A Practical Guide to the Media Business

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Dedication

I've been encouraged over the years by a number of people who have mentored me, molded me, and taught me the everyday operations of the business, long after I left the classroom. To them, I will always be grateful, particularly Dr. Herb Howard.

This book is dedicated to the three people who have been part of the development of it for the last 25 years. To my children, Andrew and Gabriela, who grew up in newspaper offices and television and radio studios—I understand and appreciate those times you wish I had been at the school Easter parade or the PTO meeting. I know you learned to cook early because I believe a healthy meal is a salad out of a bag, and I trust some of that independence you both have in spades comes from me.

To my husband, Dr. Nick De Bonis—for 30 years you've fixed my coffee at 4AM when I was called to the station, met me at the Atlanta airport to give me another suitcase for a flight to yet another emergency sales call, moved cross country for my job, and said, "We'll see you when you get back," when I was headed off to some less than desirable country for my research and photography with a medical team. Without you, I could not have done any of it, including this book.

Finally, thank you to my editor at Cognella, Monika Dziamka. She has been exactly what I needed to get this book completed while listening to my wild and crazy ideas. I don't know many who could understand when told I'd touch base when I got back from Haiti. Monika, thanks, and I'd work with you anytime.

CHAPTER 1

Media Today and Beyond

How Many Ways Do You Receive Messages?

Do you know how many ways you receive messages every day?

Do you even know how many messages you are probably exposed to every day?

Over the years, the number of daily messages to which someone has exposure has generally been quoted as 2,000 to 3,000. A few years ago, Yankelovich Research was quoted by the *New York Times* with numbers ranging from 500 per day in the 1970s, compared with 5,000 today.[1] These high numbers include everything someone may see, from television ads to labels on products in a store.

David Lamoureux, of Fluid Drive Media, says, though, that these are wild estimations and quotes Consumer Reports as estimating 247 per day and we probably don't even notice half of the messages, even though we are exposed.[2]

So, where did it all start? According to the AAAA researchers (and many others), it all began in 1957, when Edwin W. Ebel, head of advertising at General Foods, said he had conducted his own research and determined that the average American *family of four* was exposed to 1,518 messages a day.[3] The press jumped on this number, but overlooked the phrase *family of four*. Very quickly, *family of four* became *individual*, and the rest is history, as they say. From that point on, only the individual was "measured." By the way, Ebel didn't say he had any scientific data; this was his own "research" and he was just looking for a number to illustrate a point.

Ebel set off decades of "research," in the search for the Holy Grail of advertising; the elusive number of ad exposures. Some research was conjecture, at best. Other research became much more detailed, looking at times of day, activities in which engaged, demographics, etc. There were sidebars to the research. For instance, child psychologists studied the number of cereal ads to which children were exposed and the impact they had on the children's psyche. Like many research subjects, the interest in the subject ebbed and flowed throughout the years, continuing through today. Much of the research, though, has moved away from directly counting numbers of exposure and looking at effects of exposure, which includes numbers.

So, back to the original question—how many ways do you receive messages every day? And, to make it easier, start with just the mass media. Television? Radio? Newspaper? Magazine? Outdoor? Websites? Mobile?

According to The Nielsen Company, the average American spends over 34 minutes a week watching traditional TV. Television reaches more people each day than any other medium. That's sitting down and watching a TV show during the time the show is scheduled. Of course, there's also time-shifting television, which is watching a program at another time.[4] According to one of the most recent studies (and there are numerous), Television outpaces the Internet.[5] And, don't forget newspapers. Over 40 percent of adults read a newspaper print or e-edition each day and that jumps to 55 percent with adults 55-years-and-older.[6] The same number for that age group access the internet every day. And, what about Mobile Phones? Over 40 percent of adults 18–49 are reached every day by the mobile phone.[7]

There's just one problem with all of this data—it's not mutually exclusive. In other words, most adults use more than one medium throughout the day, sometimes at the same time. It's been said that the best marriage in media in recent years is the television and the tablet. Radio and, to some degree, television, has always been a companion medium; that is, a person can be doing other things while listening and/or viewing. Many younger adults will say they don't listen to the radio, but what is Pandora or Clear Channel's latest edition, iHeart Radio, or streaming a station on the computer while at work?

Of course, traditional media can't be forgotten. Don't write the eulogy for print media just yet. Although the numbers are speculative, newspaper circulation's downward spiral may have flattened out and even show possible reversal movement, now upward (although extremely small). Magazines, depending on the type, circulation numbers and many other factors may or may not have seen a cataclysmic loss, but others are doing just fine.

What all of the above have in common is the new media, beginning of course with the internet. Almost all Americans have access to the internet, from small children to older adults. How each person has access is what makes it confusing to measure. Right now, a person could view a full network television show on the internet, a rapidly growing trend; stream a radio station, access the local or international newspaper or magazine of choice, read the latest bestseller, communicate with Grandma, pay the bills, earn a college degree, order groceries to be delivered, make an appointment for the dog to see the vet, and watch the child in daycare, all in one day.

Where the internet is found also gets to the question of how many ways you receive your messages. Is it on the PC, the laptop, the tablet, the mobile phone? Is it at home, the library, the classroom, the fast food restaurant? The mobile phone adds another dimension, including paying for the cup of coffee each morning, as an App.

Apps are another medium to count. How many Apps do you have on your phone? Your tablet? Are they games? News sources? Music? Television shows?

The Complexities of Selling

All of the media and technologies mentioned above just scratch the surface of what is available to the average consumer each day. And, just like Sally found with her lemonade stand, as the number of media and technologies has escalated, particularly in the 21st Century, the selling process has become more complex. Traditionally, especially before the advent of the internet in the business process, you sold your own medium vehicle; your TV station, a single radio station, the local newspaper. It was a competitive fight, much like the Friday night high school football game. You didn't cheer for the crosstown rival, ever. This was, for the most part, transactional selling, a form of selling that is fast, mostly one-time only, and the client knows what he/she wants. Compare it to selling wrapping paper in elementary school.

In the late 1990s, a different type of selling emerged: relationship selling. Just as the name implies, the sales person developed a relationship with the client, helping the client find the best media mix for his/her situation. This meant the salesperson had to bend and suggest to the client there was more than just the one medium the salesperson represented. This was pushed along after the 1996 Telecommunications Act when "clusters" of radio stations began to develop in various markets. Now it was okay to have partnerships between different media, particularly radio and television. At the same time, the internet was emerging as a commercial vehicle, often as a supplementary sale for first, newspapers, with radio and television following, developing websites.

Today, the relationship selling continues. The media salesperson must be an expert in a number of areas, including basic selling techniques, cross-platform selling, the math behind the sale, the markets—both geographically and the client's industry, the target audience. The salesperson is not just selling, he/ she is researching, educating, and consulting. Adding to the technical skills is the ability to negotiate and have the personality to work with different types of clients, from the ones anxious to please to the ones whose way is the only way.

A Look Ahead

Many experienced salespersons will say that selling is an inherent skill with a few attributes learned on the job. While there is probably some truth in that, much of what a salesperson needs to know for day-to-day selling can be taught. In the next chapters, we'll walk through the process for making the successful sale from being given the client's name to closing the deal. Before we start that, though, we'll discuss the very basics of the business and the primary different media in today's selling world.

Caveat #1: This is NOT a book that discusses the theoretical meanings behind selling, nor the psychological premises behind the customer's purchase. Instead, it is a practical guideline, a workbook, on the sell itself.

Caveat #2: This book is about traditional mass media selling, including media websites. It does not delve into selling purely the internet, like Google, Yahoo, etc. It does not deny that Google is (probably) the largest "medium" in sales, but this book just sticks with selling newspaper, radio, television, their websites and other resources for reading/listening/viewing their products.

Caveat #3: Arbitron, the long "owner" of radio data, was sold to Nielsen, Inc. in September 2013. Nielsen promptly renamed it Nielsen Audio and began putting its "brand" on the traditional radio information. What Nielsen plans with Nielsen Audio is still uncertain, but Nielsen has started making changes, such as increasing the sample size in PPM (People Meter) markets.

Finally, the last caveat. The media is exponentially moving, so this book doesn't bog down in a lot of numbers on who sold how many ads in the last year. There's the classic Abbott and Costello skit of "Who's on First." Trying to determine who is the biggest, greatest, etc. in today's media world is like playing "Who's on First." Since I began writing this book, News Corp. split into 21st Century Fox and News Corp., Gannett bought Belo, the Tribune bought Local TV and Sinclair now owns over 170 smaller stations, enough to say it's the biggest. Even the FCC says it can't keep track on who's doing what in the cable industry.

At the beginning of each chapter is a short quiz to let you determine what you may already know. At the end of each chapter is a short section of practical exercises based around that chapter's information. A list of Supplemental Resources can be found at the end of the book.

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CHAPTER 2
Media Basics

Pre-1996

Newspapers have been an integral part of American history and have contributed to not only social trends but introduced technologies, such as photography. Everyone believed in what the newspaper said. Advertisers assumed they had to be in the newspaper, preferably on Sunday. However, the print industry was starting to show weaknesses as early as the 1970s, with circulation and readership not keeping up with the population growth.

Certainly by 1996, many newspapers still controlled the media market in their areas, but changes were happening. For instance, *The Atlanta Journal*, an evening paper, with its masthead of "Covers Dixie Like the Dew," along with the morning *The Atlanta Constitution* had merged administrative operations in 1950 when *The Constitution* was purchased by General Cox, owner of *The Journal*. Newsroom staffs had combined in the early 1980s; however, the two newspapers were editorially apart. The two papers had merged into one on Sunday when General Cox purchased *The Constitution*, but what was constant for the entire week was the coverage across the entire state of Georgia and surrounding counties where many Georgians vacationed, particularly in North Carolina.[1]

The electronic media had seen the most rapid growth and changes before 1996. In less than a century, radio had been introduced, with the first election results broadcast in 1920, the concept of "niche" mass media had become the norm with radio formats and FM radio had passed AM radio in popularity.

Just 46 years before the cataclysmic 1996, in 1950, only nine percent of U.S. Households had a TV set. That was 98 percent in 1996. In 1980, only one percent had a VCR, but that had jumped to 81 percent in 1995.

Color had been introduced in the 1960s and, although it was available earlier, Cable became a standard technology in the 1980s. By 1996, 69 percent of homes had cable.[2]

Websites were only beginning to appear as a revenue stream with newspapers in the mid-1990s, partly due to the emergence of the internet as a communication vehicle. However, individual usage was so small that 1997 was the first year measured by the International Telecommunications Union, a specialized agency with the United Nations with the responsibility, among other things, to measure telecommunications activity around the world.

Telecommunications Act of 1996

1996 was a pivotal year for the media business. While the Telecommunications Act of 1996 was directed to the electronic media and telecommunications (telephone systems), it had far reaching implications for the media industry as a whole.

Although anyone with the cash can technically start and produce a print publication in the U.S., the electronic media has always been regulated. The underlying reason is the limited amount of frequency space for both radio and television, although, over the years, a subtle form of censorship has developed. Nonetheless, prior to 1996, the only major overhaul of the electronic media systems was the Communications Act of 1934. Sixty-two years later, the industry had radically changed, such as the advent of television, and only small changes had been made in the Federal Communication Commission's Rules and Regulations. An overhaul was needed to acknowledge the evolution of the technologies, anticipating the future.

The Telecommunications Act of 1996 was a complicated piece of legislation, four years in the making. It covered, among many things, cross-ownership of telephone and cable companies, the number of stations allowed for both television and radio owners, the rate structure of cable companies, expansion of the number of stations on the spectrum, a rating system for television with a v-chip installed in all television sets over 13-inches manufactured, and development of decency standards to ensure children were not exposed to inappropriate material on the internet.

What were the results of the Telecommunications Act of 1996?

- Radio station owners had previously been limited to 20 FM and 20 AM stations. It now removed limits from the number owned.[3] This allowed the creation of mega-owners, such as Clear Channel Communications, with, as of 2013, 850 stations.[4]
- Television station owners had previously been limited to just 12 stations, reaching no more than 25 percent of the population. The actual number of stations that could be owned was eliminated and the percentage was upped to 35 percent (that was later increased to 39 percent).[5] Sinclair Broadcasting is an example that has benefitted from the changes. The corporation has been on a buying spree since 2011, purchasing 15 stations in that year alone. Pending final sales and approval, "it owns, operates, programs or provides sales services to 140 television stations in 72 markets"[6] According to many, it is now the "largest" TV company in the country.
- The term of a broadcast license was extended from five years to eight years and made it more difficult to challenge a current license holder.
- Cable rates were deregulated, with a rise of nearly 50 percent across the board.
- Perhaps the most influential change was the reduction in cross-ownership rules for cable systems and broadcast companies. As a result, large media corporations now own cable companies, broadcast networks and cable networks.

Post-1996

Technology is the keyword for Post-1996. Undoubtedly, the Telecommunications Act of 1996 was long overdue and the changes, according to many, facilitated the growth of the industry. (*Note: In 2003, the FCC, under pressure, further refined the Act, further defining ownership.*) However, the internet was ready to explode into the consumer arena and the explosion occurred in the late 1990s. According to the International Telecommunications Union (ITU), over 40 percent of U.S. individuals had access to the internet by 2000 and in 2012, the latest year reported, 81 percent had access.[7]

With the internet came other technological advances. Cell phones moved from a bulky, poor-reception business convenience to a thin, fit-in-the-palm necessity with phone, text, email, shopping and numerous applications. By 2013, an individual could use a mobile device to wake up in the morning, check traffic patterns, text others, scan the news from multiple sources, order meals, and check the weather, play games, send pictures and do numerous other activities.

Of course, print book sales were going southward, while e-book sales were skyrocketing. Tablets, not only the iPad, were becoming the next technological necessity. No longer were people listening to just the radio stations in the hometowns, but downloaded music had long surpassed "album" sales, almost all radio stations were streaming, and it was not uncommon to listen to an internet-only station. Television shows were available to view in numerous ways, including the mobile device and the tablet. No longer was it just the message combined with a set technology, or the "medium is the message," as Marshall McLuhan said in the 1960s. Now, the message is separate from how we listen, view, or read the message.

This is Not a Charitable Function

$139.5 billion. Yes, that's billion. And, that's the total of U.S. ad spending in 2012 with traditional mass media (including the internet display ads). An increase of three percent over 2011, it was the third year in a row with an increase since the cataclysmic economic downturn in 2008–2009.[8] The amount is only for Advertising and does not include other revenue streams, such as print circulation. It includes website advertising, but not subscription and pay wall fees to the websites.

So, who gets the money? TV, which includes Cable TV, continues to get more of the advertising revenues than other media. Within that industry, though, cable lags while Spanish Language TV continues to grow by double digit percentages.

Considerably behind the TV industry are Magazines, and, as with Newspapers, the amount in revenue continues to fall. As within Television, Spanish Language magazines' revenues are growing by double digit percentages. Unfortunately, the Newspaper industry is in the same predicament of slow or negative growth like the Magazine industry and some have suggested it's even worse. In fact, Spanish Language newspapers saw only minimal growth in both 2011 and 2012, although the Spanish population continues to grow nationally.[9]

Radio advertising revenue held steady from year to year, partly because of the election and political dollars available.[10] In fact, some experts believe that when there are the Olympics and national elections, the traditional mass media (television, radio and newspaper) will benefit. Perhaps that was true in 2012 with Television and Radio, but not with newspaper.

Media Corporations and Ownership

Who owns the media? Who pockets the $139 billion? Corporations, some multinational, own most of the media in the U.S. While there are still some individual, smaller owners, those are few and far between, found primarily in the rural areas.

What makes the ownership more confusing in the United States is the ownership of "Grandfathered" properties, which, technically, shouldn't be owned by one entity in the same market, but are there because they already were when the rules were set. For instance, a company can't own newspaper and TV/radio in the same market. But, look at Cox Media. Cox Media owns *The Atlanta Journal-Constitution*, but also owns in Atlanta WSB AM-FM, three other radio stations and WSB-TV.[11] The newspaper is not in the same building as the radio and TV stations, but that doesn't stop them from doing business together, if so desired. However, Cox Cable has become the strength of the corporation, but since it came along after the cable ownership rules were set, Cox can't have cable companies in the Atlanta area.

Confused? Look at Figure 2-1. It gives you some idea of which corporations own what networks. For instance Disney owns not only Disneyland and Disney World, but ABC, which owns ABC Entertainment, ABC News, ABC Family and ABC Daytime. Ever wonder why

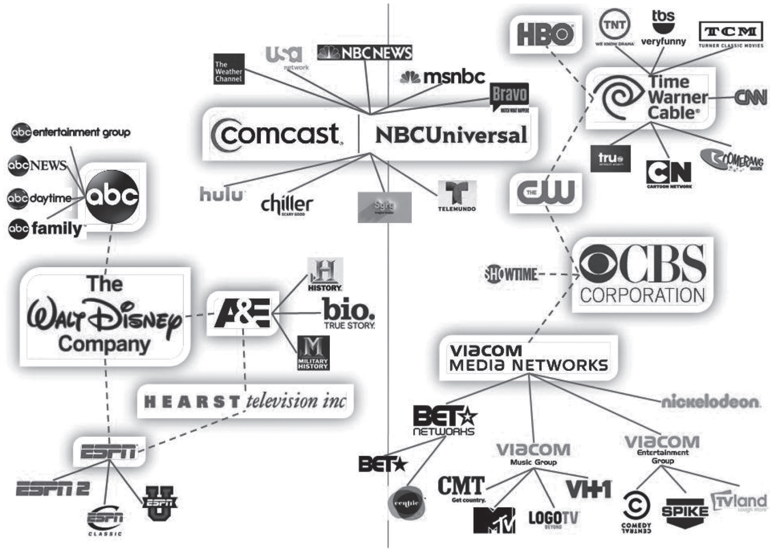

Figure 2-1 Media Ownership

"March Madness," the NCAA basketball tournament, is first on ESPN, but the finals are on ABC? ABC, Inc. owns ESPN, including all of the ESPN networks, such as ESPN2, ESPNU and ESPN Classic.

However, ABC, Inc. only owns 80 percent of ESPN. The Hearst Corporation owns the other 20 percent. That's not the only relationship between Disney-ABC, Inc. and Hearst, though. The two jointly own the A&E Networks (Lifetime, A&E, Bio, History, H2, LMN, Crime and Investigation, Military History, History en Español, plus more).

