratings for the upcoming season, they guarantee an advertiser's schedule will achieve an estimated rating level. For example, if an agency buys an upfront schedule consisting of 100 points a week for Verizon Wireless on ABC, ABC will guarantee the schedule achieves 100 rating points. If the schedule underdelivers by, say, 30 rating points, ABC owes Verizon make-goods worth 30 rating points. These make-goods are referred to in the business as audience deficiency announcements (ADAs) or audience deficiency units (ADUs). Therefore, one of a network salesperson's jobs consists of monitoring

schedules that have been placed in the spring, watching to see if purchased programs do not achieve projected ratings and arranging for ADAs.

Networks tend to overestimate rating levels of its upcoming season programming in order to maximize the upfront dollars it receives. It is better to underdeliver and give make-goods than it is to underestimate ratings and, thus, overdeliver rating points and, therefore, price its inventory too low.

A broadcast network that is enjoying strong ratings may sell as much as 80 percent of its inventory during the upfront market. If a network experiencing weak ratings anticipates that the economy and business climate will be strong in the coming broadcast year, it might sell a lower percentage of its inventory, in the range of 70 percent, in the upfront market, hoping to get a higher price later in the scatter market. Traditionally, the upfront market will generate commitments from advertisers of around \$9 billion for ABC, CBS, CW, FOX, and NBC.

The broadcast networks sell the inventory that was not purchased in the upfront market as the season progresses in the scatter market. The scatter market tends to break in late August or early September and agencies purchase schedules for the upcoming fourth quarter. There are four scatter markets, one for each quarter. Scatter market prices are usually higher than in the upfront market, and the networks tend not to give ratings guarantees for schedules purchased in the scatter market, although rating guarantees are always subject to negotiation, especially by lower-rated networks and those with less favorable demographics. Scatter market buying has less guesswork and has more stable pricing because current supply, demand, and actual ratings dictate prices.

Broadcast Network Sales Structure

Broadcast networks have sales offices in only the largest media markets of New York, Chicago, and Los Angeles. Network salespeople must be excellent communicators, prodigious entertainers, and have solid, established relationships with the top-level agency and client executives.

Within each network's sales organization, if it has contracts for major sports programming, it has a dedicated sports sales team. Salespeople who sell network sports work hard during the sports seasons and frequently entertain clients and agency personnel at sporting events seen on their network. Most networks also have teams separate teams dedicated to selling daytime, prime time, and news programming.

While the salespeople who sell for television networks spend a lot of their time dealing with advertising agencies, they also contact and sell directly to marketing managers and advertising directors at major advertisers. For example, the VP of Advertising for major automotive companies are typically involved in creating strategy and setting parameters for network ad campaigns, and networks expect their salespeople to be comfortable and expert at dealing with these top advertising executives and their agencies. Broadcast network salespeople are the kings and queens of media selling – highly paid, with large expense accounts, and responsible for, perhaps, as much as \$500 million in advertising revenue each.

Program Selling

Companies such as Warner Brothers and Paramount that produce programs for television sell to two types of customers, original programming to networks (broadcast and cable) and re-runs to television stations as syndicated programs. Top executives (the President or Executive Vice President, for example) of the television divisions of these production companies typically sell to the networks. For example, Les Moonves, the CEO of CBS in 2007 was previously the President of CBS Entertainment, the division of CBS that selects and schedules programs for the network, as the entertainment divisions of all networks do. Prior to that, Moonves was President of Warner Brothers Television, which produced such programs as “ER” and “Friends” when he was president, and he was involved in selling these programs to the networks.

High-level production executives pitch the networks the concept of a new program in hopes that a network will like it well enough to order a pilot episode. A broadcast network might order as many as 30 pilots for an upcoming season and might eventually select four or five to run in its prime time schedule. If a show a network selects achieves good ratings, the network will probably order up to 13 episodes to run over the 22-week network season. Often production companies will spend more money producing a prime-time program that it receives in license fees from a network in hopes that the program will be a hit and remain on the network for at least 100 episodes and, therefore, have a good chance of going into syndication. A production company can recoup its investment in a hit show many times over when the program’s episodes go into syndication. When syndicated, a mega-hit like “Seinfeld,” which ran for nine years on NBC, can produce hundreds of millions of dollars in profits for its production company, as “Seinfeld” did for Castle Rock Entertainment, which Warner Brothers owns.

Syndicated Program Selling

Earlier in this chapter, you learned about the two types of syndicated programming, off-network and first-run. Television production companies usually have three divisions, a production division that creates and produces programs, a distribution division that employs salespeople to sell both types of syndication programs to television stations, and a barter division (covered later in this chapter). Selling syndicated programming is a multi-billion-dollar business. To get an idea how big it is, carefully examine television program listings and look at all of the programming on the local television stations in your market. Can you tell how much of a FOX affiliate’s programming is syndicated?

Salespeople who sell syndicated programs are very well paid, and must not only have extensive knowledge about their products but also about the strengths and weaknesses of every station in every market that they call on. Territories of syndicated distribution salespeople are generally assigned regionally. For example, a syndication company may have an office in Atlanta, where one or two salespeople call on all of the stations in all of the markets in the southeast quadrant of the country.

Syndicated salespeople must be excellent negotiators. If they are selling a particularly high-rated program or package of programs, syndicated salespeople

can often use the scarcity principle and create an auction – competitive bidding from different stations that crave the program, especially if they know other stations in the market want the same program. It takes a skilled negotiator to deal with auction bidding from customers with whom they must maintain good relationships.

