Peter K. Pringle / Michael F. Starr / William E. McCavitt

ELECTRONIC MEDIA MANAGEMENT

THIRD EDITION

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Focal Press
Boston London

Focal Press is an imprint of Butterworth–Heinemann.

Recognizing the importance of preserving what has been written, Butterworth–Heinemann prints its books on acid-free paper whenever possible.

Library of Congress Cataloging-in-Publication Data

Pringle, Peter K.
Electronic media management / Peter K. Pringle, Michael F. Starr, William E. McCavitt.—3rd ed.
p. cm.
Includes bibliographical references and index.
ISBN 0–240–80199–7
1. Television stations—Management. 2. Radio stations—Management. 3. Broadcasting—Management. I. Starr, Michael F. II. McCavitt, William E., 1932–1985. III. Title.
HE8689.6.M33 1995
384.54'068--dc20 94–34267
CIP

British Library Cataloguing-in-Publication Data

A catalog record of this book is available from the British Library

Butterworth–Heinemann
313 Washington Street
Newton, MA 02158

10 9 8 7 6 5 4 3 2 1

Printed in the United States of America

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PREFACE

Since the publication of the second edition of this book, the electronic media landscape has changed significantly. This new edition attempts to set forth the changes and to provide for tomorrow's electronic media manager the foundation to succeed in an era of integrated media. The book's structure remains unchanged. However, all chapters have been updated to offer a current perspective on the challenges and rewards of a career in broadcast or cable management.

Chapter 1 takes a historical and contemporary look at management theory and practice. It examines the functions, roles, and skills of the broadcast station general manager. Chapter 2 covers broadcast and cable financial management and underlines the renewed emphasis on cost controls and operational cash flow.

The third chapter, formerly "Personnel Management," has been retitled to reflect current practice. It includes details of new laws on the hiring and treatment of employees and an expanded section on sexual harassment. New challenges facing radio and television station programmers are contained in Chapter 4, "Broadcast Programming," while the increasing importance of station rep companies is reflected through additional coverage in Chapter 5, "Broadcast Sales."

In line with industry practice, the title of Chapter 6 has been changed to "Broadcast Promotion and Marketing." Chapter 7, "Broadcast Regulations," has been revised and updated extensively. A similar approach has been followed in the next two chapters, "Managing the Cable Television System," and "Public Broadcast Station Management."

Chapter 10 offers guidelines for prospective electronic media managers and owners, and Chapter 11 attempts to predict the nature of the professional world they will enter.

All case studies are new to this edition. The Glossary has been revised, and the Bibliography focuses on seminal texts and those that have been published in the 1990s.

We wish to thank reviewers and users of the second edition for their thoughtful and constructive suggestions, many of which have been incorporated in this edition. Special thanks are due to the staff at Focal Press and, in particular, to our editor, Valerie Cimino, for her guidance and exceptional patience.

ACKNOWLEDGMENTS

Ralph E. Becker, Saluki Investors
Richard Blackburn, Blackburn & Company, Inc.
Dan Brown, WGOW/WOGT-FM/WSKZ-FM
Ken Costa, Radio Advertising Bureau, Inc.
Glenn B. Enoch, TeleRep
Len Feldman, Television Bureau of Advertising
Ralph Flynn, WRCB-TV
Mark Fratrik, National Association of Broadcasters
Robert C. Gerig, WSIU-TV
James Gleason, Galaxy Cablevision
Thomas Godell, WSIU-FM
Michael Hargrove, KETC-TV
Robert E. Long, Southern Starr Broadcasting
Bill McClenaghan, ABC Radio
Gerald Noonan, Paramount Television Distribution
Lee O'Brien, Southern Illinois University
David D. Oxenford, Fisher Wayland Cooper Leader & Zaragoza
John B. Phillips, Jr., Miller & Martin
Tom Tolar, WRCB-TV
Chuck Wilkins, WGOW/WOGT-FM/WSKZ-FM

1 BROADCAST STATION MANAGEMENT

This chapter examines broadcast station management by

- ☐ defining management and tracing the roots of today's management thought and practice
- ☐ identifying the functions and roles of the broadcast station general manager and the skills necessary to carry them out
- ☐ discussing the major influences on the general manager's decisions and actions

Few management positions offer challenges equal to those of managing a commercial radio or television station. Like any other business, the station must be operated profitably if it is to survive and to satisfy the financial expectations of its owners. At the same time, it must respond to the interests of the community it is licensed to serve by the Federal Communications Commission (FCC). Balancing the private interests of owners and the public interest of listeners or viewers is a continuing challenge.

A broadcast station engages in many functions. It is an advertising medium, an entertainment medium, an information medium, and a service medium. To discharge those functions in a way that meets the interests of advertisers, audiences, and employees is an additional challenge.

Another challenge grows out of the competitive environment in which most broadcast stations operate. In many communities, a dozen or more radio stations compete against each other and against other media for advertisers, audiences, and employees. Television stations face similar competition. Even though they may be competing against only three or four other stations licensed to the community, they have to confront the challenges posed by cable television, which has a TV household penetration of more than 62 percent, other program-delivery systems, and videocassette recorders (VCRs), which are found in about 82 percent of American homes.

Responsibility for a station's operation is entrusted by the owners to a chief executive, usually called the general manager. This chapter will look at the roles and responsibilities of the general manager, or GM.

First, however, it will be helpful to consider what management is and the evolution of management thought and practice during broadcasting's lifetime.

MANAGEMENT DEFINED

If you were to ask a group of people what *management* means, chances are that each would offer a different definition. That is not surprising, given the diversity and complexity of a manager's responsibilities.

Schoderbek, Cosier, and Aplin define it as "a process of achieving organizational goals through others."[1] Resource acquisition and coordination are emphasized by Pringle, Jennings, and Longenecker: "Management is the process of acquiring and combining human, financial, informational, and physical resources to attain the organization's primary goal of producing a product or service desired by some segment of society."[2] Others view it from the perspective of the functions that managers perform. For example, Carlisle speaks of "directing, coordinating, and influencing the operation of an organization so as to obtain desired results and enhance total performance."[3]

Mondy, Holmes, and Flippo expand those functions and underline the importance of people, as well as materials: "Management may be defined as the process of planning, organizing, influencing, and controlling to accomplish organizational goals through the coordinated use of human and material resources."[4] That is the definition that will be used in this book.

EVOLUTION OF MANAGEMENT THOUGHT

It is tempting to think of management as a comparatively modern practice, necessitated by the emergence of large business organizations. However, as early as 6000 B.C., groups of people were organized to engage in undertakings of giant proportions. The Egyptians built huge pyramids. The Hebrews carried out an exodus from Egyptian bondage. The Romans constructed roads and aqueducts, and the Chinese built a 1500-mile wall. It is difficult to believe that any of these tasks could have been accomplished without the application of many of today's management techniques.

To understand current management concepts and practices requires familiarity with the evolution of management thought. It traces its start to the dawn of the twentieth century, when the foundations of what later would be called *broadcasting* were being laid. Just as broadcasting has evolved, so too has systematic analysis of management. The dominant traits of different managerial approaches have been identified and grouped into so-called schools. The first was the classical school of management.

The Classical School

Classical management thought embraces there separate but related approaches to management: (1) scientific management, (2) administrative management, and (3) bureaucratic management.

Scientific Management At its origin, scientific management focused on increasing employee productivity and rested on four basic principles:

- systematic analysis of each job to find the most effective and efficient way of performing it (the "one best way")
- use of scientific methods to select employees best suited to do a particular job
- appropriate employee education, training, and development
- responsibility apportioned almost equally between managers and workers, with decision-making duties falling on the managers

The person associated most closely with this school is Frederick W. Taylor (1856 to 1915), a mechanical engineer, who questioned the traditional, rule-of-thumb approach to managing work and who earned the title "father of scientific management."

Taylor believed that economic incentives were the best motivators. Workers would cooperate if higher wages accompanied higher productivity, and management would be assured of higher productivity in return for paying higher wages. Not surprisingly, he was criticized for viewing people as machines.

However, his contributions were significant. Management scholar Peter Drucker attributes to Taylor "the tremendous surge of affluence . . . which has lifted the working masses in the developed countries well above any level recorded before."[5] Job analysis, methods of employee selection, and their training and development are examples of ways in which principles of scientific management are practiced today.

Administrative Management If Taylor was the father of scientific thought, the French mining and steel executive Henri Fayol (1841 to 1925) can lay claim to being the father of management thought.

While Taylor looked at workers and ways of improving their productivity, Fayol considered the total organization with a view to making it more effective and efficient. In so doing, he developed a comprehensive theory of management and demonstrated its universal nature.

His major contributions to administrative theory came in a book, *General and Industrial Management*, in which he became the first person to set forth the functions of management or, as he called them, "managerial activities":

> *Planning:* Contemplating the future and drawing up a plan to deal with it, which includes actions to be taken, methods to be used, stages to go through, and the results envisaged
>
> *Organizing:* Acquiring and structuring the human and material resources necessary for the functioning of the organization
>
> *Commanding:* Setting each unit of the organization into motion so that it can make its contribution toward the accomplishment of the plan
>
> *Coordinating:* Unifying and harmonizing all activities to permit the organization to operate and succeed
>
> *Controlling:* Monitoring the execution of the plan and taking actions to correct errors or weaknesses and to prevent their recurrence[6]

To assist managers in carrying out these functions, Fayol developed a list of 14 principles (Figure 1-1). He did not suggest that the list was exhaustive, merely that the principles were those that he had needed to apply most frequently. He warned that such guidelines had to be flexible and adaptable to changing circumstances.

Fayol's contributions may appear to be merely common sense in today's business environment. However, the functions of planning, organizing, and controlling that he identified are still considered fundamental to management success. Many of his principles are incorporated in business organization charts and, in the case of equity, are enshrined in law.

Bureaucratic Management At the same time that Taylor and Fayol were developing their thoughts, Max Weber (1864 to 1920), a German sociologist, was contemplating the kind of structure that would enable an organization to perform at the highest efficiency. He called the result a *bureaucracy* and listed several elements for its success. They included

- division of labor
- a clearly defined hierarchy of authority
- selection of members on the basis of their technical qualifications
- promotion based on seniority or achievement
- strict and systematic discipline and control
- separation of ownership and management[7]

Figure 1-1 *Fayol's 14 principles of management. (Source: Henri Fayol.* General and Industrial Management. *Translated by Constance Storrs. London, England: Sir Isaac Pitman and Sons, 1965, pp. 19–42. The explanations have been paraphrased.)*

Principle	*Explanation*
1. Division of work	Specialization of work results in higher and better productivity.
2. Authority and responsibility	The right of the manager to give orders and to demand conformity, accompanied by appropriate responsibility.
3. Discipline	Obedience and respect for agreements between the firm and its employees.
4. Unity of command	An employee should receive orders from only one superior.
5. Unity of direction	Each group of activities having the same objective should have only one plan and one head.
6. Subordination of individual interest to general interest	The interest of one employee or group of employees should not prevail over that of the concern.
7. Remuneration of personnel	Payment should be fair and, as far as possible, satisfactory to both employer and employee.
8. Centralization	Each firm must find the optimum degree of centralization to permit maximum utilization of employee abilities.
9. Scalar chain	The line of authority, from top to bottom, through which all communications pass.
10. Order	Materials and employees in their appropriate places to facilitate the smooth running of the business.
11. Equity	Kindness, fairness, and justice in the treatment of employees.
12. Stability of tenure of personnel	Employees must be given time to get used to new work and to succeed in doing it well.
13. Initiative	The freedom and power to think out and execute a plan.
14. Esprit de corps	Establishing harmony and unity among the personnel.

It is unfortunate that contemporary society associates the word *bureaucracy* with incompetence and inefficiency. For, while it is true that a bureaucracy can become mired in rigid rules and procedures, Weber's ideas have proved useful to many large companies that need a rational organizational system to function effectively, and they have earned him a berth in the annals of management thought as "the father of organizational theory."

Contributors to the classical school of management concerned themselves with efforts to make employees and organizations more productive. Their work revealed several of their assumptions about the nature of human beings, among them the notion that workers are motivated chiefly by money and require a clear delineation of their job responsibilities and close supervision if work is to be accomplished satisfactorily. Such assumptions would not withstand the scrutiny of the school that followed.

The Behavioral School

The trend away from classical assumptions began with the human relations movement, which dominated during radio's heyday in the 1930s and 1940s.

Among the greatest contributors to the movement were Mary Parker Follett (1868 to 1933) and Chester I. Barnard (1886 to 1961), both of whom rejected the view of the "economic man" held by the classical theorists.

Follett, a philosopher, argued in her writings that workers could reach their full potential only as members of a group, which she characterized as the foundation of an organization. In reality, managers and workers were members of the same group and, thus, shared a common interest in the success of the enterprise.

Barnard, the president of New Jersey Bell Telephone Company, conceived of an organization as a "system of consciously coordinated activities or forces of two or more persons." As employees worked toward the accomplishment of the organization's objectives, they had to be able to satisfy their own needs. Identifying ways of meeting those needs and, simultaneously, enhancing the effectiveness and efficiency of the organization, were the principal challenges facing managers.

However, the most far-reaching contributions to the human relations movement were made by Elton Mayo (1880 to 1949), a Harvard University psychologist.

Between 1927 and 1932, Mayo and Fritz J. Roethlisberger (1898 to 1974) led a Harvard research team at Western Electric's Hawthorne plant in Illinois. The research focused on ways of improving worker efficiency by evaluating the factors that influence productivity. Its results redirected the course of management thought and practice.

What was observed in only one of the experiments gives a clue to the importance of the Hawthorne studies. To determine the effect on productivity of lighting levels, illumination remained constant among one group of workers (control group) and was systematically increased and decreased among another (experimental group). Contrary to expectations, productivity in both groups rose, even when the lighting in the experimental group was decreased.

The result of this and other experiments, combined with observation and interviews, convinced Mayo and his team that factors other than the purely physical had an effect on productivity. They realized that the one constant factor was the degree of attention paid to workers in the experimental groups. Thus was born the *Hawthorne Effect*, which states that when managers pay special attention to employees, productivity is likely to increase, despite a deterioration in working conditions.

The recognition that social, as well as physical, influences play a role in worker productivity marked an important milestone. Henceforth, greater attention would have to be paid to the needs of employees, who were now perceived as something other than mechanical, interchangeable parts in the organization.

The human relations movement evolved into the behavioral management school. It assumed dominance in the 1950s and 1960s, as the new medium of television was establishing its popularity in American households. Among this school's major contributions were new insights into the needs of individuals and their role in motivating workers.

In an attempt to formulate a positive theory of motivation, Abraham Maslow (1908 to 1970), a psychologist, asserted that human beings have certain basic needs and that each serves as a motivator. He identified five such needs and organized them in a hierarchy, starting with the most basic:

- *Physiological:* Food, water, sex, and other physiological satisfiers
- *Safety:* Protection from threat, danger, and illness; a safe, orderly, predictable, organized world
- *Love:* Affection and belongingness
- *Esteem:* Self-esteem and the esteem of others
- *Self-actualization:* Self-fulfillment, to become everything one is capable of becoming[8]

The physiological and safety needs are seen as primary needs and the remainder, dealing with the psychological aspects of existence, as secondary. Maslow theorized that when one need is fairly well satisfied, it no longer serves as a motivator. Instead, attention turns to the next level on the hierarchy. However, he recognized that the order is not rigid, especially at the higher levels. For example, some people may value self-esteem more than love, and others may never aspire to self-actualization.

There is little empirical data available to support Maslow's theory.[9] Nonetheless, it led to the realization that satisfied needs might have little value in motivating employees and that different techniques might have to be used to motivate different people, according to their particular needs.

While Maslow considered all needs to be motivators, Frederick Herzberg (b. 1923), another psychologist, proposed that employee attitudes and behaviors are influenced by two different sets of considerations. He called them *hygiene factors* and *motivators.*[10]

Hygiene factors[11] are those associated with conditions that surround the doing of the job and include supervision; interpersonal relations with superiors, peers, and subordinates; physical working conditions; salary; company policies and administrative practices; benefits; and job security.

Responding to employees' hygiene needs, concluded Herzberg, will eliminate dissatisfaction and poor job performance but will not lead to positive attitudes and more productive behaviors. Those are accomplished by meeting the second set of considerations, the motivators, or factors associated with the job content. They include achievement, recognition, the work itself, responsibility, and advancement.

Interestingly, there is a close relationship between Herzberg's hygiene factors and the lower-level needs identified by Maslow, and between the motivators and Maslow's self-esteem and self-actualization needs.

The implications of this two-factor theory of motivation are clear. Employees have certain expectations about elements in the environment in which they work. When they are satisfactory, workers are reassured that things are as they ought to be, even though those feelings may not encourage them to greater productivity. However, when environmental expectations are not met, dissatisfaction ensues. An employer must provide for both the hygiene needs and the motivators to achieve a motivated work force. The critical task, therefore, lies in satisfying employees' needs for self-actualization by giving them more responsibility, providing opportunities for advancement, and recognizing their achievement.

Studies appear to show that Herzberg's theory is applicable more to professional and managerial-level employees than to manual workers. Nonetheless, his contributions provided a better understanding of motivation and have had significant effects on job design.

Influenced by the theorists of self-actualization, and especially Maslow, Douglas McGregor (1906 to 1964), an industrial psychologist, underscored the importance of assumptions about human nature and their effects on motivational methods used by managers.

He argued that, despite important advances in the management of human resources, most managers clung to traditional assumptions, which he labeled *Theory X* (Figure 1-2). Managers who saw their employees as having a dislike of work, lacking ambition, and requiring direction were likely to rely on coercion, control, and even threats as motivational tools.

McGregor offered *Theory Y* (Figure 1-2), which took an entirely different view of human nature. Managers who adopted these assumptions considered employees capable of seeking and accepting responsibility and of exercising self-direction in furtherance of organizational goals, without control and the threat of punishment.

McGregor summarized the difference between the two theories in this way:

> The central principle of organization which derives from Theory X is that of direction and control through the exercise of authority—what has been called the "scalar principle." The central principle which derives from Theory Y is that of integration: the creation of conditions such that the members of the organization can achieve their own goals *best* by directing their efforts toward the success of the enterprise.[12]

While McGregor's Theory X and Theory Y are based on assumptions about human nature, William Ouchi (b. 1943) uses Theory A and Theory Z to refer to organizations. He characterizes most U.S. companies as type A and most Japanese companies as type Z and suggests that the United States can learn much about managing people more effectively from the Japanese model.[13] However, his assertions have come under attack for their failure to recognize the cultural differences between the two nations and their impact on employee management practices.

By drawing attention to the key role played by employees in the attainment of organizational goals and the importance of recognizing and striving to satisfy their needs, the behavioral school has had a lasting impact on management. In particular, it has resulted in greater attention to the work environment and on-

Figure 1-2 *Theory X and Theory Y. (Source: Douglas McGregor,* The Human Side of Enterprise. *New York: McGraw-Hill Book Co., 1960, pp. 33–34, 47–48.) Reprinted with permission of McGraw-Hill, Inc.*

Theory X

1. The average human being has an inherent dislike of work and will avoid it if he can.
2. Because of this human characteristic of dislike of work, most people must be coerced, controlled, directed, or threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
3. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all.

Theory Y

1. The expenditure of physical and mental effort in work is as natural as play or rest.
2. External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. Man will exercise self-direction and self-control in the service of objectives to which he is committed.
3. Commitment to objectives is a function of the rewards associated with their achievement.
4. The average human being learns, under proper conditions, not only to accept but to seek responsibility.
5. The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
6. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

the-job training for employees and in a realization that people-management skills are a fundamental management attribute.

Management Science

This school of management thought had its origins during World War II and was known, in the beginning, as operations research. In some respects, it represented a reemergence of the quantitative approach favored by Taylor. However, advances in management technology, especially the computer, rendered it much more sophisticated.

Basically, it involves construction of a mathematical model to simulate a situation. All variables bearing on the situation and their relationships are entered into a computer. By changing the values of the variables, the outcomes of different decisions can be projected.

By replacing descriptive analyses with quantitative data, this approach has been useful in management decision making on matters that can be quantified, such as financial planning. A major shortcoming is its inability to predict the behavior of an organization's human resources.

Modern Management Thought

By the 1960s, management theory incorporated elements of the classical, behavioral, and management science schools. However, theorists could not agree on a single body of knowledge that constituted the field of management. Indeed, one writer likened the situation to a jungle.[14]

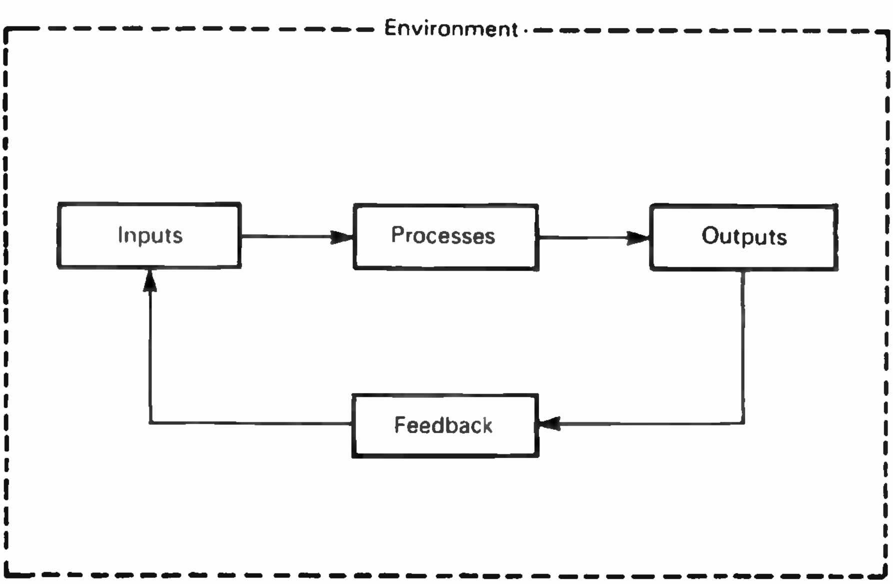
Since then, steps have been taken toward clearing the jungle with the adoption of approaches aimed at integrating some of the divergent views of disciples of the earlier schools. Two contemporary perspectives are *systems theory* and *contingency theory*.

Systems Theory According to the systems theory, an enterprise is seen as a system, "a set of objects with a given set of relationships between the objects and their attributes, connected or related to each other and to their environment in such a way as to form a whole or entirety."[15]

An organizational system is composed of people, money, materials, equipment, and data, all of which are combined in the accomplishment of some purpose. The subsystems typically are identified as divisions or departments whose activities aid the larger system in reaching its goals.

Certain elements are common to all organizational systems (Figure 1-3). They are *inputs* (e.g., labor, equipment, and capital) and *processes*, that is, methods whereby inputs are converted into *outputs* (e.g., goods and services). *Feedback* is information about the outputs or processes and serves as an input to

Figure 1-3 *Systems approach to organizational management.*



help determine whether changes are necessary to attain the goals. Management's role is to coordinate the input, process, and output factors and to analyze and respond to feedback.

The systems approach emphasizes the relationship between the organization and its external environment. Environmental factors are outside the organization and beyond its control but have an impact on its operations. Accordingly, management must monitor environmental trends and events and make changes deemed necessary to ensure the organization's success.

Contingency Theory The contingency, or situational, approach to management traces its current origins to systems theory and the desire to identify universal principles of management. It recognizes that principles advanced by earlier schools may be applicable in some situations, but not in others, and seeks an understanding of those circumstances in which certain managerial actions will bring about the desired results.

It is ironic that this line of thought did not emerge as a major force until the mid-1960s, since its significance in the study of leadership was recognized in the 1920s by Follett. She noted that "there are different types of leadership" and that "different situations require different kinds of knowledge, and the man possessing the knowledge demanded by a certain situation tends in the best managed businesses, other things being equal, to become the leader of the moment."[16]

The recent study of contingency principles has been relatively sparse, focusing mostly on organizational structure and decision making. Finally, however, this approach has attracted the attention of theorists to functions other than leadership and has impressed on the field the realization that management is much more complex than earlier theorists imagined.

It is this complexity that makes it impossible to suggest a style for all managers, including those who manage broadcast stations. What is appropriate for one manager in one circumstance with one group of employees may be quite inappropriate for another manager in another circumstance with a different group.

Management Thought in the 1990s Revolutionary developments in the world and in the workplace are triggering changes in management thought and practice as the year 2000 approaches. The end of communism's dominance in the former Soviet Union and Eastern Europe has created new opportunities in a world already characterized by the growing internationalization of business. An era of global interdependence has been ushered in by the formation of a single trading bloc among a dozen European countries and by ratification of the North American Free Trade Agreement (NAFTA) by the United States, Canada, and Mexico. Technical innovation and the growing heterogeneity of the American work force render the organizational world of the 1990s strikingly different from that in which early theorists operated.

Accompanying these developments has been a focus on customers' needs and, especially, on their expectations of quality in the products they purchase and the services they use. This has given rise to a new approach to management, *total quality management (TQM)*. The approach may be new in the United

States, but its underpinnings are not. In fact, it draws elements from management science, scientific management, and the behavioral approach, and it may be characterized as another attempt to clear the jungle. Nor is its practice new. It was introduced in Japan in the aftermath of World War II by several Americans, the most prominent of whom was W. Edwards Deming (1900 to 1993), a statistician.

The foundation of Deming's approach to TQM is the conviction that uniform product quality can be ensured through statistical analysis and control of variables in the production process. As the philosophy has evolved and technological change has become commonplace, his insistence that employees be trained to understand statistical methods and their application and to master new skills has assumed greater significance. So, too, has awareness that employees are an integral part of the quality revolution and that, without their total commitment to continuous product or service improvement, any attempt to practice this management philosophy will be doomed.

The success that Deming and other quality proponents achieved in Japan may be judged from that country's rebirth as a major economic power. Indeed, the introduction and growth of total quality management in the United States are due, in large measure, to the realization among many American companies that a similar approach is needed if they are to survive.

The contributions to management thought and practice described in this chapter provide some guidelines for the manager. However, pending the development of a set of universal management principles, the style of most managers probably is summarized best by business mogul T. Boone Pickens, Jr.: "A management style is an amalgamation of the best of other people you have known and respected, and eventually you develop your own style."[17]

MANAGEMENT LEVELS

It is often assumed that management is concentrated at the top of an organization. In reality, anyone who directs the efforts of others in the attainment of goals is a manager. In most companies, including broadcast stations, managers are found at three levels:

Lower: Managers at this level supervise closely the routine work of employees under their charge and are accountable to the next level of management. A radio station local sales manager who reports to the general sales manager, and a television production manager who answers to the program manager, are examples.

Middle: Managers who are responsible for carrying out particular activities in furtherance of the overall goals of the company are in this category. In broadcast stations, the heads of the sales, program, news, engineering, and business departments are middle managers.

Top: Managers who coordinate the company's activities and provide the overall direction for the accomplishment of its goals operate at this level. The general manager of a broadcast station is a top manager.

Even though the contents of the remainder of this chapter apply in varying degrees to all three levels, the focus will be on the top level, that occupied by the general manager.

MANAGEMENT FUNCTIONS

The general manager (GM) is responsible to the station's owners for coordinating human and physical resources in such a way that the station's objectives are accomplished. Accordingly, the GM is concerned with, and accountable for, every aspect of the station and its operation.

In discharging the management responsibility, the GM carries out four basic functions: planning, organizing, influencing or directing, and controlling.

Planning

Planning involves the determination of the station's objectives and the plans or strategies by which those objectives are to be accomplished. Through the planning process, many objectives may be identified. Usually, they can be placed in one of the following categories:

Economic: Objectives related to the financial position of the station and focusing on revenues, expenses, and profits

Service: Programming that will appeal to audiences and be responsive to their interests and needs; the contribution of the station to the life of the community

Personal: Objectives of individuals employed by the station

A major purpose of objective-setting is to permit the coordination of departmental and individual activity with the station's objectives. Once the station's objectives have been formulated, the objectives of the different departments and employees within those departments can be developed. Individual objectives must contribute to the accomplishment of departmental objectives, which, in turn, must be compatible with those of other departments and of the station. In addition, all objectives must be attainable, measurable, set against deadlines, and controllable.

Once agreement on objectives has been reached, plans or strategies are developed to meet them. Planning provides directions for the future. However, it does not require the abandonment of plans that contribute to the achievement of the station's current objectives and that are likely to be instrumental in enabling the station to accomplish its future objectives.

In many stations, such plans are contained in a policy book. The contents of the books vary, but usually include the following:

Station philosophy: The role of the station in the community and its responsibility to the public, advertisers, and employees

Job descriptions: The responsibilities of each position, ways in which they relate to other positions, and the chain of command

Station operation: How the station operates, the role and responsibilities of each department, and their relationship to other departments

Station rules: Rules governing such diverse matters as work hours, dress, meal breaks, moonlighting, and sick leave

Planning cannot anticipate or control future events. However, it has many benefits since it

- compels the GM to think about and prepare for the future
- provides a framework for decision making
- permits an orderly approach to problem solving
- encourages team effort
- provides a climate for individual career development and job satisfaction

Organizing

Organizing is the process whereby human and physical resources are arranged in a formal structure and responsibilities are assigned to specific units, positions, and personnel. It permits the concentration and coordination of activities and management control of efforts to attain the station's objectives.

In the typical broadcast station, organizing involves the division of work into specialties and the grouping of employees with specialized responsibilities into departments. The following departments are found most frequently in commercial broadcast stations:

Sales Department
The sale of time to advertisers is the principal source of revenue for commercial radio and television stations and is the responsibility of a sales department, headed by a sales manager. Many stations subdivide the department into national/regional sales and local sales. The former involves coordinating sales to national and regional advertisers with the station's sales representative company, or station rep. The local sales staff is charged with sales to local advertisers.

Program Department
Under the direction of a program manager or director, the program department plans, selects, schedules, and, with the assistance of the production staff, produces programs.

News Department
In many stations, the information function is kept separate from the entertainment function and is supervised by a news director. The department is responsible for regularly scheduled newscasts, news and sports specials, and documentary and public affairs programs.

Engineering Department
This department is headed by a chief engineer or technical manager. It selects, operates, and maintains studio, control room, and transmitting equipment. Engineering staff also are responsible for technical monitoring in accordance with the requirements of the Federal

Communications Commission. In some stations, studio production personnel report to the head of this department.

Business Department
The business department carries out a variety of tasks necessary to the functioning of the station as a business. They include secretarial, billing, bookkeeping, payroll, and, in many stations, personnel responsibilities.

Broadcast stations engage in several other functions, which may be assigned to separate departments or subdepartments or may be included in the duties of departments already identified. The following additional functions are among the most common:

Promotion and Marketing
This function involves both program and sales promotion. The former seeks to attract and maintain audiences, while the latter is aimed at attracting advertisers. Both functions may be the responsibility of a promotion and marketing department. Some stations assign program promotion to the program department and sales promotion to the sales department.

Traffic
Traffic often is carried out by a subdepartment of the sales department. It is called the traffic department and is headed by a traffic manager. The function includes the daily scheduling on a program log of all content to be aired by the station, the compilation of an availabilities sheet showing times available for purchase by advertisers, and the monitoring of all advertising content to ensure compliance with commercial contracts.

Continuity
Continuity is concerned chiefly with the writing of commercial copy and, in many stations, constitutes a subdepartment within the sales department. The continuity director supervises its activities and reports to the sales manager. In stations where the writing of program material and public service announcements is included, the continuity director may answer to the heads of both the sales and program departments.

The general manager's success in organizing rests heavily on the selection of employees. Of particular importance is the selection of department heads to whom the GM delegates responsibility for the conduct and accomplishments of the various departments.

The GM also must strive to ensure that the organizational structure enables the station to meet its objectives and that problems arising from overlapping or nonexistent responsibility are corrected. The structure is influenced by many factors, among them the number of employees, the size of the market, and the preferences of the GM. As a result, there is no "typical" organization. However, Figures 1-4 through 1-9 contain examples of the structure of stations in markets of different sizes.

Influencing or Directing

The influencing or directing function centers on the stimulation of employees to carry out their responsibilities with enthusiasm and effectiveness. It involves *motivation*, *communication*, *training*, and *personal influence*.

Figure 1-4 *Organization of a small-market radio station.*

- General Manager and Salesperson
  - Announcers
  - Office Manager, Traffic and Bookkeeping
  - Engineer

Figure 1-5 *Organization of a medium-market radio station.*

- General Manager
  - General Sales Manager
    - Sales Secretary
    - Local Sales Manager
      - Account Executives
      - Continuity Director
      - Co-op Coordinator
  - Program Manager
    - Music Director
    - Production Director
    - Announcers
  - News Director
    - Reporters
  - Chief Engineer
    - Assistant Engineer
  - Business Manager
    - Bookkeeper
    - Secretary-Receptionist and Traffic

Motivation The major theories of motivation were discussed earlier in this chapter. For the general manager, motivation is a practical issue, since the success of the station is tied closely to the degree to which employees are able to satisfy their needs. The greater their satisfaction, the more likely it is that they will contribute fully to the attainment of the station's objectives. Accordingly, the GM must be aware of the needs of individual employees and must create an environment in which they want to be productive.

Basic needs include adequate compensation and fringe benefit programs, safe and healthy working conditions, friendly colleagues, and competent and fair supervision. For most employees, such needs are met adequately and do not serve as powerful motivators.

Figure 1-6 *Organization of a large-market radio station.*

- General Manager
  - General Sales Manager
    - Secretary
    - Local Sales Manager
      - Account Executives
      - Co-op Coordinator
    - Traffic Manager
      - Traffic Assistant
  - Program Manager
    - Secretary
    - Music Director
    - Production Director
    - Announcers
    - Continuity Director
      - Continuity Assistant
  - News Director
    - Reporters
    - Writers
  - Public Service Director
  - Promotion and Marketing Manager
    - Secretary
  - Chief Engineer
    - Transmitter Engineer
    - Studio Engineer
    - Maintenance Engineer
  - Comptroller
    - Accountant
    - Bookkeeper
    - Janitorial Service

Figure 1-7 *Organization of a small-market television station.*

- General Manager
  - Account Executives
  - Program Manager
    - Traffic Manager
    - Production Manager
      - Producer/Directors
    - News Director
      - Reporters
      - Photographers
    - Continuity and Copy Writer
  - Chief Engineer
    - Assistant Engineers

Satisfaction of other needs may have a more significant impact on how employees feel about themselves and the station and on their efforts to contribute to the station's success. Included in these higher-level needs are factors such as job title and responsibility, praise and recognition for accomplishments, opportunities for promotion, and the challenge of the job.

Once basic needs are satisfied, therefore, the GM must respond to those higher level needs if motivation is to be successful.

Figure 1-8 *Organization of a medium-market television station.*

- General Manager
  - Secretary
- Station Manager
  - Secretary
  - General Sales Manager
    - Secretary
    - National Sales Manager
    - Local Sales Manager
      - Account Executives
      - Co-op Coordinator
    - Traffic Manager
      - Traffic Assistant
  - Program Manager
    - Public Service Director
    - Production Manager
      - Directors and Producers
      - Studio Crew
      - Film and VTR Director
    - Art Director
    - Continuity Director
      - Continuity Assistant
    - Announcers and Talent
  - Promotion and Marketing Manager
    - Assistant Promotion and Marketing Manager
  - News Director
    - News Producers
    - Assignment Editors
    - Anchors and Reporters
    - Photographers
    - News Writers
  - Chief Engineer
    - Assistant Chief Engineer
    - VTR Operators and Technicians
  - Comptroller
    - Assistant Comptroller
      - Accountant
    - Receptionist
    - Building Supervisor

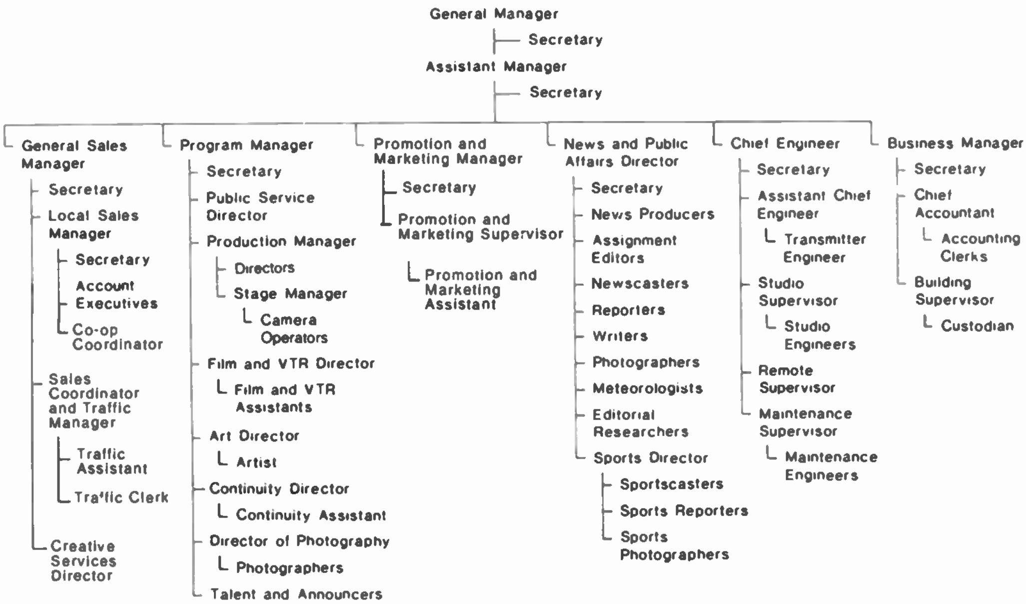
Communication Communication is vital to the effective discharge of the management function. It is the means by which employees are made aware of the station's objectives and plans and are encouraged to play a full and effective part in their attainment.

As a result, the general manager must communicate to employees information they need and want. They need information on what is expected of them. The job description sets forth general guidelines, but they must have specifics on their role in carrying out current plans. If they are to shoulder their duties willingly and effectively, they want to know about matters influencing their economic status and their authority to carry out responsibilities.

This downward flow of communication is important, but it must be accompanied by management's willingness to listen to and understand employees. Accordingly, it is necessary to provide mechanisms for an upward flow of communication from employees to supervisors, department heads, and the GM. Departmental or staff meetings, suggestion boxes, and an open-door policy by management permit such a flow.

Lateral flow, or communication among individuals on the same organizational level, also is important in coordinating the activities of the various departments in pursuit of the station's plans and objectives. A method used by many stations to ensure such a flow is the establishment of a management

Figure 1-9 *Organization of a large-market television station.*



team that meets on a regular basis. Usually, it comprises the general manager and all department heads.

Training Most employees are selected because they possess the background and skills necessary to carry out specific responsibilities. However, they may have to be trained in the use of new equipment or the application of new procedures. Occasionally, employees are hired with little experience and have to be trained on the job. Whenever training is necessary, the general manager must make certain that it is provided and that it is supervised by competent personnel.

One of the major benefits of training programs is the provision of opportunities for existing employees to prepare themselves for advancement in the station. As a result, employee morale is heightened, and the station enjoys the advantage of creating its own pool of qualified personnel.

Some stations encourage employees to advance their knowledge and skills by paying for their participation in workshops, seminars, and college courses and their attendance at meetings of state and national broadcasting associations. In all such cases, the general manager should be sure that the experiences will contribute to the employee's ability to carry out responsibilities more effectively, thereby assisting the station in meeting its objectives.

Personal Influence Stimulating employees to produce their best efforts requires that the general manager and others in managerial or supervisory positions command respect, loyalty, and cooperation. Among the factors that contribute to such a climate are management competence, fairness in dealings with employees, willingness to listen to and act on employee observations and complaints, honesty, integrity, and similar personal characteristics. In effect, personal influence includes all those behaviors and attitudes that contribute to employees' perceptions of their importance in the station's efforts and achievements and the worthiness of the enterprise of which they are a part.

Controlling

Through planning, the station establishes its objectives and plans for accomplishing them. The control process determines the degree to which objectives and plans are being realized by the station, departments, and employees.

Periodic evaluation of individuals and departments allows the general manager to compare actual performance to planned performance. If the two do not coincide, corrective action may be necessary.

To be effective, controlling must be based on measurable performance. The size and composition of the station's audience can be measured through ratings. If the audience attracted to the station or to certain programs does not match projections, the control process permits the recognition of that fact and leads to discussions about possible solutions. The result may be a change in the plan, such as a revision downward of expectations, or actions to try to attain the original objectives.

Similarly, sales revenues can be measured. An analysis may reveal that projected revenues were unrealistic and that an adjustment is necessary. On the other hand, if the projections are realizable, discussions may lead to a decision to hire additional account executives, make changes in the rate card, or adjust commission levels.

The costs of operation are measurable too. They are discussed in the next chapter, along with methods of controlling them.

MANAGEMENT ROLES

Management functions reflect the major responsibilities of the general manager. However, they provide little insight into the diverse and complex activities the general manager undertakes on a daily basis.

Henry Mintzberg found that managerial activity is characterized by brevity, variety, and fragmentation.[18] Managers spend short periods of time attending to different tasks and are interrupted frequently before a specific task is accomplished. Writing memoranda and letters, making telephone calls, attending meetings, and visiting employees and persons outside the organization are examples of activities that consume a great deal of a manager's time and energy. There are others as well.

Mintzberg identified 10 roles and grouped them in three categories: (1) interpersonal, (2) informational, and (3) decisional.[19]

Interpersonal Roles

As the symbolic head of the organization, the manager serves as

Figurehead: The manager carries out duties of a legal or ceremonial nature. For the broadcast station general manager, this role is discharged through the signing of documents for submission to the Federal Communications Commission and by representing the station at community events, for instance.

Leader: Establishing the workplace atmosphere and guiding and motivating employees are examples of ways in which the general manager carries out the leadership role.

Liaison: The GM's interaction with peers and other individuals and groups outside the organization links the organization with the environment. The GM's relationships with other general managers, with program suppliers, and with community groups reflect this role.

Informational Roles

The manager is the organization's "nerve center" and, as such, seeks and receives a large volume of internal and external information, both oral and written. In these roles, the manager acts as

Monitor: Information permits the manager to understand what is happening in the organization and its environment. Receipt of the latest sales report or threats of a demonstration to protest the planned airing of a program enable the GM to exercise this role.

Disseminator: The manager distributes external information to members of the organization and internal information from one subordinate to another.

Spokesperson: In this role, the manager speaks on behalf of the organization. An example would be a news conference at which the GM reveals plans for a new broadcast facility.

Decisional Roles

These roles grow out of the manager's responsibility for the organization's strategy-making process and involve the manager as

Entrepreneur: The manager is the initiator and designer of controlled change. For example, the GM of a TV station may set in motion procedures aimed at attaining first place in local news ratings.

Disturbance handler: In this role, the manager deals with involuntary situations and change that is partially beyond his or her control. An example would be resolving a dispute between the program manager and the sales manager on the advisability of carrying a particular program.

Resource allocator: The manager determines priorities for the expenditure of money and employee effort.

Negotiator: The manager represents the organization in negotiating activity. Working out a contract with a program supplier or union would place the GM in this role.

MANAGEMENT SKILLS

To carry out their functions and roles effectively, managers require many skills. Robert L. Katz identifies three basic skills that every manager must have in varying degrees, according to the managerial level.[20] For the general manager of a broadcast station, all are important:

Technical: Knowledge, analytical ability, and facility in the use of the tools and techniques of a specific kind of activity. For the general manager, that activity is managing. While it does not demand the ability to perform all the tasks that characterize a broadcast station, it does require sufficient knowledge to ask pertinent questions and evaluate the worth of the responses. Accordingly, the GM should have knowledge of

- the objectives of the station's owners
- management and the management functions of planning, organizing, influencing or directing, and controlling
- business practices, especially sales and marketing, budgeting, cost controls, and public relations
- the market, including the interests and needs of the audience and the business potential afforded by area retail and service establishments
- competing media, the sources and amounts of their revenues
- broadcasting and allied professions, including advertising agencies, station representative companies, and program and news services
- the station and the activities of its departments and personnel
- broadcast laws, rules, and regulations, and other applicable laws, rules, and regulations
- contracts, particularly those dealing with network affiliation, station representation, programming, talent, music licensing, and labor unions

Human: The ability to work with people and to build a cooperative effort. The general manager should have the capacity to influence the behavior of employees toward the accomplishment of the station's objectives by motivating them, creating job satisfaction, and encouraging loyalty and mutual respect. An appreciation of the differing skills and aspirations of employees and departments also is essential if the station's activities are to be combined in a successful team effort.

Conceptual: The ability to see the enterprise as a whole and the dependence of one part on the others. To coordinate successfully the station's efforts, the GM must recognize the interdependence of programming and promotion, sales and programming, and production and engineering, for example. Equally important is the ability to comprehend the relationship of the station to the rest of the broadcast industry, the community, and to prevailing economic, political, and social forces, all of which contribute to decisions on directions that the station will take and the subsequent formulation of objectives and policies.

To these skills, the successful general manager should add desirable personal qualities. They include *foresight*, the ability to anticipate events and make appropriate preparations; *wisdom* in choosing among alternative courses of action and *courage* in carrying out the selected action; *flexibility* in adapting to change; *honesty* and *integrity* in dealings with employees and persons outside the station; and, finally, *responsiveness* and *responsibility* to the station's owners, employees, and advertisers.

The GM also must be responsive and display responsibility to the community by leading the station in its community relations endeavors and by setting an example for other employees to follow.

INFLUENCES ON MANAGEMENT

The degree to which the general manager possesses and uses the skills described will play an important part in determining the station's fortunes. But there are other forces that contribute to the GM's decisions and actions and that influence the effectiveness with which the management responsibility is discharged. The most significant influences are described in this section.

The Licensee

Ultimate responsibility for the operation of a radio or television station rests with the licensee, the person or persons who have made a financial investment in the enterprise and enjoy an ownership interest. Like all investors, they expect that they will reap annual profits from the station's operation and that the financial worth of their investment will increase in time. As a result, the general manager must seek to satisfy their expectations and weigh the financial impact of all actions.

The Competition

Radio and television stations compete against each other and against other media for advertising dollars. That translates into competition for audiences. A station gains audience from, or loses audience to, other stations, and few significant management actions will pass without producing a reaction among competitors. Similarly, many of the general manager's actions will be influenced by those of competing stations.

The Government

As detailed in Chapter 7, the federal government is a major force in broadcast station operation. It exerts its influence through its three branches—executive, legislative, and judicial—and through independent regulatory agencies, chiefly the Federal Communications Commission.

Executive Branch Broadcast stations are affected by the actions of several executive branch departments, notably the Executive Office of the President, the Department of Justice, the Food and Drug Administration (FDA), and the National Telecommunications and Information Administration (NTIA).

Executive Office of the President The President influences broadcast policy and regulation in numerous ways. He can recommend legislation; he nominates members for, and appoints the chairperson of, regulatory agencies whose policies, rules, and regulations apply to radio and television stations; and he can exert influence through the annual federal budget process.

Department of Justice This department prosecutes violators of the Communications Act and of rules and regulations applicable to broadcast station operation. The department's antitrust division is concerned with station ownership and may take action when it believes that ownership or other circumstances are resulting in a restraint of trade.

Food and Drug Administration A division of the Department of Health and Human Services, the FDA regulates mislabeling and misbranding of advertised products.

National Telecommunications and Information Administration Part of the Department of Commerce, the NTIA advises the President on telecommunications policy issues.

Legislative Branch The House of Representatives and the Senate enact broadcast legislation and approve the budgets of the regulatory agencies. In addition, the Senate has the power of approval of presidential nominees for regulatory agencies. Both the Senate and the House may influence broadcast policy and regulation through congressional hearings on issues of controversy or concern.

Judicial Branch Federal courts try cases against violators of laws, rules, and regulations, and hear appeals against decisions and orders handed down by regulatory agencies.

Regulatory Agencies Federal regulatory agencies operate like a fourth branch of government and enjoy executive, legislative, and judicial powers. The agency with the greatest influence on broadcast operations is the Federal Communications Commission, whose role is described later. The commission regulates radio and television stations in accordance with the terms of the Communications Act of 1934, as amended. For the general manager, its most significant and awesome power is that of renewing or revoking the station's license to operate.

Other regulatory agencies that influence the broadcast media are the Federal Trade Commission (FTC), which polices unfair trade practices and false or deceptive advertising, and the Federal Aviation Administration (FAA), which is concerned with the placement and maintenance of broadcast towers.

Broadcasters are engaged in interstate commerce and, for the most part, are subject to federal authority. However, state and local governments may also affect stations through laws on matters such as business incorporation, taxes, advertising practices, individual rights, and zoning and safety ordinances.