The Hearst Corporation is an example of a media corporation with its proverbial hand in many fires. For example, in addition to its television and cable interests, the company also owns 15 daily newspapers, including the *San Francisco Chronicle*, the *Houston Chronicle* and the *Albany Times Union*. The magazine division is even more impressive than the newspaper division. Hearst Magazines publishes 20 U.S. magazines with close to 300 international editions. Some familiar titles include *Cosmopolitan*, *Seventeen* and *Town & Country*. It also owns 29 television stations across the country, including stations in Boston, Orlando, Kansas City, New Orleans and Honolulu.[12]

Actually, while the Hearst Corporation had a reported 2010 revenue of $3.74 billion (2011 not available), it was only considered one of the top owners in Magazines, but no other category. It was #2, behind Times Warner (*TIME* magazine) in that division.[13]

If $3.74 billion does not make a media corporation one of the largest, what does? At the same time, 2010, the Walt Disney Company earned $38 billion in revenue and the News Corporation (FOX, FOXNews, etc.) earned $33 billion in revenue. However, an important point, only 45 percent of Disney's revenue came from the media and only 53 percent of News Corporation's.[14] Announced in mid-2013 was a split of the News Corporations into an entertainment and TV company and a publishing company.[15] While not a 50–50 split of the corporation's assets, it will certainly lower its ranking among top owners.

National Selling

Advertising is a form of selling and part of the entire Marketing plan for a product. In very general terms, media selling can be divided into two broad areas: National and Local.

National selling usually involves an ad agency and often media buyers (see below). It can also take different forms: network and national/regional spot advertising.

Network advertising is, as the name implies, spots (ads) placed on a network and carried nationwide, or in the case of some sports networks and/or radio networks, regionally. In the case of network advertising, the advertiser is promoting a national product, such as dog food or tomato soup; that is, something that appeals to a target audience found in the entire geography covered by the network.

Although network advertising may appear to be very general in nature, it actually can be very specific to one group of people. For instance, if a company is promoting a children's pain reliever, the network advertising will appeal nationwide, but particularly to mothers of young children. For that reason, the ads will be on the networks, but only on programs designed to reach women in the age group most likely to have young children. That's called **targeting.**

Many times, though, an advertiser is only interested in promoting a product to select groups of people in select parts of the country or into various markets of different sizes. For that reason, spot advertising is the most appropriate. Spot advertising provides greater flexibility than network advertising, because it allows the advertiser to place spots in individual markets and/or on individual media vehicles, based on the goals of the campaign and the target audience.

Toothpaste is a good example of how to use Spot Advertising. There are numerous types of toothpaste. All promise cleanliness, if used regularly, but some promise whiter teeth, less tooth decay, fluoride, baking soda, and for sensitive gums. There is now toothpaste for people over the age of 50. Obviously, a national campaign could be conducted to reach people over 50, but it would be much more cost efficient to reach people over 50 in the areas where they are most likely to live. In this case, some network dollars could be spent, but extra Spot Advertising could be bought in certain markets to enhance the campaign.

The downside of National advertising is who receives it and who doesn't. National advertising is bought most often in the larger markets and many analysts say national dollars are almost totally spent in the Top 100 markets. Whether that is true or not, almost all media outlets in every market have someone who handles the national advertising. In many respects, it is simply order-taking, not relationship marketing. Nonetheless, a quality national sales person will know the market, his/her own media vehicle and the competition, both locally, regionally and nationally.

Local Media

Local selling, the other half of advertising sales, is, depending on the size of the market, the bulk of the advertising. In many radio stations in a mid-size to larger market, local selling can be as much as 75 percent of the advertising revenue. In much smaller markets, local selling may be as much as 90 to 95 percent of the revenue.

Local selling, as the name implies, involves the local media vehicle and the advertisers unique to that market. It requires a high degree of relationship building and much more hands-on with the advertiser. Although many of the larger accounts, particularly in the automotive category, may use local ad agencies, many accounts may not. When there is no agency or production house involved, the salesperson may found himself/herself writing and producing the copy for the ad.

Often, the salesperson will face questions from a local advertiser:

"I can't afford to advertise, why are you here?"

"How do I know this will work?"

"I didn't see/hear my ad. Did it really run?"

On the other hand, the salesperson will often have advertisers who think they are stars and should appear in their own TV spots, suddenly become experts in scheduling, and/or want to change a contract in mid-stream.

Before answering or addressing the issues listed above, critical questions for the salesperson and sales manager are "How much is this client worth?" "What is the ROI (Return on Investment) of that client?"

While those questions may seem superfluous in the current economy of the last few years, they can't be ignored on the local level. Not all prospective clients are actually good clients. Obviously, the local accounts are the lifeblood of most media, but does Ma and Pa Barbecue, with one small location on the edge of the market deserve the time the salesperson would have to devote to keep it running? On the other hand, key accounts, such as automotive, grocery, department stores and telecommunications must receive more than just order—taking.

The Role of the Agency

The adagency has been mentioned previously but deserves more than just a mention when discussing media business. Ad agencies have been an integral part of the media for over 125 years and have grown in importance with time. The primary purpose of the agency is service and it can be divided into three areas: managing the account, creative services and media planning/buying. Large agencies, particularly those with multiple locations around the world, will also have additional groups such as research.

Those who manage the account are responsible for soliciting the business and then servicing it after the client is signed. This group is the primary contact between the agency and the client.

The creative services group is responsible for all creative parts of the campaign and is headed by the creative services director. The artists, copywriters and graphic designers are part of this group.

The media planners/buyers are responsible for the media buys. The media planners determine which media should be used and how much of the particular medium should be used. The media buyers actually determine which specific vehicles within a medium should be bought and place the buys. Often times, with a larger account the media supervisor will oversee the buy.

How the agency is organized is based on each agency's business plan. In some cases, one team will be responsible for the specific campaign of a client. In other cases, a large advertiser, such as a Proctor & Gamble, or a GMC, will split its advertising among different agencies or have one agency handle the entire account. In that case, internally, the agency may develop teams which work on the specific accounts.

Boutiques are a type of ad agency, but not a full service one. Boutiques tend to specialize in areas such as creative, media buying or other area of the agency-client relationship. A boutique can have numerous advantages for a client including lower fees, top creative talent who wants a smaller, quieter environment, or fulfilling a need the client cannot fulfill itself.

The formula from which ad agencies gain revenue has not changed much since ad agencies were first established. Basically, it is seen as the advertiser—agency—media, with the agency responsible for billing the advertiser all charges. The ad agency makes its money by charging a fee on top of the actual cost of the media. The standard has been in the range of 15 percent for many years. However, the agency also will charge the advertiser for all costs involved in producing the ads and any other fees. Usually there is an additional 17.5 percent charged for all production costs. This is referred to as *grossing up.* As an example, assume the service cost is $85. The agency will add 17.5 percent to the $85 and charge the client $100. (No, 15% of $85 is not $15. Do the math.)

The agency business has a reputation for preferring television over other media because television ads and production are the most expensive and therefore the agency can usually make more money with a television campaign. Whether this is true or not is debatable, but media other than television assume that it is.

Media Buyers

The purpose of media buyers is, as the name implies, buy the media. They are the people with which the media salespersons will have the most contact. Media buyers are often found within ad agencies, but there are a number of companies who specialize in media buying and are not part of an ad agency.

Basically, when all is said and done, a media buyer must have reached the highest number of people in the target audience for the lowest amount of money. This requires understanding the advertiser's media plan, identifying the target audience, understanding what's happening in the industry, negotiate rates with various media, find the media mix that best meets the advertiser's goals, and buy the space/time necessary.

In reality, media buyers with national accounts will have the software on their computers programmed for the Top 10, Top 25 and/or Top 50 markets with the Top Five radio and TV stations based on the ratings in these markets loaded. When needed to set a schedule, they press a few buttons and the sale is complete. Media buyers are traditionally overworked and underpaid, particularly in the larger markets.

A Little Grain of Sand

In many respects, Jon, the new sales assistant, is like a grain of sand on the beach. Jon is one of thousands of sales personnel throughout the U.S. media and will contribute to that $139.5 billion. In the early parts of the first decade of this century, money was freely flowing into the media coffers. Los Angeles became a one billion dollar radio market. Radio dollars in Atlanta topped $400 million. Much of this money came from salespeople who worked for the corporations which own the media. A common phrase was "The baby needs shoes." So, this is a business, just a very big business like any other big business.

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CHAPTER 3
Print Media

A Brief Recent History

The newspaper, since the beginning of the country, has always been the standard for American media. It has also been part of the social, cultural and technological changes in history.

Very briefly, as early as the Civil War, newspapers became big business. The war and development of the telegraph changed how stories were written, with the lead and inverted pyramid. Shortly after the war, there was a huge growth in U.S. population and newspaper readership. Some of the key players in the newspaper industry are recognizable today: Joseph Pulitzer, E.W. Scripps, and William Randolph Hearst.

Partly due to Yellow Journalism and the recognition of competition, papers, particularly the New York papers emerged, merged, and grew. However, by the early 20th century, there was a consolidation of the newspaper industry. Circulation and profits increased, but the number of daily papers declined. This was due to several reasons:

- Equipment and supply costs
- Advertiser preference for big chain newspapers
- Growth of chain newspapers (Scripps, Hearst)

The Great Depression had a major impact on the newspaper industry, both socially and economically. Many dailies went out of business due to lack of advertising revenue. Although it is debatable how much impact this had on the economics of newspapers, President Roosevelt had only 10 percent of the newspapers supporting his New Deal programs, which were designed to put people back to work. The newspapers didn't recognize they were fighting a losing battle with Washington; the populace like the jobs the New Deal created and Roosevelt was popular. A different political stand, which particularly the Hearst papers took, was not helpful in maintaining profits.

In some cases, the newspapers could not regain their former strength held before the Depression due to the economic factors. However, more importantly, a new medium emerged, a competitor for advertising dollars: Radio.

In the decade before the Depression, when radio was exploding across the country, newspapers, notably the Detroit News, had started radio stations or bought them from small companies who could not afford to keep the stations running. It made sense that an established medium (the newspaper), which could offer a stable business, a history of community service and the ability for a high standard of programming, would be perfect for operating the new, upstart radio stations. There was such a strong belief among newspaper owners that they were the best for radio, that they lobbied the Federal government to allow them to own more. However, on the other side, were believers in government regulations to avoid monopolies in the new broadcast industry. Of course, as already noted, Roosevelt had very little support from newspaper owners for his social programs, and he didn't forget that, nor did the members of his administration.

What ensued was a Press-Radio War, which lasted for at least ten years. Some historians say it actually started in the mid-1920s, but it definitely carried through the 1930s and changed the way people received news. It was basically about which medium got the news out first. Obviously, with its immediacy, radio could be on the air long before a newspaper could print. The newspapers, though, had a way to stop the radio stations: the newspapers owned/controlled the wire services, so the radio stations weren't able to get the news. The simple solution, for radio, was to start its own wire service, which the networks did.

In the long run, radio won the war. The newspaper industry's reputation as the only source for news was damaged, but it wasn't just radio that changed the way people wanted news. The U.S. entered World War II and people demanded immediate information. This did not mean the newspapers were not covering the war; in fact, some of the most famous reporters from World War II were from newspapers, particularly the photographers.

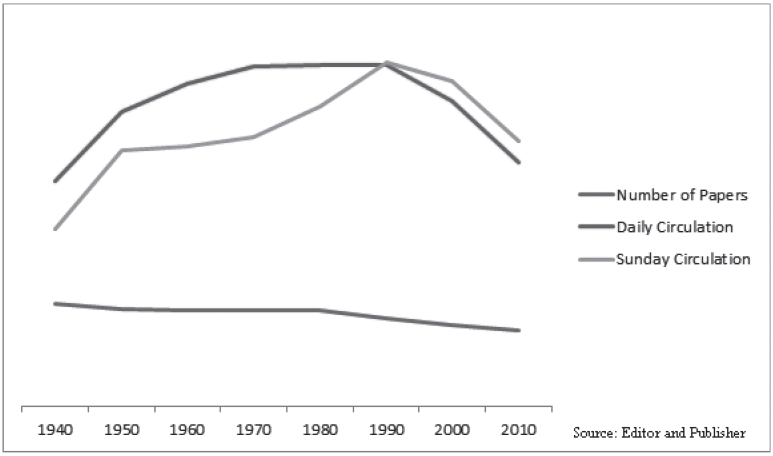

Figure 3-1 Newspaper Circulation History

Back home, during World War II, newspapers found themselves in a bind. There was more war news each day to publish, plus the usual local news, but the newspapers were under the same rationing restraints as other businesses. Oil, which was part of the ink for the presses, and paper were strictly rationed. That meant newspapers were restricted with the number of pages that could be published each day. So, what to do? Restrict the war news or cut back on advertising, losing business?

As a group, so legend goes, the larger newspapers asked the largest advertisers for help. If the advertisers would allow the newspapers to cut back on the advertising when the amount of war news rose, the newspapers would provide free services, called value added, for the advertisers even after the war was over. The newspapers honored their promises and as late as the 1990s, one of the services offered was still in effect: free marketing research for the advertisers. In many major cities, the large advertisers, such as department stores, received free marketing research from the newspapers. One newspaper research director said, "Sometimes I know more about the department store industry than I know about my own newspaper."

After World War II, once again, economic forces affected the newspaper industry. There were five primary economic effects:

- More consolidation
- Growth of chain newspapers with mergers of smaller papers

- Fewer cities with competing newspapers because of the consolidations
- Media conglomerates controlled both print and electronic media
- Television emerged as a competitor for advertising dollars

Culturally, newspapers were facing a decline in market share, which was not readily noticeable. While some newspapers were growing, readership was growing slower than a booming population. This was not readily apparent, because as the newspapers grew in circulation, so did the advertising dollars. The impact of the Baby Boomer generation, though, was not felt until the 1970s, when the "war babies" became adults.

When, exactly, the newspaper business began a downward trend is dependent on which statistic is reviewed. As Figure 3-1 shows, the <u>number</u> of newspapers started dropping from 1940 on. <u>Daily</u> circulation peaked at 63.3 million in 1984, while <u>Sunday</u> circulation peaked at 62.6 million in 1990, according to numbers from the Editor and Publisher International Yearbook.

Looking at the numbers in elementary ways, though, can be deceiving. For instance, there were over 300 daily papers that "closed" from the early 1980s to early 2000, but there were also new papers that began publication and some of the closed papers reemerged as weeklies.

However, just as with the Great Depression in the 1930s, a vulnerable industry, newspapers, was greatly affected by the Recession of 2008–2009. In 2009, newspaper revenue dropped by 29 percent, newspaper online by 12 percent and the combined 27 percent. In other words in one year, the newspaper industry lost over one-fourth of its revenue. 2008 had not been particularly strong either, losing 17 percent in combined print and online revenue. The drop had actually started in 2007 with an eight percent loss. From a rather flat year in 2006 through 2009, the newspaper industry lost 44 percent of its advertising revenue.[1]

From a public perspective, 2009 was a disaster for the industry. The *Rocky Mountain News* closed two months before its 150th anniversary. The *Christian Science Monitor* and the *Seattle Post-Intelligencer* went entirely online. The Detroit papers went to a model that allowed home delivery only three days a week. The *Los Angeles Times*, the *Chicago Tribune*, the

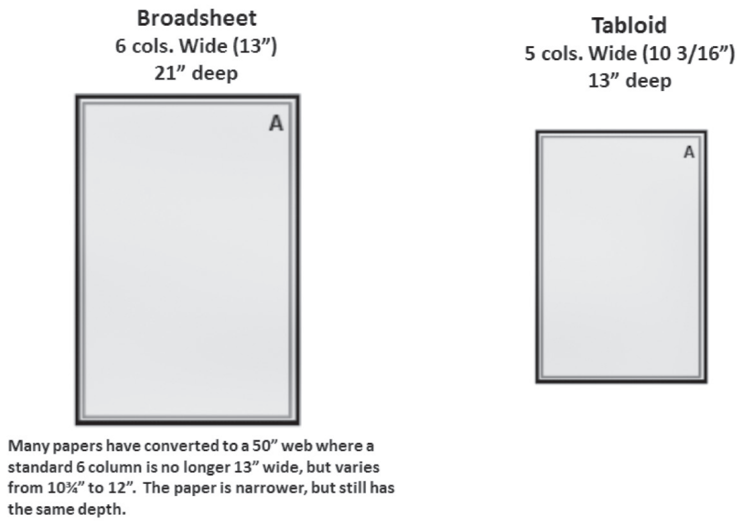

Figure 3-2 Broadsheeet vs. Tabloid Sizes

Philadelphia papers and the *San Francisco Chronicle*, among others, found themselves considering bankruptcy.

Why? There were a number of reasons.

- Obviously, the economic downturn affected advertising revenue. When the economy goes bad, the marketing and/or advertising budgets are usually killed first (or sometimes after the research budget).
- Many newspapers didn't recognize early enough the power of the internet and how the internet was the latest, and somewhat the most powerful "new technology" to dig into the old established industry. Readership continued to drop, particularly among younger adults.
- The type of ownership had changed and, in many respects, that was the biggest reason. Many newspapers, formerly owned by local or family companies were now suddenly part of large, publicly held corporations.

New tax rules for newspapers were put into place with new pressures from the financial community for an even higher ROI.

Table 3-1 Top 10 U.S. Daily Newspapers

Newspaper Name	Total Average Circulation 03/31/13
Wall Street Journal	2,378,827
New York Times	1,865,318
USA Today	1,674,306
Los Angeles Times	653,868
New York Daily News	516,165
New York Post	500,521
Washington Post	474,767
Chicago Sun-Times	470,548
Denver Post	416,676
Chicago Tribune	414,930

Source: Alliance for Audited Media (formerly ABC), 03/31/2013

Table 3-2 Top 10 U.S. Sunday Newspapers

Newspaper Name	Total Average Circulation 03/31/13
New York Times	2,322,429
Houston Chronicle	1,042,389
Los Angeles Times	954,010
Washington Post	838,014
Chicago Tribune	781,324
Detroit Free Press	708,114
San Jose Mercury News	702,407
Dallas Morning News	697,717
New York Daily News	644,879
Atlanta Journal-Constitution	644,287

Source: Alliance for Audited Media (formerly ABC), 03/31/2013

Many newspapers scurried to take the old tried and true advertising methods and tweak them instead of finding new, innovative ways. Classified advertising had always been a major pillar of support for a newspaper and attempts were made at many papers to increase the Classified offerings. Unfortunately, the internet industry with popular job and automotive websites became part of the shopping for the former Classified user.

Defining Features of Newspapers

Every medium has defining features which sets it apart from other media. For the newspapers, there are six:

- Diverse array of content
- Conveniently packaged
- Local
- Historical record
- Watchdog role
- Timely

Newspapers provide something for everyone. The **diverse array of content** can include, but is not limited to: world, national, state and local news; sports; business; education; entertainment and the arts; health issues; food and home entertaining; and, special editions revolving around holidays and community events. For many years, larger papers with a Sunday paper published a "Bulldog" edition, which was available on Saturdays so that consumers had early access to the coupons. The Thanksgiving edition is the largest paper of the year because of the advertising anticipating "Black Friday."

Newspapers are **conveniently packaged** such that all of the information someone would like to read is in one convenient package; printed on "newsprint," the light weight paperstock; and, easily folded to carry. Papers are designed as either broadsheets (like the *New York Times*) or as tabloids (like the *New York Post*). The tabloid size does not imply that the paper is a publication designed to titillate and offer sleaze, but the papers of that type gained their name ("The Tabloid") because they are the tabloid size. Figure 3-2 shows the size differences between a broadsheet and a tabloid.