Syndication Advertising Selling

Another type of selling in the syndication business is selling advertising inside syndicated programming on local stations, which is done by the barter division of a syndication company. In the first quarter of 2007, according to an Advertising Age report, national syndicated revenue amounted to \$986.6 million.^{ix} When television stations sign a contract with a syndication company for the rights to air a program, they do so for a certain number of runs over a specified number of years. As an example, station KAAA-TV may buy the rights to the off-network show “Will & Grace.” Typically, the station would purchase the license to air each episode of that show five times, over a period of, say, six years.

A station can pay for syndication rights in three ways: cash, barter, and a combination of cash and barter. When stations purchase a license for cash, they buy the rights to all of the commercial inventory within the program. Generally, a half-hour program that runs in prime access time contains seven minutes of commercial time. Therefore, if a station buys the rights to “Will & Grace” for cash, it would have available seven minutes (fourteen thirty-second spots) during each airing of that program.

“Will & Grace” has 124 individual episodes, which have all run in prime time on the ABC Television network. When sold on a cash basis, the total rights fee is based on a price per episode, times the number of episodes. For example, if a station agreed to pay \$4,000 per episode for “Will and Grace,” it would pay a total of \$4,000 times 124 episodes, or \$496,000 for the rights to air the program five times during a six-year period. The per-episode price is negotiated based on a station’s market size and the program’s estimated ratings.

Stations have a second method of paying license fees for syndicated programming – barter. When a station buys the rights on a barter basis, the seven minutes of inventory within each episode are typically split between the station and the syndication company on a 50/50 basis, each receiving three-and-one-half minutes of commercial time. The station makes no cash payment when it buys a program on a barter basis and can sell its half of the inventory. The syndication company can sell its half of the inventory to national advertisers at favorable rates that are generally lower on a CPM basis than broadcast network programming but with nationwide reach if a popular show such as “Wheel of Fortune” is sold in a total number of markets that contain over 90 percent of the country’s population.

The third way that a company can sell syndicated programs is through some combination of cash and barter. In a cash/barter arrangement, a station pays a reduced license fee in cash and gives up, for example, one-and-a-half minutes of inventory and retains five-and-one-half minutes to sell locally. A syndication company uses its portion of the inventory to sell to national advertisers.

Syndication advertising sales is similar to network sales, with salespeople calling on advertisers and advertising agencies. Salespeople show potential buyers a list of stations on which the programming appears, a list of markets, and projected ratings for the syndicated program on a multi-market, or national, basis. Also, as in network selling, syndicated inventory is priced on a CPM basis and ratings are guaranteed to an advertiser. Syndication barter salespeople must have the same negotiating skills and understanding of Nielsen ratings as national rep and network salespeople have, but must also have extensive knowledge of television programming, both past and present.

Jobs in Broadcast Television

This chapter indicates that there are jobs in local television sales, national spot television sales, network television sales, and syndicated television sales. Many jobs are available, many opportunity to make an extremely good living, and many opportunities to forge a career in television.

The easiest route to getting a job in broadcast television is to start at a local television station. Every commercial television station has a sales force consisting of from one to four sales managers and from four to fifteen or more salespeople. Because there are several broadcast television stations in every market, there is access to television sales jobs throughout the U.S.A. There is also great mobility from station-to-station and market-to-market as well as many opportunities to move from local sales, to national spot sales at a rep, to syndication sales, and, eventually, to network sales.

Preparation for a career in broadcast selling should include courses in sales, such as one that uses this textbook, courses in business, courses in advertising, courses marketing, and courses that enhance your overall communications skills. A sales job in the broadcast television industry places salespeople in the important role as a key link between marketer and medium, and the opportunity to be part of the exciting, high-paying, and glamorous television industry.

The History of Cable Television

In 1948 in the small town of Mahoney City in central Pennsylvania John Walson, who owned the only general store in town, lamented that he could not sell to his customers the hottest new electronics product in America. Throughout the country, television sets were flying off the shelves in large cities and suburbs. Television with its “sight, sound, and motion” programming from the three networks, ABC, CBS and NBC, was exciting people who lived within the reach of the networks’ affiliated stations’ local broadcast signals. But John Walson in Mahoney City had little hope of selling this profitable new product because people in his community could not receive signals from television stations. The reason was that Mahoney City was too far from the nearest city that had a television station – either Pittsburgh to the west or Philadelphia to the east. A contributing factor to this lack of television reception in Mahoney City was the pervasiveness of hills and small mountains surrounding the community that blocked TV signals. Such technical and geographic barriers throughout rural America were excluding

millions of people from receiving this new entertainment and information medium in 1948.

It occurred to this entrepreneurial storeowner that if he could somehow access the television signals from either Pittsburgh or Philadelphia and then retransmit them into the households of his community, he could begin to sell television sets in his store. To realize his dream, he built a large receiving antenna (later called a master antenna) on the top of a high hill in the Allegheny Mountains thirty miles east of Mahoney City. Next, he purchased cable wire that connected his antenna to a small building in town. This cable wire, called coaxial cable, was capable of transmitting infinitely more content (text, audio, and video) than normal telephone wires were. From this location or, the system head end, as a cable company's central offices are called today, additional coaxial cable trunk wires were strung on telephone poles. Next, separate coaxial wires from the trunk lines on the poles were strung into each cable system subscriber home, thus enabling the distribution of the television signals of the three Philadelphia television network stations. This new method of distributing distant signals of television stations via cable wires into small, usually rural, American towns became known as Community Antenna Television (CATV). Today, it is simply called cable television, or cable.