The Labor Force

The number of people available for work, and their skills, have a direct impact on the success of all businesses, including broadcasting. The station's ability to hire and retain qualified and productive employees is a major determinant of the station's performance.

Labor Unions

The general manager of a station in which personnel are represented by one or more unions is required to abide by the terms of a union contract governing, among other things, wages and fringe benefits, job jurisdiction, and working conditions. (Chapter 3 contains details.) In nonunionized stations, the general manager must be attentive to the treatment of employees, not only for reasons of morale or competitiveness, but to guard against the threat of unionization.

The Public

To generate advertising revenue, the station must attract an audience for its programming. Accordingly, as noted in Chapter 4, the public is a major force in program decision making. Organized publics, also known as citizen or pressure groups, attempt to influence decisions on a wide range of actions. Among the causes undertaken by different groups have been improvement in employment opportunities for minorities, the elimination of violent and sexual content, and the promotion of programming for children.

Advertisers

The financial fate of commercial broadcast stations rests on their appeal to advertisers. Attracting audiences sought by advertisers and enabling advertisers to reach them at an acceptable cost are major factors in program and sales decisions.

Economic Activity

The state of the economy, locally and nationally, determines the amount of money people have to spend on advertised products and their spending priorities. When the economy is sluggish, businesses pay more attention than usual to their advertising expenditures and may be tempted to reduce them, thereby posing a challenge for broadcast stations and other advertising media.

The Broadcast Industry

Standards of professional performance and content are set forth in a station's policy book. The industry at large also is instrumental in establishing standards. Even though the radio and television codes of the National Association of Broadcasters have been abandoned, many stations continue to adhere to their provisions on program and advertising content, and individual employees subscribe to industrywide standards formulated by broadcast organizations or associations in which they hold membership.

Social Factors

Since broadcast stations must be responsive to the interests of their communities, social factors play an important role in program decisions. Stations must analyze, interpret, and respond to trends in the size and composition of the local population, employment practices, income, and spending habits.

Technology

Advances in technology resulted in the emergence of radio and television broadcasting and continue to play a major part in station practices. Today, the general manager experiences, and must respond to, the influence of new broadcast technologies as well as those technologies that are being introduced into the home and that provide alternative leisure-time pursuits for the public.

SUMMARY

Management is defined as the process of planning, organizing, influencing, and controlling to accomplish organizational goals through the coordinated use of human and material resources.

The current practice of management has been influenced by several schools. The first was the classical school, which focused on the productivity of organizations and their employees. It was followed by the behavioral school, which drew attention to the importance of satisfied employees to successful operation. Management science was characterized by an emphasis on quantifying the likely outcomes of different managerial decisions. Modern management thought attempts to integrate the various perspectives of earlier schools by concentrating on systems theory and contingency theory. In the 1990s, total quality management also reflects an integration through its focus on customer needs and expectations.

The general manager of a broadcast station has four major functions: (1) planning, or the determination of the station's objectives and the plans or strategies to accomplish them; (2) organizing personnel into a formal structure, usually departments, and assigning specialized duties to persons and units; (3) influencing or directing, that is, stimulating employees to carry out their responsibilities enthusiastically and effectively; (4) controlling, or developing criteria to measure the performance of individuals, departments, and the station and taking corrective action when necessary.

On a day-to-day basis, the GM carries out many roles—interpersonal, informational, and decisional. Technical, human, and conceptual skills are required, together with personal attributes.

Among the significant influences on the GM's decisions and actions are the licensee, competing media, the government, the labor force and labor unions, the public, and advertisers. Economic activity, the broadcast industry, social factors, and technology also are influential.

CASE STUDY

You are general manager of a medium-market, contemporary hits radio station in a community in the South.

At your weekly meeting with department heads, sales manager Don Oldberg raises a problem. He has just spoken with Sam Ball, one of his account executives. Sam is ecstatic. He has just landed a big order from an adult entertainment club. It's worth $6000 in the first month and there is every likelihood that the order will become permanent. Spots will run in the morning drive, midday, and afternoon drive dayparts.

The client has supplied the copy, and that is what is causing Don's problem. One sentence reads: "Take your pick of beautiful women who'll dance at your table." There is reference to "private dancing" and "couch dancing." After glancing at the copy, Sam had told the client that it might have to be revised. However, the client insisted that his copy must run as written.

You ask program director Deborah Dary for her reactions. She cannot believe that the station would even consider airing an ad that is so demeaning to women. It would be offensive to female listeners and probably would cause many of them to change stations. She is concerned especially about the effect on listening in offices. It would be very embarrassing for women there.

Now, it's Don's turn. He says that he is happy about the revenue, but he understands Deborah's argument. Also, he is worried that other clubs will approach the station and demand similar control over potentially offensive copy.

News director Kevin East asks about freedom of commercial speech. If someone complains about an advertiser's copy, will the station refuse to do business with them?

Business manager Todd Major welcomes the order. It would make a major contribution to the station's bottom line and, if the spots worked, could attract business from other adult clubs. "Surely we can work out a deal that's satisfactory for everybody," he says.

The chief engineer does not participate in the discussion.

Exercises

1. What factors would you weigh in reaching a decision?
2. How would you balance the promise of significant revenue against the likely reaction of some listeners, especially women?
3. Does Kevin make a good argument? Should advertisers enjoy complete freedom in their commercial messages?
4. Is a compromise possible? If so, how?
5. What would your decision be? How would you justify it?

NOTES

1. Peter P. Schoderbek, Richard A. Cosier, and John C. Aplin, *Management*, p. 8.
2. Charles D. Pringle, Daniel F. Jennings, and Justin G. Longenecker, *Managing Organizations: Functions and Behaviors*, p. 4.
3. Howard M. Carlisle, *Management Essentials: Concepts for Productivity and Innovation*, p. 10.

4. R. Wayne Mondy, Robert E. Holmes, and Edwin B. Flippo, *Management: Concepts and Practices*, p. 6.
5. Peter F. Drucker, *Management: Tasks, Responsibilities, Practices*, p. 181.
6. Henri Fayol, *General and Industrial Management*, pp. 43–107. Explanations of the functions have been paraphrased.
7. Max Weber, *The Theory of Social and Economic Organization*, pp. 329– 334.
8. A.H. Maslow, "A Theory of Human Motivation," *Psychological Review*, 50:4 (July, 1943), pp. 370–396.
9. For an example, see Geert H. Hofstede, "The Colors of Collars," *Columbia Journal of World Business* (September-October, 1972), pp. 72–80. After studying job-related goals of more than 18,000 employees of one company with offices in 16 countries, Hofstede concluded that there was a high correlation with Maslow's theory. The goals of professionals related to the higher needs, of clerks to the middle-range needs, and of unskilled workers to the primary needs.
10. Frederick Herzberg, Bernard Mausner, and Barbara Bloch Snyderman, *The Motivation to Work*, pp. 113–119.
11. *Ibid.*, p. 113. Herzberg explained his use of the term *hygiene* as follows: "Hygiene operates to remove health hazards from the environment of man. It is not a curative; it is, rather, a preventive. . . . Similarly, when there are deleterious factors in the context of the job, they serve to bring about poor job attitudes. Improvement in these factors of hygiene will serve to remove the impediments to positive job attitudes."
12. Douglas McGregor, *The Human Side of Enterprise*, p. 49.
13. William G. Ouchi, *Theory Z: How American Business Can Meet the Japanese Challenge*, pp. 11–37.
14. Harold Koontz, "The Management Theory Jungle," *Academy of Management Journal*, 4:3 (December, 1961), pp. 174–186.
15. Peter P. Schoderbek, Charles D. Schoderbek, and Asterios G. Kefalas, *Management Systems: Conceptual Considerations*, p. 260.
16. Henry C. Metcalf and L. Urwick (eds.), *Dynamic Administration: The Collected Papers of Mary Parker Follett*, p. 277.
17. T. Boone Pickens, Jr., "Pickens on Leadership," *Hyatt Magazine*, Fall/Winter, 1988, p. 21.
18. Henry Mintzberg, *The Nature of Managerial Work*, pp. 31–35.
19. *Ibid.*, pp. 54–94.
20. Robert L. Katz, "Skills of an Effective Administrator," *Harvard Business Review*, 52:5 (September-October, 1974), pp. 90–102.

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2 FINANCIAL MANAGEMENT

This chapter reviews the increasingly important area of financial management and examines

- the two major forms of financial statements used in the industry
- basic accounting terminology frequently employed by electronic media managers
- methods used to produce good financial performance and to monitor financial progress

, electronic media education has focused on the operating skills ɩo be necessary for a successful career in the industry. Traditionally, ›pics studied have been sales, programming, production, and man- ıt. Massive changes triggered by the deregulatory climate of the 1980s ıted another subject to prominence in the curriculum. That subject is fi- ıl management.

Deregulation brought financial speculators into the electronic media business. The prevailing wisdom of the mid- to late 1980s was the "greater fool" theory. Under this concept, money was made by selling a broadcast license or cable franchise to another at a profit. Operational performance was deemphasized in favor of appreciation potential.

All that changed around 1989. Prices had risen to the point that operations could no longer retire the massive debt run up by speculators. Numerous electronic media companies went into default, and prices dropped. Now, in the mid-1990s, broadcast stations and many cable systems are valued on a multiple of the cash flow they generate. Operational financial performance is the new coin of the realm.

Pressure to acquire basic financing and accounting knowledge is coming from other sources, too. In the technology-driven decade that the 1990s have become, lines of distinction between traditional forms of electronic media have become blurred or nonexistent. This development is spawning a need for a new breed of communication manager—one with both a traditional background and basic accounting and financial skills.[1]

It is not possible in the pages of this chapter to make anyone a financial expert. The goal here is to acquaint the student with financial terms, concepts, and typical financial reports used. It is recommended strongly that today's electronic media student pursue a more detailed examination of these matters through finance or accounting courses.

THE ACCOUNTING FUNCTION

Effective financial management requires detailed planning and control. Planning expresses in dollar terms the plans and objectives of the enterprise. Control involves the comparison of projected and actual revenues and expenses. The basic planning and control mechanism is the budget.

To prepare the budget, management collects from department heads financial data and reviews and edits them. Most stations and systems use a form to display the information for the budget period, usually one year. Figure 2-1 is a 12-month calendar summary form employed by a cable multiple system operator (MSO) in its annual budget preparation.

Budgeting deals with the future. However, past experience suggests realistic revenue and expense amounts. Generally, a reserve account is maintained to cover emergencies. During the year, regular budget reports permit the general manager to compare planned and actual results and to make necessary adjustments.

Budgeting and cost controls, together with financial forecasting and planning, are among the major responsibilities of the business department. Other responsibilities include banking, billings to and collections from advertisers and advertising agencies, payroll administration, processing of insurance claims, tax payments, purchasing, and payments for services used.

Fundamental to the efficient discharge of the accounting function are the establishment and maintenance of an effective and informative accounting system that will protect assets and provide financial information for decision making and the preparation of financial statements and tax returns. Such a system is based on financial records.

Planning Financial Records

No matter what the electronic media business is—radio, television, or cable—management requires certain basic information to function. This includes amounts and sources of revenues and expenditures and levels of operational profitability on a monthly and annual basis.

Cable system operators are concerned about their main revenue source, subscribers, while broadcasters want details of advertising sales. On the expenditure side, both cable and broadcast managers require information on programming costs. Cable operators need figures on pole rent and contract labor. Broadcasters care about the cost of maintaining the transmission plant.

Whatever the particular need, the quest for management financial information must begin with the design of a record-keeping system that will produce the desired results. Every manager embarking on the task of setting up financial records is looking for guidance (i.e., what is a good model, or what has worked well for others?). Fortunately, excellent materials are available on financial records planning.

One such source is the National Association of Broadcasters (NAB), which publishes an accounting manual for radio stations. Included in the publication are chapters on financial statements, accounting records, charts of accounts with explanations, and accounting system automation. Although the manual has not been revised in a while, accounting terminology does not change much, and it is a good place to begin.[2]

Still another source of information is the Broadcast Cable Financial Management Association (BCFM). This organization, composed of industry members, concentrates on financial questions of import to its membership. It, too, publishes an accounting manual. The contents are principally detailed charts of accounts, with explanations, and model financial statement forms. Currently, the manual is being revised.[3]

A third source of information on financial records and statements is companies that provide computer software accounting programs. Most stations and systems in the United States use computers in their accounting functions to some extent, and many have opted for the specialized programs provided by companies such as Columbine.[4] Software companies offer a range of financial reports and formats from which a selection may be made.

Whether the system chosen is manual or computerized, it must be designed to deliver to management certain basic information and to render financial reports. It will consist of a number of journals and ledgers that record and summarize all financial transactions and events.

Figure 2-1 *Summary budget worksheet used by a cable multiple system operator.*

Wrk StN		Jan	Feb	March	April	May	June
A	Homes Passed						
A	Subscribers						
A	Marketing Additions						
D	Extensions						
	Basic Penetration	--	--	--	--	--	--
	REVENUE:						
A	Basic Revenue						
A	Premium Service Revenue						
	Pay per View Revenue						
A	Installation Revenue						
A	Late Charges						
A	Advertising Revenue						
A	Shopping Network Revenue						
A	Equip Rent, AO's, etc.						
A	Total Revenue	$0	$0	$0	$0	$0	$0
	Per Basic Subscriber	--	--	--	--	--	--
	Cash Flow	$0	$0	$0	$0	$0	$0
	Per Basic Subscriber	--	--	--	--	--	--
	OPERATING EXPENSES						
A	TRUCK & AUTO						
A	CONTRACT LABOR						
A	PROGRAM GUIDES						
C	PROGRAM FEES – B						
C	PROGRAM FEES – P						
B	PROPERTY TAX						
B	POLE RENT						
B	TOWER RENT						
A	REPAIRS						
C	SYSTEM SALARIES						
C	SYSTEM OVERTIME						
B	SYSTEM POWER						
B	SYSTEM SUPPLIES						
	TOTAL OPER EXP	0	0	0	0	0	0

Figure 2-1 *Continued*

July	August	Sept	Oct	Nov	Dec	Year to Date	%age
						0	
--	--	--	--	--	--	--	
						0	--
						0	--
						0	--
						0	--
						0	--
						0	--
						0	--
						0	--
$0	$0	$0	$0	$0	$0	$0	--
--	--	--	--	--	--	--	
$0	$0	$0	$0	$0	$0	$0	--
--	--	--	--	--	--	--	
						0	--
						0	--
						0	--
						0	--
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						0	--
						0	--
						0	--
						0	--
						0	--
						0	--
						0	--
0	0	0	0	0	0	0	--

Figure 2-1 *Continued*

Wrk StN		Jan	Feb	March	April	May	June
	G & A EXPENSES						
A	ADVERTISING						
	UNITHOLDER'S REPORTS						
B	PROFESSIONAL SERVICES						
B	BAD DEBT EXPENSE						
	BANK CHARGES						
C	BILLING & POSTAGE						
B	DUES & SUBSCRIPTIONS						
A	EMP BENEFIT						
A	EMP TRAINING						
B	EMP INSURANCE						
B	FRANCHISE TAX						
B	FREIGHT & SHIPPING						
B	INSURANCE						
A	MARKETING FEES						
A	MARKETING SALARIES						
B	MEALS						
B	MISCELLANEOUS TAXES						
B	MOVING						
C	OFFICE SUPPLIES						
C	PAYROLL TAXES						
B	OTHER RENT & LEASES						
B	COMPUTER RENT & MAINT						
B	RENT EXPENSE						
C	OFFICE SALARIES						
C	OFFICE OVERTIME						
C	TELEPHONE						
B	TRAVEL						
A	RADIO						
A	UNIFORMS						
	G & A EXPENSES	0	0	0	0	0	0
	TOTAL EXPENSES	0	0	0	0	0	0

Figure 2-1 *Continued*

July	August	Sept	Oct	Nov	Dec	Year to Date	%age
						0	--
						0	--
						0	--
						0	--
						0	--
						0	--
						0	--
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						0	--
						0	--
0	0	0	0	0	0	0	--
0	0	0	0	0	0	0	--

The records most commonly generated are the following:

Cash receipts journal shows all monies received, listed by revenue account number. It identifies the payer and, in the case of receipts for advertising, gross amounts, discounts, and agency commissions, and resulting net amounts. Journal entries cover a given period of time, at the end of which all amounts are totaled and posted to the general ledger. Individual client payments are credited to the appropriate account in the accounts receivable ledger (see Figure 2-2).

Cash disbursements journal records all monies paid out. Often, it is organized by major expense category and account number and lists the check number, date, amount, and the company or person to whom payment was made. Totals are posted to the general ledger (see Figure 2-2).

Sales journal lists all transactions after the commercial schedule has run and has been billed to the client. No entries are recorded until this happens. Entries are triggered by performance against the contract and not when the contract is signed. When made, sales journal entries include the client's name, invoice number, date, amount, and the name of the staff member who made the sale. If part of the cost results from the sale of talent or program materials and facilities, that information is entered. So, too, are details of trade-outs. Entries for a given period are totaled and posted to the general ledger. Each gross billing figure is entered on the client's page in the accounts receivable ledger (see Figure 2-2).

General journal includes noncash transactions and adjustments, such as depreciation and amortization, and accrued bills not yet paid.

Accounts receivable ledger records money owed to the business by account. Using the ledger, the station or system prepares an aging sheet showing accounts that are current and those that are delinquent.

Accounts payable ledger lists monies owed by the business and includes the name of the creditor, invoice date and amount, and the account to be charged.

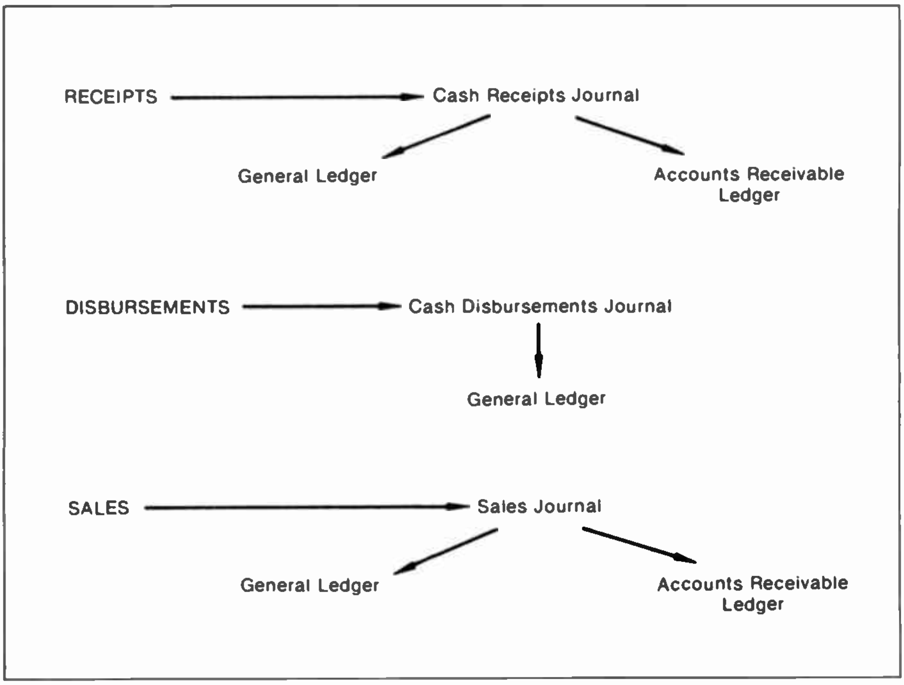
General ledger is the basic accounts book. It contains all transactions, posted from various journals of original entry to the appropriate account. The general ledger consists of two sections. One records figures for assets, liabilities, and capital, and the other the income and expense account figures.

Information from the general ledger is used to prepare two major financial records, the *balance sheet* and the *income statement.*

Balance Sheet The balance sheet is a statement of the financial position of the station or system at a given time, and it comprises three parts:

- *assets*, or the value of what is owned
- *liabilities*, or what is owed
- *net worth* or *equity*, or the financial interest of the enterprise's ownership

Figure 2–2 *Financial recordkeeping process.*



The term *balance sheet* is derived from the fact that total assets should equal total liabilities plus net worth or equity. The two sides of the sheet are, therefore, in balance.

Assets Assets are classified as follows:

Current assets are those assets expected to be sold, used, or converted into cash within one year. They typically include cash, marketable securities, notes, accounts receivable, inventories (including programming), and prepaid expenses.

Fixed assets are those assets that will be held or used for a long term, meaning more than one year. Land and improvements (e.g., a parking lot), buildings, the transmitter, tower, satellite uplinks and downlinks, antenna system, studio and mobile equipment, vehicles, office and studio furniture, and fixtures are among items considered fixed assets.

Fixed assets are tangible assets—things. They depreciate, which means that use over time reduces their value. Depreciation is a business expense.

The amount of time over which a tangible asset may be reduced systematically in value is determined by Internal Revenue Service (IRS) guidelines. A more detailed discussion of depreciation occurs later in this chapter.

Other assets is a category that includes mainly intangible assets—those having no physical substance. Examples are the Federal Communications Commission license, organization costs, and good will. These "other" assets are amortized, or written off, for financial statement reporting purposes.

Amortization, or write-off, of the good will amount means that the total amount is systematically reduced over a period of time by charging equal annual amounts to the profit and loss statement. Good will primarily represents the value of the broadcast license or cable franchise. For example, if a station were purchased for six million dollars, and the value of its tangible assets was three million dollars, then the good will amount would be three million dollars. That amount would be charged to the station profit and loss account in equal annual amounts. For reasons discussed later in Chapter 10, some intangible amounts, while deducted for financial statement reporting purposes, cannot be deducted for tax purposes.

An additional example of other assets is the network affiliation agreement of most television stations. In the mid-1980s, some stations began to write off for tax purposes these agreements. However, such attempts occasioned significant IRS controversy and litigation. Most of these disputes apparently have been resolved by the Omnibus Budget Reconciliation Act of 1993. The act provides that certain intangible or other assets may be amortized over a 15-year period. Under the new law, examples of permitted deductions are government licenses and permits, noncompete agreements, network affiliation agreements, franchises, trademarks, trade names, and good will. In the situation cited above, the acquired station had good will of three million dollars. That amount would be amortized for tax purposes over 15 years, at the rate of $200,000 per year.

Prepaid and deferred charges include all prepayments made. Insurance, taxes, and rents are examples.

Liabilities Liabilities reflect short- and long-term debts. They are listed as follows:

Current liabilities include accounts, taxes, and commissions payable. Monies owed for supplies, real estate, personal property, social security and withholding taxes, music license fees, and sales commissions fall into this category. Current liabilities also include amounts due on program contracts payable within one year.

Long-term liabilities include those liabilities not expected to be paid within one year. Examples of such liabilities are bank debt, mortgages, and amounts due on program contracts beyond one year.

Net Worth Net worth, or equity, records ownership's initial investment in the broadcast station or cable system, as increased by profits generated or reduced by losses suffered.

Preparing Financial Statements

Financial statement preparation begins with a chart of accounts, a list of account classifications. Each account is assigned a number. The following balance sheet chart of accounts is used by WPLR, a class B FM station in New Haven, Connecticut, and is representative of those used by radio stations.

The owner of this station is a group operator. Each account has eight digits, followed by an account classification. Asset accounts are A1 (current assets), A2 (reserve amounts, mainly for accumulated depreciation), A3 (fixed assets), and A4 (chiefly prepaid expenses and deposits). Intangible assets, such as licenses and good will, do not appear because they are carried on the books of the parent company. Liabilities are classified as L1 (current), L2 (long-term), and L3 (other, amounts due to WPLR's sister station for amounts borrowed or services rendered). All three equity accounts are listed as E1. The first identifies money invested in the common stock of WPLR. The second represents profits generated and retained by WPLR in previous fiscal years; the third, those in the current year.

ASSETS

1010-0000	A1	Petty cash—office
1020-0000	A1	Petty cash—bank
1030-0000	A1	Deposit account
1040-0000	A1	Disbursement account
1101-0000	A1	Accts rec—regular
1102-0000	A1	Accts rec—unbilled accrual
1103-0000	A1	Accts rec—returned cks/nsf
1190-0000	A1	Accts rec—bad debt reserve
1199-0000	A1	Accts rec—barter
1199-0002	A1	Accts rec—barter unbilled
1301-0000	A1	Pre/pd ins—workers comp
1302-0000	A1	Pre/pd ins—expired work comp
1340-0000	A1	Pre/pd miscellaneous
1353-0000	A1	Pre/pd state income tax—Ct
1421-0000	A3	Buildings—beg balance
1422-0000	A3	Buildings—current
1423-0000	A3	Buildings—trade
1424-0000	A3	Buildings—disposed
1431-0000	A3	Broadcast equipment—beg bal
1432-0000	A3	Broadcast equipment—current
1433-0000	A3	Broadcast equip—trade
1434-0000	A3	Broadcast equip—disposed
1441-0000	A3	Autos & trucks—beg bal
1442-0000	A3	Autos & trucks—current

1443-0000	A3	Autos & trucks—trade
1444-0000	A3	Autos & trucks—disposed
1451-0000	A3	Office furn & fix—beg bal
1452-0000	A3	Office furn & fix—current
1453-0000	A3	Office furn & fix—trade
1454-0000	A3	Office furn & fix—disposed
1461-0000	A3	Leasehold improv—beg bal
1462-0000	A3	Leasehold improv—current
1463-0000	A3	Leasehold improv—trade
1464-0000	A3	Leasehold improv—disposed
1471-0000	A3	Capital leases—beg bal
1472-0000	A3	Capital leases—current
1473-0000	A3	Capital leases—trade
1474-0000	A3	Capital leases—disposed
1521-0000	A2	Accum dep buildings—beg bal
1522-0000	A2	Accum dep buildings—current
1524-0000	A2	Accum dep buildings—disposed
1531-0000	A2	Accum dep brdcst eqp—beg bal
1532-0000	A2	Accum dep brdcst eqp—current
1534-0000	A2	Accum dep brdcst eqp—disposed
1541-0000	A2	Accum dep auto/truck—beg bal
1542-0000	A2	Accum dep auto/truck—current
1544-0000	A2	Accum dep auto/truck—disposed
1551-0000	A2	Accum dep office f&f—beg bal
1552-0000	A2	Accum dep office f&f—current
1554-0000	A2	Accum dep office f&f—disposed
1561-0000	A2	Accum dep leasehold—beg bal
1562-0000	A2	Accum dep leasehold—current
1564-0000	A2	Accum dep leasehold—disposed
1571-0000	A2	Accum dep cap leases—beg bal
1572-0000	A2	Accum dep cap leases—current
1574-0000	A2	Accum dep cap leases—disposed
1901-0000	A4	Utility deposits
1902-0000	A4	Rent deposits
1903-0000	A4	Advance for salaries
1920-0000	A4	Insurance claims—ex/refund
1937-0000	A4	Dep costs—WYBC LMA agreement
1995-0000	A4	Undistributed charges
1996-0000	A4	Internet paid net/net

LIABILITIES

2001-0000	L1	Accts pay—regular
2011-0000	L1	Accts pay—Durpetti
2012-0000	L1	Accts pay—Kadetsky
2013-0000	L1	Accts pay—Eastman/Boston
2014-0000	L1	Accts pay—Eastman Radio/15%
2015-0000	L1	Accts pay—Eastman Radio/2%
2053-0000	L1	State income tax payable—Ct
2173-0000	L1	Accr real est tax—Hamden
2193-0000	L1	Accr per/ppty tax—Hamden
2221-0000	L1	Accr vehicle tax—Hamden
2251-0000	L1	Accr employee compensation
2252-0000	L1	Accr license fees—ASCAP
2253-0000	L1	Accr license fees—BMI
2264-0000	L1	Accr consulting fees—Milana
2299-0000	L1	Accr expense—barter
2309-0000	L1	Cur mat n/p—Peoples Bank
2509-0000	L2	Long-term n/p—Peoples Bank
2559-0000	L2	Cur port n/p—Peoples Bank
2901-0000	L3	Intercompany account—SSB
2902-0000	L3	Intercompany account—GCI
2903-0000	L3	Intercompany account—WHLY
2905-0000	L3	Intercompany account—WKNN
2906-0000	L3	Intercompany account—KOLL

SHAREHOLDER EQUITY

3004-0000	E1	Common stock Class A—WPLR
3604-0000	E1	Retained earnings beg balance
3704-0000	E1	Retained earnings current year

It is from records of the kind detailed here that the balance sheet will be prepared (Figure 2-3).

The financial health of a company is often judged by examining two ratios computed from the balance sheet numbers. The first of these is current ratio, which is obtained by dividing total current liabilities into total current assets. A good current ratio is *1.5 to 1*. The second is the debt-to-equity ratio. It is computed by dividing stockholders' equity by long-term debt. A satisfactory debt-to-equity ratio is considered to be *1 to 1*.

Income Statement The income statement also is known as the operating or profit and loss (P and L) statement. It summarizes financial transactions

Figure 2–3 *Example of a broadcast station's balance sheet. (Source: Format, Southern Starr Broadcasting, Alexandria, Va. Numbers by the authors.)*

BALANCE SHEET

December 31, Year 1

Current Assets:	
Cash	$ 350,000
Accounts Receivable	1,000,000
Reserve for Bad Debt	(50,000)
Net Accounts Receivable	950,000
Prepaid Expenses	100,000
Total Current Assets	$2,400,000
Fixed Assets:	
Land	$ 400,000
Buildings	300,000
Equipment	200,000
Automobiles and Trucks	25,000
Office Furniture/Equipment	50,000
Leasehold Improvements	25,000
Total Fixed Assets	$1,000,000
Accumulated Depreciation	$ (100,000)
Net Fixed Assets	$ 900,000
Net Intangible Assets	3,700,000
Total Assets	$7,000,000
Current Liabilities:	
Accounts Payable	$ 300,000
Accrued Expenses	100,000
Current Notes Payable	600,000
Total Current Liabilities	$1,000,000
Long-Term Notes Payable	3,000,000
Shareholders' Equity:	
Common Stock	1,000,000
Retained Earnings Beginning	1,000,000
Retained Earnings Current Year	1,000,000
Retained Earnings Total	$2,000,000
Total Shareholders' Equity	$3,000,000
Total Liability and Equity	$7,000,000

and events over a given period of time. The difference between revenues and expenses is the profit or loss for that period.

Revenues A major source of revenue for all broadcast stations is the sale of time to local, regional, and national advertisers. Network compensation is an additional source for all network-affiliated television stations and some radio stations. Other broadcast revenues include the sale of programs and talent, and the rental of station facilities. Rents received for the use of station-owned land, interest, and dividends are examples of nonbroadcast revenues.

Revenue sources for cable systems are somewhat different. Most revenue is derived from subscribers. However, systems are developing their advertising revenue through the sale of local and national spots, principally in local availabilities in advertiser-supported cable satellite networks. Pay-per-view events and movies are becoming another significant growth area. Cable operators are required by law to set aside channel capacity for lease to third parties, and some receive revenue from such leases.

Expenses Expenses are classified either as *direct* or as *operating and other*. Direct expenses are commissions paid to agencies for the sale of time. Operating and other expenses are listed according to the organizational structure. Usually, they reflect the costs of operating the major departments or areas of activity. In broadcast stations, they are technical (engineering), program, sales, promotion, news, and general and administrative.

Other expenses are cash and noncash expenses incurred in the operation of the business. Depreciation is an example of a noncash expense and results from the write-off of tangible assets, such as plant and equipment. Typically, the asset is reduced by equal annual amounts over its life. The systematic annual reduction in the asset's value is an expense and is charged to the income statement.

The current U.S. tax laws divide tangible assets into 3-, 5-, 7-, 10-, 15-, 20-, and 41-year properties for purposes of calculating depreciation. Other noncash expenses may be amortized, the systematic reduction of an account over a period of time. As noted earlier, an example of an expense that is amortized is good will.

The term *amortization* is also frequently applied to program contracts, which are a cash expense item. Various methods for amortizing program contracts exist. One method is *straight line*, which permits a deduction of the total contract in equal annual amounts over the term of the contract. The alternate approach is called *accelerated amortization*. Under this method, larger amounts are written off in the early years of a contract, the theory being that the initial runs of a program have the most value. More detail on specifics of these two approaches can be found in industry publications such as BCFM's *Accounting Manual*. It should be noted that amortized program contracts are tax deductible and are usually charged to the program expense account, not to the "other" category.

Another common "other" expense is interest. Interest is the premium paid on amounts borrowed to finance acquisitions, purchases of equipment, or construction of a new facility.

Expenses are charged to the department incurring them. Those that are necessary for the overall functioning of the operation, such as utilities, generally are counted against general and administrative costs.

Salaries and wages represent an expense in all departments. The following are examples of other broadcast department expenses:

Technical
- parts and supplies for equipment maintenance and repair
- rental of transmitter lines
- tubes for transmitter and studio equipment

Program
- program purchases
- rights to broadcast events (e.g., sports)
- recordings
- music licensing fees
- supplies (e.g., tapes)
- line charges for remote broadcasts

Sales
- commissions paid to staff
- commissions paid to station rep company
- trade advertising
- audience measurement
- travel and entertainment

Promotion
- sales promotion
- advertising and promotion of programs
- research
- merchandising

News
- videotape
- recordings, tapes, and transcripts
- raw film
- wire service
- photo supplies
- art supplies

General and Administrative
- maintenance and repair of buildings and office equipment
- utilities
- rents
- taxes and insurance

- professional services (e.g., legal, accounting)
- office supplies, postage, telephone and telegraph
- operation of station-owned vehicles
- subscriptions and dues
- contributions and donations
- travel and entertainment.

Operating expenses are deducted from revenue to determine profit or loss. Profit is the amount by which revenue exceeds expenses. The profit resulting from the deduction of operating expenses from revenue is called *operating profit*. Such deductions do not include noncash expenses, such as the depreciation and amortization previously discussed. Once the operating profit has been determined, it is then further reduced by depreciation, amortization, and federal, state, and local taxes. Operating profit adjusted for other expenses and taxes is called *net profit*.

To operate effectively, electronic media managers must know how much cash their enterprise produces annually, not just how much profit. *Cash flow* is the term used to describe the cash generated. It is calculated by adding back to net profit the amounts charged to expenses for depreciation, amortization, interest, and taxes. It is the term *cash flow* that is used to determine the value of an electronic media property by applying multiples to it. For a more detailed treatment of these concepts, refer to the discussion of multiples and prices in Chapter 10.

No income statement treatment can be complete without a discussion of *trade-outs*. A trade-out or barter transaction occurs when goods or services are provided in exchange for time. As direct transactions, they do not produce commissionable billings for advertising agencies and, depending upon individual station or system policy, may not result in commissions for account executives either. The transactions must be included on financial statements, with the major questions being the value to assign to them and when to record them.

The Broadcast Cable Financial Management Association recommends that the value of the transaction be equal to the cash saved as a result of the barter. On timing, the BCFM outlines three ways: (1) record income and expense in the same amount in the same period, (2) record income and expense in equal amounts over the term of the barter contract, or (3) record revenue as trade spots are run and expense as goods and services are used. One of these three methods must be selected and consistently applied.

Like the balance sheet, the income statement also begins with a chart of accounts. The one used by Television Station Partners, L.P. and associated stations, network affiliate television group operators, is as follows:

REVENUES

0311110	Local direct
0311114	Local agency—spot
0321120	Regional—spot
0321122	Regional—program

0331130	National—spot
0331132	National—program
0345002	Network CBS
0351150	Political spot
0351160	Political national
0361161	Production charges
0361164	Other miscellaneous income
0385000	Trade income

EXPENSES

Agency Commissions

0411401	Agency commissions
0411402	Rep commissions

Direct

0451452	Program rights
0451453	Music license fees
0451454	Film amortization
0451456	Film shipping
0451465	Film amort—S/L addtl.
0451466	Imputed interest
0451954	Trade—film

Technical

0510201	Salaries and wages
0510202	Overtime
0510214	Heat, light & power
0510215	Maint. & repairs general
0510216	Telephone
0510217	Travel & entertainment
0510218	Auto expense
0510219	Office supplies
0510220	Postage
0510501	Technical repairs
0510502	Grounds maintenance
0510503	Tower repairs
0510504	Video headwheel repairs
0510505	Tube expense
0510506	Studio—transmitter lines
0510507	Outside engineering exp
0510508	Tools and supplies
0510917	Trade—travel and entertainment

Program	
0610201	Salaries and wages
0610202	Overtime
0610215	Maint. & repairs—general
0610216	Telephone
0610217	Travel and entertainment
0610218	Auto expense
0610219	Office supplies
0610220	Postage
0610601	Videotape
0610602	Records & tapes
0610603	Raw film
0610605	Photo supplies
0610606	Art supplies
0610607	Props
0610609	Studio lighting
0610610	Prizes
0610917	Trade—T & E
News	
0625201	Salaries and wages
0625202	Overtime
0625215	Maint. & repairs—general
0625216	Telephone
0625217	Travel and entertainment
0625218	Auto expense
0625219	Office supplies
0625220	Postage
0625601	Videotape
0625604	Wire service
0625605	Photo supplies
0625606	Art supplies
0625607	Sets and props
0625917	Trade—T & E
0625918	Trade—auto expense
Selling	
0710201	Salaries and wages
0710202	Overtime
0710204	Salesmen's commissions
0710205	Bonus
0710215	Maint. and repairs

0710216	Telephone
0710217	Travel & entertainment
0710218	Auto expense
0710219	Office supplies
0710220	Postage
0710701	Research and surveys
0710702	Sales promotion
0710904	Trade sales promotion
0710917	Trade—T & E

Promotion

0750201	Salaries and wages
0750202	Overtime
0750215	Maint. and repairs
0750216	Telephone
0750217	Travel and entertainment
0750219	Office supplies
0750220	Postage
0750701	Research
0750702	Sales promotions
0750703	Advertising
0750704	Merchandising
0750903	Trade—advertising
0750904	Trade—promotion
0750917	Trade—T & E

General and Administrative

0810201	Salaries and wages
0810202	Overtime
0810203	Vacation pay
0810205	Bonus
0810215	Maint. and repairs
0810216	Telephone
0810217	Travel & entertainment
0810218	Auto expense
0810219	Office supplies
0810220	Postage
0810801	FICA tax
0810802	FUTA
0810803	SUTA

0810804	Workman's compensation
0810805	Group insurance
0810806	General insurance
0810807	Pension
0810808	Audit
0810810	Office expenses
0810811	Dues & subscriptions
0810812	Meetings
0810814	Contributions
0810817	Personal property tax
0810818	Real estate taxes
0810819	Other taxes
0810822	Consultant fees
0810823	Computer costs
0810824	Legal fees
0810827	Collection expense
0810917	Trade—T & E
0810918	Trade—auto expense
Other Income and Expenses	
0910900	Depreciation expense
0930880	Amort. license
0930890	Amort. deferred charges
0930990	Gain or loss—sale of assets
0930991	Rental income
0930992	Miscellaneous income
0930995	Bad debt provision
0930999	Miscellaneous expense

Figure 2-4 is an example of an income statement comparing the most recent month with the budget and the month for the previous year. It also provides comparative data on the accumulated year-to-date figures. Electronic media managers in this bottom-line world need at their disposal the kind of complete financial information depicted in order to succeed.

Different proportions of revenue are provided by each source to radio and television stations; and radio stations and network-affiliated and independent TV stations incur expenses differently.

Local advertising provides most of the sales dollars generated by the typical radio station (Figure 2-5). For the typical network-affiliated television station, local advertising accounts for just over one-half of each sales dollar (Figure 2-6). Revenues from local advertising comprise about 52 cents of the typical independent TV station's dollar, with national and regional advertising making up virtually all the rest (Figure 2-7).

Figure 2-4 *Example of a broadcaster's income statement. (Source: Television Station Partners, New York, N.Y.)*

	MONTH				YEAR-TO-DATE			
	BUDGET	ACTUAL	VARIANCE	PRIOR	BUDGET	ACTUAL	VARIANCE	PRIOR
REVENUE								
LOCAL DIRECT	100,091.00	48,809.50	51,281.50-	30,825.00	847,361.00	581,315.95	266,045.05-	643,503.74
LOCAL AGENCY	419,279.00	334,960.00	84,319.00-	296,915.09	3,692,559.00	3,545,173.63	147,385.37-	3,277,652.42
REGIONAL	201,277.00	176,415.00	24,862.00-	168,807.00	2,766,711.00	2,409,437.62	357,273.38-	2,440,703.34
NATIONAL	483,548.00	348,509.00	135,039.00-	315,560.00	4,519,437.00	4,747,778.00	228,341.00	4,257,130.04
NETWORK	55,521.00	86,530.00	31,009.00	50,756.00	656,710.00	689,615.00	32,905.00	669,893.00
POLITICAL	.00	.00	.00	.00	370,235.00	283,325.00	86,910.00-	92,305.00
OTHER	2,583.00	252.80	2,330.20-	1,078.50	30,996.00	33,134.50	2,138.50	32,635.30
TRADE	9,914.00	20,748.55	10,834.55	13,718.54	92,617.00	172,160.44	79,543.44	163,266.88
**GROSS REVENUE	1,272,213.00	1,016,224.85	255,988.15-	877,660.04	12,976,626.00	12,461,940.14	514,685.86-	11,577,089.72
COMMISSIONS								
AGENCY	165,616.00	128,982.60	36,633.40-	118,354.80	1,702,343.00	1,683,584.11	18,758.89-	1,523,140.99
SALES REPS	34,040.00	24,559.90	9,480.10-	22,332.58	342,207.00	348,339.82	6,132.82	307,207.75
**NET REVENUE	1,072,557.00	862,682.35	209,874.65-	736,972.66	10,932,076.00	10,430,016.21	502,059.79-	9,746,740.98
OPERATING EXPENSES								
DIRECT	103,764.00	99,032.94	4,731.06-	100,994.91	1,172,946.00	1,136,512.51	36,433.49-	1,286,935.24
TECHNICAL	53,545.00	43,335.49	10,209.51-	49,632.34	655,409.00	662,703.74	7,294.74	642,379.12
PROGRAM	11,374.00	11,064.94	309.06-	9,074.41	160,784.00	158,543.18	2,240.82-	153,711.00
NEWS	58,645.00	67,647.49	9,002.49	60,104.16	708,284.00	717,894.79	9,610.79	686,918.75
SALES EXPENSE	98,059.00	124,552.18	26,493.18	20,647.28	1,118,262.00	999,028.64	119,233.36-	877,504.48
PROMOTION	3,151.00	410.72-	3,561.72-	772.94	103,944.00	112,031.41	8,087.41	93,989.48
GENL AND ADMINISTRATIVE	83,684.00	67,432.63	16,251.37-	101,542.08	1,014,999.00	998,044.56	16,954.44-	958,191.21
**TOTAL OPERATING EXPENSES	412,222.00	412,654.95	432.95	342,768.12	4,934,628.00	4,784,758.83	149,869.17-	4,699,629.28
OPERATING INCOME	660,335.00	450,027.40	210,307.60-	394,204.54	5,997,448.00	5,645,257.38	352,190.62-	5,047,111.70
DEPRECIATION	108,450.00	105,776.34	2,673.66-	103,780.25	1,301,400.00	1,298,726.34	2,673.66-	1,268,296.47
NET INCOME BROADCASTING	551,885.00	344,251.06	207,633.94-	290,424.29	4,696,048.00	4,346,531.04	349,516.96-	3,778,815.23
OTHER DEDUCTIONS								
AMORTIZATION	14,575.00	14,575.34	.34	14,575.34	174,900.00	174,904.08	4.08	174,904.08
INTEREST EXPENSE (NET)	.00	.00	.00	.00	.00	.00	.00	.00
OTHER EXPENSE (INCOME)	1,963.00-	2,135.88-	172.88-	2,016.33-	21,593.00-	11,930.60	9,662.40	22,308.04-
TOTAL OTHER DEDUCTIONS	12,612.00	12,439.46	172.54-	12,559.01	153,307.00	162,973.48	9,666.48	152,596.04
*** NET INCOME ***	539,273.00	331,811.60	207,461.40-	277,865.28	4,542,741.00	4,183,557.56	359,183.44-	3,626,219.19

The typical radio station spends about 42 cents of each expense dollar on general and administrative costs and half of that amount on programming and production (Figure 2-8). Likewise, for the network-affiliated television station, the greatest single expense is the approximate 33 cents for administration, followed by programming and production (Figure 2-9). The biggest slice of the expense dollar for the typical independent station, on the other hand, goes to programming and production (Figure 2-10).

Eighty-six percent of the typical cable television system's revenue is derived from the sale of basic services (63 percent) and pay cable services (23 percent). Advertising sales account for 5 percent, and the remaining 9 percent comes from a variety of sources, including pay-per-view, home shopping, mini-pay, and digital audio. The allocation of expenses varies from system to system, and no reliable national averages are available.

COST CONTROLS

Radio, television, and cable have discovered the importance of cost controls only recently. For most of their history, all three enjoyed almost automatic and sizable annual revenue increases. In that climate, management increased profits primarily through such increases, not through reducing costs.