With very few exceptions in the U.S., newspapers are **local.** In very small markets, where there is no TV station or news radio station, the newspaper remains the local source for news. This is true not only with daily papers, but also weeklies. Whether the interest is in the City Council meeting or the weddings of the last weekend, the newspaper is the source.

Newspapers continue to play an important role as a **historical record.** In many cases, if there is a debate about a certain event's date, the local newspapers files are often considered the accurate source. Census records and family Bibles often serve as a list of when births and deaths occurred to whom, but the local newspaper is the source for accuracy about events.

The **watchdog role** of newspapers is well documented. The concept of the Fourth estate, that is the media, was created before radio and television, as early as the 1840s by Thomas Carlyle. In more modern times, the Fourth estate relates to the freedom of the press. With that freedom is the concept of social responsibility. Newspapers, over time, have had the assumption that they are the ones who have the ability and the responsibility to oversee the government from a citizen's role.

Newspapers are timely. In today's age of instantaneous information, the idea that a newspaper is timely may seem ludicrous. However, newspapers continue to print what is current news, with the ability to explain in depth. This does not suggest that newspapers compete with electronic media or the internet in the ability to present instantaneous news, but it recognizes the ability of newspapers to, in a timely manner, explain the news.

Organization of the Newspaper Industry

There are various ways to categorize the newspaper industry, including by publication frequency and the appeal to certain target groups.

Big is always better, for some reason, and data is often crunched to show the largest newspapers in the U.S. Table 3-1 shows the Top Ten Daily Newspapers in the U.S. in March 2013. These numbers are interesting because they include both the Print and Digital editions, a recognition by the industry that Digital is an integral part of the readership. Unlike many countries, the U.S. has very few "national" papers. These are the *Wall Street Journal* and *USA Today*, although many people see the *New York Times* as a National paper. All of the other newspapers, while they may contain national and international news, are considered local newspapers.

Sunday newspapers are not counted as Daily newspapers and, the readers/listeners can be different from one day until the next. In addition, the auditing body for the newspaper industry, the Alliance for Audited Media (formerly ABC) now allows newspapers to include in their circulation figures newspaper-owned products, such as Sunday-Select type newspapers. This new policy allows the *Houston Chronicle* to become the second largest Sunday paper. Its Branded Editions actually have higher circulation than the Print and Digital papers combined. Table 3-2 shows

Table 3-3 Newspaper Ownership

Company	# of Dailies	Total Weekday Circulation	Largest Paper (circ)
Gannett	80	4,859,360	USA Today
Media News Group	63	3,098,580	San Jose Mercury News
News Corporation	2	2,618,850	#e Wall Street Journal
McClatchy Company	30	2,100,590	Miami Herald
Advance Publications	19	1,448,610	Plain Dealer
Lee Enterprises	52	1,343,650	St. Louis Post Dispatch
New York Times Co.	4	1,312,650	New York Times
Hearst Corporation	17	1,220,100	Houston Chronicle
Tribune Company	9	1,216,790	Los Angeles Times
Berkshire Hathaway	27	882,347	World Herald
Gatehouse Media	90	865,615	White Plains Journal News

Source: Pew Research Center, State of the Media, 2012

the Top Ten Sunday Newspapers in the U.S. Of course, the national papers, *USA Today* and the *Wall Street Journal*, do not have Sunday editions.

Print Dailies

When people think "newspapers," they usually mean the Dailies. The dailies, as the name implies, are published daily or in more and more cases, several days a week, plus the Sunday edition. The rest of the week is available only as an online edition.

Dailies are measured by Circulation, that is, the number of papers *sold*. It doesn't matter how many people read each copy, but how many copies are sold. Traditionally, dailies sold most of the papers as Home Subscriptions, papers delivered to the home (or office). Single-Copy Sales are those sold one time only and are usually found in convenience and grocery stores, or "racks" outside the stores. In some of the larger cities, often on the East Coast, newsstands are found, which sell newspapers and magazines. This is much more prevalent in Europe.

Readership numbers are higher than Circulation numbers, because readership measures the number of *people* who *read* a single copy. Traditionally, the standard was two people per copy, but that varies widely among papers and differently between daily (Weekday) and Sundays. On one island near Guam, the paper is delivered once a week via boat. That paper has 400 readers per copy!

In general terms, Dailies include Sundays, but in reality, the two are seen differently. There are the Daily copies, usually Monday-Friday, although sometimes Monday-Saturday, then the Sunday copies. These are usually called the Weekday Edition and the Sunday Edition. In the not so distant past, papers had different editions throughout the day, including a Home Edition for home subscribers and a PM edition for the late afternoon. Often, the editions simply updated the previous edition, although radical changes could be made when necessary. Due to economic reasons, multiple daily editions are rarely seen.

Dailies are usually categorized by size of paper, although there are no strict guidelines on what makes a paper fall into one category or another. The only standard has to do more with the size of the market the newspaper serves as opposed to the size of the newspaper. The categories for dailies are traditionally: National newspapers (*Wall Street Journal*, *USA Today*),

Table 3-4 Newspaper Advertising Revenue Print and Online

Year	AD Revenue (000)	Change
2004*	$48,244	4.50%
2005	$49,435	2.50%
2006	$49,275	-0.30%
2007	$45,375	-7.90%
2008	$37,848	-16.60%
2009	$27,564	-27.20%
2010	$25,838	-6.30%
2011	$23,941	-7.30%
2012	$22,314	-6.80%

*2004 is the first year the combination of Print and Online Revenue was published
Source: Newspaper Association of America, 2013

Large metropolitan dailies (*New York Times*, *Los Angeles Times*, *Denver Post*), Medium-sized dailies (*Charlotte Observer*), and small-town dailies (*Macon Telegraph*).

A successful group of newspapers during the economic downturn have been the Community newspapers. Many of these are small dailies that serve a community which is part of a larger market. These papers have remained successful because they serve the local community. When people are asked what they want most from their newspaper, they will say, "Local News." The definition for Local News is basically what the individual says is Local News; there is no standard. An example of successful community newspapers is the *Bucks County Courier Times*, *The Intelligencer*, and the *Burlington County Times*. All three serve various parts of Bucks County, Pennsylvania and surrounding areas of New Jersey. Together, they operate a website called phyllyBurbs.com. As the name implies, the area is part of the Philadelphia suburban area. The area is higher than average in median household income and education levels, which usually are characteristics of newspaper readers. These three papers though, are local papers, covering the local issues.

Print Weeklies

Weeklies are published once a week, sometimes two or three times. These are usually found in small towns, although they are also in suburban communities of larger metropolitan areas. The number of weeklies has remained stable over the past ten years and circulation totals have increased. Many weeklies have websites, just like the larger dailies. Rising production costs have made weekly publishers more cost-conscious, though.

One area where weeklies (and many small dailies) have found a need is with staffing for the website. Often times, reporters for the print edition must also write for the website. The concept of a journalist who can write, shoot video and edit is just as necessary for weeklies as for dailies.

Special Service and Minority Newspapers

Newspapers find themselves in a battle to retain older readers while attracting new readers. Various methods have been tried by many papers, including eye appeal experiments, changing the writing style, having shorter stories such as the *USA Today* model of the complete story on one page, moving away from stories about governmental meetings and having more entertainment stories, and even giving free tabloids to younger readers. What works varies from newspaper to newspaper.

Although minority newspapers are not new—some have histories dating to the 1800s—there is a resurgence in minority publishing. Many larger dailies will also publish a special minority edition or a totally separate paper. Some of the minority papers which were independent have either merged or are part of a larger daily.

The oldest history of minority papers is found among African-American papers. The history dates back to the days of Frederick Douglas and the Abolition movement, while some African-American papers are legacies of the civil rights movement. They are found across the country and include the *Charlotte Post*, *Chicago Defender*, *Jackson Advocate*, *Los Angeles Sentinel*, *Memphis Tri-State Defender*, and the *New York Amsterdam News*, founded in 1909.

The fastest growing minority in the U.S. is Hispanic and there are numerous Spanish-language newspapers. *Mundo Hispanico* is an example of an independent paper which was folded into a larger daily, the *Atlanta Journal-Constitution*. Published on Thursdays, the free *Mundo Hispanico* is distributed to 18 counties in Atlanta and surrounding areas. It reaches 71,500 adults, according to the paper's marketing information. Like many papers, especially specialty papers, *Mundo Hispanico* is zoned. That is, it is only available in certain areas, but an advertiser can buy ads for just the Metro Atlanta counties served or what is called full-run, the entire distribution area.

Some of the largest Spanish-language papers in the U.S. include *La Opinion* (Los Angeles), *Impacto Latin News* (NY), *El Nuevo Herald* (Miami), *El Diario La Prensa* (NY), *Al Dia* (Dallas-Ft. Worth), and *La Voz de Houston* (Houston).

Almost every minority group, ethnically, religiously, geographically and demographically, has a paper that represents the group. Many of the minority papers are found in areas where large numbers of the minority group are found. For instance there are a number of quality Chinese papers on the West Coast, particularly in the San Francisco area.

In addition to minority papers are other specialized papers. These include college newspapers, some of which are award-winning. The college papers, often depending on the size of the institution, are either independent or others function under a department within the institution.

Newspaper Ownership

The description of newspaper ownership was consolidation for much of the last half of the 20th century. As with other media, newspapers became part of large corporations, some of which had other interests than just media. Just like radio and television, newspaper has moved from private ownership to large public holdings, with investment firms involved.

There has been a reversal in some of the consolidated buying, though. It started in 2007, when Knight-Ridder (*Miami Herald*, et. al.) was purchased by the McClatchy Company, out of California. Instead of holding on to all of the former Knight-Ridder papers, though, McClatchy in turn sold off a dozen of the papers to private owners.

One reason for divesting papers from a corporate portfolio is that newspapers are no longer the profit centers they were before the internet became such an advertising giant. Many corporations do have numerous divisions where if one division drops in ROI, other divisions can compensate for the loss. For instance Gannett owns 82 daily newspapers

Table 3-5 Consumer Magazines 2002–2011

Year	Consumer Magazines
2002*	5,340
2003	6,234
2004	7,188
2005	6,325
2006	6,734
2007	6,809
2008*	7,383
2009*	7,110
2010	7,163
2011	7,170

*Fluctuations reflect that the number of magazines change based on economic conditions.
Source: National Directory of Magazines/Oxbridge Communications, 2012 as found in *MPA Magazine Factbook*, 2012.

Table 3-6 Top Consumer Magazines

Publication	2012 Circulation	Change from 2011
AARP the Magazine	22,721,661	1.4%
AARP Bulletin	22,403,427	1.0%
Game Informer Magazine	7,864,326	4.7%
Better Homes and Gardens	7,621,456	0.0%
Reader's Digest	5,527,183	−0.6%
Good Housekeeping	4,354,740	0.3%
Family Circle	4,143,942	7.0%
National Geographic	4,125,152	−7.9%
People	3,637,633	1.9%
Woman's Day	3,374,479	−13.2%

Source: Alliance for Audited Media (formerly ABC), 12/31/2012

(including *USA Today*). However, Gannett recently spent $2.2 billion to purchase Belo Corporation, raising Gannett's number of TV stations from 23 to 43. This means that Gannett will now derive more of its revenue from TV instead of newspaper.

Table 3-3 shows the top newspaper owners in the U.S., as of 2012. The date is important because there have been changes since it was first published, such as the Gannett-Belo transaction and the recent News Corp. split.

The Economics of Newspaper Publishing

Traditionally, the two main revenue sources, Advertising and Circulation, have maintained the profitability of the newspaper. However, that business model is changing to reflect a New World Order, with the internet and other devices, not previously measured, generating revenue. Nonetheless, close to 50 percent of a newspaper's revenue comes from traditional adverting.

Table 3-4 shows the change in Ad Revenue over the last few years. These numbers include print and online combined. Since 2004, the first year Combined Print and Online Revenue was reported, newspaper revenue has dropped 53.7 percent. That's a loss of *over half* of the revenue in less than 10 years.

Advertising has been put into four general categories for most of the last century:

- Local retail
- General
- Classified
- Prepaid inserts

Local retail is advertising generated from clients in the local area. These can include small "mom and pops" all the way to the large department and grocery stores. The largest number of sales representatives work in Local retail. **General** advertising, sometimes called National, is usually from companies out of the market, wholesalers, and manufacturers; and, carries a higher rate, with a separate rate card. Political advertising is found in this area. **Classified** advertising, while it includes the box ads individuals place to see personal goods, such as a car, sold, is primarily composed of three categories: Jobs/Employment, Real Estate and Automotive. **Prepaid inserts** are the inserts into the paper, usually on Sunday and a certain weekday, which is composed primarily of advertising, with the coupons. Often times, the preprints are produced by an outside company and shipped to the paper for insertion in the paper. This is usually an activity of the paper's deliverers (Circulation) before delivery begins.

The cost of an ad is based on the rate. Rates are determined in newspaper by the column inch, which is discussed in Chapter 10. Rate cards can usually be found for a newspaper through the account executive or online at the newspaper's website. While rate cards are designed to present the rates to be used over a year, many deals are negotiated "off of the rate card," meaning that a deal has been reached with a lower rate for the advertiser.

Circulation is the delivery of the paper. Traditionally, circulation has paid for the delivery of the paper to individual homes and sites for single-copy sales, and Advertising has contributed to everything else. However, newspapers are now recognizing, as advertising revenues drop and circulation costs rise, there are other methods of generating revenue. Online advertising is the obvious way, but a newspaper may earn revenue in different ways. As with other media, the newspaper industry sees a great future for mobile, although currently it is one percent or less of revenue.

Expenses for a newspaper include, as with any other industry, general administration, such as Accounting and Human Resources. A newspaper, though, must also account for news and editorial costs, mechanical costs, printing costs and circulation/distribution costs. If a newspaper at a daily newspaper needed to replace the presses, the cost could be over $40 million.

Newspapers are now recognizing other revenue streams in which to tap in. These include pure-play digital (digital only), niche marketing, and direct marketing. Although newspapers have always sponsored charitable organizations with races, community festivals, etc., newspapers now recognize the revenue possible from holding their own events, such as lunch for businesses in a targeted area. These bring advertisers to the event and the ability of the newspaper to market itself to the target area.

Structure of the Newspaper

The structure of a newspaper has not changed radically in the last 100 years. A newspaper has five basic divisions:

- Editorial
- Production
- Circulation
- Advertising
- Business

All of the divisions report to the **publisher.** The publisher is the chief executive of the newspaper, responsible for all facets of the operation. In smaller newspapers, the owner may be the publisher. Publishers rarely write stories, but are still legally responsible for the contents of the entire newspapers. While this position is not unique to the U.S., it is more prevalent in the U.S. than in other countries.

Editorial is the newsroom. The person who is in charge of this group is the Editor, although there are variations on this name, such as Executive Editor. The editor is responsible for determining the news content in the paper. In large newspapers, there will be other, less senior editors in charge of one focus area, such as Business, Local News or Sports. Reporters are the journalists who gather the information and write the stories.

Table 3-7 Top Consumer Magazines Single-Copy Sales

Publication	Single-Copy Circulation	Rank in Top 25 in Overall Sales
Cosmopolitan	1,190,669	15
Woman's World	1,143,985	—
First for Women	989,144	—
People	971,668	9
Family Circle	636,363	7
Lindy's Football Annuals	609,557	—
In Touch Weekly	536,030	—
In Style	528,418	—
US Weekly	528,027	—
Food Network Magazine	483,773	—

Source: Alliance for Audited Media (formerly ABC), 12/31/2012

They report to the editor in charge of the specific area for which they write. Journalists at larger papers will often specialize and have a "beat," they cover for stories, such as Police Beat, Education, Local Government, etc. In smaller papers, there may only be one editor and reporters write on many different topics. All newspapers have photographers and some also have graphic artists.

Editorial personnel, at most newspapers, now write for the newspaper's website, in addition to the print edition of the paper. There are writers who specialize in online, but most reporters are now expected to write for both and in many cases, shoot video and edit it for the website. This is particularly true the smaller the paper.

Will Print Survive?

Will print publications survive? Some will and some won't. Newspapers owned by big companies are in a better position to wait out a downturn in the economy as parent companies have other businesses to offset newspaper losses. Newspapers with the big corporations are also in a better position for a longer length of time to try new ways to stay in business and may be seen as a better property for purchase as opposed to smaller papers which may just close their doors.

Newspapers of the future will be in different formats, many of which are already in place for a number of papers:

- Newspapers may be a hybrid of a printed version that appears a few days a week and a Web site version that is constantly updated.
- Newspapers may be an online version that is delivered to a number of platforms, including mobile and tablets
- Newspapers will continue to survive by revenue which is generated by advertising, but may also charge for specialized content.
- Newspapers will still employ journalists; but these people may be audio and video reporters, photographers, editors and bloggers.
- Magazines will continue to have some unique challenges, searching for new ways to gain new readers.

Production is often called the "Blue-Collar" division of the paper, although press persons are highly trained, skilled workers, having long careers in computers, graphic arts, and the printing, itself. The printers and press operators actually ensure that the paper is printed from the moment Production receives the stories, advertisements and other information to be included in the next day's edition. In many papers, the webmasters and web designers are also found in Production.

Many small papers outsource the printing process because of the costs of the presses and the little amount of time it takes to actually print a small paper. Some papers will print their own papers, but also do other printing whether for other papers or contract work from the community.

Circulation is responsible for distribution of the paper. This may begin early in the process with selling subscriptions and working with retailers who sell the newspaper. For that reason, Circulation has its own sales department that only sells the newspaper, not the ads in the newspaper. Circulation also includes the persons who deliver the newspaper, the carriers; the persons responsible for delivering the paper to the retailers, such as the convenience and grocery stores; and, the people who stack the "racks," the vending machines. Free newspapers, usually weeklies, also have circulation departments responsible for distributing the papers.

Advertising is actually one of the smallest departments at the newspaper, but responsible for over half of the revenue. The sales staff not only sells the "space" in the newspaper to the clients, but also helps advertisers design the total campaign. If the advertiser requires help in developing the ad, the graphic designers in the Advertising department will actually design the ads to be used.

Business has become a more important entity at the newspaper in the last 30 years as newspapers have recognized the importance of marketing themselves. The Business division will include the usual Accounting and Human Resources departments, but now also includes the Marketing department. At many newspapers, the Marketing Research group will be found here. It is responsible for researching the readership of the paper, potential readers, the local market and staying on top of industry changes.

Many larger newspapers have Zoned editions, with editions located in specific areas of the marketing. Both Advertising and Editorial will have personnel devoted to the Zones. The *Los Angeles Times* is a good example of a paper with numerous zoned editions. Not only does it have the *Los Angeles Times* for the general market, but it also has zoned editions in Glendale, Burbank, La Canada, Pasadena, Huntington Beach, Newport Beach (Orange County), and Laguna Beach.