The vendors of the new coaxial cable in their sales presentations to cable system owners stressed an important benefit that at that time had no immediate economic advantage for the cable operators. That benefit was that cable wires had substantial unused capacity, or bandwidth, to deliver more than three channels of television programming into subscribing households. In fact, the earliest coaxial cable had the capacity to deliver twelve channels of video programming. Since there were no other channels except the three networks' stations and because the cable owners were rapidly building new systems in new communities, negotiating with local telephone companies for access to their telephone poles (pole attachment), and working with banks to obtain the necessary financing, the thought of additional channel capacity or any additional applications were mostly overlooked.

John Walson, the rural Pennsylvanian storeowner, soon stocked up on RCA television sets that he sold to his customers and simultaneously sold them CATV for \$3 per month so they would have something to watch on their new sets. The biggest expense for the new customer of cable television was the one-time \$125 upfront connection fee. Some observers called this subscription television because it was the first time that people actually paid money to receive television programming. Similar to the magazine industry where most people paid to receive magazines and were referred to as subscribers, so, too, were those who paid the new cable system companies for their television.

During those early years of the cable television industry, no advertising was sold by the local cable systems. The systems retransmitted the network television stations' programming in its entirety, meaning that the stations' network and local advertisers' commercials were seen by cable subscribers—thus increasing audience outside stations' broadcast coverage areas. The most significant implication of the growth in cable television subscribers across the country was that the three broadcast networks and their affiliated stations were delivering additional viewers to both their network and local advertisers.

The cable systems paid no compensation to the networks for their programming nor did the broadcasters pay the cable systems anything for their incremental audience resulting from cable system carriage. In later years, these economic issues and other issues would lead to divisiveness between the broadcasting and cable television industries and to legal initiatives and new government regulations.

Regulation and Legislation

Regulation of the cable television industry evolved differently from that of broadcast television. Soon after John Walson's cable system was operating in Mahoney City, scores of other entrepreneurs were constructing master antennas and laying cable wires to build systems throughout rural America. Small-town governments, which are always seeking new tax revenues, soon saw an opportunity to create new income for their communities by taxing cable systems' monthly subscriber revenues. These taxes created a small but continuous stream of revenue for these small towns.

City governments soon realized that there was a much larger economic opportunity when they observed that more and more individuals and small companies wanted to wire their community and become the town's cable operator. (It was assumed from the inception of the cable industry that only one cable system could financially operate successfully in a town or city because of the substantial capital expense of building out the plant – or buying the equipment and wiring the community.) City governments soon created franchising committees, which would evaluate the merits of competing proposals and then award to the selected applicant the community franchise to build and operate a cable system.

Thus, the regulation of the nascent cable television industry began as local. It was not like the FCC system that regulated the broadcast industry. There were people in both Washington and in the cable and broadcast industry who objected to local control of the cable industry and petitioned the FCC to intervene. In 1956, the FCC decided that cable systems were not common carriers and therefore the Commission had no jurisdiction over the industry.

Later, both the FCC and the courts held that cable companies could operate in any market, and that cable systems were not in violation of copyright infringement because cable system subscribers were paying for the connection to the content and not for the content itself. Broadcasters had wanted to restrict cable operations to rural areas without access to broadcast over-the-air signals, but their request was denied. The ruling allowed cable systems to have a chance to succeed economically and enabled millions of people with no previous access to television programming to receive it.

In the ensuing years, the cable industry fended off both legal and congressional lobbying efforts by the telephone, broadcasting, entertainment, and sports industries, which all tried to capture a part of the growing cable system subscription revenues. Many in the cable industry credit the personality power of one of the great cable television pioneers and personalities, "The Mouth from the South," Ted Turner, for turning the industry around.

The Superstation

The year 1975 will be remembered as the year that changed forever the media industry in the United States and, eventually, throughout the world. Prior to that, only the U.S.

government was using satellites orbiting thousands of miles above the globe. The Radio Corporation of America (RCA) had won approval from the FCC to launch the first commercial satellite—a space station geosynchronously orbiting 23,400 miles above the earth with the capability of sending twenty-four channels of television programming back to earth. Each channel was called a transponder. RCA successfully launched this first satellite in 1975 with one customer, a small pay channel that had existed by mailing videotapes of movies it leased from the Hollywood studios to a few cable systems that charged their subscribers an incremental monthly fee for the service. The company was called Home Box Office (HBO) and it agreed to lease one of RCA's satellite transponders for the life of the satellite, which was 10 years.

In order for this new system of satellite distribution of television programming to succeed, a significant amount of capital was required for equipment to send the programming from HBO studios up to the satellite and to install downlinks at cable systems to receive the programming. In 1975, cable systems were mired in bank debt borrowed to build their systems and few could afford to pay for downlinks at their headends. HBO, owned by the profitable Time, Inc., devised a financial method to fund the cost of downlinks for the cable systems thus enabling the systems to receive HBO programming from RCA's satellite and to market the movie channel to their subscribers for \$5 per month. HBO's business strategy was to share equally subscriber revenue with the systems and not to accept advertising.

Two years later, in 1977, HBO was still RCA's only customer and its \$200 million investment in its communications satellite was looking extremely bleak. Around this time the owner of a money-losing UHF television channel, WTBS, in Atlanta was desperately seeking ways to increase revenues. His station's ratings were continually the lowest in the market and Ted Turner could not afford to outbid his competitors for quality syndicated programming. The production of competitive local news was also too expensive. The station, however, did have one valuable programming asset: it had purchased the rights to televise the Atlanta Braves baseball games. Despite the games' high ratings, the station still ranked fifth overall and the Atlanta market's television revenues were too low for all five stations to be profitable.