Figure 2–5 *Sources of a typical radio station's sales dollar. (Source:* 1992 NAB Radio Financial Report. *Used with permission of the National Association of Broadcasters.)*

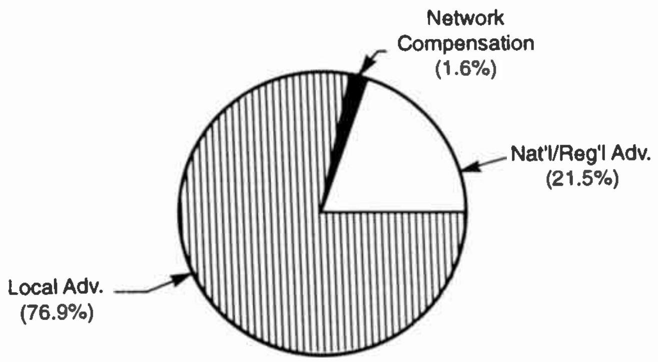


Figure 2–6 *Sources of a typical network-affiliated television station's sales dollar. (Source:* 1993 NAB Television Financial Report. *Used with permission of the National Association of Broadcasters.)*

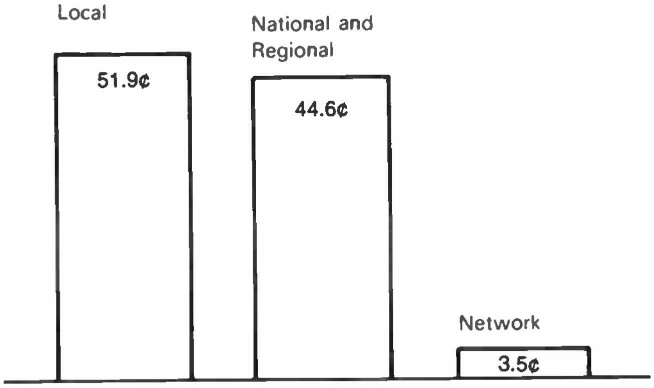


Figure 2-7 *Sources of a typical independent television station's sales dollar. Includes Fox independents. (Source:* 1993 NAB Television Financial Report. *Used with permission of the National Association of Broadcasters.)*

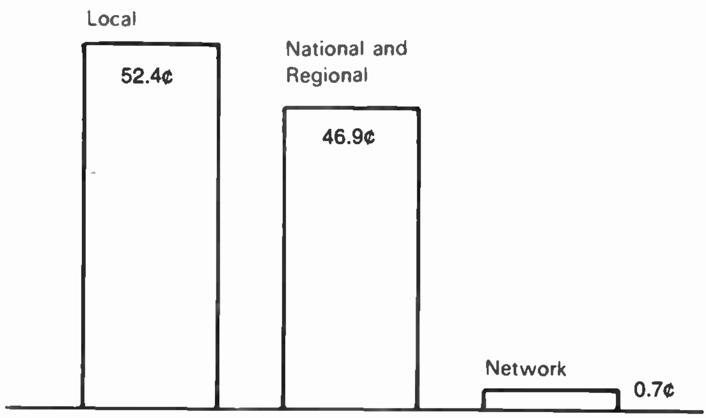


Figure 2-8 *Allocation of a typical radio station's expense dollar. (Source:* 1992 NAB Radio Financial Report. *Used with permission of the National Association of Broadcasters.)*

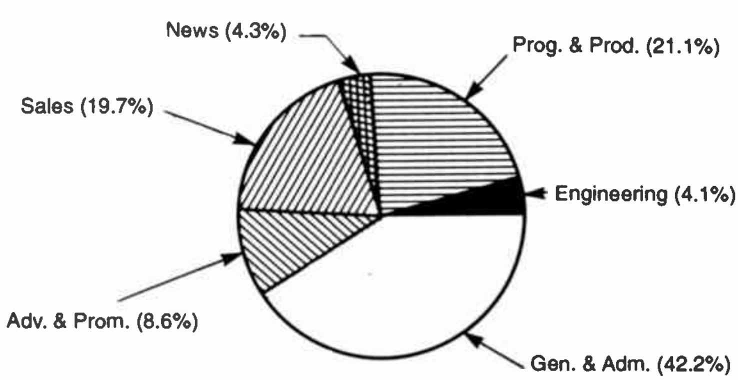


Figure 2-9 *Allocation of a typical network-affiliated television station's expense dollar. (Source:* 1993 NAB Television Financial Report. *Used with permission of the National Association of Broadcasters.)*

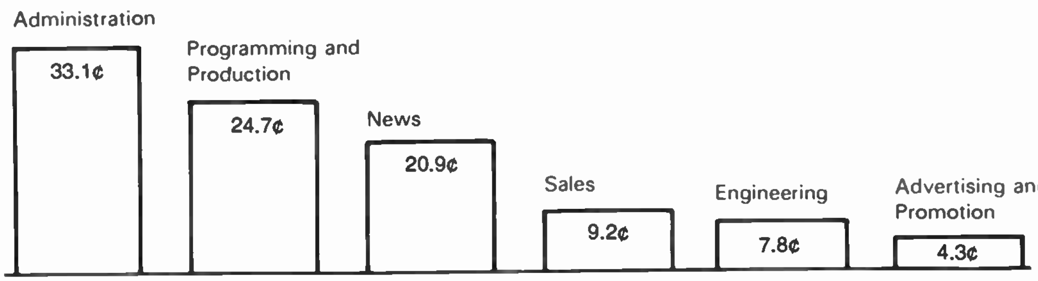
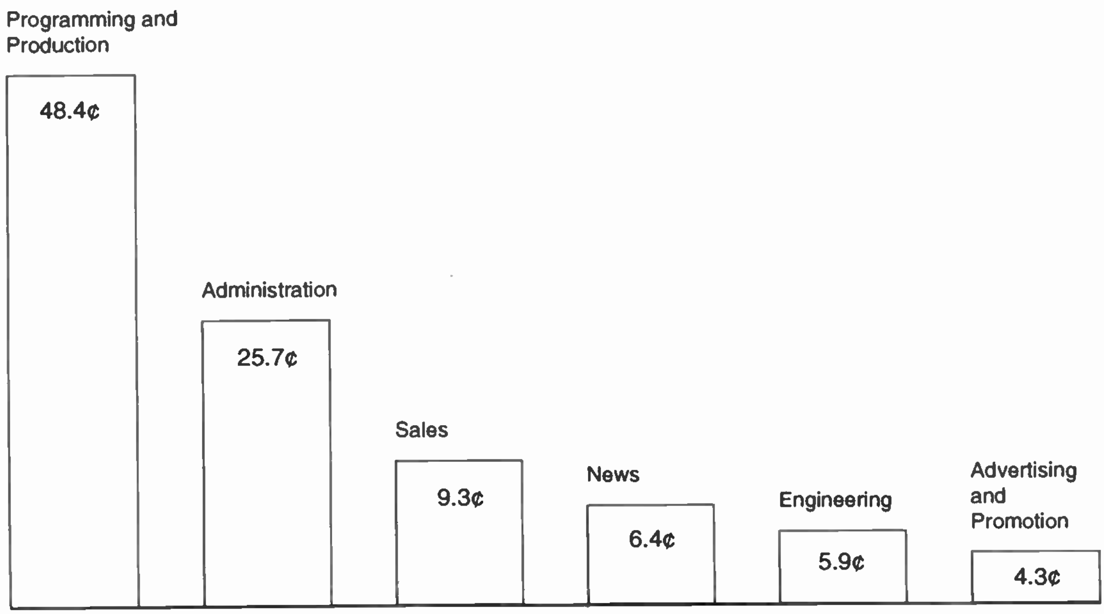


Figure 2-10 *Allocation of a typical independent television station's expense dollar. Includes Fox Independents. (Source:* 1993 NAB Television Financial Report. *Used with permission of the National Association of Broadcasters.)*



In the late 1980s, the equation changed for broadcast radio and television. The combination of general economic conditions, the rise of niche marketing due to cable, and the fragmentation of audience shares related to the FCC's liberal licensing policies all but eliminated the customary annual sales increases.

Cable's string ran a little longer. By 1994, however, its automatic revenue growth began to diminish as advertiser fascination with niche marketing began to fade. Cable's emerging revenue malady grew out of two other factors. The first was the reregulation of some cable rates under the 1992 Cable Television Consumer Protection and Competition Act. The second was the maturing of the industry. The number of homes passed by cable rose to 98 percent of television households, dramatically reducing the likelihood of a continuing new subscriber influx.

In the new environment, albeit at different times, radio, television, and cable turned to cost controls. The most effective control technique capable of producing significant immediate results is personnel reduction. Radio and television eagerly seized on this method, occasionally producing headlines with it. Increasing reliance on sophisticated automation for television and automation plus utilization of satellite formats for radio accelerated staff cutbacks. Radio also has been able to accomplish some staff downsizing through economies of scale made possible by new FCC ownership rules, which allow common ownership of AMs and FMs in the same market.

When cable's moment of truth came, it focused initially on personnel adjustments, too. Cable also relied on automation technology to achieve some of its personnel goals. In addition, it turned to outside contractors to perform some of the functions formerly undertaken by staff. Cable uses independent contractors for installation, rebuilds, and other technical duties and, in some instances, for the sale of local and spot advertising.

Once the immediate cost benefits of personnel reduction are realized, additional expense reduction is a lot more tedious and requires persistent management attention. Continuing vigilance and monitoring of certain expenditure categories historically have led to savings. Many of these items involve commonsense administration and are common to radio, television, and cable. They include the following:

1. **Employee Performance**
   - A. Employees should be hired on the basis of their qualifications to carry out required tasks. If a staff member lacks the necessary skills, or has to be trained or assisted, performance will suffer and the station or system will not be receiving value for its salary or wage dollar.
   - B. Each employee's workload should be great enough to justify the position. Underemployment represents a waste of dollars and a drain on profits.
   - C. Employee efficiency is influenced by available resources. The company must provide the equipment and the space necessary to enable staff to produce quality work efficiently and economically.
   - D. The work environment must be conducive to productivity. Uncomfortable temperatures, noise, and interruptions detract from work, and may reduce accomplishments and profits.

E. Supervisory personnel should be conversant with the job description of each employee in their charge and, through example and direction, strive to ensure that each performs at maximum efficiency.

F. Clear policies should be established and enforced on employee working hours and privileges, such as the frequency and length of coffee or meal breaks. Abuse can result in lowered productivity. Similarly, policies should be set forth on personal use of the telephone and other facilities. An employee engaged in a personal telephone call or in personal use of a copying machine or computer may delay the completion of business. Further, the cost of long-distance telephone calls for personal reasons can be substantial.

G. Morale is an important element in the willingness of employees to assist in controlling costs. For that reason, management should not underestimate the significance of employer-employee relations and of other factors that contribute to morale.

2. Employee Compensation

Salaries and wages should be fair and competitive in the market. However, care must be taken with increases and overtime.

It is financially dangerous to lead employees to believe that they will receive automatic, periodic increases, unless that is company policy. Staff accustomed to receiving such increases will feel resentment if they are not granted or are discontinued. Instead, some employers prefer to grant bonuses, which are not viewed as a right and need not be given automatically or regularly.

Employees who regularly receive overtime pay regard it as part of their salary. When overtime is reduced or eliminated, they consider it a cut. If work cannot be completed in the normal work day, consideration should be given to adding part-time personnel at the regular rate of pay, thus avoiding the premium rates that have to be paid for overtime.

3. Professional Services

Some professional services are necessary, but their use should be reviewed periodically and controlled. The services used most by broadcast stations and cable systems are

A. Accounting and auditing

The staff bookkeeper should be able to carry out most of the accounting. If not, an accounting firm will have to be used, and at a substantially higher cost. However, such a firm usually is engaged to file tax papers and conduct audits.

B. Legal

Most stations find it advisable to retain a Washington, D.C., attorney who is qualified to practice before the Federal Communications Commission. The attorney provides the station with timely information and advice, and is especially helpful in the preparation of license-renewal papers. The increasing burden and complexity of federal regulation also has led many cable systems to engage Washington counsel. Some systems are trying to minimize the expense by joining with others in a consortium. Engaging a local attorney in addition is not a wise expense for most stations or systems, since most of the help requested concerns the collection of overdue accounts. That is a service that can be rendered more economically by a collection agency.

C. Consulting
Stations often feel the need for outside advice on programming, news, sales, and promotion. Engaging consultants can be costly. A more economical approach is to try to include such assistance, if possible, among the services of the station rep company.

4. Facilities

A. Land and buildings
Even though the cost of purchasing land and buildings may be high, it is more advantageous for a station to own than to rent. This is true, particularly, of the land on which cable satellite downlinks or the broadcast transmitter tower and building are located. If the landowner demands an excessive amount of money to renew a lease, management faces a dilemma. It is especially acute for broadcasters, since the license to broadcast is granted on the present tower location. To move would involve costly engineering studies and attorney fees and would require FCC approval.

Rental of office and studio buildings poses fewer risks. However, it may be difficult or impossible to obtain the owner's approval to make structural changes aimed at increasing services or improving efficiency.

B. Equipment
All equipment should be purchased at the best price available and for its contribution to the quality, efficiency, or range of program or other services. If it will generate additional revenues or reduce costs, so much the better. The temptation to buy equipment for "prestige" should be avoided. The same is true of equipment that will not be used regularly. Renting rather than purchasing may make more sense. A similar approach should be taken with telephone equipment and services. They should be sufficient for the business's needs, but not extravagant.

5. Insurance

Insurance has become a major cost increase item. Some insurance requirements are mandated by state law. An example is workers' compensation. Loan agreements with the station's or system's lenders may require certain coverage, such as fire, automobile, title, or errors and omissions. Cost efficiencies on some types of insurance may be achievable through state or national broadcast or cable associations.

The major problem in recent years has been medical insurance. Premiums have escalated dramatically and are a major expense item. Employers constantly monitor such costs and pursue methods designed to limit the significant annual increases. Today, many companies require up to one or two years of service before an employee qualifies for employer-paid (or partially paid) medical insurance. Generally, deductibles have been increased and benefits have been capped or limited to contain costs. Employees have come to expect that medical insurance will be included in their compensation package. How it is administered is a definite morale factor.

6. Bad Debts

Failure to collect payment for time sold to advertisers is a problem that confronts many stations and a growing number of cable systems. Elimination of the problem is impossible, but it can be reduced through the statement and enforcement of a policy on billing and payment procedures. It may be necessary to terminate delinquent accounts to prevent additional losses and send a message to other advertisers.

7. Budget Control

Close control should be exercised over all expenditures. For purchases, this can be accomplished through purchase orders that require the general manager's signature. A control system should exist for other expenditures, including the following:

A. Travel and entertainment

A policy should be established for employees who incur work-related travel and entertainment costs, not only to control them but also to satisfy the requirements of the Internal Revenue Service. Before reimbursing employees, many companies require submission of an approval voucher signed by a supervisor or the general manager. Usually, it gives the date and purpose of the travel, locations, and details of and receipts for travel, food, accommodation, and other items, such as parking fees, tips, and tolls.

B. Dues

Management must determine those associations or organizations in which the station or system should hold membership. The National Association of Broadcasters or the National Cable Television Association (NCTA) usually are high on the priority list. Affiliation with the state broadcast or cable association and the local chamber of commerce also may be considered advantageous. However, all memberships should be chosen with an eye to the benefits they provide.

Many companies believe that department heads and others should join appropriate local, state, or national organizations to advance their careers or the employer's interests. If the company has a policy of paying employee membership fees, it is important that each proposal for membership be considered on the basis of the benefits that will accrue to the individual and the company. If membership contributes little or nothing, monies spent will be wasted.

C. Subscriptions

Most employers subscribe to selected newspapers, magazines, and journals, and make them available to staff. Publications should be chosen for their contributions to the interests of the staff and the company. Costs can be reduced by eliminating those that are not read or are of marginal interest.

D. Contributions

All stations and systems confront requests from nonprofit organizations for financial contributions or air time. To control such expenditures, a policy should be implemented that permits the discharge of the "good corporate citizen" role and prevents resentment by those whose requests cannot be granted. Many companies put a dollar value on each public service announcement aired and mail an invoice to the organization indicating that the amount represents a contribution. Such records also provide useful documentation for license- or franchise-renewal purposes.

E. Communications

Broadcasting and cable always have been the home of deadlines and time demands. With today's emphasis on productivity and lean staffs, time pressures are intensified. Such an atmosphere produces an employee reliance on expedited means of communication, which almost always add to costs. Dependence on telephone, fax, photocopies, and express delivery services have become the rule, not the exception. Experienced management knows that even little numbers can grow quickly into larger ones, to the point of becoming unpleasant surprises.

Accordingly, managers must be alert to these expenditures and must develop methods of monitoring and control. For example, most communication systems today have electronic entry codes. They ensure that only authorized staff incur expenses. If employees exceed their authority or abuse their access, remedial action can be taken. The use of such codes has an immediate and dramatic effect on telephone, fax, and photocopy excesses. Abuse of costly overnight delivery services as a defense against almost-missed deadlines is not as easy to control and requires real management diligence.

MONITORING FINANCIAL PROGRESS

Management can monitor financial performance in a number of ways. The most obvious is to compare actual results for a month, quarter, or year with the budget and the comparable period for the prior year. A good financial statement, balance sheet, or income statement will give a manager all that information on one piece of paper (see Figure 2-4).

Another important monitoring technique is the comparison of the station's or system's financial progress with that of peers. One of the principal sources that provided comparison—the NAB's annual Radio Financial Report, cited in Figures 2-5 and 2-8—has been discontinued. However, its television report still will be available.

There are other sources for comparative information. One consists of newsletters and annual reports issued by Paul Kagan Associates, Inc., of Carmel, California.[5] Annual reports include the *Broadcast Financial Record* and the *Cable TV Financial Data Book.* Additional sources are available from the Radio Advertising Bureau (RAB),[6] the Television Bureau of Advertising (TVB),[7] and the Cabletelevision Advertising Bureau (CAB).[8] Revenue reports for some markets are compiled by Miller, Kaplan, Arase & Company.[9]

Figure 2-11 *NAB Television Financial Monitoring System Report order form. (Reprinted with permission from the National Association of Broadcasters.)*

National Association of
NAB
BROADCASTERS

TELEVISION FINANCIAL MONITORING SYSTEM REPORT ORDER FORM

STATION COMPARISON CRITERIA

To determine the parameters of your customized TVFMS report(s), please complete this form. You must return a separate completed order form for each report you wish to order.

Cost of single report. . . . . List Price: $400
NAB Member Price: $200.00

Cost of each additional report, based on an alternate set of comparison criteria, (your order for additional reports must be received at the time we receive your original report request). . . . . List Price: $200.00
NAB Member Price: $100.00

Please select the option(s) in each of the following five criteria categories that best describes the television station(s) you wish to profile in your report. You must select an option in *each* of the five categories that follow or your request cannot be completed.

1) Type of Television Station — choose *one* category:

☐ VHF Affiliates ☐ UHF Affiliates ☐ All Affiliates
☐ VHF Independents ☐ UHF Independents ☐ All Independents
☐ All UHF ☐ All UHF ☐ All Stations

2) ADI Market (Arbitron Market Ranking) — choose a lower limit, upper limit or all markets.

Lower Limit (circle one):

1,	6,	11.	16,	21,	26,	31,	36,	41,	46,	51,	56,	61.	66,	71.	
76,	81,	86,	91,	96,	101,	111,	121,	131,	141,	151,	161,	171,	181,	191,	201

Upper Limit (circle one):

5,	10,	15,	20,	25,	30,	35,	40,	45,	50,	55,	60,	65,	70,	75,	
80,	85,	90,	95,	100,	110,	120,	130,	140,	150,	160,	170,	180,	190,	200,	215

3) Region — choose one region, any combination of regions, or all regions. (You may select more than one region).

☐ New England (CT, ME, MA, NH, RI, VT)
☐ Mid-Atlantic (NJ, NY, PA)
☐ South Atlantic (DE, DC, FL, GA, MD, NC, SC, VA, WV)
☐ East North Central (IL, IN, MI, OH, WI)
☐ East South Central (AL, KY, MS, TN)
☐ West North Central (IA, KS, MN, MO, NE, ND, SD)
☐ West South Central (AR, LA, OK, TX)
☐ Mountain (AZ, CO, ID, MT, NV, NM, UT, WY)
☐ Pacific (AK, CA, HI, OR, WA)
☐ All Regions

4) Year — choose beginning, intermediate and end year (you must specify all three).

Beginning	Intermediate	End
☐ 1983	☐ 1984	☐ 1985
☐ 1984	☐ 1985	☐ 1986

Note: Later years will be added annually as data becomes available.

5) Revenue and Expenses — choose *none, one* or *two* line items from those shown below. For each line item you select, you must choose an upper and lower dollar limit for that line item. All limits specified must be rounded off to the nearest half million.

Category	Lower Limits (Millions)	Upper Limits (Millions)
☐ Nat'l & Reg'l. Adv. Revenue		
☐ Local Advertising Revenue		
☐ Total Time Sales		
☐ Total Net Revenue		
☐ Prog. & Production Expenses		
☐ News Expenditures		
☐ Total Expenses		
☐ No Revenue or Expense Limits Selected		

Note: Every effort will be made to accommodate the criteria you have selected to define your TVFMS report. However, certain restrictions are placed on the comparative station selection process to ensure confidentiality. A minimum of 10 stations must fit the specified criteria you have selected.

Another useful tool is the NAB's Television Financial Monitoring System, whose customized reports allow for the comparison of financial results of a particular station with those of similar stations. To use the system, it is necessary to send the NAB a special order form with details of the station for which comparative data are desired (see Figure 2-11).

Additionally, in some markets, stations report their revenue results to an accounting firm retained by all stations. Where available, this procedure provides a method of determining a station's revenue performance as a percentage of the total for the market. Since stations are no longer required to report their financial results to the FCC, this can be a valuable method of monitoring station and market performance.

Financial results are now the most important measurement of a manager's effectiveness. The electronic media manager must be knowledgeable about these important matters.

SUMMARY

Financial management demands an understanding of the accounting function, basic financial statements utilized by managers, methods of preparation, and the terminology employed.

The accounting function begins with the budget process, continues with the recording and reporting of transactions, and concludes with an analysis of financial results.

The budget is a planning and control document that plots the course of projected financial transactions (i.e., revenue, expense, profit, or loss). Actual daily results are recorded in journals and ledgers, and are transferred to financial statements by using charts of accounts. The two main financial reporting forms are the balance sheet and the income statement. The balance sheet reveals the condition of the business at a fixed point in time. It discloses total assets, liabilities, and capital of the operation. Ratios are then applied to balance sheet results to determine the relative strength or weakness of the company.

The income statement is another measure of financial health. It measures revenue and expenses, resulting in profit or loss for a given period of time.

After the results are reviewed and compared with the budget, cost control methods may be required. Even if financial results meet or exceed the budget, the electronic media manager might still be underperforming. Financial progress is also judged by a comparison of the results achieved with similar facilities inside or outside the market. Once made, those additional comparisons may require management to effect further changes in station or system operations.

CASE STUDY

WHIT is a very successful contemporary hit radio (CHR)-formatted FM station located in a top-20 American radio market. It is owned by a group radio operator that desires to expand its media concentration in the markets it currently serves, as permitted by the recent changes in Federal Communications Commission ownership rules.

To initiate its strategy, the company has announced the purchase of WMIS, a not-so-successful album-oriented rock (AOR)-formatted FM station. WHIT's owners have contracted to pay eight million dollars for WMIS. WMIS has no cash flow but does own tangible assets of two million dollars, including downtown real estate. Ownership seeks the maximum attainable financial benefits from the union of WHIT and WMIS.

You are the general manager of WHIT and have been delegated the task of implementing ownership's first duopoly.

Exercises

1. Duopoly is a new, fast-emerging ownership concept, but no one has a lot of experience with it. The financial records and game plan for this new combination must be set up. What sources might you use for guidance to assist you in completion of your task?
2. As general manager of WHIT, you have used cost containment as a major element in your profit-generation strategy for several years. What challenges and opportunities does the WHIT-WMIS combination offer you to continue your heretofore proven profit quest?
3. WMIS is not making money, but WHIT is. Under the Omnibus Budget Reconciliation Act of 1993, how can the purchase price of WMIS be set up on the books to protect the profits of WHIT from taxes until WMIS becomes a profit center itself?

NOTES

1. "1994 Career Guide," *U.S. News and World Report*, November 1, 1993, pp. 78–112.
2. Available through NAB Services, National Association of Broadcasters, 1771 N St., N.W., Washington, D.C. 20036.
3. Available through Broadcast Cable Financial Management Association, 701 Lee St., Suite 1010, Des Plaines, IL 60016.
4. Columbine Systems, Inc., 1707 Cole Blvd., Golden, CO 80401.
5. Paul Kagan Associates, Inc., 126 Clock Tower Pl., Carmel, CA 93923-8734.
6. Radio Advertising Bureau, 304 Park Ave. South, New York, NY 10010.
7. Television Bureau of Advertising, 850 Third Ave., New York, NY 10022-6222.
8. Cabletelevision Advertising Bureau, 2757 Third Ave., New York, NY 10017.
9. Miller, Kaplan, Arase & Company, 10911 Riverside Dr., North Hollywood, CA 91602.

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3 HUMAN RESOURCE MANAGEMENT

This chapter looks at the management of human resources and examines

- the chief functions of human resource management
- the management of unionized workers
- selected laws and regulations governing the hiring and treatment of employees

Broadcast stations in the same market, with comparable facilities and staffs of similar size, often achieve different levels of success. Some attain their objectives regularly, while others fare poorly. Why?

The reasons may be complex. Often, however, the difference may be traced to the way in which each station manages its personnel. The station that attracts qualified employees, compensates them fairly, recognizes and responds to their individual needs, and provides them with a pleasant working environment is rewarded with the amount and quality of work that lead to success. The station that pays more attention to the return on its financial investment than to its staff is plagued by low morale, constant turnover, and a continuing struggle in the competitive broadcast marketplace.

It has been observed that no other element in broadcasting is capable of delivering as great a return on investment as human resources.[1] Recognizing this, many large stations have established a human resources department, headed by a personnel manager or director. Working with the general manager and other department heads, the department is involved in the following functions: (1) staffing, including staff planning and the recruitment, selection, and dismissal of employees; (2) employee orientation, training, and development; (3) employee compensation; (4) employee safety and health; (5) employee relations; (6) trade union relations, if staff members belong to a trade union; and (7) compliance with personnel laws and regulations.

In most stations, however, these functions are handled by a number of different people. Typically, department heads are largely responsible for the management of employees in their respective departments. They recommend to the general manager departmental staffing levels, the hiring and dismissal of staff, and salaries and raises. They approve vacation and leave requests, supervise staff training and development, and ensure departmental compliance with legal and regulatory personnel requirements. Similarly, if their staff is unionized, they carry out the terms of the union contract.

The general manager approves staffing priorities, hirings and dismissals, and salaries and raises for employees in all departments. The general manager monitors, also, the station's compliance with all applicable laws and regulations and with trade union agreements. The business manager is charged with maintaining personnel records and processing the employee payroll.

THE FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

Staffing

Planning To meet its objectives, a broadcast station must have an adequate number of employees with appropriate skills, both in the station as a whole and in each department. Ensuring that enough qualified staff are available requires the projection of future needs and the development of plans to meet those needs. Together, these activities are known as *personnel planning*, which consists of five components:

Job analysis identifies the responsibilities of the job, usually through consideration of the job's purpose and the duties that must be carried out in order to fulfill that purpose.

Job description results from the analysis and includes purpose and responsibilities.

Job specifications grow out of the description and set forth the minimum qualifications necessary to function effectively. Typically, they include a certain level of education and experience in similar work. Other specifications vary with the job.

Workload analysis is an estimate of the type and amount of work that must be performed if the station's objectives are to be met.

Work force analysis involves consideration of the skills of current employees to determine if any of them have the qualifications to handle the job. If the analysis shows that some do, a selection may be made among them. If not, the station probably will seek a qualified candidate outside.[2]

To illustrate the personnel planning procedure, assume that a television station intends to expand its early-evening newscast from 30 minutes to an hour. The workload analysis indicates, among other things, that a co-anchor must be added. The work force analysis finds that none of the existing news staff is qualified. The job analysis concludes that the chief responsibility is to co-anchor the newscast and that additional responsibilities include writing and reporting for both the early and late newscast. The job description lists the position title and the responsibilities it carries. The job specifications call for a degree in broadcasting or journalism, and experience in TV news anchoring, writing, and reporting.

Recruitment Recruitment is the process of seeking out candidates for positions in the station, and, if necessary, encouraging them to apply. Many stations have a policy of filling vacant jobs with current employees, whenever possible. Such a policy can help build morale among all employees, since it shows management's concern for the individual and suggests that everyone will have an opportunity for advancement. From the station's standpoint, the practice is advantageous because management knows its employees and their abilities. In addition, the employee is accustomed to working with other station staff and is familiar with the station's operation. Stations that are part of a group usually post the opening with other stations in the group. Similar advantages apply.

When recruitment takes place outside the station or group, the particular vacancy will suggest the most likely sources of applicants. A common practice is to advertise the job in newspapers. In some communities, the local newspaper is a popular vehicle for clerical and technical vacancies. Many stations place advertisements in newspapers in nearby cities and even in all newspapers published in the state or region.

When the job requires skills or experience that may be in short supply in the community, or when the station wants to attract a bigger pool of applicants than would result from local, state, or regional advertising, advertisements often are placed in national trade publications. One of the most widely used publications is *Broadcasting & Cable* magazine, which carries help-wanted advertisements for a variety of radio and television personnel in management, sales, research, marketing, announcing, technical, news, programming, and production.

A station may prefer, in addition or as an alternative, a publication directed particularly toward the kind of employee sought. For example, *Broadcast Engineering* magazine could be used to advertise a vacancy in the engineering department. Vacancies may be announced, also, in the publications of trade and professional organizations and of state broadcasting associations.

Station consultants may be helpful in suggesting candidates for positions, since they are familiar with employees in other markets.

Following equal employment opportunity practices, stations list job openings with the local office of the state employment service, private employment agencies, and local organizations of women and minorities.

A good source of applicants, particularly for entry-level positions, is the two-year college or university, especially if it has a broadcasting or communication department. Many stations in college and university towns conduct internship programs with such institutions and are able to identify potential employees during the internship. In the absence of an internship program, a call to the institution's placement office will bring the vacancy to the attention of students. Most placement offices keep files on recent graduates and will alert those with appropriate qualifications. If the office distributes a regular listing of positions to interested alumni, an even larger number of potential applicants will be reached.

Word of actual or anticipated vacancies spreads quickly through most stations. It is common, therefore, for employees to carry out informal recruiting by notifying friends and acquaintances. Additionally, many stations ask employees to suggest people who may be interested.

Most radio and television stations keep a file of inquiries about possible jobs. Persons visiting the station to ask about openings often are invited to complete an application for employment, even if no vacancy exists. The application may be filed for possible use later. A similar practice is followed with letters of inquiry. Obviously, the value of the file diminishes with the passage of time as those making the inquiry find other employment, and many stations remove from the file applications that are more than six months old. However, it may be a useful starting point.

Selection When recruitment has been completed, the station moves to the selection process. This involves the identification of qualified applicants and the elimination of those who are not. Ultimately, it leads to a job offer to the person deemed most likely to perform in a way that will assist the station in meeting its objectives.

Many stations require applicants to complete an employment application form. Generally, it asks for personal information, such as name, address, and telephone number, as well as details of the position sought, education and work experience, and the names and addresses of references. An example of an application for employment form is shown in Figure 3-1. It calls for other information that the station may use in the selection, such as visa or immigration status and any criminal record or pending criminal or civil charges. In addition, it states the station's policy on nondiscrimination in employment, which will be discussed later in the chapter.

Figure 3-1 *Sample of application for employment in a broadcast station.*

Application for Employment

It is the policy of   not to discriminate unlawfully in its employment and personnel practices because of a person's race, color, religion, sex, national origin, disability, or age. Discriminatory employment practices are specifically prohibited by the Federal Communications Commission. If you believe your equal employment rights have been violated, you may contact the FCC, 1919 M Street, N.W., Washington, DC 20554, or other appropriate federal, state or local agency.

Instructions: 1. Type or print in ink. 2. Answer each question fully and accurately; use an additional sheet, if necessary.

Name (Last-First-Middle)	Previous Name*	Social Security No.	Date of Application
Address (Street and Number, City, State, Zip Code)		Area Code & Phone No.	Birth Date (Answer if you are less than 21 years of age.)
Position(s) sought		Date available to begin work	Have you ever worked for this Company?____ If yes, when & where?

Are you prevented from lawfully becoming employed in this country because of visa or immigration status? ________
(Proof of citizenship or immigration status will be required upon employment.)

EDUCATION

School	Name & Location	Dates Attended* From	To	Years Completed	Major Areas of Study	Degree Obtained	Date of Degree*
High							
College							
Military							
Other - Special Schools, Education & Training							

*For reference checking purposes only.

(Cont'd.)

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Figure 3-1 *Continued*

-2-

EMPLOYMENT HISTORY

(List positions in chronological order starting with current or most recent position.)

Company Name & Address	Employment Dates*	Base Pay
Employer	Hired	Start
Street Address	Separated	End
City and State	Name and Title of Immediate Supervisor	
Position Held and Description of Duties:		
	Reason for Leaving	

Company Name & Address	Employment Dates*	Base Pay
Employer	Hired	Start
Street Address	Separated	End
City and State	Name and Title of Immediate Supervisor	
Position Held and Description of Duties:		
	Reason for Leaving	

Company Name & Address	Employment Dates*	Base Pay
Employer	Hired	Start
Street Address	Separated	End
City and State	Name and Title of Immediate Supervisor	
Position Held and Description of Duties:		
	Reason for Leaving	

Company Name & Address	Employment Dates*	Base Pay
Employer	Hired	Start
Street Address	Separated	End
City and State	Name and Title of Immediate Supervisor	
Position Held and Description of Duties:		
	Reason for Leaving	

*For reference checking purposes only.

(Cont'd.)

Figure 3-1 *Continued*

-3-

May we contact your present employer? ______ If no, why? ____________________

U.S. MILITARY HISTORY

Present Selective Service Classification	Date Entered*	Date Discharged*	Initial Rank	Final Rank

Briefly describe your military duties.

____

THE FOLLOWING PERTAINS TO ALL APPLICANTS. (Use an additional sheet if necessary.)
Note: Supply the following information if it is not in your resume. If the job you are seeking requires that you operate cameras, machines, computers, typewriters, etc., please indicate the specific ones you are skilled at operating, as well as software familiarity.

____
____
____
____
____
____
____
____

List any additional skills, qualifications or experiences which might support your application.	List hobbies and special interests.
Are there certain days of the week or hours in a day when you are not available to work?** Explain.	Are you able to perform the essential functions of the job for which you are applying subject to any duty of reasonable accommodation?

* For reference checking purposes only.
** All reasonable steps will be taken to accommodate religious preferences.

(Cont'd.)

Figure 3-1 *Continued*

-4-

Have you ever pled guilty to or been convicted of any crime?* (Omit minor traffic violations unless you are applying for a job which requires the operation of a motor vehicle.) If yes, state the crime(s), date(s), location(s), court(s) and sentence(s).

Are there any civil actions (other than contract actions) or criminal charges now pending against you? If yes, state the nature of the action(s) or charge(s), name and location(s) of court(s) and current status.*

If presently employed, why do you desire a job change? ______

I applied for this position because of:
______ Advertisement in the ______ publication;
______ Radio or television advertisement on ______ station;
______ Recommendation of current employee named ______ ;
______ Recruitment efforts at the ______ educational institution;
______ Referral by ______ employment agency;
______ Other. Please specify ______

PERSONAL REFERENCES (not former employers or relatives)

Name	Occupation	Street Address City, State (Zip Code)	Telephone No.

PLEASE READ CAREFULLY

I hereby authorize the investigation of all statements contained in this application. I certify that the information given on this application is true and complete, and <u>I understand and agree that false statements, misrepresentations or omissions of requested facts is sufficient cause for dismissal from employment.</u> I authorize the references listed above to give you any and all information concerning my previous employment and any pertinent information they may have, personal or otherwise, and release all parties from all liability for any damages that may result from furnishing same to you.

I understand and agree that if I am employed by the employment relationship will be terminable at will at any time with or without cause by either party, notwithstanding any other oral or written statements by the Company prior to, at, or following date of employment, unless set out in writing, dated and executed by both parties.

I understand also that this application will be considered active for a period of six (6) months only.

Signature of applicant ______

*Guilty pleas, convictions or pending criminal charge(s) are not automatic bars to employment. Neither are pending civil actions. All circumstances will be considered.

The station may ask applicants to take a test to prove that they have the skills claimed on the form. Candidates for a clerical position, for example, may have to demonstrate speed and accuracy on a word-processing test. Some stations use writing tests for entry-level positions in the newsroom.

Applicants for many positions prefer to provide the station with a résumé, in addition to, or instead of, a completed application form. The résumé permits the person seeking employment to emphasize qualifications and to provide more details than most application forms can accommodate.

For on-air positions, the station usually asks applicants for a tape containing examples of their work. In radio, the aim is to identify persons whose voice and style match station format or whose news delivery commands credibility. In addition to considering voice, the television station is interested in physical appearance and manner of presentation.

Using the employment application form or résumé and, if appropriate, test results and the tape, the station can reduce the list of applicants to those who match most closely the job qualifications. The process of elimination usually continues until only a few names remain.

At this point, interviews may be arranged with those whose applications will be pursued. However, many stations prefer to carry out background and reference checks before proceeding, and with good reason.

Applicants seek to present their education, experience, and skills in the most favorable light. Most list accomplishments of which they are proud and ignore their shortcomings. Some even stretch the truth and give themselves job titles they never held or claim to be proficient in tasks for which they have only rudimentary ability. Furthermore, listed references are likely to be persons who are disposed favorably to the applicant.

Checking on the education of applicants usually is not difficult. A telephone call or letter to a school, college, or university can produce the required information.

The work experience check sometimes presents problems, especially if the applicant has held jobs with several stations over a number of years. However, the stations' personnel files should contain records of the candidate's job titles and responsibilities, employment dates, and salary.

Many stations try to obtain from previous employers details of the applicant's quality of work, ability to get along with colleagues and superiors, strengths and weaknesses, and the reason for leaving. It is not unusual to discover that managers under whom applicants have worked at other jobs have moved in the meantime. When this happens, perseverance is required to track down the manager and, in the event of failure, to find others who remember the applicant and are willing to respond to questions.

Obtaining responses is difficult for another reason: the increasing incidence of legal actions by persons receiving negative recommendations. For that reason, it is not unusual for employers to provide only confirmation of a former employee's dates of employment, job title, and responsibilities.

If the applicant has a job, questions may be posed to the current employer. But stations usually do so only with the approval of the applicant. Permission of the applicant is required, also, if the station plans to carry out a credit check. This practice is not widespread, but many stations conduct such a check on prospective employees whose job will entail the handling of money.

Checks with the references listed by the applicant usually concentrate on the circumstances through which the reference and the applicant are acquainted and on personal and, whenever appropriate, professional strengths and weaknesses about which the reference can provide information.

If the background and reference checks support the station's preliminary conclusions about the applicant's qualifications, an interview will be scheduled. Of all the steps involved in the selection process, none is more important than the interview. The station will use the results to make a hiring decision. A good choice of candidate will add to the station's competitive strength. A poor choice may lead to a decision to dismiss the chosen candidate after only a short period of employment, leading to yet another search with its attendant expenditures of time, money, and effort.

Interviews are time-consuming for station employees who will be involved and may be costly for the station if the interviewees live in distant cities and the station meets the expenses of travel, meals, and accommodation. However, while application forms, tests, résumés, tapes, and background and reference checks yield a lot of information about applicants and their qualifications, only a face-to-face interview can provide insights into those personal characteristics that often make the difference between success and failure on the job.

The interview gives the station the opportunity to make a determination about the applicant's suitability based on observation of factors such as appearance, manners, personality, motivation, and communication abilities. The applicant's awareness of commercial broadcasting's philosophy, practices, and problems, and his or her attitudes toward them also may be gleaned from responses to questions. In addition, conclusions may be drawn about the applicant's ability to fit into the station.

Interviewing procedures vary. Some stations prefer an unstructured, freewheeling approach, while others follow a structured and formal method. The general manager may take part or merely approve or disapprove the hiring recommendation. In some stations, only the head of the department in which the vacancy exists participates; in others, the heads of all departments may be involved. Some stations include staff in the interviewing.

Whatever procedure is followed, the principal objective of the interview should be the same: an assessment of the candidate's suitability for the position. Of course, the interview may be used to obtain from the applicant additional details about qualifications or clarification of information contained on the application form or résumé. The interviewer may wish to provide the applicant with specific information about the station and the job to be filled. But such exchanges of information should be used only as a means of satisfying the principal objective, and not merely to fill the allotted time.

Those involved in conducting the interview can take certain actions to try to ensure that the objective is achieved:

Before the Interview

1. Become fully familiar with the responsibilities of the position to be filled and the education, experience, and skills necessary to carry them out. This will permit an understanding of what will be required of the new employee, and of the relative importance of education, experience, and skills.

2. Review the candidate's application form or résumé, and, if appropriate, test results and tape. This will help to assess the candidate's qualifications and suggest possible questions for the interview.
3. Confirm the date and time of the interview and ensure that enough time has been allowed for it.
4. Give instructions that the interview must not be interrupted by other staff or by telephone calls.

During the Interview

1. Establish a friendly climate to put the interviewee at ease. This can be accomplished by a warm handshake, a smile, and some small talk.
2. Ask only job-related questions. Questions that do not lead to an assessment of qualifications for the position are wasted. They may be dangerous, also, if they suggest discrimination.
3. Give the interviewee an opportunity to speak at some length and to answer questions fully. One method of doing this is to pose open-ended questions. If necessary, press the candidate with follow-up questions to obtain additional information.
4. Listen to the responses to the questions. Some interviewers prefer to make written notes during the interview, though this can be disturbing for an interviewee who is required to look at the top of someone's head during what should be a face-to-face exchange.
5. Give additional information about the job and the station to ensure that the candidate has a full understanding of them. Details of the full range of responsibilities, working hours, salary, and fringe benefits, and of the station's organization, goals, and role in the community are among the items that could be covered.
6. Allow time for the candidate to ask questions. In giving details of the job and the station, many interviewers assume that they are providing all the information a candidate requires. However, the interviewee may also be interested in considerations that are not job-related, such as the cost of housing, the quality of the public schools, and employment opportunities in the community for a spouse.
7. Pace the interview so that all planned questions are covered. Omission of questions and the responses may make a hiring decision difficult.
8. Terminate the interview politely. One way to end is to advise the candidate when a decision on filling the position will be made.
9. Ensure that the candidate is shown to the next appointment on the schedule. If the interview is the final appointment, arrange for the candidate to be accompanied to the exit.

After the Interview Record the results of the interview immediately. Some stations use an evaluation form that lists the qualifications for the job and permits the interviewer to grade each candidate on a scale from "poor" to "outstanding" on each. Other stations ask the interviewer to prepare a written memorandum assessing the candidate's strengths and weaknesses. When interviews with all candidates have been completed, the memoranda are used in making a recommendation.

Oral evaluations are not satisfactory, since they leave a gap in the station's employment records. This leads to problems if questions about hiring practices are raised by an unsuccessful candidate or the Federal Communications Commission.

As soon as the decision has been taken to hire one of the interviewed candidates, a job offer should be made promptly. A telephone call will establish if the candidate is still available and interested, and if the offer is acceptable.

To ensure that the station's records are complete, and to avoid misunderstandings, a written offer of employment should be mailed, with a copy. Among other information, it should include the title and responsibilities of the position, salary, fringe benefits, and the starting date and time. If it is acceptable, it should be signed and dated by the new employee, and returned to the station, where it will become part of the employee's personnel file. The copy should be retained by the employee.

A letter should be mailed to the unsuccessful candidates, also, advising them of the outcome. They may not welcome the news, but they will appreciate the action, and the station's image may be enhanced as a result.

The station should keep records of all recruitment and selection activities, including the reasons for the selection of one candidate over others. The documentation may be useful in identifying effective procedures, and it may be necessary to satisfy inquires about, or challenges to, the station's employment practices.

Dismissals Staff turnover is a normal experience for all broadcast stations. It is a continuing problem for stations in small markets, where many employees believe that a move to a larger market is the only measure of career progress.

Stations in markets of all sizes are familiar with the situation in which a staff member moves on for personal advancement. In such circumstances, the parting usually takes place without hard feelings on the part of either management or employee.

Another kind of staff turnover is more difficult to handle. It results from a station's decision to dismiss an employee, an action that may send panic waves through the station. If it involves a member of the sales staff, it may also bring reactions from clients. If an on-air personality is involved, the station may hear from the audience.

Of course, some dismissals do not reflect ill on affected employees. Changes in station ownership, the format of a radio station, or locally produced programming at a television station may result in the termination of some employees. Economic considerations often lead to reductions in staff.

The majority of dismissals, however, stem from an employee's work or behavior. No station can tolerate very long a staff member who fails to carry out assigned responsibilities satisfactorily. Nor can a station continue to employ someone who is lazy, unreliable, uncooperative, unwilling to accept or follow instructions, or whose work is adversely affected by reliance on alcohol or drugs.

This is not to suggest that management should stand by idly while an employee moves inevitably toward dismissal. Several steps may be taken to avoid such an outcome. For example, a department head should point out unsatisfactory work immediately and suggest ways to improve. The employee should be warned in writing that failure to improve could lead to dismissal. A copy of the warning should be placed in the employee's file.

Similarly, the supervisor's awareness of the employee's inability or unwillingness to act in accordance with station policies should be brought to the attention of the noncomplying staff member. Action should be taken when the behavior is observed or reported, since tolerating it may suggest that it is acceptable. If the station has a written policy against the behavior, it should be sufficient to draw the employee's attention to it. Again, it would be wise to write an appropriate memorandum to the employee and to place a copy in the employee's file. The memorandum should indicate clearly that continuation of the behavior may result in dismissal.

Management actions of this kind may not lead to improvement or correction, but they will eliminate the element of surprise from a dismissal decision, and they will show that the station has taken reasonable steps to deal fairly with the employee.

If an employee is to be dismissed, the way in which the decision is reached is important. So, too, is the way in which it is carried out, since it is certain to produce a reaction from other employees. The most important reason for caution, however, is federal and state legislation.

Attorney John B. Phillips, Jr., has prepared a set of guidelines for management to follow before discharging an employee.[3] First, he recommends a review of the employee handbook to make sure that the station management has complied with all procedures identified therein. That should be followed by a review of the employee's personnel file to determine if the documentation contained in it is sufficient to warrant the termination. It should show, for example, that the employee has been advised of the possibility of dismissal and has had ample opportunity to correct any problems or failures to perform as required.

Next, managers should evaluate the possibility of a discrimination or wrongful discharge claim. (Major federal laws on discrimination are described later in the chapter.) The following are among the questions that should be considered:

- How old is the employee?
- Is the employee pregnant?
- How many minority employees remain with the station?
- Does the employee have a disability?
- Who will replace the employee?
- How long has the employee been with the station?
- Does the documentation in the file support termination?
- Was the employee hired away from a long-time employer?
- Has the employee recently filed a workers' compensation claim or any other type of claim with a federal or state agency?
- Has the reason for termination been used to terminate employees in the past?

Phillips lists other questions that may have legal implications but that are primarily practical in nature:

- If the termination is challenged, can the station afford adverse publicity?
- To what extent has the station failed the employee?
- Assuming that the employee is not terminated and the problem is not removed, can the station tolerate its continuation?
- Is the employee the kind of person who is likely to "fight back" or file suit?
- What impact would termination have on employee morale and employer credibility? What about failure to terminate?
- Has the immediate supervisor had problems with other employees in the department?
- Does the employee have potential for success in a different department?
- Are there non-work-related problems that have created or added to the employee's problems at work?
- Has the employee tried to improve?
- Even if the termination is legally defensible, is it a wise decision?

Having reached a tentative decision to terminate, a manager may wish to let a noninterested party evaluate the decision before acting. However, this should not be viewed as a substitute for seeking legal advice if problems are anticipated.

If it is determined that dismissal is appropriate, Phillips suggests a termination conference with the employee. He offers the following guidelines:

1. Two station representatives should be present in most cases.
2. Within the first few minutes, tell the employee that he or she is being terminated.
3. Explain the decision briefly and clearly. Do not engage in argument or counseling, and do not fail to explain the termination.
4. Explain fully any benefits that the employee is entitled to receive and when they will be received. If the employee is not going to receive certain benefits, explain why.
5. Let the employee have an opportunity to speak, and pay close attention to what is said.
6. Be careful about what you say, since anything said during the termination conference can become part of the basis of a subsequent employee claim or lawsuit. In other words, do not make reference to the employee's sex, age, race, religion, or disability or to anything else that could be considered discriminatory.
7. Review the employment history briefly, commenting on specific problems that have occurred and the station's attempts to correct them.
8. Try to obtain the employee's agreement that he or she has had problems on the job or that job performance has not been satisfactory.
9. Take notes.
10. Be as courteous to the employee as possible.
11. Remember that you are not trying to win a lawsuit; you are trying to prevent one.[4]

What the employee was told and what the employee said should be included in the documentation of the conference, and it should be signed by all employer representatives in attendance.

It is not wise to terminate an employee at the end of the day on Friday. Since the management team is not in place on weekends, speculation and rumor about the dismissal may spread through the station and the community for a couple of days before attempts can be made to set the record straight.

Orientation, Training, and Development

All newly employed staff are "new" even if they have already worked in a radio or television station. They are with new people in a new operation. Accordingly, they should be introduced to other employees and to the station, a process known as *orientation.*

The introduction to other staff members may be accomplished through visits to the various departments, accompanied by a superior or department head. Such visits permit the new employee to meet and speak with colleagues and to develop an understanding of who does what. Some stations go further, and require newcomers to spend several hours or days observing the work of personnel in each department

An employee handbook designed for all staff often is used to introduce the new employee to the station. Typically, it includes information on the station's organization, its policies, procedures, and rules, and details of employee benefit programs and opportunities for advancement. Among the items usually covered in the section on policies, procedures, and rules are the following: office hours, absenteeism, personal appearance, salary increases, overtime, pay schedule, leaves of absence, outside employment, and discipline and grievance procedures. Information on employee benefits might include details of insurance and pension programs, holidays and vacations, profit-sharing plans, stock purchase options, and reimbursement for educational expenses.

One of the major purposes of an employee handbook is to ensure that all staff are familiar with the responsibilities and rewards of employment, thereby reducing the risk of misunderstandings that could lead to discipline or dismissal. It is important, therefore, that the employee read it and have an opportunity to seek clarification or additional details.

Training is necessary for a new employee who has limited or no experience. Often, it is necessary for an existing employee who moves to a different job in the station. Training is also required when new equipment or procedures are introduced.

Closely allied to training is employee *development.* Many stations believe that the existing staff is the best source of personnel to fill vacated positions. However, it will be a good source only if employees are given an opportunity to gain the knowledge and skills required to carry out the job.

A successful development program results in more proficient employees and, in turn, a more competitive station. Workshops and seminars are frequent vehicles for employee development. Many stations encourage attendance at professional meetings and conventions, as well as enrollment in college courses.

However, probably the most fundamental part of a development program is a regular appraisal session during which the department head reviews the employee's performance. The following are among the functions that may be evaluated:

- dependability in fulfilling job assignments
- knowledge of present job
- judgment
- attitude toward job, supervisor, other employees, and department
- amount of effort employee applies to job
- conduct on the job
- quality of work produced by the employee
- creativity and initiative
- overall evaluation of job performance[5]

Many stations use a performance review form with a grading scale. After grading all factors, the department head invites the employee to sign the form and indicate agreement or disagreement. In the event of disagreement, the employee may appeal the evaluation to the general manager. One copy of the form is retained by the employee and a second is placed in the employee's personnel file.

Performance reviews should enable employer and employee to exchange job-related information candidly and regularly. In addition to providing an opportunity to identify employee strengths, they also permit the department head to discuss weaknesses and ways in which they may be corrected, and to assess candidates for merit pay increases and promotion. At the same time, they may result in a demotion or dismissal.