Newspapers also have different editions which may be daily and are updates of the first edition or papers often publish special editions throughout the year. These are usually topically related, such as a Home Special, College Football Guide, or Holiday Events, and are special sections inside primarily the Sunday paper.

Although all divisions work together, there is a definite Church-State division between Editorial and the other departments, particularly Advertising. Editorial (the Church) is expected to maintain high journalistic standards and the other departments (State) are not to interfere with the journalistic process. To what degree this actually occurs varies from paper to paper and depends on the strength of the publisher.

Magazine Editorial Content

The large number of daily newspapers, 1382, is often hard to comprehend, but next to the magazine industry, the number of newspapers is just a drop in the bucket. As Table 3-5 shows, as of 2011, the last year information is available, there were 7,170 *Consumer* magazines. A magazine's editorial content is based on the type of magazine it is, which is based on the target readers, the geographic location of distribution, how frequently it is published and its size. Very successful magazines have found the niche for the publication or are identifiably different from other magazine titles and often it is difficult to determine why one magazine holds appeal for a reader over another. For instance, why would *Bride's* appeal to one prospective bride, while *Bridal Guide* appeals to another?

One area where magazines are the same is with the way advertising is sold. In magazines, it is sold by the page or part of a page, such as quarter and half pages. This is different from the newspaper column inch selling strategy. Often times, ads for a related advertiser will appear next to the subject of an article. For instance, in a local city magazine, the ad for a doctors' group may be next to an article on the newest trends at the local hospital.

Magazines are divided into three large groups:

- Consumer
- Business
- Farm

Consumer magazines are the best known and the largest magazines in circulation are found in this group. Table 3-6 shows the Top 10 Consumer magazines in Circulation for 2012. This is print circulation and includes both subscriptions and single-copy sales, such as at the grocery store or the airport. It is estimated that 65 percent of consumer magazines also have a website and the Apps for tablets is expected to grow exponentially in the next few years.

Within the consumer group are further divisions. For instance, news magazines are studied differently than magazines that cater to the fashion industry. In fact, news magazines have been studied more than any others because this group appears to be losing readers at a more rapid rate than the other groups.

One of the most startling decisions in the publishing industry was the news magazine *Newsweek* leaving the print world for the digital world when it ceased publication as a weekly print magazine on December 31, 2012 and became totally digital. The new name was Newsweek Global and although it is totally digital in the U.S., hard copies are still available in Europe. In reality, the print edition had lost two-thirds of its subscriber base from early 2008 to the beginning of 2010 after a dramatic business restructuring was put into place. At the end of 2010, *Newsweek* merged with *The Daily Beast* and a redesign was undertaken in Spring 2011. Obviously, none of this worked for the magazine to gain its former status and thus the move to digital. The ownership of the magazine has changed three times since 2010: *The Washington Post*, the longtime owner, sold *Newswee*k to stereo magnate Sydney Harman. In August 2013, Harman sold the magazine to IBT Media, a digital news media company. The cease of publication as a print magazine by *Newsweek* has left only one mass market news magazine in the U.S., *TIME*.

Other types of Consumer magazines are found in the lucrative fashion industry, art, automotive, business, craft s, consumer affairs, humor, religious, science, sports and teen magazines, just to name a few. In a list compiled by the MPA (The Association of Magazine Media), and which certainly does not include all 7,170 consumer magazines, revenues for 2012 were found to be $19.5 billion, a three percent decrease from 2011. When Sunday magazines, those found in the Sunday editions of newspapers, were included, the revenue became $21.1 billion for the year and a loss of almost four percent. Perhaps just as important is the number of pages/partial pages devoted to advertising. That percentage was down by 8.2 percent in 2012 from 2011.[2]

Business magazines, often called B2B magazines, are measured as a separate category from Consumer and Farm magazines and while this group is the smallest of the three, it still is a formidable advertising tool. In a quick search of the top business magazines, well-known publications such as *Forbes*, *Fortune*, the *Harvard Business Review*, and *The Economist* will emerge. However, B2B also includes Professional and Trade magazines. At this point, the list becomes extensive. Almost all professional and trade organizations have their own publications and if there is an industry, it will have at least one publication devoted to it. The AMA (American Medical Association) publishes at least 12 magazines/journals, while the AMA (American Marketing Association) publishes Marketing News plus two magazines, four journals (Journal of Marketing, etc.), a variety of e-mail newsletters and marketing news directories.

In addition to professional and trade organizations, most industries have one or more publications devoted to each. *Real Estate Weekly* and *Professional Remodeler* are good examples. Large companies will often publish their own magazines, some directed to employees as in-house; others to customers and potential customers. IBM publishes *IBM Database Magazine*, which has gone through several permutations over time, but has not ceased publication.

The largest group of magazines in the U.S. is the **Farm** category. While this is often a surprise to many people, just looking at the number of possible publications it makes perfect sense. The definition for this category can or cannot include animals. In most lists of the top Farming magazines are *Successful Farming*, *Urban Farm*, *The Progressive Farmer*, and *Holstein World*. In just Animal magazines, there are the popular *Horse & Rider*, *Equus*, and *Audubon*. There are also top categories for Dog, Fishing, Horse, Hunting, Outdoor and Wildlife magazines. Almost every breed of horse, cattle, sheep, goat and even poultry has at least one publication devoted to it. Do not forget the peripheral industries for each of these, either. For instance, there are publications devoted to farm equipment, feed and grain equipment, feeds and grains, health products, processing, laboratory products and services.

The other large sub-categories in the Farm division are Horticulture and Country Living. These are not to be confused with Consumer magazines, such as Southern Living, although some do cross-over into the Farm category, such as *Country Living*. Just as the animal magazines have a publication for every animal species, there are also magazines for roses, sunflowers, dahlias, etc.

Two types of organizations are responsible for a number of Farm publications. Almost all states have a farm publication published by the Department of Agriculture for that state. In addition, the colleges and universities, particularly the land grant schools, will also publish Farm magazines.

A Magazine's Geographic Coverage

A magazine's geographic coverage affects its circulation and readership. Many magazines are national in scope, some with an international edition(s). Within the national coverage, some magazines, such as *Farm Journal* or *Southern Living*, will be zoned with more copies distributed in the primary coverage area and fewer as the geographic area is further away. This is often compared to a pebble thrown in a pond, with the greatest coverage right around the pebble.

Some magazines are deliberately small in the geographic coverage area, such as a magazine targeted to the city/town. Examples of these would be *Birmingham Magazine*, *Palm Springs Life*, and *Colorado Springs Style*.

The Frequency of Publication

Magazines are published weekly, bi-weekly, monthly, quarterly or annually. News magazines, such as *TIME*, are an example of a weekly magazine. Many magazines in the Fashion group are monthlies. Publications which are published only annually are usually the annual directory for an organization or an annual special issue for a weekly or monthly publication. Quarterlies are frequent in the Journal area, particularly where research may be published.

Magazine Size

Magazine size actually can mean two different types of sizing. The first is the sheer size of the publication. There are two common sizes. The first is the Standard Size which is 8 3/8” × 10 7/8”. It is considered economical and is the common page size. The second is the Digest Size which is 5 3/8” × 8 3/8”. *Reader’s Digest* is an example of the Digest Size.

Magazine sizes often vary from the standards, however. Oversized and undersized can be produced, but that means the cost per square inch goes up. To show how much this varies, look at some different sizes and magazines with those sizes:

7 7/8” × 10 7/16”—*People*, *Money*, *Fortune*
8” × 10 ½”—*Discover*
8” × 10 7/8”—*Rolling Stone*

The second type of sizing has to do with the thickness of the publication. Magazines are laid out in page increments of eight, starting with 16 pages. The most effective way to lay out a magazine is in increments of 16 (16, 32, 48). For Digest Size, the publication is laid out in increments of 32.

Magazine Distribution

Magazine distribution is similar to that of a newspaper: subscriptions and single copy sales. Subscriptions are sometimes called Direct Sales and single copy sales, Retail Sales.

Subscriptions are the life blood of a publication. With a subscription, the publication is assured of the revenue from that particular copy delivered to a specific address. Subscriptions are often sold as part of a membership. In Table 3-6, the two top publications (both subscription and single copy are counted) are from AARP. As part of the AARP membership, which is for persons 50 and older, the publications are included. Some critics have suggested that the AARP circulation is not a true subscription since it is part of the membership, but the Alliance for Audited Media (formerly ABC) has ruled otherwise.

Single copy sales are through newsstands and retail outlets, such as grocery and convenience stores. One of the largest booksellers in the country, including for magazines, is Walmart. Although subscriptions are usually the bulk of the circulation, Table 3-7 shows how some magazines do more business with single-copy sales. For instance, *Cosmopolitan* is ranked number 15 in overall sales (subscription and single-copy), but jumps to number one in single-copy sales, with 40 percent of its sales from there.

End Notes

1. Newspaper Association of America. "Annual Newspaper Ad Expenditures." March 2013.
2. Magazine Publishers of America. "December 2012 vs 2011 Print Consumer Magazines," January 7, 2013.

CHAPTER 4
Radio

A Short 100 Years

Just a 100 years ago or so, Radio was born. There were definitely ancestors of modern radio, including the telegraph and the telephone. Not only did both contribute to the electronic technology, but each brought several key factors:

- The Big businesses they became were supported commercially.
- The Big corporations became dominate in the industries.
- Both were point-to-point media. A message was sent from one source to one receiver.

There are a number of names associated with the invention of radio—James Maxwell and Heinrich Hertz demonstrated the existence of electromagnetic radiation; Guglielmo Marconi with the wireless signals; Alexander Bell and the telephone; Lee De Forest and the Audion—but Reginald Fessenden is considered by many to be the "Father of Radio."

A Canadian working for General Electric, Fessenden created a high-speed alternator. On Christmas Eve 1906, he tested the alternator. Up and down the East Coast, wireless operators on ships heard a human voice. It was Fessenden explaining how the alternator worked, followed by violin music, Bible readings and Fessenden saying, "Merry Christmas."

There became such as battle over the technology and who had what that the U.S. Navy took control of all radio operations in the U.S. during World War I. In effect, the Navy assumed all responsibility for patent infringements and installed radio equipment on all the ships. Many experts say that the Navy's actions actually allowed modern radio to move forward, as opposed to slipping into the quagmire of technological warfare.

Radio burst on the scene in the 1920s because:

- Thousands of hobbyists were trained in radio during the war
- Technological improvements made during the war gave radio better reception
- Business interests began to realize that broadcasting might make money

The first experimental stations, other than the unknown ones in peoples' garages, were from Westinghouse, RCA, GE and AT&T, which were all part of the technological development of modern radio.

The first modern station is recognized as KDKA, in Pittsburgh. Frank Conrad, its owner and developer, was granted a license in 1920 by the Department of Commerce, Bureau of Navigation. At this point, radio was still seen as more of a naval, ship-to-ship operation than a commercial, entertainment source. KDKA, now owned by CBS, remains on the air and is the highest rated News Talk station in the Pittsburgh market.

At the beginning of 1922, there were 28 stations actively broadcasting. At the end of 1922, there were 570. Interference became a major headache. People were starting stations all over the electromagnetic spectrum, with no concern what frequency they were on or who else in the general geographic vicinity might be there or how powerful anyone was.

In the meantime, between 1920 and 1927, radio became more than just a fad. It became a major industry. Commercial advertising was started on WEAF, in 1923, and many stations quickly followed. David Sarnoff started the NBC radio network in 1926, with William S. Paley forming CBS in 1927. With the radio networks, which allowed for national broadcasting instead of just local, national advertising became possible.

By 1927, the interference problem was so bad that everyone (almost) felt there needed to be some sort of control that couldn't just be handled by the industry. So, in that year, Congress established a temporary five member commission to regulate broadcasting, the Federal Radio Commission. The Radio Act of 1927 made some key assumptions, which are held today:

- The radio spectrum is a national resource.
- Individuals cannot own frequencies.

- Licensees would have to operate in the public interest
- Government censorship was forbidden.

In 1934, the Federal Communications Commission replaced the FRC, with the responsibility of overseeing regulation of wireless and wired communication. Almost 80 years later, it still controls all broadcasting in the U.S.

Now, for Just a Moment, a Few Messages From the Techno-Babble End …

Radio programming originates at the local station. There are over 15,000 radio stations in the U.S., about 75 percent of which are commercial (bring in revenue). There are also about 7,000 FM translators, boosters and low power FM stations.[1]

U.S. stations WEST of the Mississippi River start with a K; those EAST of the Mississippi start with W (Hint: Kilowatt). Canadian stations start with C; Mexican stations with X.

There are two types of radio broadcast transmission: AM and FM. AM has been around since the beginning. FM was invented in the early 1930s, but was not available for most people until the 1960s. David Sarnoff wasn't that interested in it; he wanted to spend more time developing television and the U.S. government put a stop to its development during World War II.

AM (Amplitude Modulation) radio has long radio waves. The AM Antenna sends out two kinds of radio waves: Ground Waves and Sky Waves. Ground waves spread out horizontally and travel through the air along the Earth's surface for a short distance. Sky waves spread up into the sky and they reach the ionosphere, they are reflected back to Earth. The best AM towers are found in the swamp (Hint: Best conductor of electricity is water.)

AM radio has some problems. There is a lot of electrical interference; AM radios are often substandard and can pick up only a few stations; the signal can only penetrate a little ways; and, perhaps most importantly, AM stations were established early. Since the 1920s and 1930s, the population has shifted. Much of the population is not found in places where most of the AM stations are found.

FM (Frequency Modulation) radio has very short radio waves. The FM Antenna sends out waves that travel in the same direction as AM waves, but FM Sky Waves are not reflected back to Earth. Sky waves go through the atmosphere and are lost in space. (That's why aliens know that Earth will be an easy conquest.) Ground waves spread out horizontally, but in Line-of-Sight. They travel only until they reach a barrier, such as mountains, tall buildings, etc. For instance, Knoxville Tennessee sits in a bowl, surrounded by mountains. On the top of the tallest mountains are all the towers for the FM and TV stations in the area, with flashing lights, as if serving as the entry point for aircraft.

FM radio is considered to be better than AM radio. It has better fidelity (basically, quality of sound), it's not affected by electrical interference, better radios are built for it, and FM covers the population better than AM.

Now, Back to Our Regularly Scheduled Programming …

When we last left our story, the FCC had been established. What were the radio stations programming? The 1930s and 1940s are known as the Golden Age of Radio. The listeners wanted entertainment and the radio and music industries created a symbiotic relationship which continues today. The radio network programs, heard nationwide, were primarily music and variety programs. At this time, all of the programs were live, with networks having their own studio orchestras.

Big Bands became popular with singers such as The Andrews Sisters, Louis Armstrong, the Harry James Orchestra, Tex Beneke, June Christy, Buddy Clark, Rosemary Clooney, the Jimmy Dorsey Orchestra, the Benny Goodman Orchestra, Kate Smith, Frank Sinatra, and Glenn Miller.

Country music grew due to radio. In 1925, the Grand Ole Opry, presented by WSM-AM in Nashville, began and continues today. Because WSM-AM was a Clear Channel station, meaning it had a signal of 50,000 watts power, the program could be heard throughout most of the country. Some of the early performers at the "Opry" were Roy Acuff, Uncle Dave Macon, DeFord Bailey, Bill Monroe and His Bluegrass Boys, and Uncle Jimmy Thompson. It was the largest of the "barn dance" shows, which were carried usually on a Saturday night, by a local radio station. These were heard all over the South, but as far west as California and as far north as Chicago. The programs showcased local musicians, some of whom went on to fame.

During the Depression, people wanted diversion and escape. Action-adventure programs, like "Lone Ranger," "The Shadow," and others kept people on the edge of their seats in the living room, as the family gathered around the family set. The soap opera was born during this time. Like most shows, the soap operas were 15 minutes long and had a sponsor of the show. Commercials were not throughout the program; rather, a sponsor introduced the show and ended it. In the case of a soap opera, the show was sponsored by a laundry soap, primarily Tide. For that reason, the programs, which basically had a continuing storyline with men and women in love/hate relationships, were given the name, "soap operas." The name made the jump to television and currently stands.

The network radio news became more important during the 1930s, including coverage of special events. Even some special sports programs were aired, such as the World Series. With World War II, broadcast news became the source for breaking news. Edward R. Murrow's broadcasts from London during the bombing of London by the Germans are legend, and some historians say his broadcasts and those of others, such as Walter Cronkite, helped push the American people into accepting war. In fact, President Roosevelt's speech to Congress, on December 8, 1941, shortly after noon, announcing the bombings of Pearl Harbor on December 7, 1941 and the U.S.'s official entry into the war was carried live on a Sunday morning across the country.

Table 4-1 Radio Revenue by Year

Year	Revenue (in millions)	% Change
2007	$21,310	−2.0%
2008	$19,478	−9.0%
2009	$16,029	−18.0%
2010	$17,287	6.0%
2011	$17,396	1.0%
2012	$17,918	3.0%

Source: RAB Analysis of Miller, Kaplan, Arase & Co. data

After World War II, television exploded on the scene and many said radio would die. It didn't; instead, radio became a niche medium. Radio stations, instead of just general programming, became format-laden, with numerous music possibilities, from country to classical. FM radio was radio's explosion in the 1960s, stereo in the 1970s and digital in the early 2000s.

Radio—Defining Features

For a product to survive in the marketplace, it must have features that make it agreeable to the consumers and unique from competitors. Radio has four major defining features:

Flexible
Intrusive
Mobile
Targets

Radio is **Flexible** in that anything—music, promotions, or advertising copy—can be put on the air almost instantaneously. If there is a need to change the wording in a news story or in advertising copy at the last minute, it is possible. It can even be done live, with up-to-the-minute information included. This is different from television, because of the video element in television.

The same advertiser can quickly have different copy for ads. For example, the FOX network decided to promote its popular show, "24," on an hour-by hour basis. Since each episode of the show covered one hour of one day in the life of the primary character, the ad agency created a campaign of a different radio ad for each hour over a 24-hour period to kick off a new season. Many radio stations questioned their own abilities to pull it off. It turned out to be very successful and became a model for other radio campaigns.

Radio is, like other media, **Intrustive.** It is everywhere—in the home, the workplace, car, down the street, in the store, wherever a listener may be. It can create interest where there was none before. Radio uses the concept of "theatre of the mind" in that the story told, whether through music, sound effects or spoken copy, gives the listener the ability to create his/her own ideas.

Listeners can hear radio while involved in other activities. Research shows that the number one reason women, ages 25–54, listen to the radio in the morning is for information, primarily traffic and weather. The number one medium used when people are driving is the radio. According to a 2013 Arbitron/Edison Research study, 84 percent of the people who were driving/riding in a car in the last month said they listened to AM/FM radio, another 15 percent said Satellite radio, and yet another 12 Percent said Online radio. In fact, 58 percent of those car drivers/riders said they use AM/FM radio almost all of the time or most of the time when in the car.[2] Home listening has always been a part of the American lifestyle and listening at work has continued to grow.