At about this time, Turner agreed to meet with a young cable operator from Florida who claimed to have an idea that would increase WTBS' ratings and revenues. The idea was for Turner to lease a transponder on the satellite, uplink the station's programming and downlink it into cable systems that were now serving nearly five million homes. Not only did this plan eventually achieve Turner's financial hopes for his station, soon referred to as the Superstation, but its success also encouraged other programming entrepreneurs to create new and original cable networks. ESPN, USA Network, CNN, MTV, and others soon followed. Cable systems now had access to a growing supply of non-broadcasting programming. Suddenly new cable subscriptions were growing at record pace and Wall Street was courting the cable television industry.

While the Superstation sold all of its advertising to local and regional advertisers and, increasingly, to national or network television advertisers, the other new cable networks followed the advertising commercial inventory model created by the broadcast networks with their affiliated stations. That was to provide two minutes of commercial time each hour for the cable systems to sell advertising in their local communities.

Primarily because the early cable system owners and operators were engineers with little understanding of marketing or advertising and because of the significant costs associated with advertising insertion equipment and salespeople, few cable systems took advantage of the local advertising sales opportunity. By the early 1980s, however, with the continuing increase in the number of cable networks, the improvement of these networks' programming, improvement in audience measurement techniques, and growing advertiser acceptance of cable as a medium, cable systems began to address this important new revenue stream. During the last two decades in the twentieth century, cable system operators increased their investment in capturing local advertising revenues. In the last few years, local ad revenues have represented the highest percentage of revenue growth for cable systems, and in the national television market, cable networks now rival the broadcast network in ad revenues.

Advertiser Acceptance

In the early years of the cable industry, ad-supported networks' struggle for advertising revenues was difficult. The most serious drawback was that Nielsen's National Television Index (NTI) did not measure the cable networks. It would not be until late 1983, after significant negotiations that Nielsen agreed to measure cable networks. Nielsen indicated that if a cable network were available in 12 million cable households it would then qualify for NTI audience measurement. The broadcast networks vigorously opposed this decision and quietly threatened Nielsen with reprisals. Advertisers, and particularly their ad agencies, also used the poor quality (in their view) of cable's programming, its relatively small universe of subscribing households, and a lack of budget for the new medium as an excuse not to advertise.

Nonetheless, cable, with Turner's networks, ESPN, and MTV leading the way, gradually overcame these objections. When the first Nielsen ratings measuring WTBS, ESPN, and USA were released, the audiences were tiny and the combined cable networks' share of viewing was less than one percent. But a measured audience it was.

Equally important, the cable system business was now in favor with Wall Street and large institutional lenders and the pace of new cable system construction rapidly increased. With more new cable networks, each town and city in the country was now clamoring: "I Want My Cable TV," a clever takeoff of the successful advertising campaign used by MTV to tell kids to exhort their parents to sign up with the cable system for MTV.

Both ad-supported and premium pay (without commercials, like HBO) cable networks were also attracting new investment and they began to upgrade the quality of their programming and to schedule more original programming. The impact of the new programming was that cable networks' share of television viewing was increasing nearly as fast as households with cable were. By 2005, there was more total viewing to cable networks than to broadcast networks, primarily because there are many more cable networks than broadcast networks, as seen in Table 18.9.

Table 18.9 Long Term U.S. Household Share Trend

Total Day Shares (U.S. Households)

| | <u>1985/86</u> | <u>2006/07</u> |
|--------------------|----------------|----------------|
| Ad-Supported Cable | 10.0 | 51.4 |

| | | |
|------------------------------|------|------|
| ABC Affiliates | 19.7 | 7.5 |
| CBS Affiliates | 21.6 | 8.1 |
| NBC Affiliates | 21.6 | 7.3 |
| All Other TV * | 27.1 | 25.7 |
| Total Non Ad-Supported Cable | 90.0 | 48.6 |

* All Other TV includes Independents, Pay Cable, FOX/WB/UPN/PAX affiliates, PBS, All other Cable and Hispanic Broadcast.

Source: CAB 2008 Factbook. New York: Cabletelevision Bureau of Advertising. p. 32. Used with permission.

Industry Structure and Consolidation

By the late 1970s the cable system industry, which was comprised of hundreds of different owners, was beginning to consolidate. New companies were being formed to acquire existing systems and to petition for new city franchises. As these companies acquired more systems they were referred to as Multiple System Operators (MSOs). Among the consolidators were Time Warner Cable, Comcast, now the largest MSO, Tele-communications, Inc (TCI), now owned by Comcast, and Cox Cable.

As in any industry, the key factor driving cable system consolidation was scale economics, meaning the larger a company was (scale) the lower the per unit cost of necessary goods and services would be (economics), and today the ten largest MSOs control more than 85 percent of all U.S. cable subscribers.

By the mid-1980s the cable networks, while still not profitable, were being viewed by larger industry companies as valuable assets. Cable network consolidation began with ABC acquiring ESPN from the Getty Oil Company; Viacom acquiring MTV, Nickelodeon and The Movie Channel; and NBC acquiring the USA Network, as examples.

Carriage Fees

Scale economics was a key driver of the consolidation described above. The idea was that the more networks a company owned the better its bargaining position with the MSOs for programming carriage fees would be. Carriage fees – money paid by cable systems to the networks for the carriage of the networks’ programming – were a major change for the industry and would have lasting impact on not only both cable systems and cable networks but on broadcast television as well.

When the cable networks were first formed in the late 1970s, the business models they employed were identical to the broadcast networks. They would acquire and produce programming and provide it to their affiliates, cable systems, and MSOs, which would distribute it to their subscribers. Both would promote the programming and, importantly, similar to the model of broadcast television, the cable networks would compensate the systems for their distribution and generate all their revenues from the sale of advertising. By 1982, it became apparent to the cable networks that their advertising revenue estimates were greatly exaggerated and not achievable. The result was increasing operating losses with little hope of ever reaching profitability.