A more comprehensive approach to employee development is afforded by the practice known as *management by objectives* (MBO), enunciated by Peter Drucker in *The Practice of Management*. Designed as a means of translating an organization's goals into individual objectives, it involves departmental managers and subordinates, jointly, in the establishment of specific objectives for the subordinate and in periodic review of the degree of success attained. At the end of each review session, objectives are set for the next period, which may run for several months or an entire year.

The MBO approach offers many advantages. It can lead to improved planning and coordination through the clarification of each individual's role and responsibility, and the integration of employees' goals with those of the department and the station. Communication can be enhanced as a result of interaction between managers and subordinates. In addition, it can aid the motivation and commitment of employees by involving them in the formulation of their objectives.

However, if the practice is to be successful, objectives must be attainable, quantifiable, placed in priority order, and address results rather than activities. Furthermore, rewards must be tied to performance. If they are not, cynicism probably will result and the worth of the endeavor will be diminished.

Compensation

The word *compensation* suggests financial rewards for work accomplished, but staff members seek other kinds of rewards, too. Approval, respect, and recognition are expectations of most employees. So, too, are working conditions that permit them to work effectively and efficiently. The station that recognizes and rewards individual employee contributions and achievements will make employees feel good about themselves and the station. Their positive feelings will be enhanced if the station provides a pleasant work environment that facilitates the fulfillment of assigned responsibilities.

Salary The Fair Labor Standards Act sets forth requirements for minimum wage and overtime compensation. It stipulates that employees must be paid at least the federal minimum wage. Stations in states with a rate higher than the federal minimum must pay at least the state minimum.

The act exempts from minimum wage and overtime regulations executive, administrative, and professional employees and outside salespeople, or those who sell away from the station. Small market stations also may exempt from overtime regulations announcers, news editors, and chief engineers.

As the major part of employees' compensation package, salaries must be fair and competitive. They must recognize each employee's worth and must not fall behind those paid by other employers for similar work in the same community. A perception of unfairness or lack of competitiveness may lead to staff morale problems and turnover.

Many stations pay bonuses to all employees. A Christmas bonus is common. Some stations provide employees with a cash incentive bonus, based on the station's financial results. Both kinds of bonus can generate good will and contribute to the employee's feelings of being rewarded.

Financial compensation for sales personnel differs from that of other staff and will be discussed in Chapter 5.

Benefits Fringe benefits provide an additional form of financial compensation. Benefit programs vary from station to station and market to market. Some benefits cover employees only, while others include dependents. The cost of benefits may be borne totally by the station or by both the station and the employee.

The National Association of Broadcasters conducts an annual survey of television employee compensation and fringe benefits. It lists the following benefit programs:

Insurance: Insurance coverage generally includes hospitalization, surgical, major medical, health maintenance, dental, vision, disability, accidental death, and group life. Most stations provide hospitalization, surgical benefits, and major medical insurance for employees and their dependents. In many cases, premium costs are paid by the employer. Most stations offer group life insurance.

Pension plan: Contributions usually are made by the employer.

Profit sharing: Part of the station's profit is paid out to employees through a profit-sharing plan. The amount of the payment usually is determined by the employee's length of service and current salary.

401-K plan: An employee may defer taxation on income by diverting a portion of income into a retirement plan. In most stations offering the plan, contributions are made by both the employer and the employee.

Employee stock option plan: This benefit offers an opportunity for an employee to purchase an ownership interest in the station through payroll deductions or payroll deductions matched by the employer. Some employers give stock as a bonus.

Education/career development: Some stations encourage employees to develop their knowledge and skills through courses of study, workshops, seminars, etc. They offer tuition reimbursements for courses completed, and many offer financial inducements for participation in workshops and seminars.

Paid vacation and sick leave: The amounts usually are determined by length of service.

Paid holidays: These include federal, state, and, occasionally, local holidays.[6]

This list is not exhaustive. Among other benefit programs offered by stations are

Thrift plan: The station pays into an employee's thrift plan account in some proportion to payments made by the employee.

Legal services: The employer usually pays the full cost for services resulting from job-related legal actions.

Jury duty: To ensure that employees on jury duty do not suffer financially, stations make up the difference between the amount paid for jury service and regular salary.

Paid leave: Some stations grant paid leave to employees attending funerals of close family members or performing short-term military service commitments, for example.

Good working conditions and a fair, competitive salary and fringe benefits program contribute much to an employee's attitude toward work and the employer. However, a pleasant working environment will not substitute for a salary below the market rate. Likewise, a good salary may be perceived as poor reward for having to tolerate unreliable or antiquated equipment or a superior who is quick to criticize and slow to praise. In addition, fringe benefits will not be enough to make up for a station's failure to provide satisfactory working conditions or salaries.

Safety and Health

The workplace *should* be pleasant. It *must* be safe and healthy. If it is not, the result may be employee accidents and illnesses, both of which deprive the station of the services of personnel and cause inconvenience and possibly added costs for the employer.

There is another important reason for protecting the safety and health of staff. Under the terms of the Occupational Safety and Health Act of 1970, an employer is responsible for ensuring that the workplace is free from recognized hazards that are causing, or are likely to cause, death or serious physical harm to employees. Many states have similar requirements.

The act established the Occupational Safety and Health Administration (OSHA), which has produced a large body of guidelines and regulations.

Many deal with specific professions, but a significant number apply to business and industry in general, including broadcasting.

Among general OSHA requirements imposed on all employers are the following:

- to provide potable drinking water and adequate toilet facilities
- to ensure that all storage is secure against sliding or collapse
- to ensure that all floor surfaces are kept clean and dry, and free from protruding nails, splinters, loose boards, holes, or projections
- to ensure that trash is collected and removed so as to avoid creating a menace to health and as often as necessary to maintain good sanitary conditions
- to provide sufficient exits to permit the prompt escape of occupants in case of emergency

Some requirements are designed to protect employees who work closely with electrical power, heavy equipment, and tall structures, such as transmitter towers.

Even conscientious adherence to OSHA regulations does not guarantee an accident-free workplace. If one or more employees dies as a result of an employment accident, or if five or more employees have to be hospitalized. OSHA requires that the employer report the accident within 48 hours to its nearest area director.

Obviously, the station cannot accept total responsibility for the safety and health of staff. Employees have an obligation to take care of themselves, and the 1970 act requires them to comply with safety and health standards and regulations. However, the station should take the lead in satisfying appropriate guidelines and regulations, requiring staff to do likewise, and in setting an example of prudent safety and health practices for employees to follow.

Employee Relations

Employees differ in their aspirations. Some may be content in their current jobs, while others may be striving for new responsibilities through promotion in their departments or transfer to another area of station activity. Still others may be using their present position as a stepping-stone to a job with another station.

But most employees share the need to feel that they are important, that they are making a valuable contribution to the station, and that their efforts are appreciated. Accordingly, the relationship between management and staff is important.

Good employee relations are characterized by mutual understanding and respect between employer and employee. The grow out of management's manifest concern for the needs of individual staff members and the existence of channels through which that concern may be communicated.

Much of the daily communication among staff is carried out informally in casual conversations in hallways, the lounge, or the lunchroom. Its informality should not belie its potential, for either good or ill. More rumors probably have started over a cup of coffee than anywhere else.

Managers should use the informality offered by a chance encounter with an employee to display those human traits of interest and caring that help set the tone for employer-employee relations. A smile, a friendly greeting, and an inquiry about a matter unrelated to work can do much to convince staff of management's concern. In addition, they can help establish an atmosphere of cooperation and build the kind of morale necessary if the station is to obtain from all employees their best efforts.

Informal communication is important, but limited. To guarantee continuing communication with staff, managers rely heavily on the printed word. A letter to an employee offering congratulations on an accomplishment, or a memorandum posted on the bulletin board thanking the entire staff for a successful rating book, are examples.

Many stations communicate on a regular basis through a newsletter or magazine. Such publications often are a combination of what employees want to know and what management believes they need to know. They want to know about their colleagues. Anniversaries, marriages, births, hobbies, travels, and achievements find their way into most newsletters. Employees also are interested in station plans that may affect them.

Often, employee information needs are not recognized by management until they have become wants. Managers who are in close communication with employees recognize the desirability of keeping them advised on a wide range of station activities. The newsletter is a useful mechanism for telling staff members what they need to know by not only announcing but explaining policies and procedures, reporting on progress toward station objectives, and clarifying any changes in plans to meet them. Rumor and speculation may not be eliminated, but this kind of open communication should reduce both.

Bulletin boards are used in many stations to provide information on a variety of topics, from job openings to awards won by individuals and the station. Some stations permit staff to use the boards for personal reasons, to advertise a car for sale or to seek a babysitter, for example.

To a large extent, memoranda, newsletters, and bulletin boards reflect management's perceptions of employee information wants and needs. The ideas and concerns of nonmanagement staff are more likely to be expressed orally, to colleagues and superiors. Regular departmental meetings provide a means of airing employee attitudes.

When concerns are of a private nature, most employees are reluctant to raise them in front of their colleagues. Recognizing this, many department heads and general managers have an open-door policy so that staff may have immediate access to a sensitive and confidential ear.

The perceptions of employees often are valuable, not only in enabling management to be apprised of their feelings, but in bringing about desirable changes. Suggestions should be solicited from staff. Some stations go further and install suggestion boxes, awarding prizes for ideas that the station implements.

Because of the interdependence of employees and the need for teamwork, many stations encourage a cooperative atmosphere through recreational and social programs. Station sports teams, staff and family outings to concerts, plays, sports events, picnics, and parties—all are examples of activities that can help develop and maintain a united commitment to the station and its objectives.

HUMAN RESOURCE MANAGEMENT AND TRADE UNIONS

Relations between management and employees in many stations, particularly in large markets, are influenced by employee membership in a trade union. Among the major unions that represent broadcast personnel are the following:

UNION	EXAMPLES OF EMPLOYEES REPRESENTED
American Federation of Musicians (AFM)	Musicians in live or recorded performance in radio and television
American Federation of Television and Radio Artists (AFTRA)	Performers in radio and television programs and in taped radio and television commercials
Directors Guild of America (DGA)	Associate directors in radio; television directors, associate directors, stage managers, and program assistants
International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators of the United States and Canada (IATSE)	Radio engineers and audio operators; television technicians, stage hands, camera operators, grips, and electricians
International Brotherhood of Electrical Workers (IBEW)	Radio and television technicians; television floor directors, film editors, announcers, camera operators, news writers, clerical and maintenance personnel
National Association of Broadcast Employees and Technicians (NABET)	Radio: continuity writers, traffic personnel, secretaries, board operators, disc jockeys, announcers, producers, news anchors, news and sports writers, and reporters
	Television: continuity writers; traffic personnel; secretaries; videotape and audio operators; projectionists; switchers; transmitter, camera, and character generator operators; floor directors; directors and lighting directors; news and sports anchors; writers and reporters; news photographers; assignment editors and producers; and weather anchors
Screen Actors Guild (SAG)	Actors in television series and in filmed television commercials
Writers Guild of America East (WGAE)	Radio and television news writers, editors, researchers, and desk assistants; television promotion and continuity writers and graphic artists
Writers Guild of America West (WGAW)	Writers of radio and television programs

The basic unit of a national or international union is the "local" union, which represents employees in a common job in a station or limited geographic area.

Like all employees, union members seek approval, respect, and recognition, and expect a safe and healthy workplace. They have similar concerns about salaries, fringe benefits, and job security.

However, management's treatment of unionized employees differs from that in nonunion stations. Take, for example, the matter of complaints. A nonunion employee generally presents the complaint directly to the supervisor or department head and, if necessary, to the general manager. If the employee is a member of a union, the complaint usually will be presented to management by a job steward. This procedure is one of many detailed in the document that governs management-union employee relations: the *union agreement* or *contract.*

The Union Contract

The union contract covers a wide range of content and reflects the interests and needs of the employees covered by it. Creative personnel may be concerned about their creative control and the way in which they are recognized in program credits. Technical staff, on the other hand, may be much more interested in the possibility of layoffs resulting from new equipment or the use of nontechnical personnel in traditionally technical tasks.

Most contracts contain two major categories of clauses: *economic* and *work and relationship.*

In the economic category, provisions on wages and fringe benefits dominate. The contract will set forth hourly rates of pay, premium rates for overtime and holiday work, and, in some cases, cost-of-living adjustments. Among the fringe benefits generally covered are paid vacations and sick leave, insurance, pension, severance pay, and paid leave for activities such as jury duty.

The work and relationship section usually contains some or all of the following provisions:

Union recognition: The station recognizes the union as the bargaining unit for employees who are members of the union and agrees to deal exclusively with it on matters affecting employees in the unit.

Union security: The union may require, and the station may agree, that all existing employees in the bargaining unit become and remain members of the union and that new employees join the union within a specified period. Such a requirement is not permitted in so-called "right-to-work" states.

Union checkoff: The station agrees to deduct from the wages of union members all union dues, initiation fees, or other assessments, and to remit them promptly to the local union.

Grievance procedure and arbitration: This is a description of the procedure whereby employees may present or have grievances presented to their supervisors and, if necessary, the general manager. If the grievance is not withdrawn or settled, the contract may provide for its presentation to an arbitrator, whose decision will be final and binding on the station, union, and employee during the term of the contract.

No strike, no lockout: Contracts in which the grievance procedure requires the use of an arbitrator to settle grievances usually contain a clause forbidding strikes, work stoppages, or slowdowns by employees, and lockouts by management.

Seniority: Most unions insist on the use of seniority in management decisions on matters such as promotions, layoffs, and recalls. Preference in promotion is given to employees with the longest service to the station, provided that the employee has the qualifications or skills to perform the work. In the same way, senior employees will be the last to be affected by layoffs and the first to be recalled after a layoff.

Management rights: The contract recognizes the responsibility of station management to operate the station in an orderly, efficient, and economic way. Accordingly, the station retains the right to make and carry out decisions on personnel, equipment, and other matters consistent with its responsibility.

Many other provisions may be contained in the contract, including clauses on procedures for suspension or discharge of employees, the length and frequency of meal breaks, reimbursement to employees for expenses incurred in carrying out their work, and safety conditions in the station and in company vehicles. Many contracts also contain clauses permitting the station to engage nonstation employees to carry out work for which employees do not have the skill, and jurisdictional provisions stating which employees are permitted to carry out specific tasks.

Union Negotiations

The contract between a broadcast station and a labor union represents a mutually acceptable agreement and is the result of bargaining or negotiations between the two parties. To ensure that it serves the best interests of the station and its employees, management should take certain actions before and during the negotiations, and after the contract is signed.

Before the Negotiations

1. Assemble the negotiating team. The team should include someone familiar with the station's operation, usually the general manager. Familiarity with labor law or labor relations is desirable, and for that reason an attorney often is part of the team. If an attorney is not included, the station should obtain legal advice on applicable federal, state, and local requirements pertaining to bargaining methods and content.
2. Designate a chief negotiator to speak for the station. The person selected should have good communication skills, tact, and patience.
3. Ensure that members of the negotiating team are familiar with the existing contract and with clauses that the station wishes to modify or delete, and the reasons. They should also be aware of the union's feelings about the current contract and any changes it is likely to seek.

4. Determine the issues to be raised by the station and those likely to be raised by the union.
5. Establish the station's objectives on economic as well as work and relationship matters.
6. Anticipate the union's objectives.
7. Determine the station's positions and prepare detailed documentation to support them. In most cases, the station will identify provisions it must have and others on which it is willing to compromise.

During the Negotiations

1. Take the initiative. One method is to put the union in the position of bargaining up from the station's proposals. For example, the station may prepare a draft of a written contract for the negotiations, thereby placing on the union the burden of showing the reasons to change it.
2. Listen carefully to union requests and ask for clarification or explanation so that they may be understood fully. This will permit the station's team to prepare counterproposals or indicate parts of the proposed contract that meet the union's concerns or needs.
3. Keep an open mind. Refrain from rejecting union requests out of hand. Remember that, like the station, the union starts by asking for more than it expects to obtain and that the final contract will reflect compromises by both parties.
4. Be firm. An open mind and flexibility should not lead the union to believe that the station team is weak and can be pushed around. The station's chief negotiator should exhibit firmness when necessary, and support the station's arguments with a rationale and documentation.
5. Avoid lengthy bargaining sessions, since a tired and weary negotiating team may agree to provisions that prove to be unwise later.
6. Ensure that the language of the contract is clear and unambiguous. A document that is open to misunderstanding or misinterpretation will be troublesome to station management.

After the Contract is Signed

1. Follow the contract diligently and expect the union to do the same.
2. Ensure that all department heads and other supervisory personnel are familiar with the contract. If they are not, and they fail to adhere to it, trouble could result.

Reasons for Joining a Union

Broadcast union members are found most often in large-market radio and television stations. However, that does not mean that stations in smaller markets are immune to attempts to organize employees. In addition, such organizing often results not from the strength of a union but from management's insensitivity to employee interests and needs.

Management that values its staff and treats them fairly may never experience a threat of unionization. Management that fails to do so may confront an attempt due to one or more of the following factors:

1. **Economic**
   A. Salaries that fall behind those of the competition in the market
   B. Pay rates that are not based on differences in skills or the work required
   C. Fringe benefits that do not match those of competing stations in the market

2. **Working Conditions**
   A. Absence of guidelines or policies on matters such as promotions, merit pay increases, and job responsibilities
   B. A workplace characterized by dirty offices; poor lighting, heating, and ventilation; unreliable equipment; and safety or health hazards

3. **Management Attitudes and Behavior**
   A. Noncommunicative management, which leads, inevitably, to speculation, gossip, and rumor. This is particularly dangerous when changes are made without explanation in personnel, equipment, or operating practices.
   B. Unresponsiveness to employee concerns. Employee questions that go unanswered often become major problems, especially if employees believe that management is trying to conceal information on actions that may affect their status or job security.
   C. Favoritism. If management treats, or is perceived as treating, some employees differently from others, resentment may occur.
   D. Discrimination. Even though discrimination is illegal, management actions may be interpreted by some employees as being discriminatory and based on considerations of race, color, religion, national origin, sex, age, or disability.
   E. Ignoring seniority. Many employees believe that seniority and dedication to a station over a long period should be recognized by management in decisions on matters such as promotions. Union organizers will promise to obtain management recognition of seniority.
   F. Us-vs.-them. Management that encourages its department heads and other supervisors to put a distance between themselves and their staff and to establish a combative rather than a cooperative environment will meet with resentment and distrust from most employees.

4. **The Troublemaker**
   Most stations are familiar with the complainer, the person who finds fault with most things or, failing to find a problem, invents one. In some cases, the complainer goes further and becomes an agitator, claiming that a union would meet every employee concern and solve every problem. Often, the arguments sound so persuasive that other employees go along and the likelihood of unionization becomes real.

5. **Competing Station**
   Union organization of staff at a competing station may result in an attempt at unionization, particularly if it succeeds in obtaining better salaries, fringe benefits, and terms and conditions of employment at that station.

Working with Unions

If, despite efforts to prevent it, a union is organized, management should view it not as a threat but as an opportunity to work cooperatively toward identified goals. That may be easier in theory than practice, but most union members recognize that their job satisfaction depends largely on the degree of success the station attains.

To help in any adjustment to the presence of a union, the following pointers are suggested:

1. Unionism is an accepted fact. Management must recognize that unions generally have reached a point of very high efficiency in bargaining and maintaining strength. Learn to live and work with them when necessary.
2. Management should take a realistic view of all mutual agreements and be very careful about altering, modifying, or making concessions in the established contractual arrangement.
3. Remember that rights or responsibilities that have been relinquished are hard to regain at the bargaining table. Similarly, granting concessions on grievances that have not been properly ironed out can cause future trouble, and rarely brings good will or satisfaction to the parties concerned.
4. Supervisors should be vigorously backed up. This does not imply that errors should be defended, but supervisors need support to maintain morale and company strength.
5. Dual loyalty is possible. In pursuing a positive approach, management must realize that in a well-run company the majority of clear-thinking union members know that a strong and progressive management is their best guarantee of security.
6. In employee communications, honesty is the best policy, even in the face of mistrust and disinterest. Candid communication of information about the company, its business outlook, and projected changes can help ensure the acceptance of its policies and principles.
7. Management should establish a working rapport with union officers and recognize the natural leadership they frequently display. Mutual respect should be reflected in efficient administration of all matters concerning management and the union.
8. A realistic effort should always be made to avoid either overantagonism or overcooperation. Either can be self-defeating and lead to erosion of rights. Mature judgment is a must in preventing hasty or ill-considered decisions by union or management.
9. Management must manage. It can and should be fair and just in all its labor relations, but it should live up to all obligations and expect the union to do the same. A contract should never be a club for either to wield, but rather an agreement to be respected and obeyed.[7]

HUMAN RESOURCE MANAGEMENT AND THE LAW

Like other employers, broadcasters are required to comply with a large number of laws dealing with the hiring and treatment of employees. Among the most important federal laws are the following:

Civil Rights Act of 1964, as amended by the Equal Employment Act of 1972, prohibits discrimination because of race, color, religion, sex, or national origin in the terms, conditions, or privileges of employment.

Age Discrimination in Employment Act of 1967, amended in 1978, forbids discrimination against any person between the ages of 40 and 70 with respect to employment, compensation, terms, conditions, or privileges of employment.

Equal Pay Act of 1963, as amended by the Education Act of 1972, prohibits wage discrimination between male and female employees when the work requires equal skill, effort, and responsibility, and is performed under similar working conditions.

Pregnancy Discrimination Act of 1978, an amendment to the 1964 Civil Rights Act, forbids discrimination based on pregnancy, childbirth, or related medical conditions. The act seeks to guarantee that women affected by pregnancy or related conditions are treated the same as other job applicants or employees on the basis of their ability or inability to work.

Americans with Disabilities Act of 1990 prohibits employers with 15 or more employees from discriminating against qualified individuals with disabilities in job application procedures, hiring, firing, advancement, compensation, training, and other terms, conditions, and privileges of employment. Individuals are considered to have a "disability" if they have a physical or mental impairment that substantially limits one or more of the major life activities, have a record of such an impairment, or are regarded as having such an impairment.[8]

Family and Medical Leave Act of 1993 requires employers with 50 or more employees to make available to them up to 12 weeks of unpaid leave annually to care for children, parents, or close relatives. The act also guarantees the employee's job or an equivalent position upon return from the leave, without loss of seniority or benefits.

Equal Employment Opportunity

The Equal Employment Opportunity Commission (EEOC) is primarily responsible for ensuring compliance with federal laws prohibiting discrimination in employment practices. However, the Federal Communications Commission has enacted equal employment opportunity rules to which broadcasters must also adhere.[9]

The rules require that broadcast stations (1) afford equal opportunity in employment to all qualified persons and not discriminate because of race, color, religion, national origin, or sex; (2) establish, maintain, and carry out a positive continuing program of specific practices designed to ensure equal opportunity in every aspect of station employment policy and practice. Under the terms of its program, a station must

- define the responsibility of each level of management to ensure a positive application and vigorous enforcement of its policy of equal opportunity, and establish a procedure to review and control managerial and supervisory performance

- inform its employees and recognized employee organizations of the positive equal opportunity policy and program, and enlist their cooperation
- communicate its equal employment opportunity policy and program and its employment needs to sources of qualified applicants without regard to race, color, religion, national origin, or sex, and solicit recruitment assistance on a continuing basis
- conduct a continuing campaign to exclude all unlawful forms of prejudice or discrimination based upon race, color, religion, national origin, or sex from its personnel policies and practices and working conditions
- conduct a continuing review of job structure and employment practices and adopt positive recruitment, job design, and other measures needed to ensure genuine equality of opportunity to participate fully in all organizational units, occupations, and levels of responsibility[10]

In carrying out its equal employment program, a station is required to engage in five activities directed chiefly at two categories of persons—(1) women and (2) minorities, specifically blacks (not of Hispanic origin), Hispanics, American Indians and Alaskan natives, Asians, and Pacific Islanders. A station must

- disseminate its equal employment opportunity program to job applicants and employees
- use minority organizations, organizations for women, media, educational institutions, and other potential sources of minority and female applicants to supply referrals whenever job vacancies are available in its operation
- evaluate its employment profile and job turnover against the availability of minorities and women in its recruitment area
- undertake to offer promotions of qualified minorities and women in a nondiscriminatory fashion to positions of greater responsibility
- analyze its efforts to recruit, hire, and promote minorities and women and address any difficulties encountered in implementing its equal employment opportunity program[11]

For each requirement, the FCC provides suggested actions that would demonstrate a good-faith effort to comply with its rules.

The commission monitors compliance through a station's Annual Employment Report (FCC 395-B) and through the Equal Employment Opportunity Program Report (FCC 396), which a station must file when seeking renewal of its license.

Form 395-B (Figure 3-2) requires a station with five or more full-time employees (those working 30 or more hours a week) to provide employment statistics for both full- and part-time paid employees by race, national origin, and sex in nine job classifications: officials and managers, professionals, technicians, sales workers, office and clerical, craft workers (skilled), operatives (semiskilled), laborers (unskilled), and service workers. A station with fewer than five full-time employees is not required to report such data.

Form 396 (Figure 3-3) requires a renewal applicant with five or more full-time employees to report activities undertaken in the preceding 12 months to execute the various elements of its equal employment opportunity (EEO) program. The form calls for information in eight categories:

Responsibility for implementation: The name and title of the person responsible for carrying out the program.

Policy dissemination: Practices used to disseminate the EEO policy to management, staff, and prospective employees.

Recruitment: Actions taken to attract qualified minority and women applicants for all types of jobs whenever vacancies occur.

Job hires: Total number of persons hired in the preceding 12 months, and the number of women and minorities in that total. Similar details are requested for hires in the upper-four job categories: officials and managers, professionals, technicians, and sales workers.

Promotions: Data on promotions, with the same breakdown as for job hires.

Available labor force: Evaluation of the station's employment profile and job turnover against the availability of minorities and women in the relevant labor market. The FCC uses labor force data for the Metropolitan Statistical Area (MSA) in which the station is located or county data if it is not in an MSA.

Complaints: Description of complaints filed against the station alleging unlawful discrimination in employment practices.

Other information: Optional information the station believes will assist the commission in evaluating its EEO efforts, such as training programs for minorities and women, and problems in attracting qualified minority and women candidates for employment or promotion.

A station with fewer than five full-time employees is not required to provide details of equal employment opportunity activities. Further, if minority group representation in the available labor force is less than 5 percent, a station may report only information on an EEO program directed toward women.

In reviewing a station's EEO compliance, the FCC follows a two-step procedure. First, the commission's staff makes an evaluation of a licensee's efforts based on the "full range of information available." That includes the Annual Employment Report, the EEO Program Report, and any adjudicated findings of discrimination. If, on the basis of this information, the commission concludes that the station has complied with its rules, no further action is taken.

However, if it is determined that the station's efforts have been less than satisfactory, the commission moves to the second step: a request for additional details in those areas of the EEO program that appear to be deficient.

Despite significant deregulation of the broadcast industry in recent years, equal employment opportunity has not been deregulated. Indeed, the FCC expanded its rules in 1993 to comply with the terms of the Cable Television Consumer Protection and Competition Act of 1992. Henceforth, the commission will conduct a review of the employment practices of television stations at the midpoint of their five-year license period. Those stations whose employment profiles fall below the FCC's criteria will receive a letter noting necessary improvements identified as a result of the review.

Figure 3-2 *Broadcast Station Annual Employment Report (FCC 395-B).*

Federal Communications Commission
Washington, D.C. 20554

BROADCAST STATION

ANNUAL EMPLOYMENT REPORT 1993

Approved by OMB
3060-0390
Expires 9/30/93

(For FCC Use Only)

Code No.

SECTION I

A. Name of Licensee or Permittee	B. Address

SECTION II

A. TYPE OF RESPONDENT (check ONLY one)

COMMERCIAL BROADCAST STATION

AM ☐ AM
FM ☐ FM
AF ☐ Combined AM & FM in same area (must file a combined report)
TV ☐ TV
LP ☐ Low Power TV
IN ☐ International

NONCOMMERCIAL BROADCAST STATION

ER ☐ Educational AM or FM Radio
ET ☐ Educational TV

HEADQUARTERS

HQ ☐

B. List call letters and location(s) of included stations. AM station is to be listed first in a combined report. Provide former call letters for each station if changed since last 395-B report.

CURRENT CALL LETTERS	LOCATION(S)	FORMER CALL LETTERS

SECTION III

A. PAY PERIOD COVERED BY THIS REPORT (DATE) ______________________

B. CHECK APPLICABLE BOX

☐ Fewer than five full-time employees during the selected payroll period (Complete page one only and certification statement and return to FCC)

☐ Five or more full-time employees during selected payroll period (Complete all sections of form and certification statement and return to FCC)

SECTION IV CERTIFICATION

This report must be certified, as follows: (a) By licensee, if an individual; (b) By a partner, if a partnership (general partner, if a limited partnership); (c) By an officer, if a corporation or an association; or (d) By an attorney of the licensee, in case of physical disability or absence from the United States of the licensee.

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE, TITLE 18, SECTION 1001), AND/OR REVOCATION OF ANY STATION LICENSE OR CONSTRUCTION PERMIT (U.S. CODE, TITLE 47, SECTION 312(a)(1)), AND/OR FORFEITURE (U.S. CODE, TITLE 47, SECTION 503).

I certify to the best of my knowledge, information and belief, all statements contained in this report are true and correct.

Signed ______________________ Title ______________________

Print Name ______________________ Date ____________ Telephone No. (   ) ____________

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Figure 3-2 *Continued*

SECTION V - EMPLOYEE DATA

A. FULL-TIME PAID EMPLOYEE DATA

		MALE					FEMALE				
JOB CATEGORIES	TOTAL (a-j)	WHITE (NOT HISPANIC) (a)	BLACK (NOT HISPANIC) (b)	HISPANIC (c)	ASIAN OR PACIFIC ISLANDER (d)	AMERICAN INDIAN, ALASKAN NATIVE (e)	WHITE (NOT HISPANIC) (f)	BLACK (NOT HISPANIC) (g)	HISPANIC (h)	ASIAN OR PACIFIC ISLANDER (i)	AMERICAN INDIAN, ALASKAN NATIVE (j)
OFFICIALS & MANAGERS											
PROFESSIONALS											
TECHNICIANS											
SALES WORKERS											
OFFICE & CLERICAL											
CRAFT WORKERS (SKILLED)											
OPERATIVES (SEMI-SKILLED)											
LABORERS (UNSKILLED)											
SERVICE WORKERS											
TOTAL											

B. PART-TIME PAID EMPLOYEE DATA

		MALE					FEMALE				
JOB CATEGORIES	TOTAL (a-j)	WHITE (NOT HISPANIC) (a)	BLACK (NOT HISPANIC) (b)	HISPANIC (c)	ASIAN OR PACIFIC ISLANDER (d)	AMERICAN INDIAN, ALASKAN NATIVE (e)	WHITE (NOT HISPANIC) (f)	BLACK (NOT HISPANIC) (g)	HISPANIC (h)	ASIAN OR PACIFIC ISLANDER (i)	AMERICAN INDIAN, ALASKAN NATIVE (j)
OFFICIALS & MANAGERS											
PROFESSIONALS											
TECHNICIANS											
SALES WORKERS											
OFFICE & CLERICAL											
CRAFT WORKERS (SKILLED)											
OPERATIVES (SEMI-SKILLED)											
LABORERS (UNSKILLED)											
SERVICE WORKERS											
TOTAL											

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Figure 3-3 *Excerpt from Broadcast Equal Employment Opportunity Program Report (FCC 396).*

The purpose of this document is to remind broadcast station licensees of their equal employment opportunity responsibilities and to provide the licensee, the FCC and the public with information about whether the station is meeting these requirements.

GENERAL POLICY

A broadcast station must provide equal employment opportunity to all qualified individuals without regard to their race, color, religion, national origin or sex in all personnel actions including recruitment, evaluation, selection, promotion, compensation, training and termination.

A broadcast station must also encourage applications from qualified minorities and women for hiring and promotion to all types of jobs at the station.

I. RESPONSIBILITY FOR IMPLEMENTATION

A broadcast station must asign a particular official overall responsibility for equal employment opportunity at the station. That official's name and title are:

NAME ______________________ **TITLE** ______________________

It is also the responsibility of all persons at a broadcast station making employment decisions with respect to recruitment, evaluation, selection, promotion, compensation, training and termination of employees to ensure that no person is discriminated against in employment because of race, color, religion, national origin or sex.

II. POLICY DISSEMINATION

A broadcast station must make effective efforts to make management, staff, and prospective employees aware that it offers equal employment opportunity. The Commission considers the efforts listed below to be generally effective. Indicate each practice that your station follows. You also may list any other efforts that you have undertaken.

☐ Notices are posted informing applicants and employees that the station is an Equal Opportunity Employer and that they have the right to notify an appropriate local, State, or Federal agency if they believe they have been the victims of discrimination.

☐ Our station's employment application form contains a notice informing prospective employees that discrimination because of race, color, religion, national origin or sex is prohibited and that they may notify the appropriate local, State, or Federal agency if they believe they have been the victims of discrimination.

☐ We seek the cooperation of the unions represented at the station to help implement our EEO program and all union contracts contain a nondiscrimination clause.

☐ Other (specify)

III. RECRUITMENT

A broadcast station must make efforts to attract qualified minority and women applicants for all types of jobs at the station whenever vacancies occur.

Indicate each practice that your station follows and, where appropriate, list sources and numbers of referrals.

☐ When we place employment advertisements with media some of such advertisements are placed with media which have significant circulation or viewership, or are of particular interest to minorities and women in the recruitment area. Examples of media utilized during the past 12 months and the number of minority and/or women referrals are:

	Number of Referrals	
	Minority	Women
______________________	______	______
______________________	______	______

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Figure 3-3 *Continued*

☐ Recruit prospective employees from educational institutions, including area schools and colleges with minority and women enrollments. Educational institutions contacted for recruitment purposes during the past 12 months and the number of minority and/or women referrals are:

Educational Institution	Number of Referrals Minority	Women
______	____	____
______	____	____

☐ Contact a variety of minority and women's organizations to encourage the referral of qualified minority and women applicants whenever job vacancies occur. Examples of such organizations contacted during the past 12 months are:

Organization	Number of Referrals Minority	Women
______	____	____
______	____	____
______	____	____
______	____	____

☐ We encourage present employees to refer qualified minority and women candidates for job openings. The number of minority and/or women referrals are: Minority ____ Women ____

☐ Other (specify) and the number of minority and/or women referrals are: Minority ____ Women ____

IV. JOB HIRES

A broadcast station must consider applicants for job openings on a nondiscriminatory basis. Further, to assure that qualified minorities and women are given due consideration for available positions, it must make efforts to encourage them to apply for job openings.

During the twelve-month period prior to filing this application beginning (Month-Day-Year) ____________ and ending (Month-Day-Year), ____________ we hired:

Total hires ________ Minorities ________ Women ________

During this period, for positions in the upper four job categories, we hired:

Total hires, upper four categories ________ Minorities ________ Women ________

V. PROMOTIONS

A broadcast station must promote individuals on a nondiscriminatory basis. Further, to assure that qualified minorities and women are given due consideration for promotional opportunities, it must make efforts to encourage them to qualify and apply for advancement.

During the twelve-month period prior to filing this application beginning (Month-Day-Year) ____________ and ending (Month-Day-Year) ____________, we promoted:

Total promotions ________ Minorities ________ Women ________

During this period, in the upper four job categories, we promoted:

Total promotions, upper four categories ________ Minorities ________ Women ________

VI. AVAILABLE LABOR FORCE

A broadcast station must evaluate its employment profile and job turnover against the availability of minorities and women in the relevant labor market. The FCC will use labor force data for the MSA in which your station is located, or county data if the station is not located in an MSA, to evaluate your station's equal employment efforts. If you use these data in your evaluation, you need not submit them to the FCC.

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Figure 3-3 *Continued*

This section is optional:

As an alternative to MSA or county labor force data, you may use other data that more accurately reflect the percentages of women and minorities in the labor force available to your station. If such alternative data are used, that data must be submitted on the table below and an explanation attached as to why they are more appropriate.

Percentage in the Labor Force	Women	Blacks not of Hispanic Origin	Asian or Pacific Islanders	American Indians or Alaskan Natives	Hispanics

The above information is for: ☐ M.S.A. ☐ City ☐ County ☐ Other (specify)

VII. **COMPLAINTS**

You must provide here a brief description of any complaint which has been filed before any body having competent jurisdiction under Federal, State, territorial or local law, alleging unlawful discrimination in the employment practices of the station including the persons involved, the date of filing, the court or agency, the file number (if any), and the disposition or current status of the matter. Examples of such jurisdiction may include the Equal Employment Opportunity Commission, state and local equal opportunity commissions, or other appropriate agencies.

VIII. **OTHER INFORMATION**

You may also describe other information that you believe would allow the FCC to evaluate more completely your efforts in providing equal opportunity in employment at your station. Submission of such information is optional. Among the additional information you may choose to provide are:

Any training programs the station has undertaken that are designed to enable minorities and women to compete in the broadcast employment market including, but not necessarily limited to, on-the-job training and assistance to students, schools or colleges.

Any problems the station has experienced in assuring equal employment opportunity, or attracting qualified minority and women candidates for employment or promotion.

Any efforts the station has undertaken or will undertake to promote equal opportunity in its employment and to encourage applications from minorities and women.

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The commission may be reluctant to deny a station's license renewal application because of a deficient EEO program, but it can take other punitive actions. It may subject the station to hearings, for example, or grant a short-term renewal with a stipulation that the deficiencies be addressed within a specified period.

Managers can take steps to prevent such eventualities. At the least, they should

- demonstrate a serious attempt to comply with the rules
- establish and pursue on a continuing basis practices designed to ensure equal employment opportunity and the absence of discrimination in the recruitment, evaluation, selection, promotion, compensation, training, and termination of employees
- adhere strictly to the requirements aimed at recruiting, hiring, and promoting minorities and women, and employ as many of the activities suggested by the FCC as appropriate
- engage in a continuing assessment of the station's employment profile and evaluate regularly the effectiveness of recruitment efforts
- maintain thorough documentation of all personnel activities, especially steps taken to carry out the EEO program
- refrain from exaggeration, particularly in characterizing the role and responsibilities of minority and women employees

Sexual Harassment

One form of discrimination to which managers are paying more attention today is sex discrimination resulting from sexual harassment in the workplace. Nationwide attention was drawn to the problem in 1991, when Professor Anita Hill leveled harassment charges against Supreme Court nominee Clarence Thomas. In the year that followed, the Equal Employment Opportunity Commission announced a 53 percent increase in complaints, signifying an apparent greater willingness to report such incidents. Certainly, the problem was not new. In fact, the National Association of Working Women estimated *before* the Hill accusations that between 70 and 90 percent of women experience some form of sexual harassment during their careers. Men, too, are victims. Pressure on employers to treat the issue seriously was reinforced when the Supreme Court ruled unanimously in 1993 that employers can be forced to pay monetary damages even when employees suffer no psychological harm.

Harassment may take many forms. Under guidelines issued by the Equal Employment Opportunity Commission, unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, (2) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual, or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.[12]

The licensee is held responsible for acts of sexual harassment committed by its "agents" and supervisory employees, even if it has forbidden them. If the conduct takes place between fellow employees, again, the licensee is responsible when it knew, or should have known, of the conduct, unless it can show that it took immediate and appropriate corrective action.[13]

To guard against the employee absenteeism and turnover that often accompany sexual harassment, the adverse impact on productivity and morale, and the filing of charges and lawsuits, managers should take the following actions:

1. Develop a written policy that defines sexual harassment and states explicitly that it is a violation of law.
2. Make sure that all employees are aware of the policy and understand it.
3. Train employees, especially supervisory personnel, to recognize harassment so that they may take action if they suspect it and, thus, prevent potentially more serious consequences if the behavior goes unchecked.
4. Establish a procedure that encourages victims to come forward and assures them that their complaints will be handled promptly and professionally.
5. Investigate all complaints immediately and thoroughly and advise the parties of the outcome, even if the allegations are not substantiated.
6. Document all complaints and their disposition. Complete records will be useful if legal action is initiated.

SUMMARY

No asset is more important to a broadcast station than its human resources. In many large stations, human resource management is the responsibility of a human resources department, whose head reports directly to the general manager. However, in the majority of stations, personnel matters are the responsibility of several people, including the general manager and the heads of the various departments, including the business manager.

The basic functions of human resource management are staffing; orientation, training, and development; compensation; safety and health; and employee relations.

Staffing involves staff planning and the recruitment, selection, and dismissal of employees. Orientation seeks to introduce employees to their colleagues and the station, while training and development are attempts to develop employee talents and skills. Compensation includes financial rewards as well as approval, respect, and recognition. Safety and health involve the provision of a safe and healthy workplace. Employee relations are characterized by mutual understanding and respect between management and staff.

In many stations, the responsibilities and rewards of employment are described in an employee handbook. A union contract sets forth the relationship between management and trade union employees.

Broadcasters must adhere to laws dealing with the hiring and treatment of personnel. Among the most important federal laws are the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Equal Pay Act of 1963, The Pregnancy Discrimination Act of 1978, the Americans with Disabilities Act of 1990, and the Family and Medical Leave Act of 1993. In addition, they must comply with the Federal Communications Commission's equal employment opportunity rules and with rules governing sexual harassment in the workplace.

CASE STUDY

A female news reporter is asked by her male news director to go to a bar and have a drink after work. She declines. The next day, the news director asks her if she has seen *Fatal Attraction*, and when she replies no, he describes in detail the movie's sexually explicit scenes.

A couple of days later, the news director and two male reporters are laughing when the female reporter enters the newsroom. When she inquires as to the reason for the laughter, the news director tells her a joke that one of the male reporters had just told, using a considerable amount of profanity throughout the joke.

A few days later, the news director places his arm around the reporter's waist, pulls her close to him, and asks her if she has reconsidered having a drink with him after work. She agrees. During the course of the drink, he tells her that his wife is out of town and asks her whether she has ever been to the motel next door.

Exercises

1. Does the female reporter have a sexual harassment claim against the news director and the station?
2. Should she have complained to someone about the news director's language and conduct? Does her failure to do so prevent her from being able to claim sexual harassment?
3. If the news reporter has worn low-cut tops and short skirts to work, is the likelihood of a successful harassment prosecution diminished?
4. Does any one of the incidents described above amount to sexual harassment in and of itself? Which one(s)?
5. If the reporter tells the station manager about these incidents, what should the station manager do?[14]

CASE STUDY

An account executive was diagnosed with multiple sclerosis. He begins to tire easily, and he has an increasing amount of difficulty dealing with the stress of his job. It is also necessary for him to go to the doctor frequently for tests and treatment. Co-workers begin to complain about the account executive's failure to carry his load. A couple of clients call to complain about his recent performance.

Exercises

1. If the account executive is discharged, will the Americans with Disabilities Act (ADA) be violated?

2. Does the employer have to attempt a reasonable accommodation before discharge can be considered? What kinds of reasonable accommodations should be considered here? How many times does a reasonable accommodation have to be attempted?
3. If the employer can show that an accommodation will cause an undue hardship, does the accommodation still have to be attempted? What constitutes an undue hardship?
4. When an employee has a disability, can an employer take adverse action against him or her if co-workers begin to complain about the employee's performance? What if the complaints come from clients?

NOTES

1. Ward L. Quaal and James A. Brown, *Broadcast Management: Radio-Television*, p. 82.
2. R. Wayne Mondy, Robert E. Holmes, and Edwin B. Flippo, *Management: Concepts and Practices*, pp. 276–277, 280.
3. John B. Phillips, Jr., *Employment Law Desk Book*, pp. 239–240.
4. *Ibid.*, pp. 241–242.
5. *Personnel/Human Resources Forms Guideline for Broadcasters.*
6. *Television Employee Compensation and Fringe Benefits Report.*
7. J. Leonard Reinsch and E. I. Ellis, *Radio Station Management*, p. 266. Reprinted by permission.
8. The act defines a "qualified" individual as a person who has the skill, experience, education, or other requirements to perform the essential functions of the position, with or without reasonable accommodation. Such accommodation is any modification or adjustment to a job or the work environment. It includes making existing facilities readily accessible to and usable by a person with a disability, restructuring a job, modifying work schedules, acquiring or modifying equipment, and providing qualified readers or interpreters. However, it does not require the employer to make an accommodation if it would impose an "undue hardship," that is, an "action requiring significant difficulty or expense" in light of the employer's size, resources, nature, and structure.
9. 47 *CFR* 73.2080.
10. *Ibid.*, (b).
11. *Ibid.*, (c).
12. 29 *CFR* 1604.11(a).
13. *Ibid.*, (d).
14. This case study and the one that follows were prepared by John B. Phillips, Jr., of Miller and Martin, Chattanooga, Tennessee.

ADDITIONAL READINGS

Americans with Disabilities Act, The: Questions and Answers. Washington, D.C.: U.S. Equal Employment Opportunity Commission and U.S. Department of Justice Civil Rights Division, 1992.

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Martin, David C., and Kathryn M. Bartol. "Managing Turnover Strategically," *Personnel Administrator*, November, 1985, pp. 63–73.

Pardue, Howard M. "Managing the Sexual Harassment Problem," *Broadcast Cable Financial Journal*, March-April, 1992, pp. 12–13.

Record Retention Guide for Radio and Television Stations. Washington, D.C.: National Association of Broadcasters, 1988.

Station Policy and Procedures: A Guide for Radio, 2nd ed., Washington, D.C.: National Association of Broadcasters, 1989.

Vance, Kim, and Richard Lowe. "A Broadcaster's Guide to the Americans with Disabilities Act: Programing Your Station to Meet the Challenge," *Broadcast Cable Financial Journal*, September–October, 1991, pp. 20–22, 24, 26–28.

4 BROADCAST PROGRAMMING

This chapter treats the programming of radio and television stations and examines the

- role of the program department and the responsibilities of the program manager and other departmental staff
- types and sources of broadcast programs and the strategies employed to air them with maximum effect
- major differences between programming a network-affiliated television station and an independent

Commercial radio and television stations air thousands of hours of programs each year. Individual programs may be produced by the station itself or obtained from another source. They may be designed chiefly to entertain, inform, or educate. They may be sponsored or sustaining. They may attract audiences numbering a few hundred or many thousands.

Despite the differences among programs, the programming of all stations is determined by four influences:

The audience, which seeks out a station for its programs. Listeners or viewers may be exposed to other content, such as commercials and public service and promotional announcements, but their principal goal is to hear or view program content that satisfies their need at a particular time. Programs that fail to attract listeners or viewers, or fail to satisfy their needs, are imperiled. So are the financial fortunes of the station.

The broadcaster, who is responsible for operating the station profitably for its owners. The greater the audience, the greater the likelihood that a profit can be realized. Accordingly, the broadcaster selects and schedules programs to attract as many people as possible among the targeted audience.

The advertiser, whose principal interest in using a radio or television station is to bring a product or service to the attention of those most likely to use it. Programs that attract potential customers stand the best chance of attracting advertising dollars, especially if the number of people is large and the cost of delivering the advertisement to them is competitive.

The regulator, or government and several of its agencies, notably the Federal Communications Commission. Its goal is to ensure that the station is operated in a way that serves the public interest. Since passage of the Radio Act of 1927, the regulator has taken actions aimed at compelling or encouraging broadcasters to engage in certain programming practices to satisfy that goal.

Much is said and written about broadcast programming. However, it would be unwise to identify any one influence for praise or condemnation. The programming we hear and see results from the interaction of all four forces. In this chapter, we will examine the audience and the broadcaster. The advertiser and the regulator will be treated later.

THE AUDIENCE

More than 98 percent of U.S. households have radio and television receivers. The programs they carry attract males and females of all ages and from all socioeconomic categories and ethnic groups.

The pervasiveness and appeal of radio are indicated by the following facts:

- The average household has 5.6 radio sets.
- Radio reaches 96 percent of persons aged 12 and over each week.
- Persons 12 and over spend 3 hours and 13 minutes daily listening to radio.
- Four out of five adults are reached by car radio each week.

- Radio reaches 99 percent of teenagers (ages 12 to 17) weekly.
- The number of radio receivers in use is 575.6 million, of which 186.5 million are in cars and other vehicles.[1]

The reach of television and the extent of its use are no less significant:

- The average household has 2.24 TV sets.
- 33 percent of households have three or more sets.
- The average household can receive 39.4 channels, including those available via cable services.
- The average household views an estimated 7 hours and 13 minutes daily.[2]

The size and composition of the audience for the two media fluctuate. Weekday radio listenership is highest between 6:00 A.M. and 10:00 A.M. It holds fairly steady from 10:00 A.M. to 7:00 P.M., then drops sharply. On weekends, listenership peaks between 10:00 A.M. and 3:00 P.M. The audience becomes younger as the day progresses. Men listen more than women, and among persons between the ages of 12 and 64, men aged 18 to 54 listen most. They are followed by men 35 to 64 and women 18 to 34.