Some formats are more intrusive than others because listeners pay more attention. News/Talk formats are examples of this. People also listen better and remember when established personalities sell a type of ad. Some famous "Voice-Over" actors include Robert Downey, Jr., Tim Allen, Allison Janney, and Patrick Dempsey.

Radio can go anywhere; it is **Mobile.** A radio station can be heard anywhere, whether in the car (most listened place), at home, at work. Listeners can be reached for selling products where other media are limited. For instance, when consumers are on the way for grocery shopping, they are most likely to have heard a radio ad about the grocery store as the last ad to which they are exposed before reaching the store.

Radio can **Target.** It can focus on narrowly targeted groups. Advertisers can be selective on formats, stations, and targeted groups. For

Table 4-2 Top Group Owners

Clear Channel Communications	850
Cumulus	525
TownSquare Media	243
CBS Radio	126
Entercom	100+
Salem Broadcasting	95
Saga	91
Univision	70
Cox Media Group	57
Radio One	53
Entravision	48

Source: Corporate information available from each group owner, effective June 2013.

instance, if an advertiser for a new automotive sound system designed for sports cars wanted to advertise, he/she could target the audience, Men 18–34, choose a radio format this group probably likes, Alternative Rock, and then choose the station with the format.

Radio is not without its problems:

- Aural
- Prone to Distraction
- Short-Lived

Radio is a sound medium. It is **aural.** The old adage, "In one ear, out the other," applies here. An advertiser can't show the product or demonstrate it. Any emotion must be built within the storyline of the spot (ad). Keep in mind that the average length of a radio spot is 30 seconds; sometimes 15 seconds.

The only sense used with radio is Hearing and listeners often do other things while listening to radio. It's a companion medium, which makes the listener **prone to distraction.** Repetition is the key to successful comprehension of a radio ad, which means the advertiser must buy multiple spots.

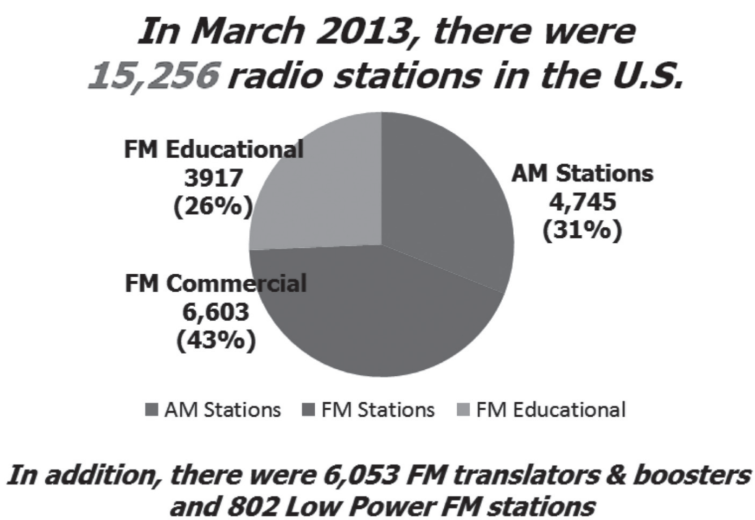

Figure 4-1

Source: Federal Communications Commission, March 2013.

Radio is **short-lived.** Unlike print ads, the radio (and TV) is not a tangible medium. Commercials are intangible; not something the listener can hold and refer back to later. Once again, repetition is the key to successful comprehension of a radio ad.

Radio—Competition

There are more radio stations in the U.S. than any other media, with five times more than newspapers and ten times more than television. Radio stations compete for advertising revenue both within the radio market and with other media.

Radio is a locally based medium. The AM stations in local markets, particularly the smaller markets, rely on local advertising. The FM stations frequently dominate in larger cities, using a combination of national spot and local advertising. The FM stations have 80 percent of all radio listening. The most profitable of all stations are the big FM stations in major cities and the AM News/Talk stations also in major cities.

Radio is like newspaper in that it was a victim of the economic downturn in 2008–2009. As with many Election years, 2008 was somewhat

Table 4-3 Top Radio Formats

Format	Share	# of AM/FM Stations
Country/New Country	14.2	1,727
News/Talk/Info + Talk/ Personality	11.4	1,953
Pop Contemporary Hit Radio	8.2	465
Adult Contemporary + Soft AC	8.1	792
Classic Hits	5.2	510
Class Rock	5.2	504
Hot Adult Contemporary	4.7	456
Urban Adult Contemporary	4.1	163
Rhythmic CHR	3.4	145
All Sports	3.1	689

Source: Arbitron, Radio Today 2013, Executive Summary, March 2013 deceptive in that radio advertising was bolstered by the Political dollars. Table 4-1 shows how radio revenue has changed in six years. Although there has been somewhat of an up-turn in 2011–2012, the numbers have not returned to 2008 figures, when the economic downturn began. As in 2008, 2012 revenue included the Olympics and Political revenue.

Competitively, radio is not earning the revenue it should be receiving in a standard Power Ratio analysis. A Power Ratio looks at the media share of the audience a medium has versus the share of media revenue it gets. Radio's share of the time spent with the media is 13.2 percent, but its share of the revenue is 9.3 percent.[3] That means that radio is only earning 70 percent of the media dollars it could be earning based on the share of consumers it has. Only Mobile (non-voice) has a Power Ratio lower than radio's, but as a new medium that is to be expected. On the other hand, both newspaper and magazine receive far more revenues than the two media should, based on their share of consumers.[4]

Radio—Consolidation

Prior to the 1996 Telecommunications Act, the number of radio stations an owner could have was extremely limited; only 20 FM and 20 AM. In the 1990s, the National Association of Broadcasters (NAB), among others, lobbied to deregulate radio. The lobbying by the NAB, owners, and others led to 1996 Telecommunications Act. What happened, specifically, to radio?

- The Telecommunications Act of 1996 shifted the radio landscape
- Group ownership restrictions were lifted
- There is no limit to the total number of stations a company can own (*amended in 2003)*
- It did set as a maximum that group owners could own up to eight stations in a large market
- The Mom and Pop stations have largely disappeared except in the small, rural towns

Due to the changes in the regulations, particularly minimal limits on the total number of stations a company can own, a feeding frenzy through the early years of 2000 occurred. Now, supergroups of station owners were formed. Several print organizations called it a modern version of the Oklahoma Land Rush.

During the late 1990s and up until 2001, there was a robust economy which contributed to a hefty advertising growth. This growth allowed for easy acquisitions. The classic example of the consolidation resulted in what is now known as Clear Channel Media and Entertainment (formerly Clear Channel Radio).

Now, for another message from our sponsors … How a Radio Giant was Born

Clear Channel was started in 1972 in San Antonio, Texas by Lowery Mays and B. J. "Red" McCombs. Through the 1970s and 1980s, the corporation purchased radio (and TV) stations slowly until 1995, when Congress allowed radio stations to buy more than two stations per market. When the 1996 Telecommunications Act was passed, Clear Channel owned approximately 43 stations. After the Act was passed, Clear Channel bought stations like in a fire sale. According to some reports, it purchased more than 70 other media companies. The way the companies were purchased is a classic example of Consolidation.

Capstar Broadcasting was formed in 1996 and within a year was the largest radio owner in the country with 243 stations. In 1997, Capstar bought SFX Broadcasting, Inc., bringing its number of stations to 314. In second quarter 1999, Capstar and Chancellor Media Corporation merged, with the new company (later named AMFM Inc.) now owning 463 stations.

In the meantime, Jacor Communications was at work. Just a few days, in 1996, after the Telecomm Act was passed, it bought Noble Broadcasting. Ten days later Jacor merged with Citicasters. In 1997, it acquired the assets of Nationwide Communications. By 1999, it had 230 radio stations, plus the Premiere Radio networks, which produces The Rush Limbaugh Show.

Clear Channel had not been silent, either. In 1996, it owned 121 radio stations and continued to buy more. By the end of 1999, the corporation owned approximately 400 stations. In October 1999, Clear Channel purchased Jacor and then, in November 1999, AMFM Inc. the largest merger in radio history. By the early 2000s, Clear Channel owned ten percent of all commercial radio stations in the U.S. Since that time, primarily due to economics and a takeover by an investment group, Clear Channel has reduced its number of stations to 850 and divested itself of its television group.

In 2013, the picture is basically the same as the halcyon days of the early 2000's. Clear Channel Communications is still the top group owner, with 850 stations. Another consolidation is the recent Cumulus and Citadel merger, forming the second largest group, Cumulus, with 525 stations. Table 4-2 shows the top group radio owners in the U.S. and the number of stations each owns. The Top Two radio companies in the U.S. own 12 percent of all radio stations in the country while the Top Five own 16 percent. The FCC studies show the trend in consolidation continues.

Advocates of consolidation maintain that group ownership allows for economies of scale, which means more efficient programming and better news coverage. Critics of consolidation point to a sameness in formats from market to market, increasing the use of voice-tracking by group owners and losing the "local" flavor of radio.

Radio—Control

In March 2013, there were 15,256 stations of which 74 percent were Commercial stations. That is, stations which are in business to generate revenue. As Figure 4-1 shows, there are more FM Commercial stations than AM stations.

For the last 50 years, stations have catered to **target audiences**—a specific demographic segment, as opposed to a broad audience. Audiences are targeted by Age, Gender, Ethnicity, Music Preferences and Lifestyles, with Income Level often included. The favorite target group for advertisers is Adults 25–54-yearsold, including Men 25–54 and Women 25–54. Another popular target group among advertisers is Adults 18–49. While it has the same age range, it is slightly younger than the Adults 25–54, therefore appealing to advertisers interested in younger audiences.

As noted earlier, radio stations program **formats.** A format describes the content a radio station broadcasts and stations may change the format if research shows the audience is decreasing. It is consistent and designed to appeal to a specific audience. The format a station programs is also designed to attract advertisers wanting to reach the audience which listens to that particular format. While many formats are music oriented, there are also all-news, news talk and sports, to name a few. In addition, there may be an overall format, such as Country, but within Country, there are at least four formats: New Country, Mainstream Country, Traditional Country and Classic Country.

There are three basic format categories: Music, Ethnic (Urban) and News/ Talk. The majority of stations program a **music** format of many types. **Ethnic,** which includes Urban formats targeted to the African-American audience, has been a strong player in radio for many years, but is now growing rapidly with the growth of the Hispanic population in the country. Some of the most popular Hispanic formats, according to Nielsen Audio's (Arbitrons) *Radio Today 2013* are Mexican Regional, Spanish Contemporary and Spanish Hot Adult Contemporary. **News/ Talk** formats include stations that are All News, News and Talk radio, All Talk and Sports. Many of the News/Talk formats are found on AM stations and in larger markets can be very successful.

There are four formats that are the most popular, by far, among listeners. Table 4-3 shows the Spring 2013 ranking of formats, according to Arbitron's *Radio Today 2013.* Country/New Country continues to be the number one format in the U.S. Over 15 percent of the AM and FM stations format it and it's the number one format among listeners, according to Arbitron. It continues to grow and in the latest Arbitron numbers is starting to attract listeners 18–24 and even teens.[5]

The number two format is News/Talk/Info and Talk/Personality and has been number two for a number of years, with the exception of 2008. The Election Year 2008 shows News/Talk moving above Country by a few percentage points, them slipping back to number two in 2009. There are actually more News/Talk/Info and Talk/Personality stations than any other format, with 17 percent of all stations around the U.S.[6] However, it should be noted that almost 70 percent of all News/Talk stations are AM and many of these are found in smaller markets and towns, particularly in the Midwest. The format's popularity is helped by nationally syndicated politically-conservative personalities, such as Rush Limbaugh and the format is actually #1 among listeners in large markets. The News/Talk format has some of the most educated and highest income radio listeners. For most stations with this format, one-third or more of their listeners are 55 or older, in many cases 65 or older.

Figure 4-2 Format Clock

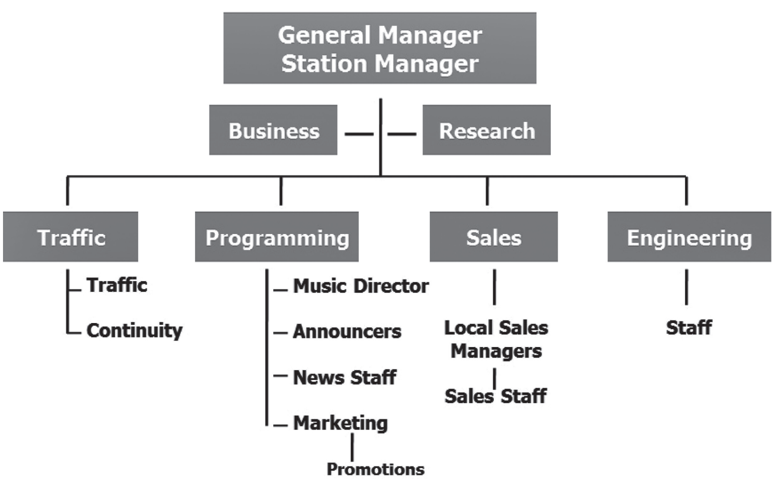

Figure 4-3 Radio Station Organization

A rapidly growing format is Pop Contemporary Hit Radio (Pop CHR). The number of stations is small (465), compared to the #3 popularity among listeners. According to Arbitron, a third of teenaged women listen to Pop CHR nationally.[7]

A standard for many years in radio has been Adult Contemporary/ Soft Adult Contemporary. It is not as popular as it once was, partly because of the growth of Country and Pop CHR.[8] The AC format has always been a place for advertisers to reach females, with usually higher-incomes. For the last ten years, Holiday music, played between Thanksgiving and Christmas, has found a home with this format.

With the large degree of consolidation in the industry, particularly since 1996, there has been a lot of debate regarding Format Homogenization. Homogenization occurs when the same music is played over and over on a large number of stations. If a listener was traveling cross-country, would he/she be able to differentiate from one radio station to another?

Voice tracking is part of the homogenization. It is really quite simple and has been a fixture in the industry for many years. For instance, if an announcer, with a popular afternoon show, also has a Saturday morning show, is he/she actually doing the Saturday morning show live? The answer is probably no.

The announcer, before or after the Friday afternoon show, may very well record his/her parts for the Saturday morning show, insert them into the computer program and save the program. It then runs on Saturday morning and sounds live. Where many see this as a problem is that after consolidation, companies will hire announcers, based in one city, doing a show in a number of markets, but appearing to be in the specific market where they are supposedly broadcasting. Many listeners actually believe the shows are live in their markets, never realizing the difference.

Whether voice-tracking is part of the program or not, formats are still very structured. The formats and music playlists, usually purchased from a music library company or developed by the corporate programmers, are tightly controlled by station management. This can usually include determining the number of times a song is played, on what days and during which times.

This is not a haphazard decision. Rigorous consumer research, far above and beyond Nielsen Audio's (Arbitrons) rating determination, is done by group owners. The research is conducted by companies which specialize in media research, some in radio research. There may be focus groups; Auditorium Music Testing, where respondents complete a questionnaire on their likes and dislikes, specifically with certain songs; or, more likely, electronic music testing where buttons are pushed or responses are measured. This is no different than what advertising agencies and television networks do to measure affability to an advertising campaign or new TV show.

Radio—Economics

As with other media, radio was strongly affected by the recession of 2008–2009. Based on industry data, between 2007 and 2010, revenue for radio dropped by over $4 billion; that is, almost 19 percent.[9] Although it has shown growth since 2010, it has not reached pre-2007 numbers.

Radio is cheap to produce and distribute and for that reason, there is still an interest in the medium, particularly on the local level. The growth of Pandora and iHeartRadio (a Clear Channel product) show a continued interest by consumers. However, this is different from the traditional radio model of "feeding" the consumer what the programmers want the consumers to hear. Instead, consumers now choose what they wish to hear, on their own time.

Radio stations sell using a Rate Card, which publishes the station's advertising fees. The rates for a station are divided into **dayparts,** which are segments in a day, divided by both radio and TV. The dayparts were established many years ago for advertising, but have become important in programming and audience analysis. The cost of a spot (ad) in based on the listeners ratings in the daypart. For that reason, competitive battles are often fought, not just with the overall listenership, but within the dayparts. In some cases, it is just as important to be #1 with Men 18–34 as it is to be #3 with Overall Listeners throughout the day. In radio, the primary dayparts are:

- **Morning (or AM) Drive.** Usually 6AM–10AM, Monday through Friday, although in some markets the station will change it to 5AM–9AM, based on its audience and commute patterns in the market. Some stations in large markets, such as Los Angeles, have even experimented with 4AM– 9AM. Traditionally, Morning Drive has shown the largest number of listeners, but recent improvements in data collection, such as with the PPM service of Nielsen Audio (Arbitron), have suggested that may not be the case with all formats.

- **Midday.** Usually 10AM–3PM, Monday through Friday, although many stations have tried 10AM–2PM. Known as the "at work listening" format, during the day this has been the weakest daypart, with a substantial decrease from Morning Drive. Once again, new data gathering methods have given rise to the premise that throughout the day, the decreases and increases between dayparts is not as extreme as traditionally thought.
- **Afternoon (or PM) Drive.** Usually 3PM–7PM, Monday through Friday, but some stations place the time range as 2PM–7PM. Traditionally, this daypart has been second in audience listenership, behind Morning Drive. The difference between the two is that there is greater activity by listeners (getting up, getting ready for work, commuting), during Morning Drive than with Afternoon Drive. Listeners tend to leave work, drive home, move into other media during Afternoon Drive and not in as concentrated behavior as seen in the morning.
- **Evening (or Nights).** Usually 7PM–Midnight, Monday through Friday. Traditionally, this has shown lower audience listenership than during the day, and competing with TV's Primetime. However, formats which cater to younger listeners, such as Pop CHR, often do their best during this daypart.
- **Overnights.** In radio, this daypart is usually Midnight—6AM, Monday through Sunday. Traditionally, it is the lowest-rated daypart, but it has a very unique, niche audience.
- **Weekends.** In radio, this is 6AM–Midnight, Saturday and Sunday. For some formats, particularly in certain times of the year, such as Summer, there is a totally different audience on the Weekends from the Weekdays.

- **ROS. Run of Schedule** is not a daypart in radio or TV, however, it must be mentioned in any discussion of dayparts and rates. ROS spots are scheduled throughout the dayparts when the advertiser is willing to pay

one of the lowest rates with the understanding the spot could be scheduled at any time during the day.

There are five sources of commercial revenue for a radio station:

- **Local.** These are ads from advertisers within the radio market and usually have a limited geography just within the market. These can be placed by agencies who are working with local advertisers. Local advertising is often 75–80 percent of a station's advertising dollars.
- **National Spot.** These are ads generated by companies which are national or regional whether they are based in the local area or not. Much of the National advertising is placed by advertising agencies/media buyers who handle the accounts.
- **Network.** Ads within network programs. These may be part of the program or available to sell locally.
- **Off-Air Income.** This was formerly called Non-Traditional Revenue (NTR) and includes any type of revenue generated which is not in the form of spots. It can include remotes, where the advertiser pays for the station to broadcast from his/her location, and events the station may actually organize where advertisers pay to participate.
- **Digital.** The newest category of advertising, Digital, has been broken out since 2009 from other advertising, and shown a steady increase since then. Although Digital revenue was generated before 2009, it was not seen as large enough before that year. It includes all advertising placed specifically on the digital sites for a station.