In 1982, ESPN, led by CEO Bill Grimes, would change the system and save the cable television network business model. ESPN charged MSO companies 10 cents per

subscriber per month, or \$1.20 per year, per subscriber. At this time, MSOs were charging an average of \$15 per month for only twelve channels of television programming while not paying anything for the programming and collecting monthly fees from the cable networks. The MSOs charged subscribers a minimum fee that included cable delivery of local television stations, WTBS, and a group of advertising-supported cable networks such as ESPN, MTV, CNN, USA, and Lifetime. This minimum was referred to as basic cable, the basic tier. Pay or premium cable referred to the channels, like HBO and Showtime, in another tier that subscribers paid an incremental monthly charge to receive. These premium channels were commercial-free.

After eighteen months of intense and often heated negotiations with each MSO, all agreed to pay ESPN a monthly subscriber fee averaging five cents per subscriber per month. The actual monthly fee was a bit higher, but ESPN provided a discount to systems that agreed to advertise ESPN programming on other channels using local advertising inventory of other cable networks. This new business model, or partnership, changed forever the industry because as other networks followed ESPN's lead in charging the systems a carriage fee, all the cable networks' subscriber revenues greatly increased and were soon exceeding their advertising revenues. Much of the new profits that the networks were generating were reinvested in new programming, which enabled the networks to increase both the quantity and quality of their programming.

The subscriber fees paid by the MSOs to the networks led to better programming, which, in turn, created the rationale for cable operators to raise prices to their customers and to add new subscribers. The result was a substantial increase in revenues and profits for both MSO and cable networks. Furthermore, this new partnership motivated the MSOs to begin upgrading their system facilities, thus creating more channels for new cable networks and to begin making substantial investments in people and equipment to sell local advertising aggressively. Thus, in the mid-1980s the MSOs embarked upon a concerted effort to challenge newspapers, radio, and television station for their share of local advertising. It has taken the systems much time, investment, and effort, but today local advertising revenues represent local cable systems' fastest growing revenue stream, and they are continually taking share of market from local television stations.

Cable Network Programming

There are two basic types of cable networks: ad-supported (ESPN, MTV, and CNN, e.g.) and premium pay (HBO, Showtime, e.g. that have no advertising). From now on in this chapter when we mention cable networks, we are referring to ad-supported networks, because they are the ones that sell advertising. These ad-supported cable networks gathered and analyzed reams of market data and subscriber programming preferences. First, they looked at what movie titles were available. There were libraries of movies not only from Hollywood but also from around the world, and, better yet, the broadcast networks had licensed only a small percentage of these films. USA Network was being successful, in part, by programming feature films, for example. Networks could always produce more news with investments in bureaus and reporters, as CNN, MSNBC, and FOX News did. Thousands of college sporting events were not being televised by broadcasters, and fishing, auto racing, and yacht racing were available – a fact ESPN and the regional sports networks took advantage of. Films about animals, history, and geography existed in large quantities, which the Discovery Channel and A&E took

advantage of. The list could continue, but the point is that a large supply of programming did exist and not all of it was expensive.

Having learned that the programming existed and could be acquired, the cable networks next learned that to differentiate from and to compete with the broadcast networks it would be strategically smart to have a programming theme for each channel – such as sports, news, or animal videos. Such a theme would provide the viewer with a clearer understanding of the networks' programming position and allow networks to promote themselves more effectively. More importantly, the networks would be able to approach advertisers with whom their target audience was compatible, as MTV did with Pepsi. Most importantly, the networks could offer to many advertisers an audience delivery that had a high composition of a desired target audience. This targeting meant that if an advertiser was seeking to buy men 18-34 and a sports event on ESPN had one million total viewers, as many as 60-70 percent of those viewers might be men 18-34. The same advertiser could buy a similar type program on CBS, which might deliver two million viewers, but a lower percentage would be in the men 18-34. Thus, ESPN's audience composition would be better – less waste – making ESPN, in this example, more competitive with a broadcast network even when its total audience was much smaller.

The confluence of the programming strategy – scheduling programs of the same type so that viewers know that the channel will always be providing some kind sports (ESPN), or news or information (CNN), or youth life-style (MTV) – and the advertising sales strategy of selling audience composition created a great deal of economic value for the cable networks.

Satellite Direct-to-Home Competition

The great growth for the cable television industry began in the early 1980s driven by access to capital that enabled the operators to build new system franchises and cable networks to produce original programming. Even as new cable systems were being built throughout America, there were many rural areas that lacked sufficient population to justify the investment in a system. These areas lacked a level of density of homes that was financially necessary for the cable systems to extend their services. However, people in these remote areas had no less desire for television than their distant neighbors did.

The companies that manufactured the satellite receiving antennas for cable systems recognized that if they could produce a receiver dish that people without cable television would purchase and locate on their property, these companies would have access to a new market. Soon they produced a consumer satellite antenna receiver and, although these new dishes were six feet in diameter and often an obtrusive sight on a property, people were soon buying this new direct television product. Despite a high installation cost of the equipment and the fact that local television stations could not yet be offered, by 1990 over a two million large dishes were accompanying the landscape of rural America.

In 1994, Hughes Aircraft Company launched four high-powered satellites 22,300 miles above earth. The power of these geosynchronous satellites (this term refers to the fact that as the world turns so do the satellites thus enabling the continual reception of the television signals to the same geographic receiver antenna dishes) was such that more than 200 video channels could be downlinked into eighteen-inch receivers.