The television audience grows throughout the day and reaches a peak between 9:00 and 9:30 P.M. People spend more time viewing during the winter than the summer. Sunday evening attracts the largest number of viewers, and Friday evening the smallest. Women watch TV more than men, and older men and women more than younger adults. Teenagers and children aged 2 to 11 watch least. Larger households and those with children view more than smaller households and those without children. There is more use of television in pay cable households than in those with basic cable or no cable at all. Differences among income classifications are not great, but households with an annual income of less than $30,000 view more than those with income exceeding that amount.

THE PROGRAM DEPARTMENT

Of all the factors that determine the financial success of a radio or television station, none is more important than programming. It is programming that brings listeners or viewers to the station. If the number of listeners or viewers is large, and if they possess the characteristics sought by advertisers, the station will attract advertising dollars. Accordingly, the station's revenues and potential profits are influenced largely by its programming.

Responsibility for programming is entrusted to a program department. The organization of the department, in both radio and television and in markets of different sizes, was illustrated in Chapter 1.

Functions

The major functions of the program department are

- the production or acquisition of content that will appeal to targeted audiences
- the scheduling of programs to attract the desired audience

- the production of public service and promotional announcements and of local commercials
- the production or acquisition of other programs to satisfy the public interest
- the generation of a profit for the station's owners

Organization

The program department is headed by a program manager or program director who reports directly to the general manager. In some stations, programming and production are combined in one department under an operations manager.

The number of people who report to the program manager, their titles, and their responsibilities vary. In addition, the titles and responsibilities of the program personnel in a radio station differ from those in a television station. We shall examine the two media separately.

Radio The program department staff in a radio station with a music format generally includes the following:

Music Director The music director is responsible for

- additions to and deletions from the station's playlist of music
- preparation of the playlist and supervision of its execution
- auditioning of new recordings
- consultation with the program manager on music rotation
- liaison with representatives of recording companies to obtain new releases
- contact with music stores on sales of compact discs and cassettes
- cataloguing and filing of compact discs (in large markets, this responsibility may be handled by a music librarian)
- in small markets, an air shift and some local production

Production Director Among the chief responsibilities of the production director are

- production of local commercials
- production of other content, for example, public service and promotional announcements
- control of the station's sound quality

Announcers Announcers frequently are called *disc jockeys* or *deejays*. Their major responsibility is an air shift, which includes

- introduction of recordings and programs
- reading of live commercials and promotional, public service, and station identification announcements

- delivery of time and weather checks and traffic reports
- operation of control room equipment

In addition, announcers may

- produce commercials and other announcements
- serve as talent for commercials and other announcements
- double as music director or production director

In many stations, continuity or creative services and traffic staff report to the sales manager. In others, their activities are supervised jointly by the program manager and the head of the sales department. Continuity writers often are responsible for a variety of copy, including commercials and public service and promotional announcements. They also check copy for compliance with the station's program and advertising standards. Traffic personnel place on the schedule details of all program and commercial content to be aired.

News programming may be entrusted to the program manager or to a separate department. In each case, personnel usually include the following:

News Director The news director's responsibilities may cover

- determination and execution of policies for news, sports, and public affairs programs
- supervision of the newsroom staff
- decisions on what to cover and how to cover it
- reporting and newscasting
- selection of topics and guests for public affairs programs
- hosting interview programs

Reporters Reporters' duties usually include the gathering, writing, and reporting of local news and, on occasion, the reading of the news.

Sports may be assigned to a member of the news staff or to a sports director. The person responsible reports sports news and may conduct interview programs with local coaches and handle play-by-play in broadcasts of local school or college sports events.

At news format stations, the program manager is, in essence, a news director. The staff consists of editors, anchors, reporters, writers, and desk assistants.

The staff of news-talk stations comprises personnel responsible for news, such as anchors and reporters, and for talk, including producers, hosts, and telephone screeners.

Television In many television stations, the program department includes production and two subdepartments, film or film and videotape, and art. Usually, the two subdepartments are headed by a director.

The principal personnel are as follows:

Production Manager The production manager reports directly to the program manager and has many responsibilities, among them

- monitoring of all content aired, whatever its source
- scheduling of live and videotaped productions
- production of local programs, commercials, and public service and promotional announcements
- supervision of all performing talent and all production personnel

Production Staff The staff includes directors, producers, film and videotape editors, camera operators, staging and lighting personnel, floor managers, and others involved in studio production.

Film or Film and Videotape Director This staff member usually reports to the production manager and is responsible for

- receiving and shipping films and videotapes and maintaining appropriate records
- screening films and videotapes for quality and adherence to the station's program and advertising standards
- marking films for commercial and other breaks

Art Director The art director also reports to the production manager and handles the

- design and construction of sets
- production of graphics for programs and commercials; promotional, public service, and station identification announcements; and for advertising and promotional materials for use in other visual media

Many stations assign public service activities to a member of the program department staff and, with those activities, the title of director of public service or community affairs. The job carries the responsibility for the writing and production of public service announcements and the production of public affairs programs.

Continuity and traffic are handled in much the same way as in radio.

News Staff News may be assigned to the program department or, more typically, to a separate department. The staff includes the following:

News director determines and executes policy and supervises the newsroom staff.

Assignment editors assign reporters and camera crews to cover stories.

Producers determine newscast content and its order, and the time devoted to each story and segment.

Anchors present the news, weather, and sports content. Often they combine the roles of anchor and reporter, preparing the content and presenting it live on the set.

Reporters gather, write, and report the news. Usually, they edit their own videotape and prepare the story in a package.

Photographers shoot videotape and work with reporters in compiling stories. In many stations, they serve as their own sound recordists.

THE PROGRAM MANAGER

Responsibilities

Program managers handle a wide variety of tasks. Those in small and medium markets are involved in a broader range of activities than their counterparts in large markets. Obviously, there are differences between programming a radio station and a television station. In addition, in television the amount of time spent on programming responsibilities is influenced greatly by the station's status as a network affiliate or independent. However, all program managers engage in four basic tasks: the *planning, acquisition, execution,* and *control* of programs.

Program Planning Program planning involves the development of short-, medium-, and long-range plans to permit the station to attain its programming and financial objectives.

As we shall see later in the chapter, the principal focus in radio is on the selection of a format and other program content to attract and satisfy the needs of particular demographics. Planning includes, also, the hiring of announcers whose personality and style are compatible with the station's format.

In television, planning is directed toward the selection and scheduling of programs to appeal to the largest number of people among the available audience. Affiliated stations also must consider which network programs they will broadcast and which they will reject or delay.

Since programming is the essential ingredient in attracting audiences, and since some audiences are sought more than others by advertisers, planning usually is done by the program manager in consultation with the head of the sales department and the general manager.

Program Acquisition The program manager implements program plans by having programs produced by the station itself or by obtaining them from other sources. The major sources of radio and television programs are described later in the chapter. Again, the head of the sales department and the general manager are involved.

Program Execution Execution involves the airing of programs in accordance with the plans. The strategies of both radio and television program execution are described later.

The program manager coordinates the scheduling of content with traffic personnel and its promotion with the promotion and marketing director. If news is handled by a separate department, coordination is necessary on coverage of special events and breaking stories.

Program Control The program manager often is called the "protector" of the station's license because of the responsibility for ensuring that the station's programming complies with the terms of its license.

As protector, the program manager

- develops the station's program standards
- supervises all program content for adherence to the station's standards, the FCC's Rules and Regulations, and other applicable regulations and laws

- maintains records of programs broadcast

The program manager also controls

- the direction and supervision of departmental staff and their activities
- the station's compliance with certain contracts, such as those with a network, program suppliers, and music licensing organizations
- program costs, to ensure that they do not exceed budgeted amounts

Qualities

The program manager should be *knowledgeable* and should possess administrative and professional *skills* and certain *personal qualities.*

Knowledge The program manager should have knowledge of

Station ownership and management: Their goals and the role of programming in achieving them.

The station and staff: Programming strengths and shortcomings, the relationship of the program department to other station departments, and the skills and limitations of departmental employees.

The market: Its size, demographic composition, economy, and the work and leisure patterns of the population as a whole and its various demographic groups; the community's problems and needs; for radio, the music and information tastes of the community and, for television, program preferences.

The competition: Current programming of competing stations, their successes and failures, and their program plans.

Program management: The duties of the program manager and how to discharge them. This includes knowledge of the sources and availability of program content; production process and costs; salability of programming and methods of projecting revenues and expenses; sources and uses of program and audience research; programming trends and developments in broadcast technology; laws and regulations pertaining to programming.

Content and audiences: Formats, programs, and other content; their demographic appeal; and the listening or viewing practices of the audience.

Skills The program manager must possess a variety of administrative and professional skills, among them the ability to

- develop program plans through consideration of need, alternative strategies, and budget
- evaluate ideas for local programming and coordinate the activities of departmental staff in program production
- analyze and interpret ratings and other audience research and assess the potential for the success of locally-produced programs and those available from other sources

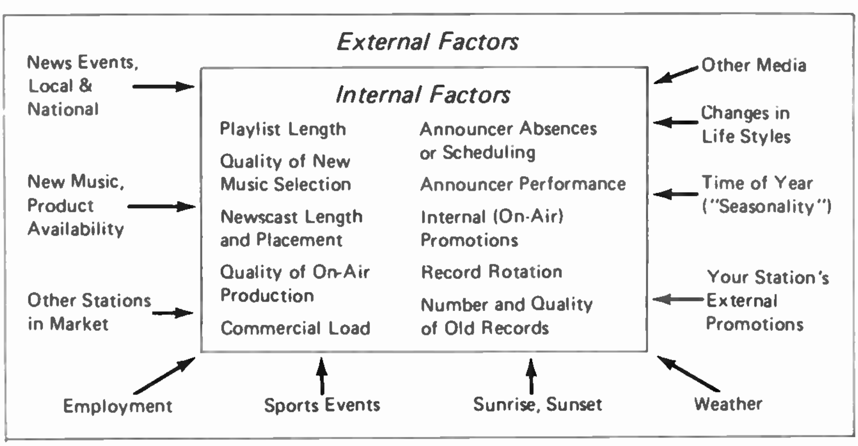
- select and schedule content to maximize availabil demographics
- negotiate contracts with program suppliers, freel ing organizations, and others

Personal Qualities Audiences and station staff have strong feelings about the programming of radio and television stations and are not hesitant to express them. Accordingly, the program manager must be *patient* in listening to various, often contradictory, viewpoints offered by telephone or letter from listeners or viewers and community groups, and in meetings with colleagues; *understanding* of the needs and interests of audience members and of the motivations of fellow employees; *flexible* in adapting to changing public tastes and programming and technological trends; *creative* in developing and executing program and promotion ideas; and *ethical* in dealings with others in and outside the station and in programming practices.

Influences

The program manager's decisions and actions are influenced by many factors. A model developed by the Arbitron Company (Figure 4-1) identifies 21 factors that comprise the decision-making environment in a radio station with a music format. Obviously, the station can control all the internal factors listed, such as the performance of announcers, the quality of on-air production, and the music rotation. However, only one of the external factors—external station promotions—is within the station's control. The station has no control over such influences as the availability of new music in its format, the activities of

Figure 4-1 *Music-format decision-making environment. (Source: The Arbitron Company. Reprinted with permission.)*



competing stations or other media, and changing lifestyles that may affect audience habits and tastes.

J. David Lewis used responses from 301 stations in the United States to determine influences in television station programming. He developed eight categories, in no particular order of priority:

- direct feedback from the audience, including letters, telephone calls, and conversations
- regulatory, or rules and standards of practice, such as commitments to the FCC, its rules and regulations, and the station's own policy statement
- inferential feedback, or ratings
- conditional, a mix of factors including comments of critics and opinions of friends outside the station
- production staff, the opinions of station personnel with production responsibilities
- personal, or subjective judgment, including instinct, common sense, and knowledge of the community
- financial, or factors related to the station's income and expenditures, such as sales potential, sales manager's opinion, and cost
- tactical, that is, methods of program planning, the arrangement of the schedule and viewing trends[3]

RADIO STATION PROGRAMMING

The programming of most radio stations is dominated by one principal content element or sound, known as a *format.* It is designed to appeal to a particular subgroup of the population, usually identified by age, socioeconomic characteristics, or ethnicity.

In reality, few listeners probably know or care what name is used to describe the format of their favorite station. However, the selection of a name is important to management and the sales staff in projecting the station's image and in positioning the station for advertisers.

Formats

There are dozens of formats, but all can be placed in one of the following categories: *music, information,* and *specialty.*

Music The music format is the most common among commercial radio stations. Describing the format of a particular station in one or two words has become increasingly difficult with the fragmentation of formats and the appeal of some artists in more than one format. In addition, stations use different names to characterize similar sounds.

The major music formats used by radio stations are

Adult Contemporary (AC) The basic format consists of well-known rock hits and pop standards appealing to persons 25 to 44. However, there has been significant splintering of the format. Soft adult contemporary, also called lite adult contemporary, targets those aged 32 to 50 and takes two forms. One is oldies-based and relaxing, with songs from the 1960s, 1970s, and 1980s as well as current hits. The other places more emphasis on the 1980s but strives for a similarly relaxing atmosphere. New adult contemporary is a mix of light jazz and soft rock directed primarily toward persons 25 to 44. Rock adult contemporary, also known as soft rock and adult rock and roll, is a hybrid of adult contemporary and album-oriented rock. It focuses on top hits of the late 1960s and most of the 1970s and it has a core audience of 35- to 44-year-olds. Hot adult contemporary has many of the features of contemporary hit radio but without the teenage edge.

Album-Oriented Rock (AOR) Rooted in the protest movements of the 1960s and early 1970s, the format still is largely based on album cuts of music that is almost three decades old, combined with current product by some of the original artists. To attract younger listeners, many stations have added heavy metal sounds, but they have not gone over well with the core audience of 25- to 44-year-olds. Some stations try to target both ends of the age spectrum through dayparting, airing classic cuts and new product at times when the respective audiences are most likely to be listening.

Beautiful Music Also known as easy listening, the format has evolved from an unobtrusive background sound with a commitment to a virtually unlimited playlist of instrumentals to a combination of vocals and instrumentals, a limited playlist, and greater announcer prominence. The aim is to appeal to younger demographics without turning off the core audience, mostly adults over the age of 45. The format performs well only in a few large markets and in resort and vacation areas.

Classic Rock This format comprises popular rock music of the 1970s and 1980s and has principal appeal to persons aged 25 to 44. Some fragmentation of the format has taken place with the emergence of mellow adult rock, which is geared toward males.

Classical The classical format consists chiefly of recorded classical music and live performances of symphonies, opera, and chamber music. Its audience is among the better-educated and higher socioeconomic categories. Many stations program short music selections during the day and concerts in the evening.

Contemporary Hit Radio (CHR) The name was coined in the 1980s to describe what used to be known as the top-40 or top-hits format. In the 1990s, the format has experienced a significant drop in audience as many of its core 18- to 24-year-old listeners have found other outlets for their musical tastes, including music videos. Not surprisingly, the number of stations using the format has decreased.

Basically, the format is characterized by a tightly controlled playlist of top-selling rock singles, selected new recordings that are on their way up, and occasional oldies. Strong announcer personality and heavy promotion also are common.

The format continues to witness fragmentation. Dance provides a niche for some stations, which bill themselves as CHR/dance. Adult CHR aims for 25- to 44-year-olds with top-40 hits of 1970 to 1985. Other stations attempt to attract blacks and reclaim young white listeners from urban stations through an emphasis on crossover artists in a format known as churban.

Country The country format is the most popular of all music formats and has broad appeal to men and women aged 25 to 65+ in all socioeconomic categories. Some stations specialize in traditional country, others in contemporary country or country-rock, with heavy use of recordings that appeal both to country and rock audiences. In markets where only one station has adopted the format, the music usually includes both traditional and contemporary.

Jazz This format has limited appeal, mostly to persons in the higher socioeconomic categories. The music includes both traditional and modern.

Middle-of-the-Road (MOR) As the name indicates, this format focuses on the mainstream and avoids extremes. Traditional MOR includes a wide variety of music and information content. Typically, the music combines vocal and instrumental versions of contemporary, nonrock popular music and standard hits. There is heavy emphasis on news, sports, weather, and traffic, especially in morning and afternoon drive times. Many stations cover sports events, and some broadcast talk and interviews. The format appeals mostly to adults of age 35+ and makes extensive use of the announcer.

Nostalgia This format draws most of its audience from persons 50+ and plays popular tunes from the 1930s, 1940s, and 1950s.

Oldies This format is based on top-40 hits of the 1960s and 1970s, with a core audience of persons aged 35 to 44. Some stations use a variation to appeal to 28- to 42-year-olds with only hits of the 1970s. Others target those aged 27 to 44 with hits from the 1970s and 1980s. They label the format modern oldies.

Urban Contemporary This format combines dance, rhythm and blues, and contemporary hits, chiefly by black artists. Its strongest appeal is to blacks of ages 18 to 44, though a significant proportion of whites are counted among the cumulative audience of many stations.

While music is the dominant program element in music-format stations, a variety of other program content is aired. The kind, amount, and frequency of such content is determined by a number of factors, such as format, the composition of the audience, and the size and location of the community. Examples of nonmusic content include

Community bulletin board: Information on community events

Editorials: The opinions of the station's ownership on local or national issues and events

Features: Stories on a wide range of topics of interest to the station's listeners

Market reports: Both agricultural and business reports

News: Local, regional, national, and international news

Public affairs: Generally interview programs on local or national issues and events

Public service announcements: Announcements for government and nonprofit organizations

Religion: Services of various religious denominations or discussions on religion

Sports: Scores, reports, and play-by-play

Traffic reports: Local traffic conditions, especially in large communities and most frequently in drive times

Weather reports: Local and regional conditions and forecasts, but more extensive in times of weather emergencies

Information There are two basic information formats, all news and all talk. A third consists of a combination of the two, and is called news-talk or talk-news.

All News The all-news format consists of news (local, regional, national, and international), information and service features, analysis, commentary, and editorials. It appeals mostly to adults 35+, especially better-educated males.

Stations assume that the audience will tune in only for short periods of time to catch up on the latest developments. Accordingly, they program the format in cycles of 20 or 30 minutes, with frequent repetition of the top stories. This characteristic often is used in promotion, with slogans such as "Give us 20 minutes and we'll give you the world."

The format requires a large staff of anchors, writers, reporters, editors, desk assistants, and stringers, as well as mobile units, cellular telephones, and numerous wire services. As a result, it is expensive and tends to be successful financially only in large markets.

All Talk Interviews and audience call-ins form the basis of the all-talk format. They are combined with syndicated programs and features, news, weather, sports, and public affairs.

The subject matter of the interviews and call-ins varies greatly. Interview guests may generate discussion of their personal or professional lives. A call-in may focus on a timely or controversial topic selected by the program host. Many stations have hosts with expertise as psychologists, marriage counselors, and sex therapists, and callers use the program to expound on their personal problems.

Adults of ages 35 to 65+ are the most consistent listeners. Most often, they are persons in search of companionship or a forum for their views.[4]

Each hour or daypart is programmed to appeal to key available demographics. Success is tied closely to the skills of the host, who must be knowledgeable on a wide range of topics, easy in conversation, and perceptive. Good judgment and the ability to maintain control of the conversation are other desirable attributes.

The format also requires producers who have a keen awareness of local and national issues, and the ability to schedule guests who are informed, eloquent, and provocative. Screeners are used to rank incoming calls for relevance and to screen out crank calls.

News-Talk or Talk-News This combination of the news and talk formats takes different forms. Typically, it consists of news in morning and afternoon drive times, with talk during the remainder of the broadcast day. Some stations air play-by-play sports on evenings and weekends. The format's chief demographic appeal is to persons aged 35 to 65+.

Specialty There are many specialty formats. However, the following are the most common:

Ethnic Ethnic formats are targeted toward ethnic groups or people united by a language other than English. Blacks constitute a major ethnic group in many large markets and in towns of various sizes in the South. The programming of black stations consists of beat and disco music featuring black artists, and information of interest to the black community. Usually, announcers are black.

Spanish-language stations program music and information for Cuban-Americans, Mexican-Americans, and Puerto Ricans. In addition, many stations broadcast a variety of content in one or more foreign languages, including French, Polish, Japanese, and Greek.

Religion This format is characterized by hymns and other religious music, sermons, religious services, talks, interviews, and discussions. The particular program makeup is influenced heavily by the type of licensee. Some stations are licensed to churches and religious organizations that are more interested in spreading their message than in the size or composition of the audience. However, ratings and demographics are of major concern to a second type of licensee, the conventional private entrepreneur who sells blocks of time to churches and religious organizations and spots to advertisers.

Variety The variety format exists chiefly in one-station markets or where other formats do not meet the music or information needs of several desirable demographics. In a one-station market, for example, the format may include music for all age groups 12 to 54, news, weather, sports, and public affairs. Features would be selected for their appeal to the makeup of the community.

The variety format is programmed to satisfy the available audience. During the morning hours, music may be suited to adults at home. In the afternoon and evening, the sound may become more contemporary for teenagers and young adults.

Program Sources

Radio stations use three major sources of programs: *local, syndicated,* and *network.*

Local Local programming is the principal source for most stations. For stations with a music format, it includes both music and information content.

Recording companies are anxious to have their product played on radio stations, since air play is an important determinant of sales. Accordingly, they provide most stations with free, promotional copies. To ensure good service, the station must nurture close relationships with the companies. That can be done by maintaining regular contact, sending them copies of the playlist, and keeping them informed of success in reaching those demographics to which the recordings appeal.

Some stations obtain recordings from local stores under a trade-out arrangement. Stations in many small markets do not receive promotional copies and subscribe to a recording service for current releases.

Examples of locally produced information content on a music-format station include news, sports, and public affairs. Stations with an information format rely heavily on local production for news, talk, features, sports, and public affairs.

Radio stations also engage in remote broadcasts from retail stores and malls. They can be a useful promotional tool. Indeed, many stations have bought fiberglass or inflatable studios in the shape of giant radio receivers to increase their visibility on such occasions. However, remotes must be selected with care, since they may interrupt the regular flow of programming. They must also be planned in close cooperation with the sales department.

Syndicated Syndicators provide stations with *programs* and with complete music *formats.*

Programs Syndicated offerings range from 60- or 90-second features on health, finance, politics, and assorted other subjects to programs of several hours' duration. Selected syndicators and content are listed in Figure 4-2.

In the 1990s, there has been a boom in nationally syndicated, long-form talk programming. Led by Rush Limbaugh, with a weekly audience of 18 million on about 600 stations, talk has given national radio a new lease on life and has provided an audience (and financial) boost for many ailing AM stations.

Barter is the primary method of syndicated program acquisition. Other programs are offered on a cash basis, the price determined by factors such as market size, the appeal of the program, and competition for it. Still other programs are available to the station without charge.

Formats The entire music programming of some stations is provided by format syndicators. Figure 4-3 contains the names of selected syndicators and their formats.

Stations receive from the syndicator, via satellite or on tape, music in the desired format and then insert commercials; promotional, public service, and ID announcements; and other nonmusic content.

Syndicated formats are found mostly in fully automated stations. However, many formats may be used in semiautomated and live-operated stations.

Some formats are sold to stations and others are leased. Cost is determined mostly by the type of format and size of the market.

Figure 4-2 *Selected radio program syndicators and content.*

Syndicator	*Content*
American Comedy Network, Bridgeport, Conn.	Comedy features
Lita Cohen Radio Service, Merion, Pa.	Big band, jazz, sports information, news, and updates
DIR Broadcasting, New York	Contemporary recording acts in concert, music specials, live music simulcasts
Images Communications Arts Corp., Jericho, N.Y.	Money, health, and football features, crime dramas
Jameson Broadcast, Inc., Washington, D.C.	Soap opera trivia, health, environment, comedy, sports commentary
Charles Michelson, Inc., Beverly Hills, Calif.	Classic programs from the 1930s, 1940s, and 1950s
MJI Broadcasting, New York	Trivia and music quizzes, comedy, oldies, rock, country
Syndicom, San Luis Obispo, Calif.	Comedy editorials, vintage to contemporary jazz, country
Morris Trumble & Associates, New York	Localized ski and leisure activity reports

In addition to providing music, many format syndicators offer their services to stations as consultants on programming, promotion, and research.

Network The programming of most national networks is designed for specific demographics or formats. The staples are music, news, and talk. Other programs vary according to the interests of the targeted audiences. The major radio networks, target audience, and primary formats are listed in Figure 4-4.

Many stations also receive news and other informational programming from regional or state networks. Ad-hoc networks are organized in many parts of the country for the coverage of special events and sports.

Strategies

Selection of a format is the first and most important step in the development of a station's programming strategy. It is also the most difficult. In most markets, music formats with the greatest appeal to the most-sought demographics (persons aged 25 to 54) already have been taken. AM stations experience particular problems, as evidenced by their movement away from music formats and toward news, talk, or a combination. With the increasing fragmentation of formats, FM stations also face difficulties in trying to position themselves in a

Figure 4–3 *Selected radio format syndicators and formats.*

Syndicator	*Format*
Bonneville Broadcasting System, Northbrook, Ill.	Soft adult contemporary, lite rock, adult contemporary mix, classic hits, adult progressive, easy mix, classic easy, easy listening
Broadcasting Programing, Inc., Seattle, Wash.	Adult contemporary, mellow adult contemporary, easy contemporary, easy relaxed, memory music, middle-of-the-road contemporary, swing era, rock classics, oldies, super country, modern country, all-star country, super hits, stereo rock, adult contemporary Christian, sacred sounds of gospel, beautiful sounds of praise, jazz, urban
Concept Productions, Roseville, Calif.	Adult contemporary, contemporary hits, country, contemporary middle-of-the-road, oldies
Far West Communications, Burbank, Calif.	Nostalgia, contemporary
Musicworks, Inc., Franklin, Tenn.	Country, adult contemporary
Radio Programing & Management, Orchard Lake, Mich.	Adult contemporary, easy jazz, contemporary easy listening, country, middle-of-the-road nostalgia

way that sets them apart from stations with similar formats. "Niche programming" has become the key in an era in which the programmer has to add to existing skills those of promotion, marketing, sales, and finance.

Among the factors that influence the format selection are

Market Size
Generally, the larger the market, the more specialized the format must be to attract an audience.

Community Composition and Location
Demographic characteristics and trends are important in predicting the appeal of particular formats since, as we have seen, music and other program preferences are linked closely to age, sex, income levels, and ethnicity. The makeup of the work force and the proportion of professional, industrial, and agricultural employees also provide useful pointers. The region of the country in which the station is located and the extent to which it serves chiefly urban, suburban, or rural residents, or some combination, give additional clues to content appeal.

Figure 4-4 *Major national radio networks, audiences, and formats.*

Network	*Target Audience*	*Primary Format*
ABC Contemporary	Adults 18–49	CHR/Urban
ABC FM	Adults 18–49	CHR/Urban
ABC Rock	Adults 18–49	AOR/Classic Rock
ABC Information	Adults 25–54	New/Talk/Information
ABC Entertainment	Adults 25–54	Country/News/Talk
ABC Direction	Adults 25–54	Country/New/Talk
ABC Satelite Music	Adults 25–54	Music/News
American Urban	Adults 18–49	Urban Contemporary
CBS	Adults 25–54	News/Talk/Information
CBS Spectrum	Adults 25–54	News/Talk/Information/ AC/Oldies
Westwood One Mutual	Adults 25–54	News/Talk/Information
Westwood One NBC	Adults 25–54	News/Talk/Information
Westwood One Source	Adults 18–49	AOR/Classic Rock
Unistar Power	Adults 18–49	CHR/AOR
Unistar CNN+	Adults 25–54	News/Talk/Information
Unistar Super	Adults 25–54	Music/News

Competition
Consideration of the degree to which competing stations have targeted all desirable demographics will indicate if there is a void in the marketplace. Persons deemed most desirable by advertisers are, in order, women aged 25 to 54, adults 25 to 54, and men 25 to 54. If there is a void, the station may select a format that meets the needs of the unserved or underserved audience. On the other hand, it may be determined that one or more stations are vulnerable to direct format competition, and that audience may be taken from them by better format execution and promotion.

Potential Audience and Revenues
The size and demographic composition of the audience are key factors in generating advertising dollars. For that reason, projections of the potential audience and of advertising revenues are major criteria in the format-decision process.

Technical Considerations
The size of the potential audience is determined by the number of people who can receive the station's programs. Accordingly, the power at which a station is authorized to broadcast is important. The greater the power,

the greater the coverage. Coverage also is influenced by the frequency of an AM station and the antenna height of an FM station. The lower the frequency and the higher the antenna, the greater the range of the station's signal.

Format selection may take into account another technical consideration. The superiority of FM over AM sound fidelity has attracted a majority of music listeners to FM stations and posed programming dilemmas for AM stations in many markets.[5]

Finances
The financial cost of the format and of promoting the station to capture enough listeners to appeal to advertisers must be considered.

Stations that opt for a music format also must decide on other content elements to include in their programming.

Next, the station decides how to execute the programming to attract and retain the target audience. The decision must take into account the needs and expectations of the listeners.

People turn to a music-format station chiefly for entertainment or relaxation, to an all-news station for information, and to an all-talk station for companionship. They expect to hear a familiar sound, one with which they feel comfortable. The format, therefore, must be executed with consistency.

The most common tool to obtain consistency is the format wheel or clock, which identifies the mix and sequence of program elements in a one-hour period. Figure 4-5 shows a format wheel for a contemporary hit station in morning drive time.

The particular composition of an audience, its needs, moods, and the activities in which it engages change during the day. Stations attempt to respond to those changes through dayparting. On weekdays, the dayparts are

Morning drive time (6:00 A.M. to 10:00 A.M.): Most listeners want to be brought up-to-date with news and with weather and traffic conditions.

Midday (10:00 A.M. to 3:00 P.M.): The majority of listeners are homemakers and both music and information programming are tailored to their needs.

Afternoon drive time (3:00 P.M. to 7:00 P.M.): Teenagers return from school and adults drive home from work. For the most part, the former seek entertainment and the latter a mix of entertainment and information.

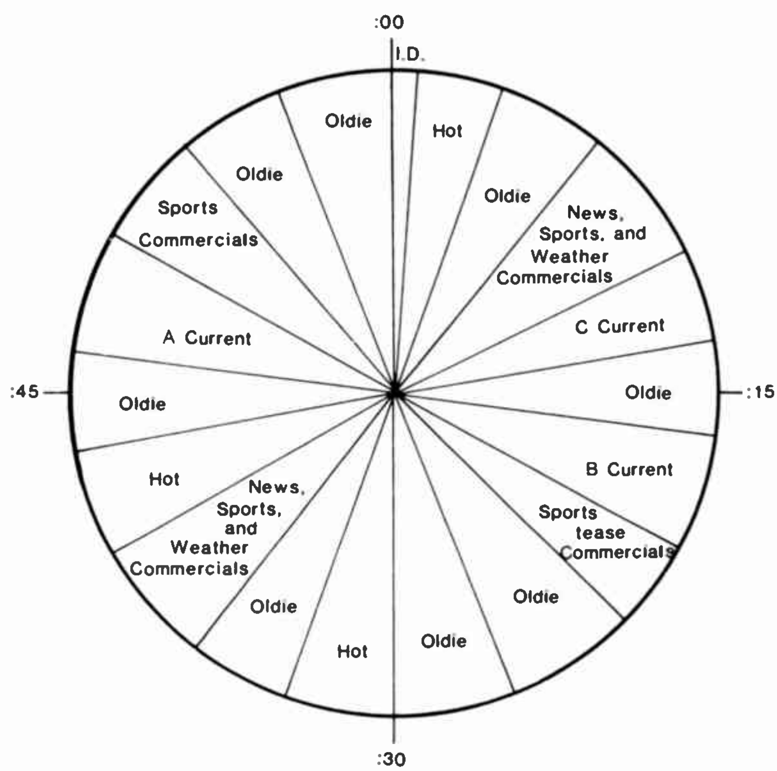
Evening (7:00 P.M. to midnight): The audience of most stations is composed chiefly of people desiring entertainment or relaxation.

Overnight (midnight to 6:00 A.M.): Shift workers, college students seeking entertainment, and persons seeking companionship constitute the bulk of the audience.

All-news stations broadcast their content in cycles, with a certain time elapsing before each element is repeated. Figure 4-6 shows a format wheel for such a station.

Audience size is computed by quarter hour, and so stations strive to attract the maximum possible audience in each quarter-hour period. However, a person does not have to listen continuously for 15 minutes to be counted. Audience measurement companies credit a station with a listener if a person is

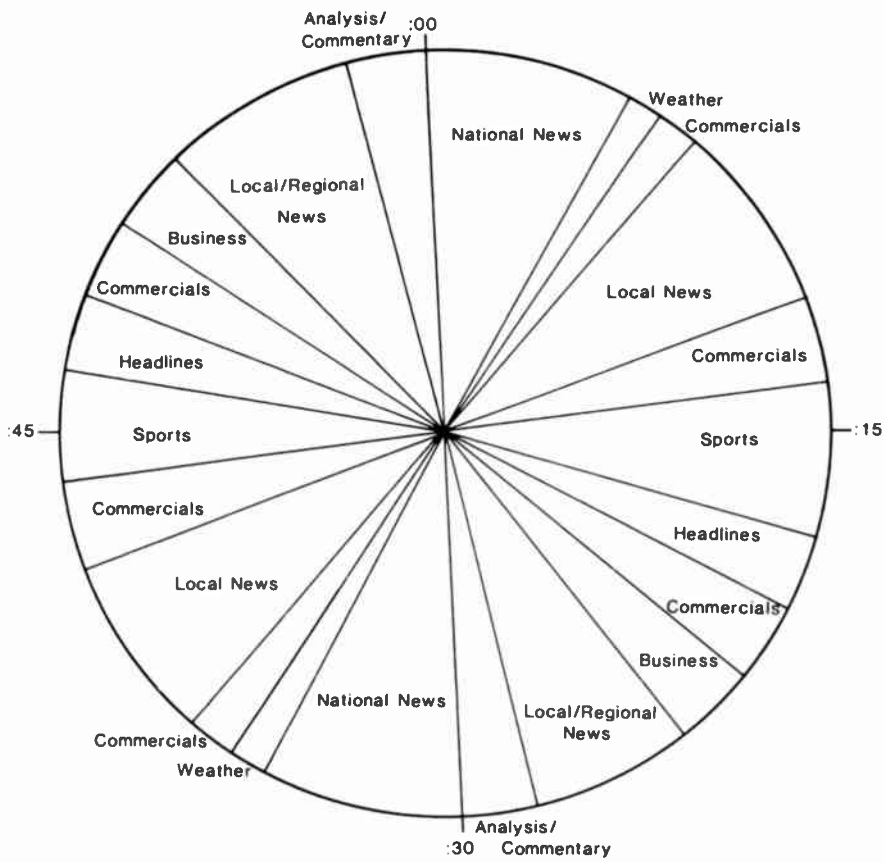
Figure 4-5 *Morning drive format wheel: contemporary hit radio station. Hot: chart position 1–10; A Current: 11–20; B Current: 21–30; C Current: 31–40.*



tuned in for five or more minutes in any quarter hour. One technique to retain listeners from one quarter hour to the next is to schedule a music sweep (i.e., uninterrupted music) over each quarter-hour mark. Nonmusic content, which often prompts dial-switching, is placed within the quarter hour.

A station's success in maintaining audience may be judged by the amount of time a person listens during a specific daypart. This is known as *time spent listening*, or *TSL*. It is calculated by multiplying the number of quarter hours in a daypart by the average quarter-hour audience and dividing the result by the cumulative audience. For example, a station has an average audience of 5700 and a cumulative audience of 25,500 among persons aged 25 to 49 years during morning drive time (6:00 A.M. to 10:00 A.M.) Monday through Friday. The TSL is 80 (number of quarter hours) times 5700 (average audience) divided by 25,500 (cumulative audience), or 17.9 quarter hours. To determine audience turnover, or the number of times an audience changes during a

Figure 4-6 *Format wheel: All-news station.*



time period, the cumulative audience is divided by the average audience. In this example, it is 4.5.

Essentially the same music is available to all stations in a market with a particular format. An important strategic consideration, therefore, is the selection of recordings for the *playlist* and their *rotation*. The playlist is the listing of recordings played over the course of a period of time, usually a week. Rotation refers to the frequency with which each is played.

Stations rely on a variety of sources in deciding what to keep on the playlist and what to add and delete. The following are among those used most often:

Trade magazines, such as *Billboard* and *Radio & Records*. They publish lists of top recordings in different formats and draw attention to those that are increasing and decreasing in popularity.

Tip sheets or *newsletters*, including *Friday Morning Quarterback*, *The Gavin Report*, and *Monday Morning Replay*.

Sales of compact discs and tapes. Trade magazines and tip sheets reflect the popularity of recordings across the nation. To determine local appeal, stations check on sales with area music stores.

To increase their information base, many stations engage in continuing efforts to obtain listener feedback to the music being played or contemplated for addition to the playlist. The most common method is *call-out research*. The station plays over the telephone short excerpts (called "hooks") of music selections and asks respondents for their reactions. The results are tabulated and assist in tracking the popularity of recordings and making decisions on playlist content. Such research is relatively inexpensive, but only a limited number of hooks can be played before participants grow tired.

Another method is *auditorium testing*. About 100 or more people are invited to a large room or auditorium and asked to rate up to 300 or 400 hooks in the space of one or two hours. They are paid and, generally, are chosen from the age group targeted by the station. They may be regular listeners, those who favor a competing station, or a combination. Auditorium testing is more expensive than call-out research and usually is attempted only periodically. That prevents close monitoring of changing music preferences and regular fine tuning of the playlist.

These information sources provide useful insights into the relative appeal of recordings. However, they should not be used to determine the frequency or order of play, which reflect the particular mix the station wants. More and more stations are employing computers to help establish and maintain an appropriate rotation.

In an attempt to ensure that programming is tuned to the needs of the target audience, stations are paying increased attention to nonmusic research. Many are building *databases* to develop listener profiles. Income, lifestyle, product usage, and leisure activity are examples of information that is collected and stored. Images of the station, its programming, personalities, and other elements are obtained through *focus groups*, which bring together 10 to 12 people for a controlled discussion led by a moderator. Often , the results provide ideas for more extensive research. *Market perceptual studies* are conducted by telephone interview or mail survey among targeted listeners to identify perceptions of a station's position in the market and its various characteristics. Telephone interviews also are used in *format searches*, attempts to ascertain if there is a need or place for various formats or elements within a format.

In some formats and on some stations, primary emphasis is given to the music or information content. The personality of the announcer is secondary. However, since the announcer is the link between the station and the audience, many stations encourage announcers to project their personality with the expectation that it will provide another competitive weapon. In either situation, announcers are important in the creation of a station's image and are chosen to reflect that image. If personality is emphasized, announcers are scheduled during those dayparts when their personality suits the mood of the audience.

Strategy considerations also may involve the possible use of automation. The station must decide whether its benefits outweigh its shortcomings and whether it may be used advantageously over the entire broadcast day or in certain dayparts. Automation offers the advantages of a consistent, professional sound, eliminates personnel problems, and may result in cost savings. However, it removes the element of personality and deprives the station of spontaneity and flexibility.

Programming must be promoted constantly to retain the existing audience and to attract new listeners. The role of promotion is discussed in Chapter 6. It should be noted here that stations seek to gain competitive advantage through on-air and off-air promotion of image, programming, and personalities. They hope that the result will be a clear public perception of what the station does and how it can satisfy their needs.

A final and most important strategic consideration is the station's commercial policy. Most listeners to music-format stations have limited tolerance for interruptions in music and may seek out another station when commercials air. Commercial policy usually sets forth the commercial load (i.e., the number of commercials allowed per hour) and the frequency of breaks for commercials and other nonmusic content.

TELEVISION STATION PROGRAMMING

Programming a commercial television station differs markedly from programming a radio station. While the radio programmer identifies a specific audience and broadcasts to it throughout the day, the television programmer targets a general audience and attempts to respond to the preferences of those persons who are available to view.

A radio station competes directly for audience against the other radio stations in the market that seek to attract similar demographics. A television station is in competition against all other television stations in the market and, increasingly, against cable and signals received on backyard satellite dishes. Additional competition for the viewers' time comes from videocassette recorders and video games.

Network programming occupies only a minor place in the schedule of most radio stations. It is a dominant force in television, providing a major part of the schedule for network-affiliated stations and substantial competition for independent stations.

Programming success in television rests heavily on the ability to produce or buy programs with audience appeal, air them at times when they can be seen by the audience to which they appeal, and build individual programs into a schedule that encourages viewers to tune to the station and remain with it from one program to another.

Program Sources

The television stations affiliated with the three major networks and more than 180 Fox affiliates rely on three principal sources of programs: the *network*, *program* *syndicators*, and *local production*. True independents (i.e., those not affiliated with Fox) use syndicated and local production and receive sports and specials from ad-hoc networks.

Network Despite reductions in daytime, ABC, CBS, and NBC continue to provide affiliates with the bulk of their programming. Weekday daytime hours consist of news magazines, talk, soap operas, a game show, and network news. In prime time, entertainment, reality shows, news magazines, news briefs, and some sports are broadcast. Talk-variety, news interviews, and news fill the late night and overnight periods.

On weekends, the major networks schedule programs for children and teenagers on Saturday mornings, sports in the afternoon, and entertainment in prime time. Daytime on Sundays includes news-magazine and news-interview programs and sports, followed by prime-time entertainment.

The networks produce their news and sports programs, and they purchase most of their entertainment programs from independent production companies based in California.

Fox supplies fewer hours than the three majors for affiliates. Their programs comprise children's shows in daytime on weekdays and entertainment in prime time. On Saturdays, children's programs are aired in the morning, entertainment and a news magazine in prime time, followed by more entertainment. NFL football was added to the network's Sunday daytime schedule in 1994, joining the existing entertainment in prime time on that day.

Program Syndicators Syndicated programs are used by network-affiliated stations and Fox independents to fill many of the periods during which the network does not provide programming. Independent stations rely heavily on such programs during all dayparts.

There are two major categories of syndicated programs:[6]

> *Off-network*, which denotes that the programs have been broadcast on a network and now are available for purchase by stations. They include a large number of situation comedy and dramatic programs that attracted large and loyal audiences during their network runs.
>
> *First-run*, which describes programs produced for sale directly to stations. The kind of content available varies from year to year. In the mid-1990s, among the most plentiful and popular were talk, reality-based programs (often called tabloids), and game shows.

Feature films and cartoons also are distributed by syndicators. Decisions on syndicated program acquisitions are based on program availability, cost, and audience appeal.

As noted later in the chapter, the station rep company is an important source of information on available programs. Many stations use additional sources, such as the annual *Television Programming Source Books*, published by BiB Channels. This three-volume series contains information on films and film packages and lists short- and long-form TV film and tape series, with details of program length, number of episodes, story line, distributor, and distribution terms. Product is available to a station only if it has not already been obtained by another station in the market.

Even though stations often announce that they have bought a syndicated program, what they have bought, in fact, are the exclusive rights to broadcast a program over a specific period of time. Rights for off-network programs generally are granted for five or six years and permit six to eight broadcasts of each episode. For an established or peaking first-run product, they run from two to four years, while the term is one year for new programs and those in the upward part of the growth curve.

The rights are contained in a license agreement between the syndicator and the station (see Appendix), which lists, among other items, the series title, license term, number of programs, license fee, method of delivery, and payment terms. The fee is based on a number of factors, including the size of the market, competition for the program from other stations in the market, the age of the program, and the time period during which it will be broadcast. The negotiating skills of the person representing the station also may be influential. In the case of feature films, market size, competition, and the age of the films are taken into account, as well as the success they achieved during their showing in movie theaters or on a network.

The dramatic increase in the cost of syndicated product, combined with the emergence and growth of barter programming (discussed below), have led to an important change in the program manager's traditional role in syndicated program purchasing. Today, because of the increased emphasis on the bottom line, the programmer is likely to be only one of several key station personnel involved in purchasing decisions. Others include the general manager, sales manager, and business manager.[7] In many stations, the general manager has primary responsibility, while the program manager merely administers decisions.

In determining what to buy and how much to pay, the station should pay particular attention to the ratings potential and projected revenues of syndicated programs. Their appeal may be ascertained by studying their performance in other markets, particularly those with a similar population makeup. Nielsen's *Report on Syndicated Programs* provides detailed information on the size and demographic composition of the audiences for syndicated programs in all markets, in different dayparts, and against different program competition. Clues to the appeal of off-network programs may be gleaned from their performance in the market when they aired on a network.

Calculating revenue potential requires consideration of (1) spot inventory, or the number of 30-second spots available in each program; (2) the average selling price in the daypart in which the program will be broadcast; and (3) the selling level, i.e., the percentage of spots likely to be sold. Multiplying the selling price by the number of spots available produces the *gross revenue.* The gross is reduced by 15 percent to allow for commissions paid by the station to account executives, reps, and advertising agencies, producing the *net.* That figure is reduced further by the projected selling level (most stations use 80 percent) to give what is known as the *net net.*

Assume that a network-affiliated station is contemplating the purchase of a half-hour, off-network series. Six commercial minutes are available and the average selling price in the daypart for a 30-second spot is $400. The calculation would be as follows:

Selling price	$400
30-second commercials	× 12
Gross	$4800
Net revenue level (after commission)	×.85
Net	$4080
Selling level	×.80
Net net	$3264

The projected revenue of $3264 for each episode applies only to the first year. Projections for subsequent years will take into account possible changes in the spot rate. For example, rates in the daypart may increase to keep pace with inflation. A decrease might result if the program were moved to a less costly daypart.

Having calculated the net net revenue potential of each episode over the life of the contract, the station must then consider how much it can afford to pay per episode. It was noted in Chapter 2 (Figure 2-9), that programming costs for a typical network-affiliated station account for 24.7 percent of revenues. Accordingly, a realistic price per episode would be between 24 and 25 percent of its revenue potential.

The actual price will be determined through negotiations between the syndicator and the station.[8] When the contract is signed, the station usually makes a down payment and pays the balance in installments. As noted in Chapter 2, costs are assigned according to an amortization schedule for accounting purposes. The station may select the *straight line* method, which means that an equal value is placed on each broadcast of each episode. Alternatively, it may opt for *accelerated amortization* or the *declining value* method, which assumes that the value of each episode decreases with each broadcast. Accordingly, the station assigns to each broadcast a declining percentage of total cost. A program with six runs may be expensed as follows: run 1—40 percent; 2—30 percent; 3—15 percent; 4—10 percent; 5—5 percent; 6—0 percent.

It is becoming increasingly difficult for stations to buy attractive syndicated programs for cash. Most first-run product is available only through *barter.* A growing number of off-network programs are being offered on a similar basis.

In a barter transaction, the syndicator provides the program at no cost but, in return, retains for sale some of the commercial inventory. In a 30-minute program, for example, two minutes may be retained, leaving four minutes for sale by the station. A variation is the *barter-plus-cash* arrangement, whereby the station not only surrenders time to the syndicator but also pays a fee for the program.

Schedule B(2) of the agreement in the Appendix details how much time the syndicator may sell to national advertisers in the series "Entertainment Tonight." In each 30-minute, weekday program, up to one minute may be retained for such sales, except on Monday, when the limit is one and one-half minutes. In the one-hour, weekend program and in each special program, the 12 minutes of commercial time are divided equally between the syndicator and the station.

At its inception, barter was viewed as a means whereby stations could control soaring program costs. Syndicators emphasized that the value of the commercial time surrendered would represent a much lower cost to the station than if the program were bought on a straight cash basis. Furthermore, the small amount of inventory retained by the syndicator probably would not hurt profits since 10 percent to 15 percent of commercial time generally remains unsold.

Barter does permit stations to obtain competitive product without putting out large amounts of cash and to exchange time that might not be used for lower overall program costs. However, it has become such a dominant force—more than 90 percent of syndicated programs are bartered—that stations that would be willing to pay cash do not have that option. In addition, program costs have continued to escalate and stations have been left with less inventory to recoup their programming investment. Furthermore, barter now places stations in direct competition with syndicators for the sale of time to national advertisers in the same program.