For many years, the largest advertising category for radio, by far, has been Automotive. This includes local dealers, dealer associations (regional and national), and manufacturers. Often times, the most senior account executives at a station will handle the automotive accounts. Other categories which consistently stay in the second tier for radio revenue are TV/Networks/Cable, Communications (primarily mobile), Restaurants (including fast food), and Financial Services (banks, credit unions, lenders, credit cards).

The radio station revolves around the Programming. Unlike the newspaper business where there is a definite division of Church and State between Editorial and Sales, Programming and Sales at a radio station work hand-inhand. If the station has a music format, a **Format Wheel** (format clock) will be in place. The Format Wheel basically takes an hour and assigns types of Programming throughout the hour. With little deviation, this wheel is followed throughout the day. Figure 4-2 shows how a simple Format Wheel can be used. There are thousands of variations of a wheel, all based on the needs of the individual station.

Talk format stations have topics geared to local audiences. The larger the market, the more likely the station will use a mix of local commentators and network/syndicated programs. This type of format requires more equipment, because of the live shows and more technical expertise, such as someone who can take calls, screen them, put them into the announcer and run the board, all at the same time. The sitcom, *Frasier*, was a good example of how this works.

A station that is All-News uses a programming wheel and cycle. For instance, local news may be at the top of the hour for five minutes and at the bottom of hour for five minutes. At 20 and 50 minutes after the hour, there may be national news. A format of this type is costly because it needs a large staff and many technical facilities.

Music stations are dependent on the All-News stations and sometimes the Talk/Info stations when there is breaking news. For instance, when the terrorist attacks of September 11 occurred, many News/Talk/All-News stations switched over to "wall-to-wall" coverage; that is, 24-hour coverage of the tragedy. If a music station was in the same "cluster," or group-owned stations, it may very well have switched over and carried the "sister" News station's programming. The music station may then have gradually backed off of the wall-to-wall coverage, while the News station continued it for several more days.

A similar situation occurred along the Gulf Coast when Hurricane Katrina hit. Many stations in New Orleans, which were still able to stay on the air, simulcast WWL-AM, a powerful clear channel 50,000 watt

News station. Owned by Entercom, the station reaches large portions of the Gulf Coast during the day and expands to much of the U.S. at night. During the storm, and immediately afterwards, emergency officials were able to generate information regarding safety, food and water, housing, and other emergency needs through the one station carried by others. One announcer at the station, Garland Robinette, broadcast in a closet after the windows were blown out in the studio. The web-site, of course, was totally destroyed by the storm, but was rebuilt by Entercom employees from other stations in one day. The station began broadcasting soon after the storm left as "The United Radio Broadcasters of New Orleans," a partnership between Entercom and Clear Channel, although Entercom employees were responsible for most of the broadcasts. (*Note: Clear Channel Baton Rouge provided much of the support for radio outside of New Orleans.)* This was actually the intention by the government in the 1928 order that categorized stations into different frequency types. It was believed, by some, that the clear channel stations would be available for general broadcasting in case of national disaster.

According to the FCC, 70,000 people work in radio. Figure 4-3 shows the organization of a standard radio station, although there are many variations to this.

Radio—The Audience

Radio is America. According to Nielsen Audio (Arbitron) and the Radio Advertising Bureau (RAB), the trade organization for the industry, in any given week, 92–93 percent of Americans, 12 years old and over listen to the radio. Almost 70 percent listen on any given day.[10] All demographics are represented in radio listenership and radio's issues are not with an aging population, as with newspapers, but with the increase of entertainment and news possibilities for the audience.

End Notes

1. Federal Communications Commission. "Broadcast Station Totals As of March 31, 2013."

2. "The Infinite Dial 2013: Navigating Digital Platforms." Arbitron, Inc. and Edison Research, 2013. http://www.arbitron.com/study/digital_radio_study.asp
3. eMarketer Chart. "Things Could Get Worse for U.S. Print Media, Share of time spent with media per day vs. share of U.S. ad spending in 2012." eMarketer, 2013.
4. Ibid.
5. Rodrigues, Ron. "Radio Today 2013: How America Listens to Radio, Executive Summary." Arbitron, Inc. 2013.
6. Ibid.
7. Ibid.
8. Ibid.
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10. Radio Advertising Bureau. "Why Radio: Radio Facts." June 2013. http://www.rab.com/ whyradio/

CHAPTER 5

Television

Broadcast Television—Defining Features

Broadcast television is terrestrial television. That is transmission of the television signal without any other support such as satellite (DirectTV, DISH) or underground cable. This is also called Traditional TV. Nielsen, the source for Cross-Platform research, says that in the First Quarter of 2013 (January— March), there were 11 million households in the U.S. who received their TV through broadcast only. That is, they didn't have cable, satellite or have a telephone company which provided the television signal. However, most of the country receives their television through another source. The biggest source is wired cable, traditional cable, which 57 million households use. Another ten million are connected through the telephone system, which usually provides multiple sources, including telephone, TV, and internet. Finally, satellite is used by 35 million households.[1] A warning to these numbers, though: these are not mutually exclusive. There are households with both cable and satellite.

No matter the technology through which the television programming is received, viewers are watching television programming. Why? Television has features which make it unique:

- Television is a **universal medium,** in about 99 percent of all U.S. homes.
- Television is **pervasive.** On average, a person spends a little over 34 hours a week with <u>live</u> television. Another three hours are spent with Timeshifted TV.[2] In other words, Americans spend the equivalent of a standard 40-hour work week watching television.

- TV is **credible.** It is the dominant U.S. medium for news and entertainment among all adults. However, with younger adults, TV is a close second to the internet as the dominant medium for news. TV ads are believed more than ads found on other media.
- Television is **intrusive.** Like radio, television is everywhere and hard to avoid. In 1980, half of U.S. households had more than one television set. By 2000, over three-quarters of the households had multi-sets. The top two rooms in the house with a television are the living room and the master bedroom.[3] People talk about television, including the ads and top prices are paid for compelling "stories."
- Television is **glamorous.** People see television personalities, including local ones, in the same way that persons in the movie industry are viewed. Being on television gives advertisers a feeling of importance and association with that entertainment business. Because of the glamour, local advertisers will do their own ads.

All is not rosy with Television, however. It is expensive to produce and television ads are more expensive than for any other medium. For this reason, the medium is not available for many small business advertisers with limited budgets. There is also clutter. Too many commercials are often found back to back, similar as in radio. Viewers have trouble remembering the ads and the specific advertisers when there is clutter.

The audience continues to fragment. Although the Big Four TV networks each still have over two-thirds of the audience, the same audience can pick and choose among hundreds, even thousands, of programming sources. Not a single cable network reaches 40 percent of the audience.

In the last few years, the phenomenon of "zero-TV" households has been researched by Nielsen and others. According to Nielsen, in early 2013, there were over five million households in the U.S. who get their television content (programming) from a source other than the traditional TV sources. Many of them have a working TV set, but two-thirds use another source to get their content, such as the computer, TV internet, Smart phones and tablets. And, by the way, they are younger: almost half are under the age of 35, with no children in the household.[4]

Broadcast Television—Organization of the Industry

Television was actually in development shortly after radio, during the 1920s and 1930s. It was demonstrated at the New York World's Fair in 1939. However, during World War II, the FCC halted development of TV, even though it was well on the way to being marketable. As soon as the war was over, TV's growth was so rapid in the number of stations that the FCC put a freeze on new station licenses. In the early 1950s, the freeze was lifted and the rest is history.

In 1950, according to Nielsen, nine percent of U.S. households had a television. Just five years later, in 1955, that percentage had soared to 64 percent. In 1965, ten years later, over 90 percent of U.S. households had a television.[5]

The 1950s were television's Golden Age. Television was modeled after radio and the local stations quickly affiliated with the networks for the programming. During this period, almost all shows were live, including the comedies, like *I Love Lucy*, but videotape was developed in 1956 and by 1960, most programs were taped. By 1960, color was beginning to be used and up to three hours a day were in color. By the mid-1960s, color was a standard.

The 1950s were not only a Golden Age for television because of the technological growth but for the programming. Some of the pioneering programs included Ed Sullivan's *Toast of the Town* and Milton Berle's *Texaco Star Theater* and high quality dramas, like *Studio One*. Many programs attempted to move from radio to television and many were successful. Some of the adult westerns, such as *Gunsmoke*, and the soap operas, such as *Guiding Light*, made the move seamlessly. However, there were others that did not.

The classic example of a failure in transitioning from radio to television was *Amos and Andy*. The slapstick comedy portrayed two African-Americans, owners of a taxi company in Chicago, and members of a fraternal lodge of middle-class African-American men. However, the two actors who played Amos and Andy were White. Much debate has been made over the racism portrayed in the show, targeted to a White audience, produced by a group of Whites. However, at its height, in the 1930s, the radio program was seen as ground-breaking in that it was a show about African-Americans and many African-Americans saw it that way.

There was a problem in the transition to TV, though. White actors could clearly not play Black characters in a television show. The answer was to treat this in the same way the old minstrel shows had been produced—blacken the White actors faces, but in an obvious way. It didn't work.

The 1960s could be called the "Age of News." It was in this decade, with 95 percent of Americans viewing, that television news became a staple. The networks, particularly CBS and NBC, competed heavily with their news shows for the important viewer. Many say that some of television's finest hours were CBS's coverage of President Kennedy's assassination and the four days between his death and burial at Arlington National Cemetery. The entire decade was controversial, and television news was there to cover every aspect from Rev. Martin Luther King's "I Have a Dream" speech to Vietnam to the Moon Landing. Escapist programming, like *Dobie Gillis* and *Leave It to Beaver* were popular.

Quietly, within this maelstrom, two new players emerged. The first was PBS. It was established in 1967 with the Public Broadcasting Act and gave us *Sesame Street* and *Masterpiece Theatre*. A totally different type of player was not just another network, like PBS, but a totally new technology, Cable.

Cable was established to ensure that remote areas were able to receive television, particularly mountainous areas. Although it did not really explode until the late 1970s-early 1980s, it was starting to intrude upon the television industry.

The 1970s were the decade of Public Concern. The Surgeon General's report on violent TV showed a modest connection between heavy viewing and violence among some children, however, all programming to which children were exposed was up for criticism. A number of citizen groups were able to influence broadcast policy. During this time, particularly towards the end of the decade, cable started to compete with TV. Programming types were beginning to become standard fare on television, including crime dramas, adult sitcoms, and prime time soap operas. One of the most notable programs of the decade was *All in the Family*, which openly debated racism and other social issues.

The following 20 years, 1980–2000, saw an erosion of the big three networks (ABC, CBS, and NBC) audiences. This was due to the rapid growth of cable, as it came into its own, with Ted Turner's TBS, HBO and the birth of MTV, with Michael Jackson's "Thriller." There were also new networks appearing, especially Rupert Murdoch's foray into American broadcasting with FOX. In the mid-1990s, the internet became a mass medium. It was now available to large numbers of people and while its entertainment value was not apparent at that time, it was an eroding factor for the TV networks.

As television became older, pushing 50 years, programming trends emerged: the 1980s were for family-oriented shows, like *The Bill Cosby Show;* the 1990s were for newsmagazines, with *20–20*; and the 2000s for reality programs and cable dramas, such as *Survivor* and *The Sopranos*.

The audiences for television continue to shrink with advertising dollars going to the Web, although the broadcast networks are still the best way for advertisers to reach audiences, with each of the networks still showing cumulative audiences around 70 percent. The Big Four networks (ABC, CBS, FOX, and NBC) are using new distribution channels, including internet TV. There is a greater reliance on reality shows than scripted shows, but the question is asked, "Is this a factor of economics or audience wants?"

In June 2009, all TV stations switched to digital television from analog. The advantages of digital television (DTV) were made possible with the overhaul of the technology and equipment. These advantages include:

- Clearer pictures and sound
- More rectangular formats similar to a movie screen
- Allows for high definition TV (HDTV)

The greatest advantage was that a TV channel could now be subdivided and multiple programs can be sent over the air at the same time. For instance, a local station may carry its local news at 6:00, then switch over to the network at 6:30 for the network's evening news. While the network news is airing, a subchannel of the station/channel will be carrying another local news show, targeted to a part of the market outside of the downtown of the city but just as important for revenue.

Broadcast Television—Distribution

As of March 2013, according to the FCC, there were 1,385 Commercial TV stations and 396 Noncommercial stations.[6] This number has changed very little over the last few years. All stations, both Commercial and Non-commercial, are licensed by the FCC with the responsibility to serve the community.

Previous to the switch to digital transmission in June 2009, TV stations were divided into VHF (Channels 2–13) and UHF (Ch. 14–69). The lower the channel number, the better the location for the station. VHF stations, over time, have had advantages over the UHF stations, because of greater power, better dial position, and the earlier stations found the best spots on the dial. However cable and satellite transmission, carrying the local stations, had given it a more level playing field. Digital finished it.

Most local television stations are affiliated with one of the major networks, ABC, CBS, NBC or FOX. Once again, the older stations were the first ones to gain an affiliation and with the better dial position were able to hold on to the affiliations over the years. Television stations not affiliated with a network are called Independents. The classic example of an independent station was WTBS, a small, lower-power station found on Ch. 17 in Atlanta. Due to its position on the dial, it was not a suitable candidate for network interest. It became an independent until Ted Turner took it to cable.

The primary advantage of a network affiliation, in addition to the obvious local popularity is in the programming. A television network is created for the distribution of programs, where a central provider sends the programs to many television stations. The networks were created during early radio, and the television networks followed the radio pattern, particularly ABC, CBS, and NBC.

A network sends the signal to many stations across the country. For the Big Four, that's 200 stations. With the exception of a live program, such as the Super Bowl or a speech by the president, the network can send the programs more than once to take into account the East Coast vs. the West Coast. For entertainment, there is rarely any difference between what the time zones receive. However, the nightly news may actually have three or more editions available, with the programs edited as needed. The local stations receive the "feed," usually by satellite, and then send it out as a program.

What makes the network affiliation odd to many people is the contractual agreement. The network affiliations are usually for a number of years. While changes do occur, it does not happen often. It can be looked as if the franchisee of McDonald's switched to Burger King. In other words, it does happen, but not often. However, what makes it odd is who pays whom.

Traditionally, the network has paid the affiliate station. The network then got most of the advertising time to sell. During many network shows, particularly during Prime Time (8–11PM), the local station may receive two to three minutes every half hour to sell itself. This agreement has been in effect since television networks began, but there are chinks in the agreement.

Primarily due to costs the networks now have in a digital world and the benefits the local stations receive as part of a network above and beyond the programming, the networks are now questioning the long standing policy. As can be imagined, the local stations are not anxious to change a very lucrative arrangement—they are paid to get programming for their stations. Several group owners have already told the FCC that the networks have informed them that in the next contract round, the networks will not pay the stations and actually expect payment. The local stations, though, have found a way out. They are now charging the cable systems, as the networks already do, a Retransmission Consent Fee per cable subscriber to carry the local station. The FCC says this can be the second largest source of revenue for a local station, after advertising.[7] The issue (and the contracts) is extremely complicated. More to come on that issue as it evolves.

Local stations don't have just network programming, though. The Big Four networks, while providing a significant number of hours each week of programming, still leave critical times during the day in which the local affiliates are responsible for their own programming. The smaller networks, such as CW, often carried on the smaller stations, may only provide ten hours a week of programming. That means the affiliates and independent stations must supply their own programming. Syndication is the answer.

Syndication is often called "re-runs," but that is a misnomer. In fact, Syndication has many different types of programming available for purchase by local stations. When a show is syndicated, the production or distribution company will license the show to one station in each TV market. Often, the syndicator will work with a large group owner of stations to make sure the show is placed around the country. In a perfect world, the show will be syndicated in every desired market. In reality, though, depending on a number of factors, including the popularity of the show, it may actually only "sell" in a few markets.

Selling a show for syndication is different than selling it to a network. When a network buys a show, it is usually guaranteed to run at a specific time on a specific day of the week for a certain length of time. With syndication, a show could be placed anywhere in a station's schedule, licensed to the station for "cash," meaning the station can insert ads in the programs, gives the station airtime of the program or a combination of both. In syndication, a series may also be cut in the time it runs. Usually, a 30-minute sitcom is actually 22 minutes of programming. When it is in syndication, the program may actually be only 20 minutes, having been cut to allow for more ads.

Broadly, there are two major categories of Syndication: First-Run and Off-Network. **First-Run** is programming that is shown for the first time as a syndicated show (doesn't matter the network). This is the type of syndication that local stations have depended on since the beginning of television and fills in the gaps where network programming is not available.

Usually, these are shows that are shown only in syndication, but some network programs, cancelled by the network, may be continued with new episodes for several years by the producers and shown only in syndication. The classic example of this is *Hee-Haw*, which ran successfully on CBS until 1971. The show was dropped at that time, during CBS's remake of itself, when it cancelled its rural shows (*Hee-Haw*, *The Beverly Hillbillies*, etc) many of which were successful. *Hee-Haw* then continued producing new episodes in syndication until 1992.

The most popular, with audiences and producers, have been the game shows. *Wheel of Fortune*, which debuted in 1983, and *Jeopardy*, which debuted in 1984, have remained in the top three in the ratings for Syndicated shows. Producers like the games shows, because they are very inexpensive to produce. Most recently, *Who Wants to Be a Millionaire,* which was first on network then in syndication has been one of the most successful. Another has been *Are You Smarter Than a 5th Grader?*, which ran on FOX for several seasons, but has successfully moved to syndication with new episodes after some tweaking of the program. One whole week of a game show can be shot in one day. They also make a tremendous amount of money for what it takes to produce, sometimes earning ten times their production costs.

Without a doubt, though, the principal form of First-Run for a quarter of a century has been the Stripped Talk Shows. The most obvious example is *Oprah Winfrey*. Basically, the talk shows are picked up by a popular station in a market and may be carried each day, twice a day, usually with different episodes, such as yesterday's in the morning and today's live show in the afternoon. A popular show begets another show and audience-participation talk shows are no different. Some, such as *Donahue* and *The Jerry Springer Show* are very successful, while others have a much shorter run. Like with game shows, these are fairly inexpensive to produce and can have high returns on the investment.

Other types of shows in First-Run syndication include news programming (*Entertainment Tonight*), late night talk shows (*The Arsenio Hall Show*), and legal programs (*Judge Judy*).

Off-Network syndication is when previously shown network shows are packaged and syndicated with most of the episodes, although not all, and sold to as many local television stations as possible. Sitcoms are preferred because they have been more successful not being serialized and can be scheduled non-sequentially. This doesn't cost the local station as much. Dramas are not reruns on broadcast TV, other than important episodes like the season "cliff hangers" and have become standard fare on some of the basic cable channels. These channels will often carry a single episode up to 60 times. Two CBS series, the sitcom *The Big Bang Theory,* and the military drama, *NCIS*, have maintained high ratings in first-run episodes on the network, while being syndicated on several cable channels. Some experts believe the showing on cable has actually contributed to the longevity of these programs on the network.