Today the direct-television industry has two competitors, DirecTV and the Dish Network, and they provide serious competition to the cable system industry by providing lower prices than cable and access to multiple channels to homes in rural areas that cable companies cannot afford to wire.

The direct satellite-to-home business, led by DirecTV and the Dish Network, has become an important competitor to the cable industry, reaching 30 million homes in 2007. As competition is intended to do, companies work harder to supply new services that customers want at increasingly lower real costs while simultaneously improving their customer service. The winner is the consumer.

Advantages of Cable Television

Advertising on cable television has many of the benefits of other broadcast media and certain unique advantages.

First, it has the sight, sound, and motion of television, which of course, it is. For most consumer products, the unmatched power of sight, sound, and motion is acknowledged to drive sales more than any other medium.

However, unlike broadcast television, the audience of which declines during the summer months, cable television audiences tend to be consistent the year around, as seen in Table 18.10.

Table 18.10 Consistent Ad-Supported Cable Ratings Throughout the Year

| | HH US AA% 4Q 05* | HH US AA% 1Q 06 | HH US AA% 2 Q 06 | HH US AA% 3Q 06 |
|----------------------------------|------------------------|-----------------------|------------------------|-----------------------|
| Total Day (Mon-Sun 6a-6a) | | | | |
| Ad-supported Cable | 19.4 | 19.8 | 19.4 | 20.1 |
| (Index to full year) | 98 | 101 | 98 | 102 |
| ABC/CBS/FOX/NBC ** | 12.5 | 12.7 | 10.8 | 9.9 |
| (Index to full year) | 109 | 110 | 94 | 86 |

* U.S. Households, Average Audience share, 4th quarter 2006/07.

** Average share of ABC/CBS/FOX/NBC affiliates' audience across the US.

Source: CAB 2007 Factbook. New York: Cabletelevision Bureau of Advertising. Used with permission.

Like magazines, cable's segmented programming attracts viewers with highly desirable demographics. ESPN, as an example, has a high percentage of men viewers in its audience. This high male audience composition results in less waste audience for an advertiser for whose products men are the primary buyers.

Similar also to many magazines in delivering highly targeted audiences, cable also shares radio's ability to add frequency inexpensively to an advertising schedule. Increased frequency occurs because when buying advertising on one station in radio or channel in cable, audiences remain loyal to the narrow genre of the programming. As a schedule of commercials airs on that channel, frequency builds because many of the same people view for longer periods of time and then return the next day and next week to the same channel. Cable channels tend to have more loyal and demographically narrower viewers than broadcast television networks do.

Cable advertising also adds reach to an advertising campaign on broadcast television. There are still some advertisers that spend most of their advertising dollars in broadcast television, but because a broadcast-television-heavy campaign would underdeliver in cable homes, the broadcast campaign would likely reach a lower audience than planned. Furthermore, the audience of a broadcast-only schedule would reach, in general, lower income levels than a similar schedule on cable would, as seen in Table 18.11.

Table 18.11 Cable vs. Non-Cable Household Income Characteristics

| Upscale Profiles | Cable HH vs. US Average (index) | Non-cable HH vs. US Average (Index) | % Advantage Cable HH |
|---|--|--|-----------------------------|
| Education: graduated College plus | 107 | 89 | 20.2% |
| Home value \$500,000+ | 120 | 69 | 73.9% |
| Occupation: professional and related Occupations | 108 | 88 | 22.7% |
| Downscale Profiles | Cable HH vs. US Average (index) | Non-cable HH vs. US Average (Index) | % Advantage Cable HH |
| Education: Not graduated from HS | 83 | 126 | -34% |
| HHI <\$20,000 * | 86 | 122 | -29.5% |
| Home value <\$50,000 | 74 | 139 | -46.8% |
| Occupation: natural resources, construction and maintenance occupations | 92 | 112 | -17.9% |

* The < symbol means “less than.”

Source: CAB 2007 Factbook. New York: Cabletelevision Bureau of Advertising. Used with permission.

An advantage of cable television advertising that only weekly newspapers or direct mail can claim is the delivery of an audience in a small geographic area or trading zone. In most markets there are more than one cable system head end, which means that the television commercial can be distributed to subscribers in more than one smaller geographic subsets of a market. Thus, in New York City an advertiser who wants to reach only consumers in Queens County can do so without having to buy advertising on the cable systems in the four other boroughs. The result is that the advent of these smaller trading zones is providing cable television with a new competitive advantage for advertisers. Also, smaller geographic audience delivery is enabling cable systems for the first time to compete effectively with small weekly newspapers, direct mail, and penny savers (free weekly newspapers).

Another more generic advantage of cable as an advertising medium is that its commercial unit cost is invariably lower than that of its broadcast competitors. This is particularly true in smaller cities where the systems have not attracted nearly the share of

advertising revenue that their share of viewing would dictate. Therefore, not only is the cable system's commercial price significantly lower than the market's television stations on a dollar basis, but also its cost-per-thousand viewers delivered to the advertiser are much lower than broadcast stations.

Cable television reaches households with higher incomes than broadcast television does. This advantage translates into a cable household spending more money on virtually every advertised product and service, and, thus, much more attractive to advertisers, especially an advertiser of upscale products such as Mercedes, financial services, or premium wine.

How Local Cable Television Is Sold

Local cable systems have sales staffs of similar sizes to local television stations in markets and they sell in much the same way local broadcast television is priced and sold and to the same customers. In fact, local cable, after newspapers, is the largest competitor to local television.

Local cable salespeople typically do more missionary/development selling than local broadcast television station salespeople do, especially in medium- and small-sized markets.

Local cable salespeople have much more inventory and more targeted inventory to sell than local TV salespeople do. Local cable salespeople not only sell by dayparts but also by cable networks.