Local Production The focus of local production is on local newscasts and public affairs programs, chiefly face-to-face interviews. Other local productions may include magazine, music video, exercise, sports, and children's programs, and occasional documentaries.

Programming Factors

The TV program manager weighs many factors in making program acquisition and scheduling decisions. Among the more important are these:

Strength or Weakness of Competing Stations
Since the size of the television audience is predictable in each daypart, a station attracts viewers at the expense of its competitors. Noting the strength or weakness of the competition, both among total viewers and particular demographics, the station can schedule appropriate programs. In a single time period, there are two basic options. One is to try to draw viewers from competing stations with a program of similar audience appeal. The second is to schedule a program with a different appeal to attract those whose interests are not being addressed.

Building Audience Flow
It is advantageous to a station to air programs that attract large audiences. It is much more advantageous if audiences can be inherited from preceding programs and retained for those that follow. In scheduling, consideration is given to both possibilities.

A challenge in scheduling programs to capitalize on audience flow has grown out of the spread in ownership of remote-control pads to almost 90 percent of TV households. Viewers use them to switch from channel to channel within and between programs to explore their options. This practice is known as flipping.[9]

Building Audience Habit
Series programs scheduled in the same time period each weekday can become part of the audience's daily television viewing routine. Encouraging such habit formation usually is an important goal.

Available Audience
The audience of a market, and the availability of different parts of the audience in various dayparts, are major determinants of program selection and scheduling. Figure 4-7 shows the dayparts on weekdays and the audience available in each.

Weekends present a different picture. In theory, all children and many adults are potential viewers. However, shopping, social, and sporting activities influence the number and kind of people who are free to watch television on Saturdays. The nature of the local economy is important, too. More adults usually are available in white- than in blue-collar communities, where Saturday work is not uncommon. On Sundays, religious pursuits may be added to shopping, social, and sporting activities as alternatives to television viewing.

Audience Interest
Audiences are attracted in large numbers to many entertainment programs. If audience interest in other kinds of content is high in a particular market, or if the station believes that interest can be stimulated, it may wish to produce or buy programs that respond to such interest.

Advertiser Interest
To be successful, programs must attract advertisers as well as audiences. The principal target of most TV advertisers is adults aged 25 to 54. Selecting programs with low audience appeal, or with appeal chiefly to demographics in which advertisers are not interested, leads to financial problems.

Budget
The amount of money available for program production and purchases is an important determinant of what can be programmed. Costs of many popular off-network programs have been driven up significantly in recent years, making it difficult for a station to use large numbers of such programs as a steppingstone to success.

Program Inventory
Many syndicated program and feature film contracts permit multiple broadcasts over a period of years. In addition to recently purchased product, such content still may be available for airing.

Local Production Capabilities
It has been noted that most stations produce few programs, except news and public affairs. However, a station with an adequate budget, equipment, and technical facilities, competent production personnel, and sources of appropriate talent may contemplate producing other kinds of programs, especially if audience and advertiser interest are strong.

Scheduling Strategies

Consideration of the above factors will suggest program scheduling strategies suited to the competitive situation in which the station finds itself. The following strategies are among those used most commonly:

Head-to-head: A program that appeals to an audience similar to that being sought by a competing station or stations. Early- and late-night news

Figure 4–7 *Television dayparts and available audience (all times are Eastern).*

Daypart	*Available Audience*
Early morning (6:00 A.M. to 9:00 A.M.)	Children, homemakers, adult men and women who work outside the home, retired persons. Schoolchildren and working adults are preparing to leave, and most have left by the end of the daypart.
Morning (9:00 A.M. to noon)	Mostly preschoolers, homemakers, the retired, and shift workers.
Afternoon (Noon to 4:00 P.M.)	Early in the daypart, working adults who eat lunch at home are added to the morning audience. They leave, and are replaced from about 2:00 P.M. by children returning from school.
Early Fringe (4:00 P.M. to 6:00 P.M.)	The return of most working adults begins and, in many small and medium markets, is completed.
Early Evening (6:00 P.M. to 7:00 P.M.)	In all but the largest markets, all segments of the audience are home.
Prime Access (7:00 P.M. to 8:00 P.M.)	All audience segments are available to view.
Network Prime Time (8:00 P.M. to 11:00 P.M.)	During the first hour or so, the same as that for prime access. A decrease begins at about 9:30 P.M., chiefly among children, those who have to get up early, and the retired.
Late Fringe (11:00 P.M. to 11:30 P.M.)	Mostly adults.
Late Night (11:30 P.M. to 2:00 A.M.)	Again, mostly adults, including shift workers.
Overnight (2:00 A.M. to 6:00 A.M.)	Shift workers comprise the largest part of the comparatively small available audience.

programs usually are scheduled against each other on network-affiliated stations and provide an example of this strategy.

Counter: A program that appeals to a different audience from that targeted by the competition. A program with principal appeal to adults at the same time as a children's program on another station is an example of counter-programming.

Strip: Scheduling a program series at the same time each day, usually Monday through Friday. This practice, also know as *horizontal programming,* encourages habit formation by the audience. However, if the program does not attract a sizable audience, the strategy may backfire, since failure will be experienced every day. With syndicated series, the strategy is desirable only if there are enough episodes to schedule over several months, at least.

Checkerboard: Airing a different program series in the same time period daily. This strategy has several drawbacks. It is expensive, since the station may have to buy as many as five different series. It is difficult to promote. Finally, it does not permit the station to capitalize on the element of audience habit.

Block: Scheduling several programs with similar audience appeal back to back, usually for two hours or more. This strategy also is called *vertical programming* and seeks to encourage audience flow.

Feature films pose a special scheduling challenge. Film packages contain both good and not-so-good movies, and not all have similar audience appeal. Many stations try to surmount the problem by airing films under an umbrella series title and identifying an element for promotional emphasis. If the movie has won awards, for example, the award-winning elements lend themselves to such an approach.

In addition to these strategies, successful scheduling can depend on judicious application of the 10 basic programming principles described by then-vice president and general manager of Marketron, Inc., Philip F. von Ladau:

1. *Attack where shares of audience are equally divided.* It's a lot easier to take a little audience from each of several stations than a lot of audience from a dominant program.
2. *Build both ways from a strong program.* Take advantage of early tune-in to a strong program creating "free" sampling of a good preceding show; late tune-outs to accomplish the same for the following. This falls under the principle that it's easier to sustain an audience than to build one.
3. *Sequence programs demographically.* Don't force unnecessary audience turnover.
4. *When a change in appeal is called for, accomplish it in easy stages.* When the available audience dictates a change, do so with a program type that will hold as large a share of the preceding audience as possible, rather than attempting to completely change the demographic appeal.
5. *Place "new" programs at time periods of greatest tune-in.* This amounts to free advertising through happenstance sampling. People turning on their sets generally leave them at the station last used; thus at times of building (increasing) set usage, a significant number of people may inadvertently be exposed to your new show.
6. *Keep a "winning" program in its current position.* Changing competition must, of course, be taken into consideration. But when people are in the habit of finding a popular program in a particular time period, moving it risks an audience loss.
7. *Counter-program to present viewers with a reasonable alternative to the other fare.* It's generally better to offer something different than just another version of the types of programs already being aired by the competition.
8. *Program to those people who are available.* A lot of errors are made here by considering the age/sex makeup of all the audiences using TV. What is really available to most programs, particularly independent and/or individual-station-placed programs, is just the audience that *remains* after the dominant show has commanded its share.
9. *In buying, always consider how it would be to have the offered program opposite you.* It may be worth a small going-in monetary loss as opposed to the big one

that might be created with the subject program opposite your existing properties.

10. *Don't place an expensive program in a time period where there is insufficient audience or revenue potential*, enough at least to break even in combination with its preceding and following properties.[10]

PROGRAMMING THE NETWORK AFFILIATE

Affiliation with a network offers many advantages. It has been noted that the network fills a significant part of an affiliate's program schedule, at no direct cost. Indeed, since the network compensates the station for carrying sponsored network programs, affiliation is an important source of station revenue.

Many network programs attract large audiences, thus increasing the value of the time the station sells in and around them. Skillful scheduling and promotion also permit the station to attract audiences to locally scheduled programs before, between, and after network offerings. Similar assistance in boosting audiences is afforded through the network's publicity and promotion, which are most extensive at the start of the fall season.

However, the affiliate programmer's job is not without challenge. By the mid-1990s, the average household could select from more than 30 channels, up from only eight a decade earlier. Cable, independent stations, and VCRs offered stiff competition and had cut deeply into the audience of the three major networks and their affiliated stations. In 1980, the networks' share of the prime-time audience was 85 percent. By 1993, it had dropped dramatically to 60 percent.

Network-Affiliate Relations

The relationship between a network and an affiliated station is governed by an affiliation contract. Specific contracts differ from network to network, but generally they contain the following clauses:

1. The network agrees to provide, and deliver to the station, a variety of programs.
2. The station has the right of first refusal. In other words, the network must offer programs first to its affiliated station in the market.
3. The station may reject any network program it believes to be unsatisfactory, unsuitable, or contrary to the public interest. In such cases, the network may offer the program to another station or program transmission service in the market. In practice, affiliated stations clear (i.e., carry) most of their network's programs. When they refuse, it is generally because they consider the program too controversial or because they wish to broadcast a program of special local interest. Another reason for rejecting a network program is the station's belief that it can attract a larger audience with a different program.
4. The station may broadcast a network program on a delayed basis, but only with network approval. When the delayed broadcast occurs, the station must announce that the program was presented earlier on the network.

5. The station may not add or delete material from a network program without prior written authorization from the network.
6. Within a network program period, the station may not delete any network identification, program promotion, or production credit announcement, except promotional announcements for a program the station will not carry. In such cases, only a network or station promotional announcement or public service announcement may be substituted.
7. The network may cancel a previously announced program and substitute another program.
8. The station may broadcast locally originated announcements in station-break periods between and during network programs. However, the placement and duration of such periods is determined by the network.
9. For each sponsored network program broadcast, the station receives revenue from the network in the form of station compensation. It is based on what is known as the *network station rate*, which differs according to market size, the station's audience reach, and other factors that reflect the importance of the station to the network. Special compensation terms are agreed for sports and special events programs. The network deducts from the compensation a sum for its overhead expenses and for music licensing payments. The network may increase or decrease its station rate. In the event of a decrease, the station may terminate the contract.
10. When an affiliated station is sold, the network has the right to determine whether to accept the change.

Network Programming

The major networks provide their affiliates with programs in most dayparts. The Fox schedule is more limited, and its affiliates operate as independents much of the time. For that reason, they will be considered with the independents later in the chapter.

As Figure 4-8 indicates, early morning network programming consists of news magazines. Talk (ABC and NBC) and a game show (CBS) fill part of the morning, followed by an afternoon block of soap operas and news in early evening. Network prime time comprises a variety of programs: situation comedies, dramas, feature films and made-for-TV movies, reality shows, news magazines, news briefs, specials, and sports. Late night is made up of news-interview and talk-variety programs, followed by news in the overnight daypart.

The networks' weekend lineup varies, chiefly as a result of sports coverage on Saturday and Sunday afternoons. Cartoons and other child- and teen-appeal programs are aired on Saturday morning. Sports characterize Saturday afternoon, usually followed by the network news. Network prime time consists of entertainment. NBC is the only network that has weekend programs in the late night and overnight slots, with "Saturday Night Live" and the news broadcast "Nightside."

News magazines and news interviews are aired on Sunday morning, and sports during the afternoon. Network news precedes prime-time programming at 7:00 P.M. and fills the overnight period.

Figure 4-8 *Weekday programming of the three major TV networks in the mid-1990s.*

	ABC	CBS	NBC
6:00			
6:30			
7:00	Good Morning America	This Morning	Today Show
7:30			
8:00			
8:30			
9:00			
9:30			
10:00			Leeza
10:30			
11:00	Mike and Maty Show	Price Is Right	Jane Whitney
11:30			
12:00			
12:30	Loving	Young and the Restless	
1:00	All My Children		Days of Our Lives
1:30		Bold and the Beautiful	
2:00	One Life to Live	As the World Turns	Another World
2:30			
3:00	General Hospital	Guiding Light	
3:30			
4:00			
4:30			
5:00			

Figure 4-8 *Continued*

	ABC	CBS	NBC
5:30			
6:00			
6:30	World News Tonight	Evening News	Nightly News
7:00			
7:30			
8:00	Various	Various	Various
11:00			
11:35	Nightline	Late Show with David Letterman	Tonight Show with Jay Leno
12:05			
12:35		Late Night	Late Night with Conan O'Brien
1:05			
1:35			Later*
2:00	World News Now	Up to the Minute	Nightside (2:05)
5:30	World News This Morning	Early Morning News	News at Sunrise

* Friday: Friday Night Videos (1:35–2:35)

Scheduling

Since a network fills the major part of an affiliated station's broadcast day, the program manager's chief scheduling responsibility is for those periods during which the network is not feeding programs. Of course, if the station determines that it will not clear or will delay broadcast of a network program, additional scheduling decisions must be made. Programming possibilities on weekdays include the following:

Early Morning (6:00 A.M. to 9:00 A.M.) Many affiliates start the daypart with local news and/or news-magazine programs, and most join the network at 7:00 A.M. for their respective news magazines. In large markets, stations have found success with their own two-hour news magazines. Children and teenagers are not being served. Locally produced children's programs, syndicated cartoons, and off-network sitcoms or drama-adventure series offer alternatives for part or all of the period.

Morning (9:00 A.M. to Noon) Homemakers are a principal target in this daypart. During the first hour or two, the networks are not providing programs. Options include syndicated talk, discussion, or magazine programs oriented toward women. Off-network situation comedies starring children or with slapstick elements may bring children as well as adults to the set. Starting at 10:00 or 11:00 A.M., the networks launch into talk or a game show, and most affiliates broadcast them through the end of the period.

Afternoon (Noon to 4:00 P.M.) Between noon and 12:30 P.M., many affiliates opt for local news or a news magazine, both of which provide an opportunity to promote later newscasts. Syndicated entertainment, such as quiz or game shows and situation comedies, is an alternative. From 12:30 to 4:00, ABC and CBS affiliates generally carry the network soap operas. NBC affiliates usually clear their network's two-hour soap opera block and have an opportunity to counter-program starting at 3:00 P.M. The alternatives include syndicated talk with strong appeal to women or cartoons and situation comedies with teenage and child appeal to target returning schoolchildren.

Early Fringe (4:00 P.M. to 6:00 P.M.) Figure 4-8 shows that this is the start of the longest period for which an affiliate has programming responsibility. At the same time, it offers a station the opportunity to generate significant advertising revenues and build the adult audience for its local news.

The growth in audience size and diversity allows stations to engage successfully in counter-programming. Thirty-minute and one-hour off-network and first-run syndicated content fit easily into the period, and many stations have discovered that audiences respond well to blocks of programs of the same genre.

Placement of local news is a major strategic factor. Airing it at 5:30 rules out the possibility of back-to-back hour-long programs. However, a succession of three off-network situation comedies with increasingly older appeal can bring youngsters to the set first, followed by teenagers and adults. A block of 30-minute reality programs attracts the adult demographics desired for news. An alternative strategy for building a news audience involves the scheduling of two hour-long syndicated talk programs across the period. Movies may be considered, but their appeal varies. They also pose some scheduling problems because of their varying lengths. Made-for-television movies are consistent in length, but have proven less appealing than feature films.

Early Evening (6:00 P.M. to 7:00 P.M.) The length of the local newscast and the periods selected both for local and network news influence the schedule in this daypart. The 30-minute network newscast may be preceded or followed by a 30-minute local newscast. An hour-long local news program may be followed by network news in the first half hour of prime access, or a 90-minute news block may start with 30 minutes of local news, followed by network news, and a final 30 minutes of local news. In most major markets, longer news blocks are common. However, many affiliates air one hour of news from 6:00 to 7:00 P.M., comprising 30 minutes of local and 30 minutes of network.

Prime Access (7:00 P.M. to 8:00 P.M.) The prime-time access rule influences program choices in this daypart. The rule forbids network-owned or -affiliated stations in the top-50 markets from broadcasting more than three hours of network or off-network programs between 7:00 and 11:00 P.M. (ET). Exceptions are made for feature films, network news, public affairs or documentary programs, and programs designed for children. In practice, the networks do not begin their prime-time broadcasts until 8:00 P.M., leaving programming of the 7:00 to 8:00 P.M. period to affiliates.

One of the goals of the rule was to encourage local production. However, most stations have filled the time slot with syndicated programs. Quiz and game shows have proved very strong in this period. Reality programs and those build around entertainment news enable stations to inherit adults from the preceding newscasts. Off-network situation comedies offer an alternative for stations in markets below the top 50.

Network Prime Time (8:00 P.M. to 11:00 P.M.) Most affiliates carry network programming during this entire daypart. If a network program is not competitive, or if most of the network's schedule on a given night is faring poorly, the station may consider preempting and substituting its own programming. Syndicated entertainment programs can fill a 30- or 60-minute period, while movies may produce the desired audience for periods of 90 minutes or 2 hours.

Late Fringe (11:00 P.M. to 11:30 P.M.) Affiliated stations usually air their late local news in this time slot, which runs to 11:35 on affiliated stations and sets back the late night daypart by five minutes.

Late Night (11:30 P.M. to 2:00 A.M.) NBC provides affiliates with programming for the entire period, and CBS programs all but 30 minutes. ABC fills only the 11:35 to 12:05 A.M. slot. Options for CBS and ABC affiliates include off-network situation comedies and, for ABC affiliates, syndicated talk or entertainment-based programs, off-network dramatic series, and movies.

Overnight (2:00 A.M. to 6:00 A.M.) Affiliates that remain on the air during this daypart usually carry news fed by the network.

Weekend scheduling is influenced by network sports programming, which varies from season to season. On Saturday afternoon, the station may have to program a period of one or two hours. Syndicated entertainment and feature films are among the most popular options. Many stations air a 30-minute local newscast at 6:00 P.M. and follow network news with a one-hour or two 30-minute syndicated entertainment programs from 7:00 to 8:00 P.M. Local late news follows network prime time at 11:00 P.M. on many affiliated stations. ABC and CBS affiliates do not receive network programming during late night and overnight and often run movies or off-network drama series or situation comedies in the time periods.

Many affiliates carry religion, public affairs, or children's programs on Sunday morning before joining the network for news-magazine and news-interview broadcasts. Depending on the season, the station may have to schedule afternoon programs before or after network sports. Again, syndicated entertainment and feature films are common choices, with local and network news between 6:00 and 7:00 P.M. After network prime time at 11:00 P.M., most affiliates air a 30-minute local newscast. Movies, syndicated entertainment, and religion are among the alternatives for the late night period, followed by overnight network news broadcasts.

PROGRAMMING THE INDEPENDENT STATION

Programming an independent television station is a most challenging job. The challenge is less difficult for Fox independents, which receive from the network five hours of programming a day on weekdays and 10 hours on weekends, excluding NFL football (Figure 4-9). However, the programmer still is left with many hours to fill each day and cannot rely to the same degree as affiliate competitors on network programs to encourage the flow of viewers into locally scheduled time periods, thus enhancing not only audience size but also the value of time the station sells to advertisers.

By definition, the true independent does not have access to programs on any permanent network, many of which attract large audiences to the affiliates with which it competes. It does not benefit from the audience flow that many network programs provide or from network promotion and publicity, which draw viewers to the affiliates. Unlike the affiliate, the true independent must provide all the programs it airs, a task that has been aggravated by the diminishing supply of attractive off-network syndicated programs and by their increasingly high cost.

The independent has to meet program and other costs without the station compensation that networks pay their affiliates, and it does not enjoy the comparatively high rates that affiliates can charge advertisers for time in and around network programs. Further, the independent often has to contend with a negative attitude on the part of time buyers.

Figure 4–9 *The Fox weekday and weekend schedule in the mid-1990s.*

	Monday–Friday	*Saturday*	*Sunday*
6:00			
6:30			
7:00			
7:30	Power Rangers		
8:00	Merrie Melodies	Dog City	
8:30		Bobby's World	
9:00		Droopy	
9:30		Eek! The Cat	
10:00		Tiny Toon Adventures	
10:30		Taz-Mania	
11:00		X-Men	
11:30		X-Men	
12:30–3:00			
3:30	Tom and Jerry Kids' Show		
4:00	Tiny Toon Adventures		
4:30	Animaniacs		
5:00	Batman: The Animated Series		
5:30-6:30			
7:00			Code 3
7:30			Code 3
8:00	Various	Cops	Martin
8:30		Cops	Living Single
9:00		Front Page	Married . . . With Children
9:30			George Carlin Show
10:00			
10:30			
11:00		Tales from the Crypt	
11:30			

The challenge is difficult but not impossible, as evidenced by the number of independent stations showing a profit. In large measure, their success has been based on the wisdom of their program selection, the imagination of their promotion efforts, and, above all, on the effectiveness of their program scheduling.

For the most part, the programming weapons of both Fox and true independents have been movies, syndicated talk, off-network entertainment programs—especially situation comedies and action-drama series—syndicated or local children's programs, and live sports. Many independents also carry specials and, occasionally, programs rejected by affiliates of the three major networks.

Network promotion has aided Fox independents in positioning themselves, while imaginative station promotion has enabled true independents to benefit from their image as a source of alternative programming or as the station to watch for movies and sports. However, positioning the independent is becoming more difficult with the increase in both alternative and specialized program offerings on cable.

At the heart of the success of many independents is the realization that it is unrealistic to try to beat network affiliates in all time periods. Rather, they have identified dayparts in which they can compete effectively and have programmed accordingly. Generally, the dayparts have been those in which all affiliates seek similar audiences or in which parts of the available audience have been unserved or underserved. Their strategy has been based chiefly on counter-programming.

The success of their counter-programming points to one of the few programming advantages enjoyed by true independent stations: flexibility in scheduling. Affiliates are expected to carry most of the programming of their networks. The network schedule determines the amount and times of locally programmed periods. The independent, on the other hand, is free to develop its own schedule and to take advantage of the opportunities to attract audiences whose interests are not being satisfied. Among the best opportunities for counter-programming on weekdays are the following:

Early Morning
While most affiliates are carrying adult-appeal network or local news-magazine shows or local news programs, the independent can capture children with syndicated cartoons or locally produced children's programs. Fox independents enjoy compatible programming from the network with one hour of cartoons from 7:30 to 8:30.

Afternoon
With affiliates of the three majors airing network soap operas, the independent has taken advantage of the abundance of syndicated talk programs to offer an alternative. Off-network situation comedies and male-oriented action dramas also have proved effective options. As the daypart progresses, cartoons and other child- and teenage-appeal content is favored by many stations, and in the final half-hour, Fox independents join the network for the start of a two-hour children's block.

Early Fringe
Fox fills all but the last 30 minutes of the daypart for its affiliates with children's programs. Many Fox independents move to a block of off-

network situation comedies with appeal to both children and adults. The strategy also serves as a counter to local news, which often starts before the end of the period, and as a bridge to the adult-appeal programming that follows. True independents also look to situation comedies or counter both Fox and other affiliates with off-network reality shows and hour-long dramas.

Early Evening
An excellent opportunity to counter-program with off-network entertainment is offered during this traditional news block on affiliated stations.

Prime Access
The independent can benefit from audience flow in the 7:00 to 8:00 P.M. period by airing additional entertainment. An alternative for true independents would be to start a two-hour movie at 7:00 P.M. in an attempt to attract adults and hold them during the first hour of network prime time.

Late Fringe
During this period, most affiliates of the majors broadcast local news. Independents are able to counter with adult-appeal entertainment programs, such as situation comedies, action dramas, or movies.

Overnight
Entertainment of any kind geared toward adults provides an alternative to news broadcasts on affiliates of the three major networks.

Most other periods do not offer significant advantages to independent stations, though effective counter-programming still is possible.

During the morning hours when affiliates are not receiving network programs, the independent is on an equal footing. Homemakers constitute a significant part of the available audience and are the principal target of advertisers. With their appeal to women in the 25 to 54 age group, movies could offer strong competition to the affiliates' offerings. Alternatives include off-network situation comedies and dramatic series with strong female appeal. Similar programs may be the most effective way of competing against the network soap operas before the return of children in midafternoon.

Prime time poses a difficult problem for the true independent. The networks' lineup of entertainment programs attracts large audiences during this period. Movies, off-network dramatic series, and specials offer the best opportunities to attract audiences. From 10:00 to 10:30 P.M., the independent can counter entertainment on the affiliates with local news.

In the late night daypart, syndicated talk-variety, off-network situation comedies and adventure dramas, or movies are effective competition against network programming.

Weekends provide true independent stations with several opportunities to counter-program. While Fox affiliates and those of the major networks are carrying network cartoons or other child- or teen-appeal programs on Saturday morning, the independent may target adults and older teenagers with movies or sports, such as wrestling. Syndicated popular music, adventure drama, and movies offer alternatives to network sports during the afternoon for both Fox and true independents.

As noted earlier, affiliate programming on Sunday morning consists primarily of religion, public affairs, and network news magazines and news interviews. The independent station can attract children with cartoons and young viewers and adults with situation comedies and adventure dramas. Movies are another vehicle to bring adults to the set. Popular-music programs and movies are among the most attractive alternatives to network sports on Sunday afternoon, though some independents go head-to-head against affiliates with regional or minor sports.

PROGRAMMING AND THE STATION REPRESENTATIVE

The traditional role of the station representative firm, or station rep, has been to sell time on client stations to national and regional spot advertisers. However, in the increasingly competitive environment in which television stations operate, reps have assumed an important role in local station programming. Today, all rep firms have departments that are experienced in advising stations on the purchasing, scheduling, and promotion of programs.

The move is not surprising. After all, the more competitive the station's programming, the easier it is to sell time. Competitive programming requires sound information and advice on which to base program purchase and scheduling decisions. The rep can provide such services.

The rep has access to a wealth of information that can be used to strengthen the station's competitive position. Details of the current performance of network offerings and network program plans, including specials, can provide the station with useful insights for its own planning.

The rep knows which syndicated programs are available or are about to become available. Additionally, the rep is privy to a wide range of information on such programs, including the track records of those that have been broadcast; how they fared in other markets or geographic areas similar to that of the client station; their strength against different kinds of competing programs and among different demographics; and, with off-network programs, how they performed when they were broadcast originally in the market. Using this and other information, the rep can recommend desirable program purchases and realistic purchase prices.

With a proposed new program, the challenge is more difficult. An important consideration is whether it will actually make it to the air. The rep firm programming department can evaluate the program's prospects before the station commits to it. If a commitment is made, the rep can suggest likely demographic appeal and possible time periods.

The rep programmer also has information on the availability of feature film packages and the performance of individual films in movie theater and network showings.

It has been emphasized that a station's programming success derives not only from individual programs, but the way in which they are assembled in a schedule. Here, again, the rep's expertise can be valuable.

Through a close study of the market and competing stations, the rep can identify strengths and weaknesses in the station's current schedule and propose appropriate changes. It is unlikely that the rep will recommend program purchases in isolation. Generally, such purchases are proposed with an eye to strengthening a daypart, not just a time period.

The rep firm can help the station decide on expanding or contracting the amount of local news programming. For example, the station may be considering adding a half-hour to its early news, starting a Saturday morning newscast, or supplying a newscast to the local independent station. The rep can analyze what has happened in other markets under similar circumstances and can assist the station in making intelligent forecasts in its own market. To achieve the strongest possible lead-in for early news, the rep routinely aids the station in programming the early-fringe time period.

PROGRAMMING AND THE COMMUNITY

The Communications Act imposes on broadcasters the obligation to serve the public interest, convenience, and necessity. Programming is the principal tool used to satisfy that requirement.

Entertainment dominates the programming of most commercial television stations and music-format radio stations. Information is included in the schedule of most stations and is the sole element for many radio stations.

Problems confronting the community of license must not be overlooked in programming. Every three months, stations must place in their public file a list of five to 10 community issues to which "significant treatment" was given in the preceding three months and a brief narrative describing the methods used and the time, date, and duration of the treatment.

To help determine the issues of concern, the program manager and others in managerial capacities must develop a personal involvement with the community. Riding the bus to work and speaking with other passengers, and talking with garage attendants, laborers on construction projects, and others outside the broadcast workplace may result in some valuable insights. Membership in service clubs and nonprofit organizations can be useful, too.

The public interest is served best, however, when the station demonstrates a sincere commitment to community service. Many stations render off-air service through participation in, and sponsorship of, selected events. Opportunities through use of the station's air time are numerous. They include the following:

Local Newscasts

Radio and television newscasts are important sources of information on day-to-day events and activities in the community. Investigative reports and series enable the station to bring to public attention questionable or illegal practices by individuals or institutions, often with results that are beneficial to the community.

A major police crackdown on drug dealers occurred after a Nashville radio station broadcast a series of reports on the surge in violent crime in that city. Television stations that produce and air the "Crime Stoppers" series frequently are successful in solving crimes in the community.

Public Affairs Programs

Interview programs are the most common method of exploring community issues in depth. On television, such programs often are criticized for their reliance on "talking heads." Radio stations find it difficult to engage the sustained interest of listeners accustomed to almost continuous music. Nevertheless, public affairs programs of this kind can be instructive and allow the station to compensate for the brevity with which complex issues usually are covered in newscasts.

Stations with adequate staff and production resources periodically air 30- or 60-minute specials or documentaries on community problems. In one half-hour special, a Cincinnati television station revealed that an orderly at a local hospital was a serial killer. A station in Washington, D.C., examined ways in which medical laboratory errors led women with cancer to believe that they were healthy.

Station Editorials

Editorials offer the station the opportunity to focus listener or viewer attention on community issues and problems and to play a leadership role in effecting change.

Recognizing the needs of the community, a Chicago radio station aired a series of editorials calling for flexible hours in the city's health clinics. A series on a TV station in New Orleans led to the forced retirement of the warden and the replacement of all other administrators at a prison for young, first-time offenders. The editorials attacked the administration for failing to put a stop to gang rapes and for allowing hardened criminals who did not belong in the institution to "sell" some young inmates to other convicts.

Public Service Announcements

The broadcast industry contributes about one billion dollars annually for public service campaigns. Public service announcements (PSAs) constitute the majority of that amount, which is calculated by the value of air time and of staff time and the use of station facilities for production.

Most PSAs contain information about the activities of nonprofit groups. However, many stations have discovered that they can be very effective in soliciting volunteers. A Chicago radio station used them as the basis of a successful 10-week campaign to recruit and match volunteers with community organizations. Member radio and television stations of the West Virginia Broadcasters' Association aired them to encourage clubs and organizations to adopt and clean up stretches of roads in their communities as part of an "Adopt-a-Highway" program. Over 800 groups responded and more than 14,000 volunteers set to work on about 2400 miles of roads.

Radiothons and Telethons

Raising funds to support their activities is a constant challenge for most nonprofit organizations. Many broadcast stations have become partners in that endeavor by donating air time for radiothons or telethons or by making time available at a modest cost.

A radio station in Atlanta raised more than $800,000 during a 40-hour radiothon to benefit St. Jude Children's Research Hospital in Memphis. Almost 200 television stations join together annually in the so-called love network for Jerry Lewis' Labor Day telethon for the Muscular Dystrophy Association. Since 1966, the telethon has generated more than $500 million in viewer pledges.

Some stations respond immediately to the need for funds, whether that need is domestic or foreign. A radio station in Atlantic City devoted 10 hours of air time and collected more than $70,000 to help children orphaned by an earthquake in Armenia.

Fund-raising activities need not be restricted to radiothons or telethons. Staff often volunteer their time off the air to assist community groups in their efforts. A morning personality on a radio station in Portland, Ore., collected more than $44,000 for underprivileged schoolchildren by swimming 35 miles in a hot tub. Staffers of two radio stations in Exeter, N.H., joined 300 people in a 10-mile walk, which raised over $19,000 for the state chapter of the National Head Injury Foundation.

Such methods of serving the public interest can go far toward stilling criticisms that broadcast stations are merely vendors of entertainment. In addition, they can lead to improved ratings and increased business by enhancing the station's image in the community. One observer summarizes the importance of public service to the broadcaster in this way:

> If . . . you are seen as somebody working hard to make people's downtown safe, protect their kids from drugs and alcohol and lead their community to invest more in itself and its improvement, they will treat you not as a vendor but as a friend and ally.[11]

Active participation in the community, and service to it, are valuable tools for forestalling threats from citizen groups and fending off challenges to license renewal. They also permit the station to show that it is living up to its responsibility as a public trustee.

The discharge of that responsibility has become even more important in this era of deregulation. Instead of dictating standards, the Federal Communications Commission has entrusted to listeners and viewers the task of deciding the public's interest. However, the commission retains its responsibility to ensure that broadcasters remain responsive to the needs, interests, and tastes of their audiences.

Keeping a close watch on both broadcasters and the FCC are those members of Congress who are not convinced that a loosening of regulations will benefit the public. One of them, Representative Edward Markey, chairman of the powerful House Telecommunications and Finance Subcommittee, has warned of what might happen if stations ignore their public interest obligations:

> The broadcasting industry will remain "special" as long as the public-trustee concept remains its fundamental underpinning. Its special niche in the marketplace has been protected because it is viewed as having a special role. If broadcasters eschew that role, Congress will take a Darwinian view of their faith and there will be no need for us to protect them.[12]

SUMMARY

Radio and television station programming reaches virtually every household in the United States, and is influenced by the interests of the audience, the broadcaster, the advertiser, and the regulator.

Entertainment is the dominant program element both in radio and television, with the exception of information-format radio stations. However, most stations broadcast a variety of other programs.

Responsibility for a station's programming rests with the program department, headed by a program manager or program director. In a music-format radio station, department staff generally includes a music director, production director, and announcers. In a station with an information format, editors, producers, hosts, anchors, reporters, writers, and desk assistants constitute the majority of the staff. In television, the program department comprises a production manager, production staff, a film or film and videotape director, and an art director. In some radio and television stations, news is a function of the department.

The principal duties of the program manager are to plan, acquire, execute, and control the station's programming. To carry out those duties effectively requires knowledge, administrative and professional skills, and certain personal qualities.

The programming of most radio stations revolves around one principal content element, called a format. Usually it is designed to appeal to a particular subgroup of the population, identified by age, ethnicity, or socioeconomic status. Music is the most common format. Other format categories are information and specialty.

The major sources of radio station programs are the station itself, syndicators who distribute both programs and entire music formats, and networks.

In developing a programming strategy, a radio station selects a format and decides how to execute it. Consistency of sound is a major consideration, and stations seek to attain it through use of a format wheel or clock. The wheel identifies the combination of content elements in a one-hour period and the sequence in which each element is aired. All-news stations broadcast their content in cycles, with a period of time elapsing before each element is repeated. Other important strategic considerations include dayparting, playlist selection, music rotation, and the frequency and length of commercial interruptions.

Television station programming is quite different from radio station programming. In radio, a major goal is to identify a segment of the population and broadcast to it throughout the day. In television, the programmer seeks to attract and retain those persons who are available to view.

Network affiliates and Fox independents use three major program sources: the network, program and feature film syndicators, and the station itself. True independent stations rely on syndicators, station productions, and on ad-hoc networks.

In acquiring and scheduling programs, the television station program manager considers many factors. Chief among them are the programming of competing stations, the kinds of people available to view, and the station's program budget. Attention is also paid to the possibility of building audience flow and habit. The basic scheduling strategies are head-to-head, counter, strip, checkerboard, and block.

The three major networks fill a large part of their affiliates' schedules, while Fox provides considerably less programming to its affiliates. The true independent station, on the other hand, must program all time periods itself.

Despite the challenge, many independents have achieved profitability by concentrating on dayparts in which they can compete effectively with affiliates. Counter-programming has played an important part in their success.

Many television stations seek program information from their rep company, which is aware of the availability and performance of all syndicated programming. Additionally, the rep can offer advice on scheduling and promoting programs.

Programming is the chief method whereby stations carry out their obligation to serve the public interest. They are required to treat community issues and can use their air time in a variety of ways to demonstrate a commitment to public service. Service also can be rendered by station involvement in community activities.

CASE STUDY: RADIO

A market in the South has an estimated metro survey area population (persons 12+) of 368,600. Blacks constitute 46,200 (12.5 percent) of that number. Teens (12 to 17) account for 38,100 (10.3 percent). The following table describes the rest of the population:

Age	*Men*	*%*	*Women*	*%*
18–24	20,500	5.6	20,900	5.7
25–34	32,300	8.8	33,900	9.2
35–44	34,400	9.3	36,600	9.9
45–49	14,600	4.0	15,200	4.1
50–54	11,300	3.1	12,400	3.4
55–64	18,600	5.0	21,800	5.9
65+	22,200	6.0	35,800	9.7

Fifty-five percent live in owner-occupied homes with a median value of $57,000. Household median disposable income is $28,242. The occupation of persons 16 and older is as follows:

Managerial	22.8%
Technical	31.2%
Service worker	12.2%
Farm worker	1.3%
Precision production	12.0%
Operators	20.5%

Sixteen percent of persons 25 and older have completed four or more years of college, and 23 percent one to three years. Of the remainder, 30 percent are high school graduates.

Seventeen stations serve the market:

Station	Power (Watts) Day	Power (Watts) Night	Format
WAAA-FM	500	500	Adult contemporary
WBBB	5000	5000	Easy listening
WBBB-FM	100,000	100,000	Easy listening
WCCC	5000	5000	Big band
WCCC-FM	100,000	100,000	Country
WDDD	50,000	2500	Religion
WEEE-FM	3000	3000	Classic rock
WFFF	5000	1000	News/talk
WGGG-FM	3000	3000	Contemporary Christian
WHHH-FM	3300	3300	Urban contemporary
WIII-FM	16,000	16,000	Adult contemporary
WJJJ-FM	3000	3000	Adult contemporary
WKKK	5000	—	Black
WLLL	5000	—	Country
WMMM-FM	650	650	Oldies
WNNN-FM	100,000	100,000	Contemporary hits
WOOO-FM	100,000	100,000	Contemporary country

You are the program director of WGGG-FM and are becoming increasingly concerned about the station's performance. After debuting strongly with your Christian Contemporary format three years ago (6.3 metro share among persons 25 to 54), you have watched your share decline. The drop is continuing, as evidenced by the numbers from the three most recent rating books (metro share, persons 25 to 54, Monday to Sunday, 6 A.M. to midnight):

	Spring	Summer	Fall
WAAA-FM	1.1	2.1	2.9
WBBB	.3	.6	
WBBB-FM	6.0	7.1	8.9
WCCC	1.1	.3	.3
WCCC-FM	3.4	3.8	5.1
WDDD	.3	.3	1.0
WEEE-FM	8.9	4.7	6.4
WFFF	4.0	2.1	5.4
WGGG-FM	4.3	4.4	2.2
WHHH-FM	7.5	10.7	8.0
WIII-FM	.3	.6	1.3
WJJJ-FM	7.2	7.1	8.6
WKKK	2.9	3.8	2.2
WLLL		.9	.6
WMMM-FM	2.6	4.7	2.5
WNNN-FM	10.3	7.4	6.4
WOOO-FM	24.7	25.7	22.6

Your general manager has asked you to analyze the station's standing and to make a format recommendation. In particular, she wants you to explore the desirability of changing to an oldies format.

Exercises

1. Is your concern justified? After all, you rank just below the midpoint in a 17-station market.
2. Does the general manager's inquiry about an oldies format have merit? Why or why not?
3. Develop a recommendation and justify it.

CASE STUDY: TELEVISION

You are the newly appointed program manager of a Fox independent (KAAA) in a four-station market in the Pacific Northwest. The other three stations in the market are affiliated with the major networks. They are KBBB (CBS), KCCC (ABC), and KDDD (NBC).

At the direction of the general manager, you are committed to improving the station's performance among the primary demographic sought by advertisers—persons 25 to 54—in the 4:00 to 8:00 P.M. period.

An excerpt from the most recent rating book is reproduced on the next page. It shows designated market area (DMA) household rating, household share, and persons 25 to 54 share for all programs on the four stations in the early fringe, early evening, and prime access dayparts.

Exercises

1. How would you assess your station's performance among persons 25 to 54? Explain.
2. Where are the strengths and weaknesses in your present schedule in attracting the desired demographic? What about those of competing stations?
3. Are there opportunities for improvement? If so, where? If not, why not?
4. Describe schedule changes you would make, if any, to meet your commitment. If you plan to make changes, project the likely outcome for your station and for each of your competitors.

NOTES

1. *Radio Marketing Guide and Factbook for Advertisers*, 1993–1994.
2. *This is NAB '93* and *Trends in Television*.
3. J. David Lewis, "Programmer's Choice: Eight Factors in Program Decision-Making," *Journal of Broadcasting*, 14:1 (Winter, 1969-70), pp. 74–75.
4. Harriett Tramer and Leo W. Jeffres, "Talk Radio—Forum and Companion," *Journal of Broadcasting*, 27:3 (Summer, 1983), p. 300.
5. Between 1976 and 1990, commercial AM stations' audience share dropped from 56 percent to 26 percent and has remained there. "Clear, rich, full signals" and "music on two speakers" were FM benefits mentioned by 75 percent of respondents in a national survey. The same survey showed that eight FM benefits were cited by 50 percent or more of respondents; for AM, the number was three. (*What America Thinks About AM Radio: Results of a National Survey*. Washington, D.C.: National Association of Broadcasters/The Research Group, 1988.)

		Household Rating	Household Share	Persons 25–54 Share
4:00				
KAAA	Animaniacs	1	3	1
KBBB	Sally Jessy Raphael	3	9	11
KCCC	Oprah Winfrey	10	32	35
KDDD	Full House	7	21	17
4:30				
KAAA	Batman: The Animated Series	1	4	1
KBBB	Sally Jessy Raphael	3	9	10
KCCC	Oprah Winfrey	10	32	36
KDDD	Empty Nest	5	16	16
5:00				
KAAA	Bonkers	1	3	2
KBBB	First News	3	9	6
KCCC	Hard Copy	10	30	26
KDDD	Cheers	6	19	24
5:30				
KAAA	Saved by the Bell	1	3	1
KBBB	Coach	3	6	6
KCCC	News at 5:30	13	31	30
KDDD	Eyewitness News	11	26	29
6:00				
KAAA	Star Trek: The Next Generation	2	4	6
KBBB	News at Six	5	8	3
KCCC	Evening News	16	28	25
KDDD	Eyewitness News	23	41	43
6:30				
KAAA	Star Trek: The Next Generation	3	5	7
KBBB	CBS News	6	10	4
KCCC	ABC News	15	27	23
KDDD	NBC News	22	38	41
7:00				
KAAA	Cops	4	8	12
KBBB	Wheel of Fortune	16	28	16
KCCC	Entertainment Tonight	8	15	19
KDDD	Murphy Brown	10	18	19
7:30				
KAAA	Real Stories of the Highway Patrol	4	8	11
KBBB	Jeopardy	18	31	22
KCCC	Inside Edition	7	12	11
KDDD	Roseanne	11	19	20

6. Other categories are *off-first run*, *off-Fox*, and *off-cable*. The first refers to series produced for syndication with only a limited number of episodes but now with enough to permit daily broadcast, or stripping. The second indicates that the series was carried originally on the Fox network, and the third on a cable network.
7. A survey by the Broadcast Financial Management Association indicated that general managers and program managers are the two people most involved in program acquisitions. Seventy-five percent of business managers and 89 percent of sales managers are involved in varying degrees in purchasing programs for cash. For barter programs, the percentages are 49 and 86, respectively. ("Broadcast Financial Management Association Program Practices Survey 1989," *Broadcast Financial Journal*, March–April, 1989, pp. 50–51.)
8. Syndicators of some highly successful network programs have sold off-network syndicated rights by confidential bid rather than negotiation. "The Cosby Show" and "Who's the Boss?" are examples.
9. Remote-control pads have given rise to other habits that cause headaches for the program manager. Many viewers employ them to scan the dial continuously. This so-called *grazing* has reached the point where more than 50 percent of persons aged 18 to 34 claim to be able to watch two or more shows at once, while about 20 percent say they can watch three or more. About 25 percent of *all* viewers with the devices watch two shows simultaneously. (*USA Today*, September 7, 1988, p. 1D.) Their growing availability also has some implications for the sales department as viewers practice *zapping*, the term given to changing channels to avoid commercials. The device also permits *zipping*, the fast-forwarding of videocassette recorders through commercials in recorded programs.
10. *Broadcast Financial Journal*, March, 1976, p. 23. Used with permission of Broadcast Cable Financial Management Association.
11. Jerry Wishnow, "Stand up and Stand out with Public Service," *Broadcasting*, May 9, 1988, p. 21.
12. *Channels: The Business of Communications*, January, 1989, p. 64.

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5 BROADCAST SALES

This chapter considers

- the functions of the sales department and the responsibilities and attributes of its personnel
- the sale of time to local, regional, and national advertisers
- research methods and the uses of research in sales

A broadcast station serves two kinds of customers:

Audiences, which tune to a station to hear or view its programs and which make no direct payment for the product (i.e., programs) they receive. As we have seen, obtaining audiences is the responsibility of the program department.

Advertisers, who gain access to those audiences with information on their products and services by purchasing advertising time. Obtaining advertisers is the responsibility of the sales department.

Broadcast advertisers fall into three categories:

Local: Those in the immediate geographical area of the station

Regional: Those whose products or services are available in the area covered by the station

National: Those whose products or services are available nationwide, including the area covered by the station

Time is sold to local advertisers by members of the station's sales staff called *account executives.* Sales to national and regional advertisers are carried out by the station's national sales representative, or *station representative (station rep) company.*

The sales department is the principal generator of revenues for the station. However, its ability to sell time is determined to a large degree by the program department's success in drawing audiences, especially those that advertisers want to reach. Good programming attracts audiences, which in turn attract advertisers and dollars. The greater the sales revenues, the better the programming the station can provide. Together, therefore, the program department and the sales department are important parts of a cycle that has a major impact on the station's financial strength.

THE SALES DEPARTMENT

As illustrated in the organizational charts in Chapter 1, the number of sales department employees of a particular station is influenced largely by market size. Local competitive conditions also may be influential. However, departments in markets of all sizes have similar responsibilities.

Functions

The major functions of the sales department are to

- sell time to advertisers
- provide vehicles whereby advertisers can reach targeted audiences with their commercial messages at a competitive cost
- develop promotions for advertisers
- generate sufficient revenues to permit the station to operate competitively
- produce a profit for the station's owners
- contribute to the worth of the station by developing and maintaining a strong base of advertiser support

Organization

The staff and activities of the department are directed by a general sales manager (GSM), who answers to the general manager and whose specific responsibilities are described later. The following are the principal department staff:

National Sales Manager

Coordinating the sale of time to national and regional advertisers through the station rep company and maintaining contacts with local offices of national and regional accounts are the chief responsibilities of the national sales manager, who reports to the general sales manager. In many stations, the duties are carried out by the general sales manager.

Local Sales Manager

The local sales manager reports to the general sales manager and is responsible for

- planning and administering local sales
- directing and supervising account executives
- assigning actual or prospective clients to account executives
- establishing account executive sales quotas
- in some stations, carrying a list of clients

Account Executives

Account executives report to the local sales manager and

- seek out and develop new accounts
- service existing accounts
- prepare and make sales presentations
- in radio, often write and produce commercials

Co-op Coordinator

Many manufacturers reimburse retailers for part of the cost of advertising that promotes the manufacturer's product. This arrangement is known as *cooperative*, or *co-op, advertising*, and stations often employ a coordinator to provide co-op data to account executives. However, the responsibilities may be more extensive and may consist of

- identifying co-op opportunities
- working with retailers in the development of co-op campaigns using advertising allowance credits, called *accruals*
- handling the various elements of the campaign, such as copy and production, and overseeing the campaign's execution
- assisting retailers in filing for reimbursement of co-op expenditures

In many stations, the co-op coordinator's job has evolved to include vendor support programs. They will be discussed later in the chapter.

Once sales orders have been received and checked by the sales manager, they are confirmed and processed. Those are among the responsibilities of the *traffic department*, which often is a unit of the sales department. It is headed by a traffic manager, who reports to the general sales manager. The traffic department also

- prepares the daily program log detailing all content to be aired, including commercials
- maintains and keeps current a list of availabilities, called *avails*; in other words, time available for purchase by advertisers
- advises the sales department and the station rep company of avails
- schedules commercials and enters appropriate details on the program log
- checks that commercials are aired as ordered and scheduled
- advises the general sales manager if commercials are not broadcast or are not broadcast as scheduled, and coordinates the scheduling of *make-goods*

Clients who do not use the services of an advertising agency often require the station's assistance in writing and producing commercials. The writing usually is assigned to copy writers in the *continuity* or *creative services department*, which may be a unit of the sales or program department and which is headed by a director. Commercial production is carried out by the production staff.