To be syndicated successfully, it is preferred for a program to have 100 episodes. At least 80 episodes, which would be four years of shows on average, are needed to syndicate. This formula is used, particularly, when strip/daily syndication is in effect. This means that the syndicated show will be shown daily, five times a week. If it is not sold as a strip/daily syndication, it may be aired only once a week. Usually hour long dramas are offered only as weekly for the first few years of syndication, but sitcoms are sold as stripped.

Local programming is original programming generated by a local station. The most common is local news, with special sports and community events, such as parades, produced when needed. Local news is often seen as the most profitable programming of a station, primarily because the station owns all of the advertising spots within a show. Depending on the market, a station may have as much as nine to ten hours of news each weekday, starting as early as 5:00 in the morning. The most profitable news is the Evening News, usually at 6:00, followed by Late Night news at 10:00 or 11:00, depending on time zones. The FOX network has its network programming set up so that local affiliates have 10:00 local news.

While profitable, local news is also expensive. In addition to the visible reporters and anchors, there are just as many, if not more, personnel behind the scenes. The equipment is expensive and there's always the knowledge that "someone has to pay the electric bill." On the other hand, outside of Prime Time ads, of which there are few, this is the most expensive advertising on a station.

Broadcast Television—Economics

The 1,385 commercial stations previously mentioned are, with few exceptions owned by group owners/corporations. Depending on how the groups are measured, whether by number or revenue; or, by year of measurement, the Top 10 list of group owners of TV stations generally stays the same. The FCC has a limit that the percentage of TV Households a group owner can reach is 39 percent. In 2010, the FCC said that the largest group owners (not necessarily in ranked order), based on percent of TV Households in the market, were:

ION Media Networks
Univision Communications
Trinity Broadcasting
CBS Television Stations
FOX Television Stations
NBC-Universal Stations

Tribune Broadcasting
ABC Owned Television Stations
Gannett Broadcasting[8]

Any further discussion of television station ownership must include Sinclair Broadcasting, although the impact of its station buying will not be documented in revenue numbers until at least 2014/2015. According to its own publicity, Sinclair Broadcast Group now owns 142 stations in 72 markets, reaching approximately 35 percent of U.S. TV Households. Of course, as the company is quick to note, this is only true after "pending transactions."[9] Nonetheless, Sinclair has jumped to the top of the list in TV Households reached. While the networks, such as CBS, FOX and NBC have their owned and operated stations in larger markets, most of Sinclair's stations are in mid-size to smaller markets. The sheer number of stations owned, however, is what ups the percentage of TV Households reached.

ION Media is another corporation which is named as on the top of the list for owning stations in markets totaling the highest percentage of TV Households. However, and this is true for many companies, the size of the station in the market is just as important as the size of the market. ION is in several major markets, including New York, Los Angeles and Atlanta. However, many of its stations are small, minimally competing with the larger stations in the markets.

Today, television is still very similar to radio in organization and selling. As will be seen, though, television has its unique aspects. Television **markets** are like radio in that the markets are designed around the center city/town. At this point, television differs from radio and every county in the country belongs to a DMA. Chapter Eight discusses markets.

Television, like radio, is sold based on the Target Audience and the Content. While television does not have "formats" like radio, it does have specific programs which appeal to different groups. In some cases, a network, such as FOX will be seen as appealing to one target group, such as, in the case of FOX, younger adults.

An advertiser looking at television is going to consider the market, the position of the station within the market and other stations, the power of the station's transmission and where it can be found. That is, how can the station be seen by the audience, including number of cable systems where it may be on.

Television, like radio is sold as a minute or increment of a minute. The most popular length of a spot (ad) is 30 seconds, although 60 seconds and 15 seconds are not that uncommon. Costs are determined by the location of the spot; is it Run of Schedule (ROS) at any time during the day, in a specific daypart or on a specific program. In addition, the frequency, that is, how many times the spot runs is a factor in calculating the rate.

There are eight dayparts in television and, like radio, have standard ranges of time, but can be changed by a station for various reasons.

Morning News is from 6:00–9:00, although it is often actually 5:00–9:00. Morning programs with local stations are usually news, traffic and weather, with network affiliates then switching over to the network's morning program, such as *Good Morning America*.

Daytime is from 9:00AM–4:00PM and carries a combination of network, syndicated and local programming, primarily syndicated. It is during this daypart that many of the programs such as *Oprah Winfrey* are carried. Historically, Daytime was when soap operas ran, but when women returned to the workforce the soap operas gradually lost their

Table 5-1 2012 Top Multichannel Video Service Owners

	Subscribers
Comcast	21,995,000
DirecTV	20,080,000
Dish Network Corporation	14,056,000
Time Warner Cable Inc.	12,218,000
Verizon Communications Inc.	4,726,000
Cox Communications Inc.	4,540,280
AT&T	4,536,000
Charter Communications, Inc.	4,158,000
Cablevision Systems Corporation	3,197,000
Bright House Network, LLC	2,013,145
SuddenLink Communications	1,211,200
Mediacom Communications Corp.	1,000,000

Source: National Cable & Telecommunications Association, 2013 popularity. Very few remain on the air. Some stations will divide Daytime into two separate dayparts: Morning (9AM–Noon) and Afternoon (Noon–4:00).

Early Fringe is from 4:00–7:30 PM and like Daytime carries a polyglot of programming, primarily local and network news. Around the news shows may be popular game shows, occasionally talk shows, entertainment news or consumer affairs shows. For local stations, this daypart can be very lucrative. The daypart is often separated into three separate dayparts: Early Fringe (4:00–6:00PM), Evening News (6:00–6:30PM) and Access/Fringe Access (7:00–8:00PM).

Prime Time. Prime time is 8:00–11:00 PM Monday through Saturday and 7:00–11:00 PM on Sundays. It is the best known and viewed daypart. The audience numbers are usually the highest at any time. This is somewhat of a Chicken-Egg situation and as the FCC notes in its 14th Annual Report (2012), television has two distinct sets of customers: the audiences and advertisers. The audience is most likely to watch television during this daypart and the advertiser wants to reach the largest number of viewers. The daypart is sold in two different ways: a broader rate for just the daypart, but more likely, particularly with network sales, program by program.

Late News. Late news is from 11:00–11:30PM and for many local stations, it is the time for the late news (hence the name of the daypart). FOX network affiliates, though, carry their late news at 10:00PM, a strategy designed by the network in the 1980s.

Late Fringe. Late fringe is 11:30PM–1:00AM. Late fringe is where the *Jay Leno Show* and others of its genre can be found, although some stations will run popular syndicated shows or repeat late news.

Overnight. Overnight is 1:00–7:00AM. Syndicated programs which have been in syndication for some time and movies are often shown during this daypart.

Local stations sell the spots they have available to the local advertisers. These spots are the ones from the station's own programming, such as news, and the two to three minutes per half hour given to the station by the network. Depending on the contract with the syndicator, there is usually time to be sold with a syndicated program. It is estimated that over 50 percent of a station's revenue comes from the local sells, although this varies among markets and stations. The biggest advertising group is Automotive, primarily the dealerships, sometimes representing 25 percent of a station's revenue.

National spot sales, just like in radio, are available in Television. Much of this comes after the Network buys, but many advertisers will pick and choose the markets in which they wish to advertise so to more efficiently use the advertising dollars.

Network television has two major buying seasons. The first is "Upfront," in the late Spring/early Summer, when the networks roll out the shows for next year and the ad agencies sign annual contracts on behalf of clients. The clients are usually the top advertisers in the country such as within the automotive category, the auto makers, particularly Ford and GM. The sign of success for a network is what percentage of its advertising time is sold at the end of "Upfront." There's usually not much left. The second buying season becomes similar to traditional spot buying and is the time when the agencies are placing their advertising in the times left available. This may be with a series which doesn't look particularly promising for the ratings so the network has lowered the cost or it may be just a pick and choose here and there where an individual spot may be left.

While the local stations have very little to do with the network sales, it is just as important to the local stations to know what is happening. It allows them to set the rates. For instance, if a network raises its rates by ten percent for the next season, the local station will probably look at raising its rates. However, if a local economy is performing lower than the national economy that may not be a smart move on the part of the local station.

Broadcast Television—The Audience

In 1950, the average TV Household had the TV turned on 4 hours, 35 minutes a day. Fifty years later, in 2000, the TV was turned on for 7 hours, 35 min. and it continues to move up, now well over eight hours a day. That's with Traditional TV, watching on the standard television set when the show is actually playing. It does not take into account time-shifting or other methods of viewing.[10]

According to Nielsen's Cross-Platform report for Q1 2013, Teenagers watched television the least and were the least likely to see a time-shifted program. On the other hand, Adults 65-years-old and older watched the most.[11] To put this in perspective, Teenagers were 38 percent *less* likely to watch TV during the week than the total population, while older Adults were 44 percent *more* likely than the total population.

Cable Television—Defining Features

Cable Television is often confused with Broadcast Television by many current viewers. This is partly because only one in ten of broadcast television viewers see television over the air; the rest are through cable systems, alternative delivery systems and telephone companies. For many television viewers, they have only known cable and do not differentiate between a broadcast network carried on a cable system as a local station and a cable "network," such as the History Channel.

In 1952, there were 70 "cable" systems in the U.S. 14,000 customers were served. According to the FCC, at the end of 2011, there were 1,157 cable companies providing service to 34,005 communities, with each company different in size and number of homes served.[12]

The first cable network was HBO, established in Pennsylvania. Up until that point, cable had sputtered along, not reaching its goal with providing remote communities, particularly in the mountains, with the service needed. Shortly after HBO began service, the second one became active. It was Ted Turner's TBS, and many experts say it was what accelerated the cable industry.

The Telecommunications Act of 1996 also helped the cable industry. While the Act said that telephone companies could provide cable TV, it also allowed cable to provide telephone service. This allowed for *bundling*, where a cable company (or telephone) can provide multiple services, including cable TV, telephone and the internet.

Cable has many of the same advantages and disadvantages as Television and some of Radio. It is **intrusive,** in that it can be on 24 hours a day, with a constant presence in the room. While it is not universal like TV and Radio, it is estimated that as much as 85 percent of TV Households have access to Cable.

Cable uses **all of the senses,** with the exception of smell, just like with Television. It has a visual appeal that can be emotive and includes the audio with the video. Radio only has audio.

Cable is **Narrowcast.** A variety of formats, such as all sports or all comedy, allow the cable advertiser to appeal to specialized audiences.

Much like Radio, Cable advertisers can buy time in programs focused on narrowly defined audiences.

Cable is more **Upscale.** Since it is a subscription service, and depending on the package can be expensive, the audience is more upscale. When selling many products the advertiser is looking for the upscale customer.

Cable is **Inexpensive.** It is much less expensive than TV and allows availabilities much greater than TV. Local advertisers can buy time on "TV" they could not otherwise afford on TV without wasting audience, such as with a local restaurant.

However, just as with TV and Radio, there are disadvantages. The problem of Clutter is seen by many as worse with Cable Too many commercials are found back to back, creating clutter in the mind of the viewer. Add to the usual clutter the hundreds of channels available in Cable and the problem escalates exponentially. Viewers have trouble remembering ads and advertisers when there is clutter and the viewers are switching between large numbers of channels.

Yes, Cable is less expensive than TV, but remember that the rates are based on the ratings and the number of viewers. The rates in Cable are much smaller because the **number of viewers is much smaller for each cable channel.** Advertisers may have more availabilities, but with much fewer viewers. There is not a cable channel that can consistently reach 40 percent of the audience at the end of the broadcast week. As a comparison, all of the Big Four television networks report over 66 percent of the audience. The closest comparison to a cable channel is the CW network, with its limited broadcast schedule.

Cable and ADS differentiation is a problem for cable, but a problem it has brought on itself. ADS, that is, Alternative Delivery System, is primarily DISH and DirectTV, although there are some other technologies included. When local cable systems report their audience numbers, there is an inaccuracy that the cable channels nationally don't have. Basically, what they are reporting is the audience for a cable channel no matter how the audience receives the program. There are some estimates that as high as 15 percent of the cable subscribers also use an ADS.

As an example, suppose the local cable system in Your Town, USA tells advertisers that the National Perfume Channel has a rating of 10 and 10,000 viewers on the cable system. That's not accurate, because at least

1500 of those viewers also have Direct Satellite coming into their homes and may actually see the National Perfume Channel through some other source than the cable system. So, in reality, there are at least 1500 viewers for whom the local cable system can't accurately say how they viewed the cable channel. Both the TV industry and the providers of ADS are fighting this audience inflation.

Cable Television—Organization of the Industry

The Cable Television industry is organized totally different from the Broadcast Television industry, although the ownership trend is also toward consolidation. The two largest players are, by far, Comcast & Time-Warner, both with numerous systems. Often measured with the Cable industry is the rest of the Multiple Video Programming Distributors (MVPD) industry. In that case, DirectTV and DISH are between the two largest cable corporations in the number of subscribers. All other cable companies are considerably smaller than the big entities. The larger cable companies offer not only video delivery, but also high-speed internet and telephone service. It should be noted that among the Top Ten Cable Companies, almost all are involved in more than just cable, including also newspaper, radio and broadcast television. In fact, Comcast purchased a majority share in NBC/Universal and now owns a television network and movie studio.

The ten largest cable companies reached 60 percent of all cable subscribers at the end of 2012. It was estimated there were 59.8 million cable subscribers. Table 5-1 shows the top multichannel video service owners (which include DirecTV and Dish).

The cable industry is based on obtaining the franchise to operate in a municipality. In effect, the governmental body for an area, whether a city council or county commission, takes bids for the franchise to operate the cable system.

Sometimes, one cable operator is given an entire area, such as a county, but often times, it is split among more than one cable company. When this is done, it is usually geographically.

Cable companies are not required to bid for the license of every governmental entity. In fact, none of the cable companies have nationwide or even statewide coverage. Comcast, the largest of all, is in 39 states and the District of Columbia, as of 2012. On the other hand, some companies prefer to operate in smaller communities or in compact geographies. For instance, there is one, Sweetwater Cable, which serves just two communities in Wyoming. This company is more the norm than a Comcast.

Once a cable company is licensed to operate in an area, it becomes somewhat of a de facto entity of the governmental body. It will carry the local television stations (Must Carry rule of the FCC), operate at least one government channel and/or community channel and be responsible for such activities as carrying live the city council/school board/county commission meeting. In addition, it must provide a channel or some sort of availability for community members to perform. This can be fulfilled by allowing the local high school to carry a local newscast, for instance.

The contract between the cable company and the governmental entity is limited, often to five years. At that time, the license is up for renewal, similar to the way a broadcast station's license must be renewed. However, cable television is extremely political. During the contract renewal, the governmental entity can entertain other companies. If someone on the council/board thinks the service has been poor, certain cable channels are no longer available, only one high school was allowed to produce news, etc., etc., the license can be given to another cable company, although the rules from the FCC are very clear that unreasonable refusal is not allowed.

What makes a cable company want or not want to be in an area? It has to do with economics. Just because Comcast is the biggest and already in parts of 39 stations, does not make it economically feasible for it to be in other parts of the states. There are still areas in all parts of the country which have not been wired for cable or digital cable. If that is the case, what would be the cost of wiring the area? How many subscribers would there be? How close is this area to the next area already covered? The current footprint of a cable company, along with its size and financial standing will often dictate its growth pattern.

According to the FCC, the cable industry has basically built out, with very little left, although there is an acknowledgement that not all homes have access to cable. What is now left for the industry is to finish the expansion to fiber optic, HD, and other technological services. Usually with an industry that is built out, such as the mobile phone industry, there is a high degree of competition. The Cable industry doesn't appear to have that, though. The geographic footprint of one system rarely interferes with another, so there is very little competition for subscribers.

Cable Television—Economics

Like other mass media, Cable Television relies on advertising, but in the case of Cable, also **subscription fees.** In fact, subscription fees are a greater percentage of a cable systems budget than advertising. Most cable companies offer pricing plans which run from the very basic to the "premium" plans. Pay Per View (PPV) is usually priced separately although it can be part of a premium plan. In the case of companies which offer, in addition to cable programming, internet and/or telephone, there is often a special package for purchasing at least two of the three.

For advertising purposes, it is important for a cable system to sell as many channels as possible; in other words, to have more subscribers purchasing the premium plan versus the basic plan. The cable company sells the number of subscribers (audience) to compete with radio and television stations.

Cable systems sell clusters of channels. This is a selling strategy as opposed to a requirement of the channels. Cable numbers are so much lower than broadcast television numbers it is more acceptable to sell the clusters, such as the ESPN channels together, to boost the impression of a larger audience.

Cable rates are much lower, once again because of the lower audience ratings, than Broadcast Television. In fact, the local rates are often so low, they often compete with Radio. This does make the cable rates palatable to small, local advertisers whose advertising budgets are quite limited.

Alternate Delivery Systems

Alternate Delivery Systems (ADS) is the title for primarily Direct Broadcast Satellite (DBS), which is DirectTV and DISH; but also Satellite Master Antenna (SMATV), which is for housing complexes and hotels; Microwave Multi Distribution System (MMDS), where the signal is distributed by microwave; and, a Satellite Dish, where the household receives transmissions from a big dish.

DBS is approximately 90 percent of all ADS. It is also a formidable competitor to cable. Nationally, slightly less than a third of TV Households use DBS. In some markets, particularly more rural areas, DBS can be represented by 40 percent or more of the TV. In Abilene, Texas, 55 percent of TV Households use DBS. In Shreveport, Louisiana, it's 60 percent.[13]

Competitively, against Cable, DBS suppliers offer subscribers packages from Basic to Premium. In most cases, special packages, such as certain Sports, will be available. Depending on the cable system in the area, DBS is competitive with the cable systems.

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CHAPTER 6

The World Wide Web

From Start Until Now

An online newspaper, sometimes called a web newspaper, can be a separate paper or the online edition of the print newspaper. When the first online paper was published is somewhat confusing, although the Brazilian paper, *Jomaldodia*, appears to have been published on a government network in the 1980s, moving to the internet in the 1990s.

By the late 1990s, many newspapers had a web presence, although it was not interactive and in many respects was simply a web-version of the daily print newspaper. While some of the web operations at the newspaper were interactive with editorial and Sales when the website was first established, many in the industry saw that as a separate division of the newspaper, almost like a separate edition not related to the primary paper.