Interconnects

In many large markets there are more than one cable company that has a franchise because there are more than one city in a DMA. For example in the country's largest DMA, New York there are several companies that have cable systems, such as Time Warner Cable, Cablevision, and Comcast. To make it easier for marketers to invest in advertising on cable and not have to deal with multiple cable system sales forces, in most markets the cable systems have cooperated and set up a joint venture to sell advertising or make an arrangement with the largest MSO to sell for all cable companies in the DMA. These sales organizations are called interconnects and serve the function of a local rep firm. Table 18.12 shows the Interconnects in the top ten markets.

Table 18.12 Major Market Interconnects

| DMA | Interconnect/System |
|--------------------------------|--|
| New York | Time Warner Cable Media Sales NY Interconnect/Rainbow Media Sales |
| Los Angeles | Adlink |
| Chicago | Comcast Spotlight |
| Philadelphia | Comcast Spotlight |
| Dallas-Ft. Worth | Comcast Spotlight |
| San Francisco-Oakland-San Jose | Comcast Spotlight |
| Boston-Manchester | Comcast Spotlight |
| Atlanta | Comcast Spotlight |
| Washington, D.C. | Comcast Spotlight |
| Houston | Time Warner Cable Media Sales |

Source: CAB 2008 Factbook. New York: Cabletelevision Bureau of Advertising. Used with permission.

Selling for an interconnect or for a local cable system is similar to selling for a local television station—to agencies in the larger markets and direct in smaller markets. The types of selling are similar (missionary and service) and account lists are generally similar.

How National Cable Television Is Sold

National spot cable is by the national sales organizations of the large MSOs and cable companies such as Comcast Spotlight and Time Warner Cable Media Sales, which have offices in the major advertising centers function much like national sales representative firms do in broadcast television.

Cable Television Network Selling

When cable networks were getting a foothold in the 1980s, cable, salespeople emphasized to advertisers the significant CPM differential between broadcast and cable networks. Each cable network during the early days was forced to price their audience at CPMs much lower than their broadcast competitors because of a smaller household universe, lower viewing levels, and a greater supply of commercial inventory.

However, today many of the 116 national, 41 regional news, and 13 regional sports cable networks^x receive higher CPMs than broadcast networks do because cable audiences are more desirable to advertisers because of the advantages of cable television.

Unlike broadcast television networks, cable networks account for a majority – 74 percent – of all cable revenue (see Table 18.1). Although cable networks generally sell the same dayparts as broadcast networks do (see Exhibit 18.2), because cable has more targeted programming, advertisers often buy specific programs rather than dayparts – ESPN “Sports Center” or “The O’Reilly Factor” on FOX News, for example.

Upfront and Scatter Markets

Advertisers and agencies buy cable networks in the same two markets as they buy broadcast networks, although in the upfront market, prime time broadcast generally breaks first because ABC, CBS, FOX, and NBC are still in the greatest demand because of their larger reach. However, the big four broadcast network affiliated stations (which reflect the audience of the broadcast networks) collectively do not have as large a total viewing audience as the 116 ad-supported cable networks do, as you can see in Table 18.9. The 27.0 percent share of viewing that All Other TV has in Table 18.9 includes pay cable, PBS, and Hispanic broadcast and cable viewing, so by interpolating, you can see that there is more viewing to ad-supported cable networks than there is to five broadcast networks (currently ABC, CBS, CW, a combination of the WB and UPN, FOX, and NBC).

Cable networks also sell in the four scatter markets similar to the way broadcast networks sell. However, cable networks tend to do better than the broadcast networks do in the third quarter scatter market (summer) because cable networks’ share of viewing tends to increase during the summer months when the four major broadcast networks are programming re-runs and trying out new programs (See Table 18.10.)

Cable Network Sales Structure

Cable networks have a similar sales structure to the broadcast networks, with sales offices in only the largest media markets. There is virtually no difference between the skills and types of relationships needed for cable network and broadcast network selling. On the other hand, because cable networks generally have consistent programming genres during the day, they typically do not have separate teams for selling daytime, sports, and other program types like the broadcast networks do.

Even though some companies such as Viacom and Time Warner own multiple cable networks (see Exhibit 18.3), each network generally has its own sales staff. Some of the multiple cable network owners, such as Viacom, have a small group of high-level salespeople that coordinate large investments, typically over \$5 million, by advertisers across several networks.

Exhibit 18.3 Multiple U.S. Cable Network Owners

| | | | | |
|-------------------------------|--------------|-------------------|----------------|-------------------------|
| AETN* | NBCUniversal | Time Warner | Viacom | The Walt Disney Company |
| A&E | Bravo | Adult Swim | BET | ABC Family Channel |
| Biography Channel | Sci Fi | Cartoon Network | Comedy Central | The Disney Channel |
| Crime & Investigation Channel | USA | CNN | MTV | ESPN |
| History Channel | | CNN Headline News | MTV2 | ESPN2 |
| Military History Channel | | CNN International | Nickelodeon | ESPN News |
| | | Court TV | Nick at Night | ESPN Classic |
| | | HBO (premium) | Spike TV | ESPN Deportes |
| | | TBS | VH1 | ESPNU |
| | | TCM | VH1 Classic | |
| | | TNT | | |

The A&E Television Network (AETN) is a joint venture of the Hearst Corporation, ABC, Inc., and NBC Universal.

Source: www.aetn.com, www.nbcuni.com, www.timewarner.com, www.viacom.com, and <http://corporate.disney.go.com>. October 27, 2007.