THE GENERAL SALES MANAGER

Responsibilities

Like all managers, the general sales manager plans, organizes, influences, and controls. The proportion of time spent on those and other functions varies. In a large station, for example, the position may be chiefly administrative. In a smaller station, the general sales manager may be a combination national/regional and local sales manager and account executive. However, included in the major responsibilities of most general sales managers are the following:

- Developing overall sales objectives and strategies. They are drawn up in agreement with the station rep and national sales manager for national and regional sales, and with the local sales manager for local sales.
- Selecting the station representative company, in consultation with the general manager and the national sales manager.
- Preparing and controlling the department's budget and coordinating with the business department collections, the processing of delinquent accounts, and credit checks on prospective clients.
- Developing the rate card and controlling the advertising inventory.
- Selecting, or approving the selection of, all departmental personnel and arranging for their training, if necessary.
- Setting and enforcing sales policies, and reviewing all commercial copy, recorded commercials, and sales contracts.

General sales managers engage in a variety of other duties, including the conduct of sales meetings, approval of account executive client lists, and the handling of *house accounts*, or accounts that require no selling or servicing and on which no commissions are paid. However, one of their most significant activities is in the establishment of sales quotas.

The importance of revenue and expense projections in the preparation of the station's annual budget was noted in Chapter 2. As the major generator of revenues, the sales department plays a key role in the station's success. If its projections are unrealistic and fall short of expectations, cost-cutting measures will have to be introduced to keep the budget in balance. Those measures might include the termination of personnel and the modification or elimination of plans for equipment purchases, programming, promotion, and other areas of station operation.

To try to avoid such an upheaval, most sales departments establish attainable annual dollar targets. In many stations, account executives are asked to submit their local sales goals for each month of the next fiscal or calendar year, reflecting adjustments for the number of weeks per month compared to the current year and the proposed percentage increase. The general sales manager and the local sales manager review them, determine their appropriateness, and make changes they deem necessary. Finally, the sales managers meet with each account executive and, together, the three agree on a final quota. In the meantime, the GSM consults with the station rep to settle on targets for national and regional sales.

When these steps have been completed, the GSM sends to the general manager the department's budget proposal listing projected revenues from local, regional, and national sales and estimated expenses. It is analyzed with the submissions from other departments, and adjustments are made to develop a balanced budget. They may consist of a reduction in requested expenditures, an increase in revenues, or both. If more revenues are called for, the GSM considers the options with the local sales manager, account executives, and the station rep, and higher goals are established by mutual agreement.

Monthly goals provide continuing, short-term targets. They may not always be met. A delay in receipt of an order, a change in a client's advertising schedule, or a temporary lull in the economy can play havoc with an account executive's expectations in a single month. Accordingly, much more serious attention is paid to the attainment of quarterly goals.

If business remains sluggish over an extended period, the general sales manager will contemplate steps to revive it. Rates may be lowered temporarily, for example. Additional sales incentives may be introduced. One station offered a ski trip to account executives who made calls on 10 potential new clients in two weeks and completed at least one sale. All met the challenge and won a trip, and the station wrote $10,000 in brand new business. Of course, if these and other actions fail to produce the projected revenues, the only alternative will be a reduction in expenditures.

Qualities

To be effective, a GSM must possess many attributes. Chief among them are *knowledge*, administrative and professional *skills*, and certain *personal qualities*.

Knowledge The general sales manager should have knowledge of

Station ownership and management: The objectives and plans of the station's owners and the general manager, and the role of the sales department in accomplishing them.

The station and staff: The station's strengths and weaknesses as an advertising medium and the ways in which the sales function relates to the activities and functions of other departments. It also includes awareness of the motivations, potential, and limitations of sales department employees and of their working relationship with staff in other departments.

The market and the competition: Population makeup, employment patterns, cultural and recreational activities, and business climate and trends; the sales activities and plans of competing stations and media, their successes and failures.

Sales management: The responsibilities of sales management and ways of discharging them. This includes familiarity with techniques, practices, and trends in broadcast sales and advertising; methods of estimating revenues and expenses and of increasing revenues and controlling costs; methods, sources, and uses of marketing, sales, and audience research; marketing and sales techniques and practices, especially those used by retail stores and service companies; and the business, sales, and advertising objectives of clients and their past and present advertising practices.

Content and audiences: Types of formats, programs, and other content, their demographic appeal, and audience listening or viewing habits.

Skills Knowledge will be translated into success only if the general sales manager is able to combine it with both managerial and professional competence in

- planning the department's objectives and strategies, explaining and justifying them to the general manager, and coordinating their accomplishment with staff and other departments
- organizing personnel and activities to attain stated objectives and stimulating and directing employees toward their attainment
- managing the advertising inventory—that is, balancing the number of commercial units, availabilities, and cost per spot to maximize revenue
- controlling the department's activities by careful attention to budget, personnel strengths and shortcomings, the achievements of competing stations and media, and research findings, and by taking appropriate actions

Personal Qualities Selling often is referred to as a "people" business. For that reason, the GSM must be able to get along with people, both inside and outside the station. An outgoing personality, combined with a cooperative attitude and high ethical standards, are absolute necessities. But a friendly exterior will not spell success in the absence of other qualities.

General sales managers are charged with generating the bulk of the station's revenues. Accordingly, they have to be *ambitious* in striving for the accomplishment of objectives; *competitive* in approaching their responsibilities and meeting the challenges posed by other stations and media; and *persuasive* in their dealings with clients, advertising agencies, and the station rep. Finally, they must be *adaptable* to changing business conditions, and *creative* in developing sales techniques and promotions and in motivating their staff.

TIME SALES

Time is sold to advertisers by the second. The majority of sales in radio are 30- or 60-second spot announcements, called *spots*. In television, the 30-second spot is standard, though 15- and 10-second spots are becoming common. Many broadcast stations also sell blocks of time for the airing of programs.

The Rate Card

Traditionally, radio stations listed the cost of time on a published rate card. The major factors in determining cost were the time of day at which the spots were to run and the number of spots purchased, hence the name *frequency card*.

In time, most stations moved to a *grid card* in which the principal determinants are the supply of, and demand for, time. As a result, costs may change frequently and the "card" is more likely to be a computer printout.

Many approaches may be taken in developing a grid card. A station must decide, for example, the number of dayparts and grids, the intervals at which the card is to be reviewed, the specific criteria for adjusting rates, and whether to give a discount based on the number of spots purchased.

An example of a radio station's grid card appears in Figure 5-1. The station identifies only three dayparts: drive (Monday through Friday 5:30 to 10:00 A.M. and 3:00 to 8:00 P.M., and Saturday from 10:00 A.M. to 8:00 P.M.); nondrive (Monday through Friday 10:00 A.M. to 3:00 P.M.); and night (Monday through Saturday from 8:00 P.M. to midnight, Saturday from 6:00 A.M. to 10:00 A.M., and all day Sunday).

There are nine grids, and each shows the cost of a 30- and 60-second spot. Rates increase by from one to five dollars between levels. They are reviewed weekly and adjusted, if necessary. Adjustments are made on the basis of the percentage of units (i.e., 30- or 60-second spots) sold in each daypart for the following 16 weeks. For instance, if fewer than 50 percent have been sold, rates are set at level 9; level 5 is used for 75 percent to 80 percent, and level 1 for 95 percent or more.

The station grants no discounts for frequency buys. If it did, it might use level 9 for a purchase of 1000 spots a year and level 5 for 500, for example.

In addition to supply and demand, other factors influence cost:

Time of day: The most expensive times are drive. At level 1, each 30-second spot would cost $80. In contrast, the cost would be $45 in the night period.

Length of spot: While the cost of a 30-second spot at level 1 in nondrive is $67, a 60-second spot in the same time period is priced at $84.[1]

Whether spots are purchased on a fixed or preemptible basis: An advertiser who buys at the fixed rate is guaranteed that spots will run during the time period requested. Buying at the preemptible rate gives the station the right to sell the time to another advertiser who is willing to pay the higher

Figure 5-1 *Radio station grid rate card.*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Drive	80/100	77/96	75/93	72/90	70/87	67/84	64/80	62/78	60/74
Nondrive	67/84	66/82	63/79	61/76	60/74	58/70	53/66	50/62	48/60
Night	45/56	43/54	42/52	40/50	38/48	37/46	35/44	34/42	32/40

Preemptible 47/58

- A production and talent fee will be charged on all material sent for airplay on other stations. Rates on request
- All commercials must conform to standards set by station

Run-of-Schedule 40/48

- All commercials using the piggyback method will be charged as two separate 30-second announcements
- Thirteen-week rate protection for weekly advertisers

(fixed) rate. The preemptible rates in Figure 5-1 are constant and are not affected by fluctuations in demand.

Whether the advertiser leaves it to the station to determine during which daypart the spots will air. This method of buying is known as *run-of-schedule (ROS)* or *best-time-available (BTA)*. The advertiser has no control over when the spots will be broadcast. Again, the rates are constant.

Grid cards are still used by many radio stations. Increasingly, however, computerization has permitted stations to introduce an *electronic rate card.* Using revenue goals and a variety of other variables, such as supply and demand, daypart, traditional sellout periods, and the flow of demand during the week, the station may select from a number of software programs to develop its rate structure.

The electronic rate card in Figure 5-2 shows that the station sells time in five dayparts and that the cost of a 30-second spot varies by daypart and day of the week. Although not included, 60-second and preemptible spots may be purchased. The station also offers daypart combination rates. For example, 30-second spots to air weekdays between 5:00 A.M. and 8:00 P.M. cost $42, and those between 5:00 A.M. and midnight cost $33. However, ROS purchases are not available. That means that an advertiser buys in one or more specific dayparts.

Therein lies one of the advantages of the electronic rate card: There should be no confusion over rates, either on the part of the account executive or the client. This approach to spot pricing offers several other advantages. It makes inventory control easier and allows the station to bill as much as possible by making the best use of available time. At the same time, however, it reduces the account executive's flexibility because special rates cannot be offered. In addition, clients may conclude that rates are negotiable because of their wide variation.

Figure 5-2 *Radio station electronic rate card.*

	Mon	Tue	Wed	Thu	Fri	Sat	Sun
5:00 A.M.–10:00 A.M.	37	40	44	47	49	8	8
10:00 A.M.–3:00 P.M.	35	35	40	44	47	49	12
3:00 P.M.–8:00 P.M.	35	40	44	47	49	41	12
8:00 P.M.–12:00 A.M.	8	8	8	12	12	8	8
12:00 A.M.–5:00 A.M.	2	2	2	2	2	2	2

In addition to selling by daypart, most radio stations sell sponsorships in certain programs (e.g., news, sports) and in daily features (e.g., business report), with specific rates for each.

For the most part, television stations sell time in, and adjacent to, programs and not by daypart. They have used grid cards for many years to adjust rates in response to demand.

Figure 5-3 shows part of a grid rate card used by a television station that sells at five levels. As an example of how the selling level is determined, assume that demand for time in "Inside Edition" is low. An advertiser may be able to buy 30-second spots at level 5, or $75 each. However, if demand is high, the advertiser may have to pay $200 at level 1.

Note the following:

- Prices rise as the day progresses and the size of the audience increases.
- The same rates are set for all time periods in the three-hour news and newsmagazine block from 6:00 A.M. to 9:00 A.M. and in the three-hour morning block of talk programs, without regard to the program in which the spot appears. A similar practice is followed in the two-hour afternoon soap opera block.
- Only the cost of 30-second spots is included on the card. However, other lengths are sold: 60-second spots at double the 30-second rate and 15- and 10-second spots at 75 percent and 50 percent of the 30-second rate, respectively.

The rate card in Figure 5-3 reflects costs in regularly scheduled programs on a network-affiliated station. Costs vary for weekend network sports programs, specials, and movies, and are influenced by the anticipated appeal of

Figure 5-3 *Excerpt from television station grid rate card.*

Monday to Friday		*(1)*	*(2)*	*30-second* *(3)*	*(4)*	*(5)*
A.M.						
6:00–7:00	Action News Today	100	90	75	60	50
7:00–9:00	Today Show	100	90	75	60	50
9:00–10:00	Geraldo	110	75	60	50	40
10:00–11:00	Sally Jessy Raphael	110	75	60	50	40
11:00–12:00	Donahue	110	75	60	50	40
P.M.						
12:00–1:00	Ricki Lake	110	75	60	50	30
1:00–2:00	Jerry Springer	110	90	75	50	30
2:00–3:00	Another World	100	90	75	60	50
3:00–4:00	Days of Our Lives	100	90	75	60	50
4:00–5:00	Little House on the Prairie	125	100	75	65	55
5:00–5:30	Inside Edition	200	175	150	100	75
5:30–6:00	Action News at 5:30	275	200	175	150	125
6:00–6:30	Action News at 6:00	400	375	325	300	275
7:00–7:30	Wheel of Fortune	400	350	300	250	225
7:30–8:00	Jeopardy	425	350	300	250	225
11:00–11:35	Action News Tonight	350	275	250	225	200

each to the station's audience. Special rates are used for news updates, which usually include a 10-second spot and an open billboard announcing sponsorship.

Even though a rate card lists the costs of time, cash does not always change hands every time an advertiser obtains time on a broadcast station. Many stations exchange time for merchandise or services in a transaction known variously as a *trade*, *trade-out*, or *barter*. For example, advertisers may provide the station with travel, food, or furniture for its own use or as contest prizes, in return for advertising time with an equivalent cost. Some stations use trades to persuade hesitant businesses to advertise, and hope that they will be able to convert to a cash sale later. Merchandise or services instead of cash are accepted by many stations to settle delinquent accounts.

Barter programming also is used to acquire time. As noted in Chapter 4, it permits a syndicator to obtain time, at no cost, for sale to national advertisers in return for supplying programs to the station without charge.

Cooperative, or *co-op*, *advertising* was mentioned earlier in the chapter. It allows a retailer to enjoy the benefits of advertising at less than rate card prices. In a co-op deal, the retailer receives from the manufacturer reimbursement for part or all of the cost of advertising that features the manufacturer's product.[2] The percentage of reimbursement usually is tied to the value of the retailer's product purchase and carries a dollar limit. For instance, a hardware store may buy $20,000 worth of lawnmowers and quality for 50 percent reimbursement to a maximum of $2000.

Vendor support programs enable a retailer to obtain manufacturer (vendor) dollars to cover the advertising costs. In a *direct vendor program*, the retailer develops a proposal (often in cooperation with a station account executive) to promote the sale of a product and presents it to the vendor or product distributor for financial support. For example, a grocery store may plan to highlight a product in an in-store promotion. It may propose a schedule of radio commercials that would advertise both the product and the store. In a *reverse vendor program*, the vendor approaches the retailer with funding to support a promotion. Monies provided under a vendor program are not subject to the kinds of product purchase requirements that apply to co-op, and represent another method whereby a retailer may acquire time without paying rate card prices.

Another method is through *per-inquiry advertising*, whereby an advertiser pays on the basis of the number of responses generated by the advertising. The practice is not widespread, but it is used by some stations, especially with mail order companies that pay the station a percentage of money received on sales of the advertised product.

Per-inquiry advertising is frowned on by most stations. So, too, is rate cutting, often called "selling below the card" or "selling off the card." Most stations express verbal opposition to cutting rates but many engage in it, especially when business is bad or when an advertiser threatens to make the buy on a competing station unless the rate is reduced.

Some stations disguise rate cutting by awarding advertisers *bonus spots*, also called *spins*. No charge is made for them since they are given as a consideration for buying other spots. The effect is that the advertiser receives time for less than the price quoted on the rate card.

Even though rate cutting may lead to a short-term spurt in sales for the station, it can result in a price war and create instability in the market. It conditions advertisers to believe that prices are negotiable and brings into question the value of commercial time on all stations. Ultimately, of course, it may be self-defeating, since stations have a limited amount of time to sell, and an increase in sales at less than the rate card price may not produce an increase in revenues.

Sales Policies

Time is a perishable commodity. Once it has passed, it cannot be sold to an advertiser. This fact imposes on the sales department an obligation to manage its commercial inventory in such a way that it produces the maximum possible financial return.

As a first step, the department must ensure that the rate card is realistic, based on considerations such as the size or characteristics of the audience, market size, and competitive conditions. But inventory management also requires the development of sales policies that will make time available and attractive to advertisers, and that will not result in audience tune-out.

Most stations have policies on the following:

Amounts of Time that May Be Purchased
As noted earlier, radio stations sell mostly commercial units of 30 and 60 seconds. Thirty-second units are the norm in television, with 15- and 10-second units on the increase. Longer periods of time usually may be bought in both media for the broadcast of entire programs.

Number of Commercial Breaks per Hour
Most stations limit the number of breaks for commercials and other nonprogram material to reduce the possibility of alienating the audience with frequent interruptions in programming.

Number of Commercials per Break
Stations that have only a few breaks per hour may have to air several minutes of commercials in each to meet revenue needs. Infrequent breaks may please the audience but upset the advertiser, whose commercial may become lost in a succession of announcements, a situation known as *clutter*.

Number of Commercial Minutes per Hour
Again, the goal is to schedule enough commercials to satisfy revenue demands, but not so many as to drive away audiences, especially to competing stations. Many stations continue to adhere to the standards of the now-discontinued radio and television codes of the National Association of Broadcasters. Under the Radio Code, stations agreed not to broadcast more than 18 minutes of commercials per hour. The Television Code limited network-affiliated stations to not more than 9 minutes and 30 seconds of commercials and other nonprogram material (e.g., promotional announcements) in prime time, and 16 minutes at other times. For independent stations, the limits were 14 and 16 minutes, respectively.

Rate Protection
Most stations guarantee advertisers that the price in effect at the time a sales contract is signed will not change for a specific length of time, even if rates are increased in the meantime. The rate card in Figure 5-1 shows that rates are protected for 13 weeks for advertisers buying a weekly schedule.

Product Protection
Advertisers prefer that commercials for competing products or services not be aired adjacent to, or in the same breaks, as theirs. A product protection policy guarantees that a certain time will elapse before such advertisements are broadcast. If ads for competing products do run back to back for some reason, most stations allow advertisers a choice of a rebate, credit, or make-good.

Product Acceptance
A policy that states categories of products or services for which the station will not accept advertising.

Continuity Acceptance
The wording and/or visuals of commercials must meet standards determined by the station.

Make-Goods
When a spot does not run or is aired improperly, the station offers the advertiser a make-good, or another time for the commercial.

Additional Costs
A policy on costs the advertiser will incur beyond the purchase of time. Many radio stations include production and talent costs in the rate card price. However, as indicated in Figure 5-1, such costs may be added to the purchase price if the commercials are sent for broadcast on other stations.

With two exceptions, a station creates sales policies that are consistent with its revenue objectives and its perception of responsible operation. The first exception grows out of the Children's Television Act of 1990. It restricts the amount of allowable commercial time in children's TV programs (those targeted toward viewers under 12 years old) to 10.5 minutes per hour on weekends and 12 minutes per hour on weekdays.

The second exception applies to both radio and television stations and deals with the sale of time to candidates for public office. The following policies apply:

Access Section 312(a) of the Communications Act of 1934, as amended, gives the Federal Communications Commission the right to revoke a broadcast station's license "for willful or repeated failure to allow reasonable access to or to permit purchase of reasonable amounts of time for the use of a broadcasting station by a legally qualified candidate for Federal elective office on behalf of his candidacy."

Federal candidates are the only ones to whom a station must grant access or sell time. However, if time is sold to a candidate for any elective office, Section 315(a) of the Communications Act applies:

> If any licensee shall permit any person who is a legally qualified candidate for any public office to use a broadcasting station, he shall afford equal opportunities to all other such candidates for that office in the use of such broadcasting station: *Provided*, That such licensee shall have no power of censorship over the material broadcast under the provisions of this section.

Charges Section 73.1942 of the FCC's Rules and Regulations stipulates the prices that the station may charge political candidates:

> The charges, if any, made for the use of any broadcasting station by any person who is a legally qualified candidate for any public office in connection with his or her campaign for nomination for election, or election, to such office shall not exceed: (1) During the 45 days preceding the date of a primary or primary runoff election and during the 60 days preceding the date of a general or special election in which such person is a candidate, the lowest unit charge of the station for the same class and amount of time for the same period. (i) A candidate shall be charged no more per unit than the station charges its most favored commercial advertisers for the same classes and amounts of time for the same periods. Any station practices offered to commercial advertisers that enhance the value of advertising spots must be disclosed and made available to candidates on equal terms. Such practices include but are not limited to any discount privileges that

> affect the value of advertising, such as bonus spots, time-sensitive make goods, preemption priorities, or any other factors that enhance the value of the announcement. . . . (2) At any time other than the respective periods set forth in paragraph (a)(1) of this section, stations may charge legally qualified candidates for public office no more than the charges made for comparable use of the station by commercial advertisers. The rates, if any, charged all such candidates for the same office shall be uniform and shall not be rebated by any means, direct or indirect. A candidate shall be charged no more than the rate the station would charge for comparable commercial advertising. All discount privileges otherwise offered by a station to commercial advertisers must be disclosed and made available upon equal terms to all candidates for public office.[3]

Discrimination Section 73.1941 provides that

> In making time available to candidates for public office, no licensee shall make any discrimination between candidates in practices, regulations, facilities, or services for or in connection with the service rendered pursuant to this part, or make or give any preference to any candidate for public office or subject any such candidate to any prejudice or disadvantage; nor shall any licensee make any contract or other agreement which shall have the effect of permitting any legally qualified candidate for any public office to broadcast to the exclusion of other legally qualified candidates for the same public office.[4]

Records Section 73.1943 requires stations to maintain and make available for public inspection certain political records:

> Every licensee shall keep and permit public inspection of a complete and orderly record (political file) of all requests for broadcast time made by or on behalf of a candidate for public office, together with an appropriate notation showing the disposition made by the licensee of such requests, and the charges made, if any, if the request is granted. The "disposition" includes the schedule of time purchased, when spots actually aired, the rates charged, and the classes of time purchased. When free time is provided for use by or on behalf of candidates, a record of the free time provided shall be placed in the political file. All records required by this paragraph shall be placed in the political file as soon as possible and shall be retained for a period of two years. As soon as possible means immediately absent unusual circumstances.

Time Requests The candidate is responsible for requesting equal opportunities:

> A request for equal opportunities must be submitted to the licensee within 1 week of the day on which the first prior use giving rise to the right of equal opportunities occurred: Provided, however, That where the person was not a candidate at the time of such first prior use, he or she shall submit his or her request within 1 week of the first subsequent use after he or she has become a legally qualified candidate for the office in question.[5]

Proof Additionally, proving that the equal opportunities provision applies rests with the candidate:

> A candidate requesting equal opportunities of the licensee or complaining of noncompliance to the Commission shall have the burden of proving that he or she and his or her opponent are legally qualified candidates for the same public office.[6]

Local Sales: The Account Executive

As indicated earlier, local sales are the responsibility of staff members known as account executives.

Hiring Success in attaining local sales objectives is tied closely to the station's ability to attract and select persons with the appropriate background and personal attributes. If they are selected wisely, the station will reap significant financial returns; if not, the station will face constant turnover, resulting in lost sales, disruptions in relationships with clients, and the time, effort, and expense of finding and training replacements.

Sources Many people are attracted to careers in broadcasting because of the glamour that accompanies work as a disc jockey or television news anchor, or the opportunity for creative expression through writing or production. Relatively few show an initial interest in sales, despite the fact that it offers better financial prospects and an avenue for advancement to top management.

In their search for account executives, stations turn to various sources:

Other stations: Persons working as account executives in other stations in the market bring with them familiarity with broadcast sales, local clients, and the community. Those hired from outside the market are familiar with the first, but have to develop relationships with local clients and an awareness of the community.

Other media: Newspapers, outdoor, transit, and other advertising media provide a source of employees with knowledge of sales and advertising and an understanding of the methods, strengths, and shortcomings of the medium in which they have been employed.

Advertising agencies: Awareness of agency practices, clients, and the relative advantages and disadvantages of different media are among the qualities offered by advertising agency account executives and media buyers.

College or university graduates: Broadcasting or communication graduates bring to the position some knowledge of media theory and practices. Business graduates may be equipped similarly in sales and marketing. The best prospects are those who have included in their academic program an internship, or who have gained practical experience through part-time work.

Other: Other sources include persons currently working in the station, especially in sales, traffic, continuity or creative services, or production. They are familiar with the station and its personnel, and should understand the role and responsibilities of the account executive. Persons with a successful background in selling, especially in the sale of intangibles, also may have the experience and potential to succeed.

Qualifications Probably the best predictor of success as an account executive is a record of accomplishment in broadcast sales. However, in selecting among all candidates, the station should consider *knowledge, skills,* and *personal qualities.*

Knowledge Applicants for account executive positions should have, or show the ability to develop, knowledge of

Broadcast and other media: their operations, personnel, and relative strengths and weaknesses as advertising vehicles

The station and its competitors: programming, personalities, coverage, and the characteristics of audiences for different formats or programs

The market: employment, work hours, households, retail sales, consumer spendable income, buying habits, and the listening or viewing population

Sales and marketing: techniques and practices, and the categories, sales cycles, and special sales periods of retailers

Research: terminology, and the uses of research in sales

Skills The account executive should have the ability or potential to set and attain objectives, plan and manage time, communicate effectively, keep accurate records, and relate to people and their problems. On a daily basis, skills in preparing and delivering sales presentations, selling and servicing accounts, and interpreting and using research are required.

Personal Qualities Ambition, initiative, and energy are prerequisites for anyone seeking success in sales. Persistence, persuasiveness, imagination, integrity, and professionalism in behavior and dress are equally necessary for the broadcast account executive.

Training Stations recognize that new employees with little or no experience will be productive only if they understand what is expected of them and are equipped with the knowledge and skills to function effectively. Many stations organize formal training programs to introduce new account executives to their responsibilities and to the information and techniques they will be required to master to achieve success.

Typically, a training program includes details of the station's expectations on the number of contacts and sales presentations, and the amount of business that should be accomplished within a certain period of time. It introduces the employee to the medium, and to the station and its personnel, particularly those departments and people whose work affects, or is affected by, the sales department.

For example, the new account executive should become familiar as soon as possible with the station's format or programming, and with traffic, continuity or creative services, and production personnel and practices. Methods of prospecting or finding new business, preparing and presenting sales proposals, processing orders, maintaining records, and compiling activity reports should also be covered.

Figure 5-4 contains an example of a two-week training program for radio station account executives. In addition to the activities listed, trainees are required to complete daily readings, listen to audio tapes, view videotapes and slide-tape presentations, and spend part of each day observing the work of the sales department.

New employees with previous broadcast sales experience may not be required to participate in all training activities. However, they should attend those that permit them to become familiar with the station and its personnel, and with the department's sales policies and practices.

Figure 5-4 *Training program for radio station account executives.*

Day	*Activities*
1.	Tour of station and introduction to staff Role of the salesperson The radio medium Advertising on radio Presentations by the news director, program director, and a disc jockey Rate cards
2.	Attend sales meeting Audience research: how to read, understand, and use as a sales tool Exercise in the use of research Conducting research on clients and prospects
3.	Interpersonal relations: dealing with clients and prospects Role-playing exercises on interpersonal relations Prospecting Making the appointment
4.	Selling techniques Written sales proposals Sales presentations Time management Co-op advertising: opportunities and pitfalls Processing orders Availabilities Make-goods
5.	Competitive media: strengths and weaknesses Radio positioning proposals Attempt to schedule three appointments for days 7–9
6.	Follow-up on appointments Collections Presentations by traffic manager, continuity director, sales secretary Sales promotions
7.	Appointments or introductions to clients Review of appointments or introductions
8.	Appointments Introductions to clients Ride with another account executive
9.	Prospecting/appointments for following week Appointments Introductions to clients Ride with another account executive
10.	Deliver sample sales presentation to general and local sales managers Presentation review Review of training program Appointments for following week Introductions to clients

Training does not end with an initial program of the kind outlined in Figure 5-4. It should be a continuing requirement for new and existing account executives so that they may enhance their knowledge, stay abreast of new sales techniques and strategies, and improve their performance.

Sales Tools The most important tool of the account executive is knowledge that will permit the creation of a sales proposal geared to the interests and needs of each client or prospect. Knowledge of the *market*, the *station*, and the *client* are of particular importance.

Market Data The account executive should be familiar with the people and business activity of the market, including the size and composition of the population, median income and purchasing power, and retail sales and buying patterns. Knowledge of the work force and working hours, and of cultural and recreational pursuits, also should be part of the account executive's database.

Station Data To show how the station can assist the client or prospect in attaining objectives, the account executive should have knowledge of the station's

- audience, especially those characteristics that are important to the advertiser and how they compare to the characteristics of audiences for competing stations or programs
- format or programs, and their appeal to the advertiser's actual or potential customers
- commercial policies, particularly those that will afford the advertiser distinctive, uncluttered access to the audience
- availabilities, to show how the prospect can gain access to targeted customers
- rate card, to present a package that meets the advertiser's objectives at an acceptable cost

Other data that may be helpful in making a sale include the success achieved by advertisers currently using the station, awards won by the station and its employees, and the quality of staff and the facilities available to produce commercial messages.

Client Data One of the most frequent objections by advertisers is that account executives do not know the advertiser's business. Some stations try to alleviate that problem by inviting current advertisers to station sales meetings to educate the sales staff. However, in compiling a tailor-made proposal, the account executive must understand the particular needs of each client or prospect.

To do that effectively calls for detailed knowledge of the product or service category, business location or locations, customer characteristics, and major competitors. Familiarity with the client's or prospect's objectives, successes, and problems; past and present advertising, sales, and marketing activities; and advertising budget and current disposition also is required.

To obtain such information, the Radio Advertising Bureau (RAB) recommends an interview with prospects using the form in Figure 5-5. The form can easily be adapted for use by television stations. Answers to the questions should permit the account executive to develop a profile of the business and to prepare a sales proposal that will be responsive to the prospect's needs.

Figure 5-5 *Radio Advertising Bureau Sales Consultancy Interview form. (© Radio Advertising Bureau. Used with permission.)*

THE RAB SALES CONSULTANCY INTERVIEW

TO BE FILLED IN IN ADVANCE OF INTERVIEW IF POSSIBLE

Name of firm ____________ Business Type ____________

Address ____________ Phone Number ____________

Slogan ____________ Landmarks (near any well-known locations, in shopping center, downtown?) ____________

Name of person being interviewed. Should be primary decision maker.

Name ____________ Title ____________

Name of others involved in advertising decisions. (At business or agency) ____________

Name ____________ Title ____________

Name ____________ Title ____________

Co-op Sources (Brands carried by advertiser that give co-op) ____________

____

1. Thanks for giving me this time. To arrive at an effective media strategy, it's necessary to learn about your business. First, how long have you been in business? ______ Date opened? ______

2. How many stores (branches) do you have? ______ 3. Where are they? ____________

____

4. What do you consider your biggest advantages? Why do people come to you rather than a competitor?

____

____

5. What exclusive advantages do you have? ____________

____

6. Who are your major competitors? ____________

____

7. You run such an excellent operation here, why do people go to your competitors? ____________

____

8. As you know, more and more advertisers use Radio co-op with manufacturer support. To save your time I've written down some of the brands you carry which give Radio co-op (mention those listed above), like ____________

____

Are there others you'd like to include? ____________

____

Figure 5–5 *Continued*

9. It's important to our planning to learn about your customers. What percentage would you say are Adult Males? ______ Adult Women? ______ Male Teens? ______ Female Teens? ______

10. Generally what is the age range of most of your customers? ______

11. What would you judge their income to be? Lower, middle, upper? ______

12. Where do most of your customers live? ______

13. What are your best months? ______ 14. Your best days? ______

15. Are you open Sunday? ______ 16. What nights are you open late? ______

17. Now, in the order of importance, please give me your most important sales events. Give me them all for the last year, with dates, please.

______ ______

______ ______

______ ______

18. Now, let's think about what we're trying to accomplish. What image of your business would you most like to put into the heads of shoppers? ______

______

19. Thinking about advertising, what do you like most about Newspapers? ______

______ TV ______

Radio ______

Others? ______

20. What do you like least about Newspaper? ______

______ TV? ______

Radio? ______

Others? ______

21. What's your basic advertising medium? ______ What percentage of the budget does it get? ______

22. What is your total advertising budget in dollars? ______

23. Finally, how would you like your message on Radio to sound? Are there Radio commercials you particularly like? ______

______

Thanks for your time and confidence. Let's set a date now for our next meeting, when I'll be back with a specific proposal...after I've analysed the interview, talked to my management and called on outside advertising resources.

Knowledge of the market, station, and prospective client may not be sufficient for prospects who have not engaged in paid advertising in the past. They may have to be convinced of the value of advertising, and for that reason the account executive should be familiar with the benefits that advertising brings. The RAB's list of 10 reasons to advertise (Figure 5-6) provides useful information to meet such a challenge.

Prospects who have not used radio or television previously may have to be persuaded of the medium's advantages as an advertising vehicle. The radio account executive may cite some of that medium's strengths:

Radio targets key prospects.
Because each radio format attracts specific age, income, education, race, and/or areas-of-interest consumer groups, you can select the customers you want to reach by selecting the stations that target their programming to those groups.

Radio goes along with your customers.
Radio takes your selling message to more consumers in more places than any other medium because it is a constant companion to our lives. People listen to radio at home, at work, in the car, at the beach, and on the street.

Radio gets attention and builds traffic.
Radio is unsurpassed at attracting customers to special events and promotions. Radio's excitement draws listeners to events such as storewide sales, in-store contests, celebrity appearances, and remote broadcasts.

Radio is cost-efficient.
Radio targets and motivates the specific customers you select and does it more cost-efficiently than any other medium. Minimum production time and expense make it the most cost-efficient advertising medium in America today.

Radio reaches everyone.
Radio is heard by virtually every American every week. Not only do Americans tune in, they stay tuned—averaging almost three hours of radio listening every day.

- Ninety-seven percent of adults who have attended/graduated from college are reached by radio each week.
- Four out of five adults are reached by car radio each week.
- Seventy-one percent of grocery shoppers are reached by radio each weekday.
- Two out of three Americans listen to radio during TV prime time.
- Eighty percent of Americans listen an average of five hours each weekend.

Radio reaches customers as they buy.
The closer a selling message can get to the cash register, the better its chances of actually influencing the purchase. Surveys show that consumers spend more time with radio than with any other medium during key shopping hours.

Figure 5-6 *RAB's Ten Reasons to Advertise. (Used with permission.)*

1. Advertising Creates Store Traffic
Continuous store traffic is the first step toward increasing sales and expanding your base of shoppers. The more people who come into the store, the more opportunities you have to make sales. A National Retail Federation survey found that for every 100 items shoppers plan to buy, they make 30 unanticipated purchases.

2. Advertising Attracts New Customers
Your market changes constantly. Newcomers to your area mean new customers to reach. People earn more money, which means changes in lifestyles and buying habits. The shopper who wouldn't consider your business a few years ago may be a prime customer now.

3. Advertising Encourages Repeat Business
Shoppers don't have the store loyalty they once did. Shoppers have mobility and freedom of choice. You must advertise to keep pace with your competition. The National Retail Federation states: "Mobility and non-loyalty are rampant. Stores must promote to get former customers to return, and to seek new ones."

4. Advertising Generates Continuous Business
Your doors are open. Employees are on the payroll. Even the slowest days produce sales. As long as you're in business, you've got overhead to meet and new people to reach. Advertising can generate traffic now . . . and in the future.

5. Advertising Is an Investment in Success
Advertising gives you a long-term advantage over competitors who cut back or cancel advertising. A survey of more than 3,000 companies found . . .

- Advertisers who maintained or expanded advertising over a five-year period saw their sales increase on average of 100%.
- Companies which cut advertising grew at less than half the rate of those that advertised steadily.

6. Advertising Keeps You in the Competitive Race
There are only so many consumers in the market ready to buy at any one time. You have to advertise to keep regular customers, and to counterbalance the advertising of your competition. You must advertise to keep or expand your market share or you will lose to more aggressive competitors.

7. Advertising Keeps Your Business Top-of-Mind with Shoppers
Many people postpone buying decisions. They often go from store to store comparing prices, quality and service. Advertising must reach them steadily throughout the entire decision-making process. Your name must be fresh in their minds when they decide to buy.

8. Advertising Gives Your Business a Successful Image
In a competitive market, rumors and bad news travel fast. Nothing sets the record straight faster than advertising; it tells your customers and competitors that your doors are open and you're ready for business. Advertising that is vigorous and positive can bring shoppers into the marketplace, regardless of the economy.

9. Advertising Maintains Morale
Positive advertising boosts morale. It gives your staff strong, additional support. When advertising or promotion is suddenly cut or canceled, salespeople and employees may become alarmed or demoralized. They may start false rumors in the honest belief that your business is in trouble.

10. Advertising Brings in Big Bucks for Your Business
Advertising works. Businesses that succeed are usually strong, steady advertisers. Look around. You'll find the most aggressive and consistent advertisers are almost invariably the most successful. Join their ranks by advertising, and watch your business grow!

Radio is powerful.
The right combination of voices, words, emotion, sound effects, and/or music evokes strong images that grab attention faster than visual media.

Radio is flexible.
Short lead times in production and copy changes are enormous benefits to advertisers who may need last-minute adjustments to their sales messages.

Radio reaches people first.
Radio is part of our everyday morning routine. A recent national survey indicated that radio is America's second most popular morning habit—second only to personal hygiene! As a result, you can advertise your message ahead of the competition.

Radio is a year-round medium.
Consistency is important and radio offers year-round dependability. While television experiences a big drop in viewing during the summer, radio stays strong all year round.

Radio is the at-work medium.
Radio allows you to reach your best prospects all day long where other media cannot—in the workplace. Radio is a constant daily companion to most workers.

Radio reaches big spenders.
Upscale individuals with above-average incomes and affluent lifestyles spend more of their money on big-ticket items—and spend more of their time with radio.[7]

The television account executive may point to that medium's

- persuasiveness, growing out of its combination of sight, sound, motion, and color
- reputation as the most memorable, credible, exciting, and influential advertising medium
- capacity to involve viewers emotionally
- ability to demonstrate products and plant in viewers' minds images of product packaging, uses, and benefits
- broad demographic appeal and ability to reach *all* demographics
- large daily audiences
- wide geographic coverage
- record of bestowing prestige on advertisers and products

Many stations include relevant market and station data in a sales kit, a variety of materials usually contained in an attractive folder and designed to demonstrate the station's ability to generate traffic for the prospect. The kit might consist of details of the market's population, the size and characteristics of the audience, personality profiles, a coverage map, cost and effectiveness comparisons with other media, and reprints of newspaper or magazine articles about the station and of the station's trade and consumer advertising.

The Sales Proposal In the past, account executives relied heavily on the sales kit to obtain an order. They expected that an impressive array of information about the station would be sufficiently persuasive. What they failed to realize is that advertisers are interested in the station only when they understand how it can help further their business.

Today, many sales managers are demanding written, custom sales proposals. Instead of an all-purpose collection of materials, account executives are being required to develop a personalized proposal that addresses the special needs of each potential client. The proposal includes frequent references to the prospect, and the material is organized to make reading easy. It is brief and to the point.

For example, a radio station's proposal to a local supermarket chain that does not advertise on radio might begin with a sentence or two about the competition faced by the chain and a promise that the station can help it grow by attracting new customers. That might be followed by a brief summary of the chain's current direct mail and newspaper advertising, and some of the shortcomings of those media (e.g., many people discard direct mail and many households do not purchase a newspaper). A statement about radio's ability to reach new and existing shoppers might lead to details of target customers (women aged 25 to 54 and adults aged 25 to 54) who listen to the station. Next, a specific advertising schedule is presented, showing the number of commercials proposed, when they would air, and the weekly cost. A list of station services available to the client might precede a closing statement reemphasizing the station's ability to cultivate new customers.

Note that the proposal includes a recommended advertising schedule. Merely to sell time would bring the account executive a commission, but might not produce increased business for the advertiser and could make it difficult or impossible to obtain a subsequent order.

The most widely accepted measures of a schedule's effectiveness are *reach* and *frequency*. Reach refers to the number of different homes or persons targeted by the advertiser who see or hear the commercial. Frequency is the number of times the targeted homes or persons are exposed to it.

Both goals may be accomplished through a *saturation schedule*, a heavy load of commercials aired in time periods when the targeted homes or persons are tuned in. In contrast, a *spectrum plan* exposes different people to the commercial, but only occasionally. It involves the purchase of a moderate number of spots distributed throughout the day.

A *spot schedule* is a series of commercials aired in only one or two periods of the day, and is aimed at reaching the target audience that is most available during those periods. It is used to reach a large number of people in a particular demographic category.

A *rotation plan* gives an advertiser exposure to a similar or different audience over a period of time. With *horizontal rotation*, the advertisements are broadcast at or about the same time daily. *Vertical rotation* places the commercials throughout the day.

Advertisers who want to stretch their campaign may buy time on an "on-and-off" basis. In other words, they may run a succession of two-week schedules with a one-week interruption between them. Some account executives refer to this practice as a *blinking schedule*.

The Sales Call Account executives handle two kinds of accounts:

Direct: The account executive deals directly with the advertiser, obtaining the order and receiving the copy and/or tape or arranging for the commercial to be written and/or produced by the station. The station bills the advertiser.

Agency: An advertising agency writes and/or produces (or arranges for the production of) the client's commercial and buys time from the account executive on the client's behalf. The station bills the agency, which receives a commission of 15 percent on the dollar amount of time purchased.

Each account executive is given an exclusive list of accounts on which to call. The most equitable method of compiling the list is to assign a variety of product or service categories to each salesperson. Assigning on a geographical basis so that all areas of the market are covered can lead to imbalances in sales opportunities and create morale problems. Assigning by category (e.g., furniture stores, automobile dealerships) enables the account executive to develop a good knowledge of the product and of category sales and marketing practices, but many advertisers object to dealing with someone who does business with competing companies.

In addition to equity, a major consideration in assigning accounts is compatibility. Usually, attempts are made to match an account executive with a prospect or client on the basis of their respective personalities and temperaments.

The purpose of sales calls is to obtain an order. However, few sales are made the first time an account executive calls on a prospect. Often, the first meeting is used to learn as much as possible about the prospect's business and needs so that a proposal may be prepared for presentation during a second visit.

To successfully generate initial and repeat sales to a direct account, the account executive should take certain actions *before, during,* and *after the call:*

Before Identify the person who handles the prospect's advertising and is authorized to buy time and sign a sales contract.

Make an appointment to meet with individuals at their convenience. Develop knowledge of the prospect's

- business or service
- customer characteristics
- past and present advertising activity
- advertising budget (or an approximation) and how and when it is allocated
- objectives and problems
- previous dealings with the station, if any

Be aware of the interests and personalities of the persons to whom the proposal will be presented, and of their buying habits (e.g., whether they buy in small or large quantities).

Prepare a written proposal that addresses the prospect's needs and includes an advertising schedule and its costs.

Ensure that printed or other materials (e.g., a "spec" tape or sample commercial) to be used in the presentation are ready and taken on the call.

During Describe and explain the proposal, with frequent reference to the prospect's needs and the ways in which the proposal will help meet them.

Keep the presentation brief.

Invite questions, and design the answers so that they reinforce major points contained in the proposal.

Ask for the order.

Have the client sign and date the sales contract.

Obtain a production order if the client wants the station to write and/or produce the commercial.

After Process the order. The routing of the order varies, but generally it is checked by the local sales manager and then cleared against availabilities. If requested times are available, details are sent to traffic for entry on the program log. If copy and/or production are required, relevant information is provided to the persons responsible. In some stations, bookkeeping receives a copy of the order for billing purposes; in others, clients are billed from the log.

Prepare a report on the call, noting the name of the client and the person seen, the date, the content of the presentation, its results, and comments.

Service the account. Diligent servicing paves the way for subsequent sales. It begins with monitoring the progress of the order from its delivery at the station to the time the commercial begins to air.

Problems can occur, and it is the responsibility of the account executive to ensure that they are resolved. Additionally, the account executive should check with the client regularly during the advertisement's schedule to assess its results. Adjustments may be necessary if the commercial appears to be having limited or no effect. Maintaining contact with the client is a continuing responsibility, and should be accompanied by acts of appreciation, such as invitations to lunch or dinner, offers of tickets to cultural, sports, and other events, or similar gestures.

If a sale did not result from the call, the account executive should analyze the reasons why and develop another proposal that addresses the prospect's reservations or concerns. Often, the reason may lie in the account executive's inability to deal with objections raised by the prospect. Most are predictable, and the account executive should anticipate them and be ready to respond.

The following are among the objections mentioned most frequently and actions that may be taken to counter them:

"You're too expensive."
Probe to discover what the prospect is using for comparison. Another station? Another medium? Point to the prospect's selection of a superior (and more expensive) location for doing business or to something about the business (e.g., a large and impressive sign) that is expensive but, presumably, successful. Stress that the prospect will be buying much more than a schedule of commercials: number of people who will be reached, their characteristics (underlining the fact that they are potential customers), the station's expertise in commercial production, etc. Rather than speaking of the cost of the schedule, emphasize the cost of reaching

individuals and how it compares to other stations or media. Use the experience of other advertisers on your station to show that you can help the prospect increase business and profits.

"I don't have enough budget."
If you don't know the prospect's current advertising budget and its disposition, try to find out. Use that information, or your estimate, to demonstrate the affordability of your station and its ability to reach more potential customers. If appropriate, raise the possibility of co-op or vendor support programs to exemplify how the prospect can enjoy the benefits of additional advertising at little or no added cost, and detail the assistance the station will give in carrying out such programs.

"Radio (or television) doesn't work."
Ask for more information. You will probably learn that the prospect bought a short and inexpensive schedule on a radio station or in a TV daypart with the wrong demographics, or that the commercial was poorly written or produced. Point out those likely causes of disappointment and explain how you will do things differently. Again, use facts and examples to illustrate the effectiveness of radio or television advertising and the ability of your station to reach the prospect's customers.

"My customers don't listen to (or watch) your station."
Refer to data on who buys what and show how many of them are reached by your station. This response also can be used to meet a price objection if the prospect is advertising on a radio station that does not attract large numbers of the prospect's potential customers or in TV dayparts or programs that skew to less-than-desirable demographics.

"I tried your station once and I had a bad experience with your rep, John Smith. He screwed up everything."
Tell the prospect what happened to John Smith. If he has been fired, so much the better. You can use that information to emphasize your station's commitment to giving clients the best service. If he is still employed by the station, make the point that the station considers the prospect important enough to assign another account executive. Give an assurance that similar bad experiences will not occur in the future.

"I've been advertising with WAAA for years and I don't want to change."
This objection reflects a fear of change. Find out when the prospect first advertised with WAAA. Speculate aloud about the concerns that accompanied that decision and reinforce the success that resulted from it. How will the prospect's business grow from this point? Your station provides that opportunity by offering the means of reaching new or larger audiences of potential customers or by adding to the mix of customers. Again, it may be advantageous to compare your station's cost and production quality with those of WAAA.

The account executive should listen closely to every objection and seek clarification or additional details. For example, a blanket statement like, "I tried radio and it doesn't work" is not specific enough to understand what gave rise to it or to frame a satisfactory response. Further questioning may reveal that the prospect spent $250 on a schedule with a station whose listeners were not potential customers. Now, the objection has moved from radio in general to a specific radio station, and that is easier to handle. The account executive can use the new information to speak about radio's ability to target particular demographics and to describe the represented station's proven record of attracting listeners in the demographic group that buys the prospect's products.

The account executive's principal contact in agency accounts is with *media buyers.* Generally, they are much more knowledgeable than retailers about broadcast advertising, and their concerns are different. While a retailer is interested in results (i.e., generating more customers), a media buyer focuses on rating points and costs.

Assume that a decision has been made to buy a schedule on a television station. A request is made for a list of avails for the quarter. The buyer will identify the required demographic (e.g., men and women aged 25 to 54), restrictions (e.g., no time before 4:00 P.M. or after midnight), the amount budgeted (e.g., $25,000), and the cost-per-point sought (e.g., $20). The account executive enters this information in the computer and comes up with the most efficient schedule based on the buyer's stipulations. Negotiations continue until agreement is reached on schedule and cost. If the schedule fails to deliver the promised ratings, the media buyer usually requests additional spots at no cost to make up for the difference.

Sales presentations to agencies are prepared in much the same way as those for retailers and must be scheduled to meet the buyer's quarterly purchasing cycles. They pay special attention to client needs, but they also recognize the buyer's interest in rating points and costs, and are designed to address it.