Newspaper websites were slow sales, although most newspapers with a web presence were selling ads. It was not until 2003 that the Newspaper Association of America (NAA) reported the first Online advertising revenue. In that year, newspaper online nationally was slightly over $1.2 billion. It jumped 27 percent in 2004 and another 31 percent in 2005 and 2006. 2007 was a "slow" year, though, because online revenue only rose 18 percent.[1]

The percentages can be deceiving, though. Even at its best year, 2007, before the economy tanked, Newspaper Online, with $3.1 billion was only eight percent of the newspaper print revenue. This was a year when newspaper print was down by over nine percent from the previous year.[2]

There were many reasons the newspaper online revenues didn't grow faster, but there are two major ones. First, advertisers weren't ready for it and second, traditional salespersons didn't know how to sell it. Advertisers didn't believe there were enough users to justify advertising, but many advertisers didn't know how to use it and/or didn't use it as a business function themselves. Traditional salespersons didn't understand the online paper any better than advertisers and suddenly they weren't selling column inches, but pixels. Add to this that the standard of providing circulation and readership couldn't be provided—there were no measurement services for it at that time—and it's a wonder that much was sold.

Media advertising dropped lower in one year than ever before in 2009 and this was true for all media. However, probably the print industry was affected more than any group. As noted in Chapter Three, many newspapers literally went out of business that year. The old traditional business model wasn't working and no one knew how to fix it. However, there was hope on the horizon. A number of newspapers, instead of going out of business, boosted their web presence by cutting back the number of days with a print edition and went instead to an online edition only. Some, such as the *Seattle Post-Intelligencer*, dropped the print edition altogether and went totally online. For the *Post-Intelligencer* this was a bold move; very few dailies were willing to try that scheme and for the Seattle paper, this was after 149 years of publishing a print edition.

Online newspaper revenues recovered from the Recession much faster than the print papers. In 2011, just two years after the free-fall in 2009, Online Paper revenues had risen 15 percent. This does not, in any way, imply that this has saved the newspaper industry. While the online dollars were recovering, the print dollars were continuing to fall.[3] Although the trend slowed between 2011 and 2012, the print business has not recovered and the online business is not enough to pull it out of the hole.

Perhaps, in the long run, more devastating for the Newspaper industry than advertising dollars disappearing was the decision made at the beginning of the creation of websites not to charge customers for access. No one saw the need for it and it wasn't seen as growing circulation. As it grew larger, though, newspapers started seeing it as a revenue-generating engine, but from the advertising end. There was a genuine belief that the online readers would be, for the most part, mutually exclusive from the print readers. That meant more advertising dollars in the traditional ads sold, but also in boosting the readership numbers. Unfortunately, it didn't work that way. Most papers found that the online reader numbers had a heavy component of print readers, many of whom were subscribers.

After almost 20 years of free service, it's now difficult to get a customer to pony up subscription dollars to something that is free in a number of other places. Why read a paper that charges online when news is available from other sites, such as local television stations, the networks and the cable networks?

Newspapers, both large and small, have instituted Pay Walls. There are numerous models that vary from paper to paper, no matter the size of the paper. Pay Walls range from headlines only and the story behind the subscription "wall," while others have experimented with a proscribed number of stories allowed each month before the wall goes up. Others have a mixed version, where certain stories are free to all readers and others are headline only. The *Boston Globe* operates two websites: boston.com, which is free to all and full of traditional ads, such as banners; and, BostonGlobe.com, which is subscriber-only, with fewer ads. The *Globe* is owned by the *New York Times*, which is watching the *Globe* model carefully and looking into an ad-free version.[4]

Why this interest in ad-free versions? Ad rates are going down and advertisers are less interested in the large, intrusive banner ads. But, without some form of revenue, why have a website? The adage of "if we build it they will come" no longer applies when there are numerous sites to go for information. In the meantime, more and more newspapers are dropping the traditional seven-days of print and finding some combination of print and web. Since Sunday is the most popular readership day and readership builds throughout the week, the new model, becoming "traditional," is a weekend publishing schedule, including both print and online, often starting on Thursday, and web-only the rest of the week.

The newspaper industry is not the only medium seeing the promise in the internet. As early as 1993, internet radio was experimenting on the air. In 1994, a Rolling Stones concert was carried on the internet and by 1995, companies were marketing live radio-quality programming. By 2000, most radio stations were expanding their web presence, streaming their programming on their own web sites. Streaming is the process by which audio is transmitted over the network to a receiver to be played.

As with many technologies, the legalities slowed down the growth of streaming and internet radio. The primary dispute was over royalties and how the royalties could be paid for both satellite radio and traditional stations. There were valid arguments on both sides. The proposed rate structure would kill the smaller stations attempts at streaming and eliminate internet radio because these stations would be expected to pay not only publishing royalties, but also performance royalties. In other words, the internet programmers were being seen as a concert would be considered, in addition to being charged what traditional radio stations normally paid. On the other hand, as was noted, the rates had not seen an increase from 1998–2005, plus if the internet was being used to increase listeners, shouldn't the entertainers have rights to that growth? Nonetheless, a tentative agreement, not satisfactory to any party, but workable, was reached in 2007. Negotiations and bantering back and forth continues even in 2013.

The latest battle is with the Internet Radio Fairness Act of 2012, pitting the online audio services, like Pandora and iHeartRadio, against the recording industry and, to some degree, broadcast radio stations. It is designed for royalty rates to be set equally for music, no matter how the music is delivered.[5]

Many reviewers will say that traditional AM/FM radio is, like print newspaper, on its last legs. Others dispute that premise. Nonetheless, no one doubts that web audio is here to stay. Some see this as simply another morphing by radio, as it did in the 1950s with formats. Available to a listener online is a traditional station streaming itself, internet-only radio stations, satellite radio (Sirius/XM), digital-only providers (Pandora), plus others. The forecast for audio is a slow, but steady, growth.

Radio, just like newspaper, was slow to begin the advertising. Many radio stations, in the beginning, had at best, one webcaster, and maybe one salesperson dedicated to the website. Many advertisers didn't see the need, early on, for paying for something they didn't use themselves, and radio low-balled itself. To this day, internet rates, although growing, are still extremely low compared to traditional radio rates. As a comparison, according to the Radio Advertising Bureau (RAB), and based on Miller Kaplan Arase data, 2012 digital income for radio was $767 million, up eight percent from 2011. This compared to the one percent growth for the rest of radio, but still only five percent of all of radio revenues.[6]

Television has not been left behind in the internet race. Internet television, sometimes called Online TV, is, simply the distribution of television programming by the internet. Many TV online sites are free, relying on advertising, as does radio.

Online TV is often split into different groups. Network TV, that is what the major networks carry, is a way often measured nationally. However, the corporations which own the networks are hesitant to release financial data for the networks' performance, other than broad, basic information, particularly after the Upfront season. The revenue for the network news programs, a standard for the networks and what many are known by, is almost non-existent except for speculation.

Networks are finding the necessity to carry all programming on the internet. From a programming point, most network programs now have a web presence available within the home site of the network. This may include the most recent episode of a program, past episodes within the season, past seasons, profiles of the main characters and other "interesting" information. Much like the movie industry, trailers of the upcoming episode will be available. Only recently have the networks started showing the episode of a series at the same time as it shows over the air. ABC promotes the concept of seeing all shows through online, free. This is an advertising decision.

Network news has seen the value of the web presence from the cable news channels, primarily CNN and FOX. While not as extensive as CNN or FOX, the big three networks all have a web presence, with up-to-date news, upcoming shows, etc. In many respects, though, the sites are more like those of the newspapers; not terribly interactive.

Many analysts say that the future for traditional TV and the internet is found with the local stations. Just like all other media, local stations took a hit in 2009, but have seen increases since that time. However, just like the networks, local news continues to erode in audience and that's the revenue-generator for the local stations. There are two factors at play in local news audience: one is an interest in the internet and the other is in local personalities. Personal appearances by the 6:00 anchor is guaranteed to raise interest in an event. Combine this with up-to-date information on a website and the audience is, at the least, satisfied.

More successful local stations have found that the more information they can cram on a website, the more people will access it. For instance, there is a lot of news that never makes a newscast, either network or local. However, just like with newspaper, audiences say they want the local news. On the website, "community" news of local towns can interest people, as can a crime report, local sports, etc. Many stations have started offering consumer affairs information on the website. The connection is simple. The story is read on the nightly news, with a voiced link to the website and graphic showing where it is located. Then, the more complicated information is placed on the website.

Defining Features

The internet provides traditional media with numerous opportunities to grow and retain audiences. Among the defining features of the internet are:

The Internet is **Global.** Media organizations, once restricted to a geographic area, now have access to the entire World, with no geographic restrictions. Listening to radio from Germany, while sitting in an office in the U.S. is just par for the course.

The Internet is, in the U.S. and other developed nations, a **universal medium.** In some countries, particularly in Scandinavian countries, Japan, and South Korea, 90 percent or more of the population has access to the internet. In the U.S., in 2012, 81 percent of all adults were using the internet.[7]

The Internet is **Pervasive.** According to Nielsen's Cross Platform Report of June 2013, Persons 2+ are using the internet on a computer (not mobiles, tablets) four-and-a-half hours a week. Adults 35–49 are using the internet on a computer six hours and 45 minutes a week.[8]

Organization of the Industry

Within the media, the Internet has become another part of the package. Depending on the medium, especially newspapers, there may be an editorial department responsible for the internet. On the other end, a radio station may have one webmaster and several salespersons responsible for the web presence.

However, the new hires, particularly in editorial, are persons who can write, shoot, and edit stories for both the traditional medium and the website. The audience doesn't want the news yesterday, or even 6:00; the audience wants it now.

The internet, according to the Pew Center, surpassed newspaper and radio in 2008 as the source for news among consumers.[9] In some age groups, primarily 18–34, it has already surpassed television. At the same time, advertising revenues from the internet have skyrocketed. Unfortunately, they are a small percentage of the traditional media.

Economics

At the same time as the internet was moving ahead of newspaper and radio in news, advertising revenues from the internet have skyrocketed. Unfortunately, they are a small percentage of the traditional media.

Most daily newspapers have a separate rate card for the online presence. To some degree, this still gives the impression of a separate vehicle and is similar to selling general advertising versus Classified. The rates are usually based on Cost Per Thousand (CPM) of Users and based on the size of the ads (Banners, Leaderboards, Rectangle and Buttons). Rates vary from paper to paper, as do other categories. Some of the smaller papers charge $10 per CPM, while midsize papers may charge $24–$26 CPM.

Television and radio charge much like newspaper in that it is usually based on CPM (users). A smaller radio station may charge the $10 CPM, while some stations charge a basic fee, such as $450 a month for a streaming audio ad with sync banner or $700 a month for a tile. Popular among radio stations and growing with television and newspaper, is the e-blast. Every time a local radio station holds an event, has a remote, conducts a contest or takes listeners requests, the database is updated. With an E-Blast, which can be expensive with a larger station, the advertiser's message is sent through a targeted email list of only those people who have established a connection with the station.

The Audience

In 2000, the beginning of the 21st century, 43 percent of U.S. adults used the internet. By 2012, that number had almost doubled to 81 percent.[10] Just as the bulky radio sets serving as another piece of furniture in the 1930s gave way to the earplugs in the 21st century so has the desktop of the 1990s given way to the news alerts through the smartphone in 2013. The audience wants the message instantaneously and in the form convenient for them. The internet reaches all ages, all genders and all ethnicities. It is a tool for gathering information. The type of information gathered is the decision of the individual.

Some analysts have suggested that the internet is a mass medium. Others suggest it is the first technology to be used by the consumer as a tool for picking and choosing the information. Still others see it as a transition between the mass media and the individual technology.

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CHAPTER 7

Social Media and Mobile Marketing

The Current Definitions

What is today's New Technology? Undoubtedly, it's something that will be the Old Technology within five years, replaced by other New Technology. Nonetheless, at the moment, there are several "New Technologies" impacting the media world.

The **internet** is mid-stream. It was a "New Technology" right before the 21st century. It has reached the saturation point in the U.S.; that is, households with the internet have reached the point that no other household can be added. On the other hand, the internet continues to change in the way it is offered to customers, the way it is used by customers and the way it affects the traditional mass media. For instance, Nielsen now measures a group of people called "zero-TV." That is, these people do not have a traditional TV in their homes, but may still watch television programming through the internet (or other technologies).

The **mobile** is another saturated technology. However, as with the internet, it isn't the question "do you need one" but, "what do you want." Mobile has moved in less than 30 years from a phone service, replacing the "new technology" of a pager, to a communication service that provides the user the abilities to receive and send information, including the ability to watch videos and send/receive news. With the mobile technology, a different type of journalist has been created: the Citizen Journalist.

Nielsen divides Mobiles worldwide into three groups: SmartPhone, Multimedia Phone, and Feature Phones. The SmartPhone, which is the most advanced and includes iPhones, are mobiles with and without touchscreens, but have the advanced operating system. A Multimedia phone has a touchscreen and perhaps a keypad, but it doesn't have an advanced operating system. Finally, Feature Phones are just a basic phone. There is no touchscreen, keypad, or advanced operating system.[1]

In the U.S., over half of users have a SmartPhone, less than ten percent use a Multimedia Phone and another 40 percent have a Feature Phone. Although compared to some other developed countries, the U.S. is lower in SmartPhone usage, the percent of ownership had risen to over 60 percent by the end of 2012.[2] According to the Pew Research Center, younger adults continue to invest in the SmartPhone at a high rate, although persons through their mid-50s are showing high (over half) rates of SmartPhone adoption. However, persons 65 and older still do not use the SmartPhone, although their usage has grown over the last year.[3]

The **tablet** is the latest, fast-growing technology. Over a third of U.S. adults now own a tablet, such as an iPad, Samsung Galaxy Tab, Google Nexus or Kindle Fire, and the percentage of owners almost doubled between 2012 and 2013.[4] Although SmartPhone users are younger, particularly 18–34-year-olds, Tablet users tend to be the next generation, 35–54-year-olds. Close to half of adults 35–44 own a tablet. However, just like with SmartPhones, older adults, 65 and older, have not adopted the technology and less than 20 percent have invested in a Tablet.[5]

A Tablet allows the user to participate in almost every function except those such as word processing and creating spreadsheets. This includes the ability to read books, either from purchasing or as a subscriber from the local library; emails, social networking, gaming, reading newspaper and magazines and shopping. Preachers now use tablets in the pulpit and music directors direct from their tablets.

From a traditional media standpoint, tablets are now used in the newsroom, with stories and show scripts downloaded to the director in the control room and the tablets of the anchors in the studio. Instead of dependence on the teleprompter, the anchors now use tablets, which allows for almost instantaneous editing or, at the very least, during commercial breaks in the show. In a live show, with breaking news, such as coverage during an election, anchors can receive up-to-date information on their tablets.

Digital advertising has made substantial inroads into traditional media advertising. The Pew Center, using eMarketer reports, estimates

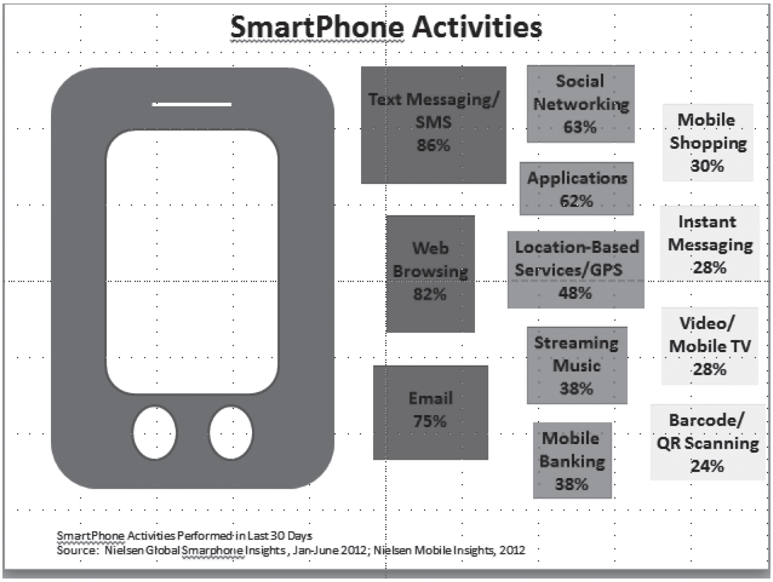

Figure 7-1

that digital advertising was over $37 billion in 2012, and continues to rise. However, the top five largest digital companies actually have 64 percent of all digital ad spending. Those five are Google, Yahoo, Facebook, Microsoft and AOL.[6]

For traditional media, Digital Advertising is both friend and foe. All traditional media—newspapers, magazines, radio and television—have websites to sell. This revenue stream can be a friend if sold correctly and see as a supplement to the medium. On the other hand, many advertisers are joining the bandwagon and moving their targeted dollars to digital sources. That can be a foe. A good salesperson, working in a relationship with the client, will direct the client to the correct amount of digital dollars in the correct position. While Video ads are popular (and sexy) not all clients need a video ad or the more frequently used Banner ad.

Cross-Platform Usage

As Dounia Turrill, Senior Vice President of Insights for Nielsen, said in a recent report, "The time has truly arrived when we can say that we can have it all!"[7] We are now concerned with the television program or the musical piece we want to see or hear. *Where* we see or hear it with *what* technology is not as much of an issue. In other words, consumers don't care if they watch the new show on the television set as much as that they watch it.

Cross-Platform, sometimes called "Cross Media" or "Convergence," is a program, advertisement, service or property distributed across different media platforms. The different platforms can include all media, including traditional media, such as radio or newspaper, and new media, such as podcasts or SMS. More often, Cross Media Communication is used. This would be a case where a story is first shown on a local television station and at the end of the story, the viewer is urged to visit the station's website for more information.

At first glance, it would seem that Cross-Platform is a small, still in its infancy, concept with small numbers of persons using the new technologies usually seen in Cross-Platform usage. There is some truth in this, when considering that the numbers for television are considerably higher than for other methods of seeing programming. For instance, according to Nielsen, in the 1st Quarter of 2013, on average, a person watched over four-and-a-half hours of live television, but only half an hour with DVR playback, another 11 minutes with DVD, and 13 minutes with video games.[8]

On the other hand, a look at how we use our SmartPhones shows the Cross-Platform phenomena. Figure 7-1 details the activities with a SmartPhone in the last 30 days and it's certainly not the old bulky cell phone of the 1980s!

As mentioned earlier, Nielsen and others have started studying the "Zero-TV" household. Although it only represents five percent or less of households, it is a growing group. Three-fourths of these households actually own a television, but two-thirds of them get their programming from another place, primarily through subscription services or computers. These new users are younger and many see cost and lack of interest as the reasons for no television.[9]

"It cost too much for what I'm getting," explained 26-year-old Andrew. "I don't know if we'll get it even if we have the money."

Storytelling versus Technology

How does an advertiser reach the customers with this many opportunities?

It's all about storytelling, not the technology. Instead of the two being interwoven, as the traditional media would see it, this is all about the message. How people receive the message with what technology is a concern for local media, but if the program or paper is being marketed properly, the technology should not be the overwhelming factor.

For instance, if people are reading a news story about the latest apartment fire or "who shot whom with what effect," will the technology be the issue or the prurient interest in the news be more important?

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A Practical Guide to the Media Business

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