Cross-Platform Selling

Many of the media conglomerates, such as Time Warner, Viacom, News Corp., and Clear Channel Communications, have a small group of experienced salespeople who sell across all of a company's media assets – television, cable, interactive, radio, magazines, and outdoor – and do what is referred to as cross-platform selling. This means that salespeople in these groups can sell a combination of several or all of a company's assets in one package to an advertiser or agency. An advertiser can deal with one salesperson, can place one order, and receive one invoice, which simplifies the process. The opportunity to do this type of synergistic selling had great appeal in 2001 when AOL and Time Warner merged, and was one of the reasons given at the time for the merger.

However, the dream of synergy soon disappeared in the AOL Time Warner merger when it became obvious that walking the walk was much more complex and difficult than talking the talk of cross-platform synergy. The reason for the disconnect was that AOL Time Warner thought the ease and benefits of one-stop-shopping were

worth a premium price, but the agencies and advertisers thought that if they bought a bundle of several media, which would mean a fairly large order, that they should get a discount. AOL Time Warner did a few successful cross-platform deals, but overall the efforts were and are still not as significant a part of its revenue stream as was anticipated.

The disconnect still plagues cross-platform selling in 2008, as this book is being written. Some large cross-platform deals are negotiated today between major advertisers who are willing shift their share of ad dollars and media conglomerates who are willing to give discounts for a reasonable increase in share. However, such deals cannot continue over a long period, because no advertiser is willing to continually increase its share of spending with one company, because it would eventually have to give that company 100 percent of its ad dollars – an unreasonable expectation. Thus, cross-platform selling will continue by media conglomerates to large advertisers in specialized situations.

Salespeople who do cross-platform deals must be knowledgeable in all the media a conglomerate offers, especially Interactive, which is the most complicated media to sell, and must be excellent communicators and relationship builders at high levels in corporations to whom they sell and service.

Jobs in Cable Television

There are numerous entry-level sales jobs in cable television at local cable systems, at interconnects, and in the national sales offices of MSO sales organizations. As in broadcast television, it is often easier to start in a market outside of the top ten and work up rather than trying to break into sales at a cable network headquartered in New York. On the other hand, one of the best ways to get a selling job in a cable network is to start out in a sales-support job and work into a higher-paying sales job.

Other good job opportunities are in the affiliate marketing area. Because cable television networks have two revenue streams – subscriber revenue from MSOs and advertising revenue, with subscriber revenue being the largest source of income – there are two types of selling jobs – affiliate marketing and advertising sales. An affiliate marketing salesperson calls on cable system operators and MSOs for a network and manages the affiliation relationship with these cable systems. The job involves negotiating contracts that set per-subscriber fees MSOs pay for carriage of a network's programming, the channel position of a network on a cable system, the tier a network will be on (a basic tier if a network is ad supported), and promotional and event arrangements that benefit both the network and the cable operator.

Affiliate marketing jobs require a great deal of travel but they are the best jobs in which to learn the cable business from the ground up. George Bodenheimer, the CEO of ESPN and ABC Sports came up through the ranks of affiliate marketing to have the top job at cable's most profitable network.

Both broadcast and cable are different delivery systems of television programming – now being joined by the Internet – but they are both television, an exciting, competitive, rewarding, creative, and glamorous business that attracts people who are drawn to this type of business culture and to the corresponding challenges.

Test Yourself

1. What was the first television station licensed by the FCC?
2. In what year was the FOX Television Network founded? And by whom?

3. What are the major dayparts sold in local television stations?
4. What are the major dayparts sold in broadcast and cable network television?
5. Give two examples of off-network syndicated programs and two examples of made-for-syndication syndicated programs.
6. What is the upfront market?
7. What are makegoods?
8. How many commercial television stations are there in America?
9. What is a DMA?
10. What medium is second to television as being perceived to be the most persuasive?
11. What does CATV stand for and why is it important in the history of cable?
12. Who was the “mouth of the South” and why was he important.
13. What programming service was the first to go up in 1975 on the RCA satellite?
14. What is a MSO? An Interconnect?
15. How many cable networks were there in 2006?

Projects

Project #1: Look at a current issue of TV Guide Magazine and choose three local TV stations to examine. One should be an ABC, CBS, or NBC affiliate; one should be a FOX affiliate; and one should be an independent station. Try to identify how many hours of syndicated programming each of the three types of stations run. What type of station runs the most syndicated programming? What do you think the financial implications are of being the station that runs more hours of syndicated programming than the other two types?

Project #2: Go to www.adage.com, click on Data Center and then on the 100 Leading National Advertisers & Other Spending Data section and download the “Leading National Advertisers Marketers Profiles Yearbook.” Examine the Yearbook and see where the top advertisers invest their advertising dollars. Is most of it in TV? Newspapers? The Internet? What did you learn from examining the Yearbook? How might you use it if you were a television salesperson?

References

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Resources

www.adage.com (Advertising Age magazine)
www.broadcastingcable.com (Broadcasting and Cable magazine)
www.jackmyers.com (Media financial information, TV and cable programming)
www.mediapost.com (Media News magazine, media information)
www.mediaselling.us/media_sales.html (Media Sales Management)
www.nielsenmedia.com (Nielsen ratings information)
www.onetvworld.org (Cabletelevision Advertising Bureau)
www.sbca.com (Satellite Broadcasting and Communication Association)
www.tvb.org (Television Bureau of Advertising)

Endnotes

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ⁱⁱ <http://www.broadcastingcable.com/article/CA6500592>. November 15, 2007.

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^{iv} Ibid.

^v www.nielsenmedia.com. October 25, 2007.

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^{ix} Ibid.

^x CAB 2007 Factbook. New York. Cabletelevision Bureau of Advertising.