Compensation As noted in Chapter 3, financial compensation for sales personnel differs from that of other staff. The seven principal methods are

Salary only: Sales managers who do not service clients, co-op coordinators, and trainees are most likely to be compensated on a straight salary basis.

Salary and bonus: Salary combined with a bonus based on net sales revenues: used mostly for sales managers.

Straight commission: The most common method for account executives. It permits the more successful to earn comparatively large salaries.

Draw against commission: Account executives establish their own minimum compensation, or *draw,* and receive that amount as long as their sales commissions meet the goal during the specified period, usually a week or month. Commission is paid on all sales that exceed it. Some stations provide a guaranteed draw. In other words, the compensation is paid even if the sales goal is not met. However, the guarantee generally remains in force for a limited period.

Salary and commission: Used for managers with a client list, account executives, and co-op coordinators.

Salary, bonus, and commission: Managers who continue to service clients are most likely to fall into this category.

Straight commission with bonus: Account executives and managers servicing clients may be compensated in this way.

The account executive must receive enough money to enjoy a reasonable standard of living and a sense of security during the initial period of employment. Some stations attempt to provide both by using straight salary for several months, moving to commission and a smaller salary and, ultimately, to straight commission.

Commissions may be paid on billings or on billings collected. If billings are used, commissions are adjusted later if payment is not received from the advertiser. The billings collected method usually leads the account executive to check the credit rating of prospective clients before attempting a sale, and to take extra effort to ensure that bills are paid and delinquent accounts settled.

With the exception of salary only, all compensation methods use commissions and quotas to stimulate effort and productivity. Most stations employ additional incentives, with monetary or other prizes as inducements.

Individual or team sales contests are common in many stations, with points determined on the level of accomplishment. For example, new accounts may be worth 25 points, new business from clients who have used competing stations, 20, and increasing sales to current accounts, 15. Other accomplishments meriting points might include generation of the greatest dollar amount of new business or the greatest percentage increase in business.

Other incentives include extra commissions (e.g., paying a higher percentage commission on new than on repeat business or on production beyond quota) and bonuses (e.g., if all account executives meet their quota).

Prizes should take into account the motivations of employees. A small monetary reward may not be very appealing to an account executive earning more than $100,000 a year. Similarly, a trip to a nearby resort may not be viewed as valuable by someone who does a lot of travelling.

Contests that are won regularly by the same few people may injure rather than assist the sales effort. For that reason, many stations prefer group incentives. Everybody has a reason to lend their best efforts to the endeavor since all benefit if the goal is achieved.

One way of reaching for any sales goal is through additional sales to existing clients. Another is through the attraction of new clients, a responsibility of all account executives. It is particularly important for the new employee, who may have only a short client list, or no list at all.

Monitoring other media can provide useful leads in identifying new accounts. Thumbing through the local newspaper and tuning to other stations will reveal who is advertising, what they are advertising, and the targets and appeals being used. Analyzing the ads permits the account executive to develop a sales proposal for the advertiser, using the products, audiences, and appeals of the current campaign.

Many newspapers carry stories announcing the opening of new businesses. Government offices maintain records of business licenses granted and building permits issued. These and other sources provide valuable clues for the account executive in search of clients.

National and Regional Sales: The Station Rep

Most national and regional advertising is bought by advertising agencies with offices in large cities such as New York, Chicago, Los Angeles, Atlanta, and Dallas. Since it would be impossible for the majority of broadcast stations to maintain a sales staff in those cities where major agencies buy time, they engage a station representative company, or rep, to sell time on their behalf.

The rep is, in effect, an extension of the local sales force. Rep sales are billed by the station to the agency, which deducts its 15 percent commission. From the balance, the station pays the rep a commission, as set forth in the contract between the two. It may range from 5 to 15 percent of the gross business ordered (i.e., the amount billed to the agency).

Selecting the Rep National and regional sales account for as much as 20 percent of a radio station's sales revenues and up to 75 percent of the revenues of a television station. For most television stations, they represent the largest single source of revenue. Selection of a rep, therefore, is an important decision. Among the considerations to be weighed before contracting for the services of a rep firm are these:

Ownership and management: Who owns and who manages? Who provides direction and leadership, and how are they provided?

Services: In addition to national and regional sales, what services will the company provide? Will advice be available on programming, promotion, research, and local sales? What about assistance in collecting past-due national and regional accounts?

Offices: Does the firm have enough offices, and are they located in appropriate cities to give effective national sales coverage?

Staff: How many employees are assigned to sales and to other services in the company's offices? What kind of educational and professional background do they have? How are they trained and compensated? Is the staff stable?

Stations represented: Does the company specialize in representing particular kinds of stations or stations in particular kinds of markets? How many stations does the company represent, and how long has it represented them? Which stations? Do they include similar properties?

Sales teams: How many sales teams does the rep have? How many stations are on each team? Are TV affiliates and independents mixed?

Reputation: What is the company's reputation with national advertising agencies and with stations already represented? How is it perceived by other station rep companies?

Sales philosophy and practices: Are they compatible with those of the station?

Cost: Is the commission realistic? How does it compare to that paid by similar stations in similar markets for the same services?

Rep Services The basic service offered by a rep company is the sale of national and regional spot advertising on stations it represents. Some of the larger companies also put together groups of stations to sell as a package in what are known as *unwired networks.* Sales are accomplished through rep account executives, who make regular calls on media buyers in advertising agencies.

Much of the information used by the account executives is developed by rep employees engaged in research on, among other things, programming, products, advertisers, and broadcast markets and audiences. Their work enables the rep company to offer a second service: consulting on a range of station activities, all of which have an impact on the sales effort.

Most rep firms offer advice to stations on the following:

Sales and sales strategy: The first includes rate-card development, sales training, and presentation materials; the second, the basic posture of the station as it enters a given quarter and changes in that posture as time passes

Budget development: The rep's projections of market and station billings for a future year

Programming: Local programming and the purchase of syndicated programs and features

Research: Research methods, interpretation of research, application of findings; information and analysis on business considerations (e.g., switching network affiliation, expanding local news, financial impact of airing a syndicated program instead of clearing the network lineup)

Promotion: Audience and sales promotion methods, preparation of trade and consumer advertisements, public relations

To represent the station effectively and to maximize the advertising dollars flowing to the station, the rep must be supplied with data on the *station*, the *competition*, and the *market*. Information on the station would include

- availabilities and rate card
- audience coverage, ratings, and other research reports (e.g., local marketing research)
- format or program schedule, features, specials, and sporting events
- news releases on the station, its personnel, and achievements and awards
- promotions, and examples of trade and consumer advertising
- local, regional, and national clients, and advertising effectiveness as documented in letters from advertisers and agencies

The rep also would find it helpful to receive details of station facilities, especially those that distinguish it from the competition, the station's role and image in the community, and, for radio, an air check and personality profiles.

To the degree possible, the station should provide the rep with similar information on competing stations in the market, drawing particular attention to those characteristics that suggest, or demonstrate, the represented station's superiority.

The rep may have to sell agencies on the worth of the market as well as the station. Accordingly, the station should supply details of the community's media and their circulation, population makeup and trends, employment categories, major employers, and pay days. Details of the market's educational institutions and cultural and recreational activities also would give the rep a profile of the market.

Station-Rep Relations The principal contact between the station and the rep company is the person responsible for national and regional sales, usually the general sales manager or the national sales manager. If the relationship is to be productive, it must be characterized by trust and confidence.

To establish and maintain such an atmosphere requires open and constant communication. The station must satisfy the rep's information needs promptly and accurately. In particular, the rep must be aware of all availabilities and of modifications in the rate card and must be provided with details and explanations if spots are not aired as ordered. The rep must also be advised of changes in the programming of the station and of competing stations. The station should be informed of the status of ongoing negotiations with agency buyers and has a right to an explanation if potential sales are not closed by the rep.

Communication can be enhanced through regular visits to the rep's offices by the station's general manager as well as the general and national sales managers. Such visits provide opportunities to sell the market and the station and to exchange ideas and information. Similarly, appropriate members of the rep's management team should visit the station periodically.

The station should reply promptly to rep requests for availabilities, and clear and confirm sales orders as quickly as possible. Timely payment of commissions also contributes to good relations.

Since the rep company is a partner in the sales effort, it should be involved in the development of sales objectives and plans, and in the review of their progress. And the rep should be recognized for significant accomplishments through congratulatory letters and awards.

RESEARCH AND SALES

The sales department relies heavily on market and audience measurement research. For the most part, market research is qualitative. It includes, for example, information on new businesses and on demographic and employment changes, much of which the department may obtain from the chamber of commerce, business news announcements and stories in local newspapers, and census reports. More comprehensive data on factors such as the occupation, education, income, and buying habits of station audiences and the population in general may be purchased from market research companies.

Typically, audience research is quantitative and consists of a count of listeners or viewers categorized by age and sex. It is usually bought from independent companies. Account executives use it to provide clients with details of audiences that will be reached through a commercial schedule and to demonstrate the schedule's efficiency. It is also a useful tool for reviewing the rate card.

Three principal methods are used to estimate audiences for radio and television stations. A fourth is used only for television. Each employs a process known as random sampling, which means that each household or person in the population being surveyed has an equal chance of being selected. Accordingly, the viewing or listening behavior of persons or households in the sample group can be projected to that population. The measurements are estimates, and are subject to a sampling error. In other words, the actual audience may be a little larger or smaller than reported. The methods are as follows:

Diary: Daily viewing or listening activity is recorded in a small booklet or log for one week.

Telephone: Interviewers ask what station or program is being listened to or watched at the time of the call. This is known as the *telephone-coincidental* method. In the *telephone-recall* method, participants are asked which stations or programs were listened to or viewed during an earlier period of time (e.g., the previous day or evening).

Personal interview: Interviewers visit people in their homes and question them about their listening or viewing.

Meter: A monitoring device is connected by telephone to a central computer and records the channel to which the television set is tuned.

Each method has advantages and disadvantages, and some of them are listed in Figure 5-7.

The sales department, station rep, and advertising agencies use audience estimates compiled chiefly by Nielsen Media Research (television) and Arbitron Ratings Company (radio). A third company, Strategic AccuRatings, began measuring radio station audiences in 1992 in selected markets.

Nielsen surveys the more than 200 television markets for four-week periods in November, February, May, and July. Large markets are surveyed seven times a year, through the addition of October, January, and March. These simultaneous surveys are known as sweeps.

Arbitron conducts continuous measurements in most of the top-100 radio markets for 48 weeks a year, in four 12-week cycles. Other markets are measured for 12 weeks either once (spring) or twice (spring and fall) a year, depending on size.

In more than 30 large markets, Nielsen uses a household meter to collect TV set usage data (i.e., set on/off, channel tuned) in the preparation of overnight reports.[8] However, the basic measurement method for television stations in all markets is a diary, which sample households complete for each television set for one week. Each day is broken down into 15-minute periods, and respondents are asked to note the station and program to which the set was tuned in each period, together with the age and sex of all family members and visitors viewing.

For radio, Arbitron supplies a one-week diary to each member of selected households 12 years of age and older. Respondents enter in the diary (1) the times during which they heard a radio, whether they chose the station or not; (2) the call letters or station name (if they do not know either, they are asked to write the program name or dial setting); (3) whether the station was AM or FM; and (4) whether they heard it at home, in a car, at work, or in some other place.

At the end of the week, the completed television or radio diaries are mailed to the respective companies. The information they contain is processed and some of the results published in a local market report, more commonly called a ratings book or, simply, the book.

Figure 5-7 *Advantages and disadvantages of broadcast audience measurement methods.*

Advantages	Disadvantages
Diary	
Provides detailed information Reports individual viewing or listening behavior Relatively inexpensive	Diary-keeper may —lie —fail to complete it —fail to return it —enter inaccurate information (e.g., call letters, dial position) —write illegibly —forget what was listened to or viewed before completing Diary has to be carried for away-from-home listening Slow results Infrequent surveys in many markets
Telephone-coincidental	
Eliminates possibility of respondent forgetfulness Fast results Relatively inexpensive	Non-telephone or unlisted homes excluded (unless random digit dialing used) Non-cooperation by respondents Questions must be brief Difficult to obtain detailed responses Possibility of interviewer bias (e.g., in wording of questions, recording of responses)
Telephone-Recall	
As for telephone-coincidental, except respondent forgetfulness	As for telephone-coincidental. Add possibility of respondent forgetfulness, unless aided-recall used.
Personal interview	
More personal than other methods Provides detailed information With aided-recall, reduces possibility of of audience forgetfulness	Respondents may lie Possibility of interviewer bias Time-consuming Relatively expensive
Meter	
Records actual set operation and channel Eliminates possibility of human error Avoids interviewer bias Fast results	Does not indicate if anyone is watching Does not provide demographic information (e.g., viewer sex, age) Subject to mechanical failure Relatively expensive

The television report estimates, by age and sex and for different time periods and programs, the audience for stations in the market. The radio report lists audience estimates by age and sex for different time periods, and also contains details of away-from-home listening.

Strategic AccuRatings uses the telephone-recall method to ask selected persons in sample households which stations they have listened to in the previous 24 hours. It asks, also, which station was listened to most in various dayparts in the previous week. The resulting data are used to compile reports on cumulative audience and rating and on a new ratings category, station partisans, or the number of devoted listeners each station commands.

Market report information prepared by Nielsen and Arbitron is organized according to the geographic area in which viewing or listening took place. The following areas are used in the Nielsen Station Index (NSI) report:

Metro area, which generally corresponds to the metropolitan statistical area (MSA), as defined by the U.S. Office of Management and Budget

Designated market area (DMA), those counties in which stations in the market being surveyed achieve the largest share of the 7:00 A.M. to 1:00 A.M. average quarter-hour audience

NSI area, a market's metro and DMA counties, plus other counties necessary to account for approximately 95 percent of the average quarter-hour audience of stations in the market

Audience Measurement Terminology

To use the market report effectively, the account executive and other members of the sales department staff must understand the information it contains. Understanding begins with knowledge of basic audience measurement terminology.

The following are among the terms used most frequently:

Rating In television, the percentage of all TV households or persons tuned to a specific station:

$$\text{Rating} = \frac{\text{Number of households viewing station}}{\text{Number of TV households in survey area}}$$

or

$$= \frac{\text{Number of viewers to station}}{\text{Total viewer population}}.$$

To say that a television program has a household rating of 10 means, therefore, that 10 percent of all TV households in the survey area were watching it.

In radio, rating denotes the percentage of all people in the survey area listening to a specific station:

$$\text{Rating} = \frac{\text{Number of listeners to station}}{\text{Population of survey area}}.$$

Households Using Television (HUT) The percentage of all television households with TV sets in operation at a particular time:

$$\text{HUT} = \frac{\text{Number of TV households with sets on}}{\text{Number of TV households in survey area}}.$$

Share The percentage of households using television (HUT) or persons viewing television (PVT) tuned to a specific station:

$$\text{Share} = \frac{\text{Number of TV households viewing station}}{\text{Number of TV households with sets on}}$$

or

$$= \frac{\text{Number of viewers to TV station}}{\text{Number of people viewing TV}}.$$

In radio, share represents the percentage of listeners to a station:

$$\text{Share} = \frac{\text{Number of listeners to station}}{\text{Number of listeners to all stations}}.$$

Rating, share, and households using television are interrelated, as indicated by the formula used to calculate each:

$$\text{Rating} = \text{Share} \times \text{HUT}$$

$$\text{HUT} = \frac{\text{Rating}}{\text{Share}}$$

$$\text{Share} = \frac{\text{Rating}}{\text{HUT}}.$$

Assume that a TV market report gave the following information for the period 6:00 to 6:30 P.M.:

STATION	DMA HOUSEHOLD RATING
WAAA	20
WBBB	5
WCCC	15
WDDD	10
HUT	60

If you wanted to calculate the share for WCCC, you would merely divide 15 (rating) by 60 (HUT) to give a share of 25 percent. Note that the HUT level is greater than the sum of ratings for stations in the market. That is explained by the fact that some households (10 percent) were viewing cable services or stations from outside the market.

Similarly, if you knew that 60 percent of households were watching television, and that WCCC had a 25 share, you could figure the station's rating. Simply multiply 25 (share) by .60 (HUT). To determine HUT, divide 15 (rating) by 25 (share).

Other commonly used audience measurement terms include these:

Average quarter-hour (AQH) audience: An estimate of households or persons viewing or listening for at least five minutes during a quarter-hour period

Cume: Short for *cumulative audience*, and estimate of the number of *different* households or persons viewing or listening for at least five minutes in a specified period

Gross rating points (GRPs): The total of all rating points achieved for a schedule of commercials

Gross impressions (GIs): The total number of exposures to a schedule of commercials

Advertisers want to broadcast their messages to people who use, or might use, their products or services, and at a reasonable cost. With an understanding of the terminology in the market report, the account executive can interpret the information it contains and incorporate relevant parts of it in a sales presentation.

The advertiser who is interested only in total numbers of people, or people with certain age or sex characteristics, may be impressed by ratings converted to numbers of households or persons. The account executive can go further and use share information to show that the station reaches more of the advertiser's clientele than the competition, or cumes to indicate how many different people would be exposed to the commercial.

Advertisers also are concerned with the efficiency of their advertising buys, or what it costs them to reach target audiences. Often, this is calculated on the basis of *cost-per-thousand (CPM)* households or persons:

$$\text{CPM} = \frac{\text{Cost of spot or advertising schedule}}{\text{Number of households or persons reached}} \times 1000.$$

For example, if a spot costs $200 and is aired in a program seen in 40,000 households, the household CPM is $5 (200 divided by 40,000 and multiplied by 1000).

Another measure of efficiency is *cost-per-rating point (CPP)*, which is calculated by dividing the cost of a spot by the rating for the period or program in which it was broadcast. If a spot costs $200 and the rating is 20, the CPP is $10. For an advertising schedule, the cost is determined by dividing the cost of the schedule by the gross rating points (GRPs), or the sum of ratings, obtained.

Audience measurement estimates are important tools for advertising agencies and station rep companies, also. Agency time buyers use them to select markets and stations on which to place their clients' advertising.

The station rep uses the market report in much the same way as the station's account executives: to persuade advertisers and agencies that they can achieve their objectives effectively and efficiently by purchasing schedules on the represented station. Acting in an advisory capacity, the rep can use the report to support recommendations for changes in, for example, the station's price structure.

The market report provides essential information for station and rep account executives and advertising agencies. However, much of the data collected by diary or telephone is not contained in it, including such key details as reach and frequency. To obtain that and other information, stations often purchase additional services from the audience measurement companies.

Traditionally, audience research has focused on quantitative data of the kinds described. As competition for advertising dollars has intensified, many stations have sought information that goes beyond the age and sex of audience members. Income, home ownership, occupation, educational level, and other characteristics provide important pointers to consumer motivations. They help the station to develop a more complete profile of listeners or viewers. They also permit the sales department to incorporate qualitative data in presentations and to give the client or advertising agency more precise details on which to base media buying decisions.

Such information is available from many sources. For example, GRR, Inc., uses local market surveys to produce the *Griffin Radio Reports*. They consist of three profiles of each station's listenership: demographic (age, sex, race, income, education, marital status, employment, and residence information); lifestyle (eating-out habits, use of credit cards and health-care facilities, vehicle ownership, and shopping and buying practices); and media (radio listening, television viewing, and newspaper reading). In some markets, Leigh Stowell, Marshall Marketing, and Scarborough Research Company provide details of TV viewing and product usage. Simmons Market and Research Bureau publishes the results of an annual nationwide survey of media and product purchase behavior. Two companies, Claritas Corporation and Donnelley Marketing Information Services, have broken down the country into areas smaller than zip codes to develop age, education, income, political, and other characteristics of people who live there.

SUMMARY

Broadcast stations generate the majority of their revenue through the sale of time to local, regional, and national advertisers.

Obtaining advertisers is the responsibility of the sales department. It is headed by a general sales manager and includes a national sales manager, local sales manager, and account executives.

The general sales manager develops sales objectives and strategies, prepares and controls the department's budget, and directs and supervises the work of the departmental staff. Knowledge of the financial objectives of the station's owners, broadcast sales and advertising, and the sales activities of competing stations are among the qualities the general sales manager should possess. They should be combined with administrative and sales skills, and with an energetic and competitive personality.

The national sales manager coordinates the sale of time to national and regional advertisers, and the local sales manager supervises the account executives.

Most of the time sold is for 30- or 60-second commercials, or spots. Many stations also sell longer periods of time for the broadcast of complete programs.

The cost of time in different dayparts on a radio station is listed on a rate card. It is influenced by several factors, including supply and demand, the time of day, and the length of the spot. Television stations sell time in, and adjacent to, programs. Rates are determined by supply and demand.

Instead of accepting money, stations exchange some of their time for advertiser-provided merchandise or services in a transaction known as a trade or trade-out. Barter programming, co-op, vendor support, and per-inquiry advertising permit advertisers to obtain time at less than rate card prices. Some stations cut their rates or provided bonus spots to attract clients.

Sales and advertising practices are governed by policies the station implements according to its revenue objectives and its notion of responsible operation. However, the government dictates policies on the amount of time that may be sold in children's TV programs and on the use of radio and television stations by candidates for public office.

The effectiveness of the local sales effort is determined largely by the abilities of the account executives. Knowledge of the market, the station, and prospective clients are among the tools necessary to success.

To obtain orders, account executives present custom sales proposals to prospective advertisers and to advertising agencies, emphasizing ways in which the station can assist in attaining client objectives. They are compensated in various ways, and commissions and other incentives usually are employed to encourage effort and productivity.

Sales to national and regional advertisers are accomplished by station representative companies, or station reps, who obtain orders from advertising agencies located in major cities. In addition to selling, most reps offer advice to the station on sales and sales strategy, budget development, programming, research, and promotion.

Market and audience measurement research are important tools of the sales department. Radio and television audiences are measured by diary, telephone, and personal interview. Television audiences also are measured by meter. The research results in estimates of the size and composition of the audience, and enables the station to advise advertisers of the number and kinds of people who hear or see its programs, and the costs of reaching particular demographic categories.

CASE STUDY: RADIO

You are the local sales manager of a new, 3000-watt FM station with an oldies format. Jim Wayne, one of your account executives, has just returned from an initial meeting with George Brown, owner of Video Palace, a video rental store. He tells you that George is having a difficult time trying to increase market share in the face of stiff price competition from rival chain rental outlets. George has never used radio and has relied chiefly on occasional and inexpensive display ads in the entertainment section of the local daily newspaper.

Jim's research shows that 58 percent of rentals are generated by new releases and that 72 percent of all rentals are to persons aged 25 to 54. Business is heaviest on Fridays and weekends.

Jim asks for your advice in preparing a sales proposal.

Exercises

1. What would you advise to persuade George of the value of radio advertising? Of advertising on your station? How would you overcome the fact that you do not yet have any ratings?
2. Because George cannot beat the prices charged by his competitors, what benefits can he offer his customers?
3. What kind of schedule would you suggest, taking into account rental activity and George's limited advertising budget?

CASE STUDY: TELEVISION

You are an account executive with a network-affiliated television station in a medium market in the Southeast. You have been doing business with Charlie Galbreath, owner of Saddle Steak House, since he opened two years ago. In his ads, which the station writes and produces, Charlie himself invites customers to "cook your steak at my place." The response has been good, especially among young adults and families with children.

Now, a new steak house is to open. It, too, will permit customers to prepare their own steaks. Charlie has been pondering how to deal with the newcomer.

He loves jazz and is good friends with the members of a local jazz group. The answer to the new competition, he has concluded, is to hire the group to play every evening at his steak house. He wants you to add that appeal to the copy for his forthcoming campaign, and he wants the group to appear in the ad.

For good measure, he tells you that he will increase his order from $5000 to $8000 a month.

Exercises

1. How effective do you think Charlie will be in countering the new competition? Why?
2. What kinds of results do you expect from the additional spots he will be running on your station? Why?
3. Your sales manager has strong reservations. In his experience, many steak lovers are not jazz lovers. Does he have a point? If he does, is there a possibility that the campaign will fail?
4. Will you process Charlie's order? If so, why? If not, why not? What action will you take?

NOTES

1. Spot length has become a less important factor in top-50 markets. There, most stations have adopted unit pricing and charge the 60-second rate for all units, without regard to length.
2. Manufacturers support about 6000 co-op programs. In 1993, an estimated $17.7 billion was budgeted in co-op dollars for radio and television stations and other advertising media. Typically, a large percentage of that money remains unused. In 1992, for example, it amounted to 33 percent, about $5 billion of the $15.2 billion available (*Gannetteer*, May, 1993, p. 6).

3. 47 *CFR* 73.1942(a).
4. 47 *CFR* 73.1941(e).
5. *Ibid.*, (c).
6. *Ibid.*, (d).
7. Adapted from *Why Radio?* New York: Radio Advertising Bureau, Inc., n.d. Used with permission.
8. For its national reports, Nielsen uses a people meter. The meter is placed on each television receiver in the 4000 sample households and an accompanying remote-control unit permits those in the room to make electronic entries. Family members are assigned a personal viewing button on the meter, which also includes buttons for visitors.

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6 BROADCAST PROMOTION AND MARKETING

This chapter focuses on the promotion and marketing of radio and television stations to audiences and advertisers. It considers

- **the responsibilities and qualities of the promotion and marketing director**
- **the development of a promotion plan**
- **the goals and methods of effective audience and sales promotion campaigns**

Commercial radio and television stations spend considerable time and energy promoting the interests of others directly through advertising and public service announcements. Indirectly, they promote the interests and careers of recording artists and an array of other personalities.

Broadcast promotion and marketing refers to a station's efforts to promote itself, and is directed toward the two groups whose support is necessary to ensure its continued operation: audiences and advertisers.

Without an audience, even the best programs attract little advertiser interest. Through audience promotion, a station seeks to persuade people to continue to tune in or to sample its programming.

In the increasingly competitive media marketplace, a station has to fight for its share of advertising dollars. Through sales promotion, a station seeks to persuade advertisers and advertising agencies to buy time.

Promotion is so important to success that many stations entrust it to a department headed by a promotion and marketing director, who reports to the general manager.[1]

The size of the department varies.[2] It is determined by many factors, including station and market size, the competition, and the importance assigned to promotion by station management. In some stations, the director may have the assistance of only a secretary. In others, the staff may number a dozen or more, and may be organized to reflect the various functions of the department.

Some stations do not give promotion responsibilities to a separate department. Audience promotion may be carried out by the program department, for example, and sales promotion by the sales department. In small stations, the general manager may play the prominent role in promotion.

Here, emphasis will be on the promotion and marketing director and the promotion functions, no matter who discharges them.

THE PROMOTION AND MARKETING DIRECTOR

Responsibilities

The promotion and marketing director is responsible for marketing the station and its programs to audiences, and its audiences to advertisers. In a small department, the director may have to handle all the details. In a large department, specific responsibilities may be assigned to different staff members, with the director supervising their work and carrying out general administrative tasks.

Whether directly involved or acting chiefly in a supervisory capacity, the promotion and marketing director has responsibility for a wide variety of activities. They include

- assisting in the development of a promotion plan
- creating and planning audience and sales promotion campaigns
- implementing campaigns through the preparation and/or coordination of advertising and promotional materials and their scheduling
- evaluating campaigns

- conducting or contracting for research and employing appropriate data in campaign creation, planning, implementation, and evaluation
- planning and overseeing public service activities, unless those duties are handled by a public service director
- coordinating the station's overall graphic look
- maintaining media relations
- administering the activities of the promotion department and coordinating them with other station departments

Qualities

The qualities required of an effective promotion and marketing director are as numerous and varied as the responsibilities.

Knowledge The director should have knowledge of the following:

Marketing, its functions and processes, and their application to audience and sales promotion

Promotion methods used most frequently, especially (1) advertising—characteristics of all advertising media, media selection, buying, and tradeouts; (2) publicity—available avenues and the cultivation of publicity sources; (3) public relations—role in promotion and the fostering of effective public relations; (4) promotions—vehicles for on-air and off-air promotion and their utilization; (5) public service—ways in which it can assist in the promotional mix

Research, conducting or contracting for research, and its interpretation and use in promotion

Professional services, such as those available from printers, advertising and public relations agencies, companies specializing in the production of promotion materials, and from Promax International, a professional association of promotion and marketing executives

Laws and regulations, especially those that apply to advertising, copyright, and contests

Skills The promotion and marketing director should display skills in

- creating, planning, implementing, and evaluating promotion campaigns
- planning and coordinating in-house research
- writing advertising and promotion copy, news and feature releases, program listings, and sales promotion materials, such as station and market data sheets, ratings analyses, and program and personality profiles
- producing art work and layouts for print advertising and promotion, radio and/or television commercials and promos, and audiovisuals for sales presentations
- coordinating promotions with other station departments
- maintaining records of departmental personnel, budget, and promotional activities

Personal Qualities The promotion and marketing director should be *alert* to the changing fortunes of the station and its competitors and *adaptable* in responding to the demands that may be placed on the department as a result; *creative* in developing and executing promotion ideas; *communicative* and *cooperative* in contacts with departmental and station personnel and with persons, companies, and organizations outside the station; *enthusiastic* and *energetic* in approaching and carrying out the varied responsibilities of the position; and *ethical* in dealings with others and in promotion practices.

THE PROMOTION PLAN

A promotion plan is the product of discussions among the promotion and marketing director, general manager, and the heads of the program and sales departments and, often, the news department. Carrying out the plan is the function of the promotion and marketing director.

Developing and executing the plan is a six-step process:

1. Determine the percentage of the market that is watching or listening to the station's product and that of competitors, together with the audience's demographic and psychographic characteristics.
2. Identify the reasons why listeners and viewers select a station and the reasons they select the station or the competition. Find out, also, why the station's potential audience is not tuning in.
3. Assess the station's strengths and weaknesses and, especially, effectiveness in positioning the station to attract the desired demographics.
4. Having established the strengths, draw up a plan that addresses the weaknesses and how to correct them.
5. Implement the plan.
6. Evaluate the effectiveness of the plan and, if necessary, refine it.

AUDIENCE PROMOTION

The principal goal of audience promotion is to increase audience by maintaining current listeners or viewers and persuading nonlisteners or nonviewers to sample the station's programs. The goal is accomplished through *image promotion* and *program promotion.*

Like the products they advertise, stations must stand out from the competition by winning a place in the public's mind or positioning themselves. Image promotion seeks to satisfy that need by establishing, shifting, or solidifying public perceptions of the station.

Traditionally, radio stations have used their format as their image, so that people refer to a station as "the rock station" or "the news station." Stations that air a significant amount of sports programming may project the image of "the sports station." If the station has a heavy schedule of community affairs programming and is closely involved in community activities, the image of "the community station" may be selected.

In today's competitive marketplace, such broad positioning statements often are inadequate. For example, how does "rock" position a station if the community has stations with contemporary rock, album rock, classic rock, and country rock formats?

Because of the similarity of program types on the major television networks, and the frequent changes in programming, network-affiliated television stations usually have looked to their local programming for image promotion. Often, their efforts center on local news, with themes such as "Eyewitness News" or "Action News." Independent television stations, many of which do not attempt to compete with affiliates in news, usually turn for their image to other competitive programming, such as sports or movies. Some position themselves as "the alternative station," by which they mean that they offer program types different from affiliated stations during certain dayparts. Independent stations that are affiliated with the Fox network often position themselves simply as the "Fox station" (see Figure 6-1).

Again, these general themes do not permit a station to occupy a niche. Remote trucks enable most stations to be "eyewitnesses" to the news. In addition, as noted in Chapter 4, "alternative" programming is insufficient ammunition for an independent competing against an array of alternatives offered by cable, and "Fox" may conjure up many images, from "The Simpsons" to NFL football.

Today, selection of an image must be based on a clear understanding of perceptions of the station and its competitors, the targeted audience, the audience's needs and how the station fulfills them, and of *specific* ways in which the station differs from the competition.

The required understanding should emerge from the research carried out in completing the first three steps of the promotion plan. Focus groups, interviews, and surveys can provide valuable insights into current perceptions of the station and its competitors and suggest an appropriate image. However, the positioning statement must say *exactly* what the station is. "More music" says something, but "More music, 12 in-a-row" says much more. Research may reveal that a major competitor is perceived as having disc jockeys who talk too much. "Less talk" could be a strong and effective positioner. If the latest technology is determined to be a significant listener benefit, "The all-digital station" may be considered.

Occasionally, research suggests a statement that tells what the station is *not*. One station changed its format to light adult contemporary and wanted to avoid the notion that it was playing elevator music, which, according to focus groups, was the perception held of a competitor. The positioner that resulted was "No hard rock. No elevator music."

The diversity and wide appeal of programming on all television stations make it difficult for a station to develop a positioning statement that sets it apart from the competition. Some stations select an umbrella theme, such as "Making a Difference," and use it as part of all their promotions.

More frequently, network-affiliated stations try to position themselves through locally programmed dayparts or local programming. Local news plays such a key role in influencing public perceptions that it usually is

Figure 6-1 *This advertisment from* TV Guide *reflects the practice of many Fox affiliates that position themselves by combining the name of the network with their channel number. (Courtesy WDSI-TV.)*

chosen for image promotion emphasis (see Figure 6-2). Anchors, reporters, technology, comprehensive coverage—all can enhance the station's image, but successful promotion demands that the station identify viewer and nonviewer perceptions and proceed to tackle those that are important in establishing or reinforcing the image necessary to attract or retain desired demographics.

For instance, a station may view a veteran anchor and the stability of its reporters as major competitive advantages. Research may reveal that viewers perceive as a benefit the fact that the anchor and reporters have worked at the station for a long time, in contrast with the frequent turnover in personnel at other stations. However, the research may also indicate that certain of the station's newspeople are seen as lacking warmth. That kind of information provides a basis for an image campaign stressing stability and market familiarity, presented in a warm and appealing manner.

Program promotion revolves around a station's efforts to promote its content. In radio, the principal emphasis is on the station's format and personalities. Television stations, on the other hand, draw attention to individual programs or dayparts.

Stations have discovered that effective program promotion requires more than a recitation of format or programs. An important key to success lies in

Figure 6-2 *The importance of local news promotion to affiliated TV stations is demonstrated in this station's adoption of the slogan "News Channel 9." It is used in all image and program promotion, including billboard advertisements. (Courtesy WTVC-TV.)*

stressing the benefits to the audience by identifying the ways in which the programming is meeting, or could meet, its desires.

News and public affairs programs may meet the desire for information, music for relaxation, entertainment programs for amusement, and so on. Promoting the benefits of tuning in reinforces listening and viewing habits among the current audience and can be a strong motivator for others.

Affiliated television stations can rely on the network to promote network programs. Accordingly, much of the station's promotion effort is directed toward local news and syndicated programs. In theory, independent stations must promote all their programming. In practice, however, most direct their efforts to the promotion of entertainment programs or those for which the station has staked a claim in the marketplace.

Before embarking on an audience promotion campaign, a strategy must be developed. It must take into account several considerations, including the following:

Campaign Purpose
Is the purpose to promote image or programming? If the former, is the concern with establishing, reinforcing, or changing image? If the latter,

what element of programming? Are results expected in a short time or over a longer period?

Target Audience
To whom is the campaign to be directed? What kinds of people are most likely to respond?

Audience Benefits
Why should the targeted audience respond? What benefits can they expect?

Promotion Methods
How can the targeted audience be reached? Which medium or media will be used? Will the campaign rely chiefly on one method of promotion or on a combination? What about the time schedule?

Content
What kind of content will be most suited to the promotion method or methods selected? Can the content be developed by the station or will outside services be required?

Budget
What kinds of costs will be incurred? Does the purpose justify the costs?

Evaluation
How will the results of the campaign be determined? Will it be necessary for the station to develop an instrument to measure the results? Or will telephone calls, letters, ratings, or other feedback indicate the degree of success achieved?

Promotion Methods

The methods by which a station seeks to accomplish its audience promotion goals are limited only by the imagination of those involved in planning the promotion and the available budget.

There are four major methods: (1) advertising, (2) publicity and public relations, (3) on-air and off-air promotions, and (4) public service. In most campaigns, a combination of methods is used.

Advertising Advertising refers to the purchase of time or space. In some cases, stations trade for time or space with other media. Instead of making a payment, they offer to the other media advertising time on their stations that would cost an equivalent amount of money.

Stations may plan, develop, and supervise the advertising themselves or engage the services of an advertising agency.

In audience promotion, the major advantage of advertising is that the station has control over the content and when and where it appears. But some stations consider advertising expensive, especially when compared to some of the other available promotion methods.

Among the advertising media that stations use are newspapers, magazines, outdoor, transit, and broadcast.

Newspapers Daily or weekly newspapers are published in most communities and reach people who are not regular listeners or viewers. It may be assumed that most readers are interested in being informed. For that reason, many stations use newspapers to advertise news programs, special news features, or other informational programming.

Often, advertisements are placed in the newspaper's TV/radio or entertainment sections. If a program with special appeal is being promoted, it may be placed in another section. Advertisements for sports programs, for example, probably will reach more of the interested audience in the sports section. Advertisements for business, travel, and several other kinds of programs will reach the most interested through placement in appropriate sections.

The television supplement published by many newspapers on Sundays represents a valuable vehicle for television stations. It is used by viewers and usually remains around the home for at least a week. An advertisement for a program on a given day may be placed on the page containing program information for that day.

Many stations engage in trade-outs with newspapers, and network-affiliated television stations often participate in co-op advertising with the network, especially at the start of the fall season. The network agrees to pay part of the cost of advertising of its programs. The station benefits, since it lists its call letters or channel number in the advertisements.

Magazines Many radio and television stations operate in markets where no general-interest magazine is published. However, large-market stations often have access to the so-called city magazine and use it to promote image and format or programs (see Figure 6-3). Additionally, some stations place advertisements on regional pages of nationally circulated magazines, such as *Time* and *Newsweek*.

A very useful magazine for television stations is *TV Guide*, which offers advantages similar to those of the newspaper television supplement. Even though it has discontinued the use of trade-outs, many stations advertise in the publication because of its ability to target viewers directly.

Outdoor Billboards offer several advantages as an advertising medium. They are available in a variety of sizes, can incorporate special effects, and can be illuminated so that their impact can be felt around the clock. Obviously, they are most useful if they are located in areas with heavy traffic, especially if it is slow-moving.

Many radio stations favor billboard advertisements because they can stimulate drivers to take immediate action by tuning in the station whose call letters and frequency are displayed (see Figure 6-4). Billboards serve also as useful reminders of television programs, which people can view when they reach home, and they have proved valuable to both radio and television stations in promoting the station's slogan and its *logo*, a distinctive symbol that identifies the station and incorporates its call letters and frequency or channel number.

Transit In many cities, buses travel great distances daily and advertisements on the outside are seen by vehicle drivers, pedestrians, and bus riders (see Figure 6-3). The advertisements come in various sizes and often are displayed on all four sides of the bus. Advertisements on the inside are seen only by riders, but usually they are read since they have little competition for attention.

Figure 6–3 *A station's logo may be incorporated in advertisements in all visual media, as shown in this magazine ad and bus board. (Courtesy WSKZ-FM.)*

Interior cards are available in trains also, and platform posters are seen by a sizable number of commuters.

Taxicabs operate in most communities, regardless of size. Like buses, they travel many miles each day, and advertisements in the rear or on the rooftop are seen by vehicle drivers and pedestrians.

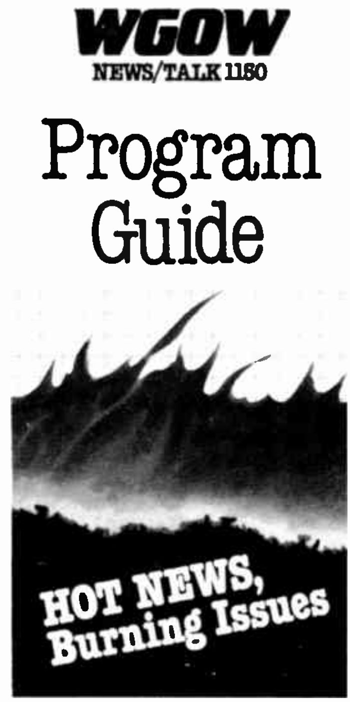
Other transit advertising media used by many stations include display cases at airports, the walls of bus shelters, and bus benches.

Broadcast Broadcast advertising refers to the use of radio advertising by a television station or television advertising by a radio station. It does not include the use of one's own station, an activity known as *promotion* and discussed later in the chapter.

Using audience demographic information for particular television programs or dayparts, a radio station can direct its television advertising to the kinds of people who are most likely to listen to the format or program being promoted. The television medium's combination of sight, sound, color, and motion can be very persuasive and motivate people to sample the product.

Many stations avoid television because of what they consider the relatively high cost of producing and airing an advertisement. However, some stations are reducing the production cost problem by using syndicated commercials for their format and a tag line or other device to draw attention to their call letters and frequency.

Figure 6-4 *A news/talk station includes its positioning statement in all its promotions, including billboard advertising and program guide. (Courtesy WGOW-AM).*



Radio's mobility means that advertisements on radio can reach people virtually everywhere, no matter what they are doing. Radio stations attract specific demographics, and television stations can reach the sought-after audience by placing advertisements on stations whose formats attract those demographics.

Many television stations consider radio stations particularly effective during the evening drive-time period to advertise their early evening news program. Some use their anchors to give headlines and invite listeners to view.

The advertising media described above are not the only ones available. Additional locations or outlets might include the sides of buildings, malls and shopping centers, shows, displays, conventions, ballparks, time and temperature displays, skywriting, and direct mail.

Publicity and Public Relations As used here, the term *publicity* refers to space in print publications or air time on other broadcast stations in which information about the radio or television station appears and for which the station makes no payment.

In a sense, publicity, advertising, and anything else a station and its personnel do influence perceptions of the station and may be considered "public relations." Here, the focus is on personal contacts between the station and its various publics.

Publicity In seeking to gain publicity through other media, broadcast stations recognize that other stations rarely are interested in publicizing their activities. Why should they aid the competition? However, they may be interested if the information is of wide public interest. Usually, such information deals with events or actions that do not reflect well on the station and represents the kind of publicity it could do without.

As a result, most stations concentrate their publicity efforts on the print media, particularly newspapers. Their activities generally center on the preparation of *publicity materials* and the organization of *publicity events.* Among the more common materials are these:

News and Feature Releases
News and feature stories about the station and its employees. Typical examples would include stories about new personnel, awards won by the station or a staff member, and rating successes.

Photographs
When appropriate, photographs are included with news and feature releases. Sometimes, however, a photograph and cutline may be used alone. A photograph of a new transmitter tower, for instance, may be considered an effective publicity device.

Press Kits
When stations wish to publicize special programs or events or, in television, the start of a new season, often they compile a kit for the press. Releases, photographs, and other materials deemed important are included.

Program Listings
Television stations prepare complete broadcast schedules for use by daily newspapers and in the Sunday television supplement. Their publicity value is documented by Gantz and Eastman, who found that they are likely to be the first sources consulted for television program information.[3] Radio stations do not use complete listings as extensively as television stations. However, many stations publicize through listing special programs or features, and the guests or subject matter of interview or call-in programs.

Like publicity materials, publicity events are intended to attract the attention of the media, particularly newspapers. It is hoped that, as a result, stories about the station will appear in print. The following are typical of events staged by many stations:

News Conferences
When a station has news that it considers especially significant, it may schedule a news conference and invite reporters and photographers from

all media. Usually, the general manager and other appropriate station personnel are in attendance to make the announcement and answer questions. A press kit usually is distributed.

Celebrity Appearances

Radio and television stations try to obtain maximum publicity when celebrities visit their community, particularly if the station has organized the visit or can claim some connection with it. The purpose of the visit, schedule, interests, and personality of the visitor will determine the kinds of publicity opportunities available to the station. A news conference, reception, and appearances in public places are possible publicity vehicles. The celebrity may agree to be interviewed on the station and to tape a promotional announcement. Many other events can be arranged with the visitor's cooperation.

Screenings

Many television stations invite newspaper reporters and media critics to view programs before air date so that they may review them in their publications. Stations hope that the resulting articles will be positive and attract audience. Again, a press kit usually is prepared and distributed to those attending the screening.

Other kinds of events may be organized to capture media attention and publicity. Not all succeed, and that is one of the shortcomings of publicity as a method of audience promotion. The station has no control over the use of promotional materials delivered to the media or over whether reporters and photographers will attend a news conference. Screenings may result in negative comments or reviews and may prove damaging to the station's hopes. Usually, there is media interest in celebrity visits, though the focus of reporters and photographers may be on the celebrity exclusively and the station may not even rate a mention.

Publicity does have several advantages. Program listings are consulted and listening or viewing decisions are taken as a result. Stories and photographs about the station in newspapers keep the station's call letters and frequency or channel number before the public. Comments on, or reviews of, programs attract public attention to the station, and the promotional benefits of publicity are achieved at little financial cost to the station.

Occasionally, a station reaps major publicity benefits unexpectedly. That was the case for a Baltimore station after the Baltimore Orioles began the season with 10 straight losses. A disc jockey vowed to stay on the air until they won their first game. That happened 258 hours later. During that time, the vigil was covered, and the station mentioned, by the three major TV networks, CNN, ESPN, the wire services, every major radio network, and hundreds of newspapers in this country, and by media around the world. That is the kind of publicity that money cannot buy!

A station can take steps to ensure publicity. At the least, the promotion and marketing director should initiate a media relations program with noncompeting media, especially the local newspaper. Establishing and maintaining contacts with entertainment reporters and with city, business, feature, and lifestyle editors can produce continuing benefits. They will result in a heightened awareness of their priorities and information interests and enable the station to satisfy them with news releases and ideas for stories. Joint sponsorship of charity or public service events with another medium provides an additional vehicle for favorable publicity.

Public Relations As indicated earlier, the term *public relations* covers essentially everything that affects how people perceive the station. Perceptions may be influenced by something as basic as the way a secretary answers the telephone or the carefully planned involvement of the station and its staff in a community fund-raising activity.

The principal publics with which a station tries to develop good relations are listeners or viewers and potential audiences. Influential publics, such as government leaders and leaders of community groups, also are important. Since advertisers also may be listeners or viewers, their perceptions of the station must not be ignored.

In striving to develop relationships with its publics, a station can do much to ensure that it will be regarded as a responsible, trusted, and valuable member of the community. For that reason, all employees must understand their role in the effort and must be encouraged, in all their dealings with the public, to act in ways that reflect well on the station.

At most stations, activities are planned to support the public relations effort. Opportunities abound, but the following are among those used most often:

Speakers' Program
Station executives and other staff members give talks to classes in schools and colleges and to community organizations.

Public Appearances
Station employees, especially radio personalities and television news anchors and reporters, appear at events in the community, such as charity fund raisers, shows, and exhibitions.

Participation in Community Organizations
Many stations encourage their employees to become members of organizations and clubs and to serve as officers. Many encourage participation in fund-raising or other activities of charitable and service groups.

Open House
The public is invited to visit and tour the station and to meet with members of the staff. Appropriate occasions might include the station's anniversary, an addition to the building, or the installation of new equipment.

Awards
Awards won by the station and its staff are displayed prominently in the station.

Sponsorships
Many stations sponsor student scholarships and awards for citizens who have made significant contributions to the community. Other opportunities for sponsorships include sporting, educational, and cultural activities in the community, such as youth sports teams, children's art exhibitions, and concerts.

The activities described above are indications of the kinds of planned public relations efforts by many stations. However, the list is by no means exhaustive. Each station should consider ways in which it can play a role in the life of its community. The result can be a better community and heightened public awareness and enhanced public perceptions of the station.

Promotions Promotions refer to efforts by the station to promote itself to the public directly rather than through other mass media. When a station uses its own air to promote its image or programming, it is engaging in what is known as *on-air promotion. Off-air promotion* describes those promotion activities carried out directly with the public off the air, such as through the distribution of giveaways and advertising specialties on which the station's logo is displayed.

On-Air: Radio Since a radio station determines how it will use its air time, promotional announcements, called *promos*, and other on-air promotions may be scheduled frequently, and may cover a wide range of programs, personalities, or station activities and achievements.

Format is a major factor in on-air promotion. Most stations with a music format draw attention to music content and personalities. Stations with a news format are likely to stress the range of news and information services provided. A talk station may emphasize personalities and issues.

Through its on-air promotions, a radio station strives to keep its call letters and frequency in the forefront of the listener's mind, to remind regular listeners and inform those sampling the station of its programming, and to point to the benefits of listening. Most stations also use their air extensively to promote their image through image promotion announcements or by including their slogan with other promotional announcements. The following are examples of ways in which radio stations use announcements to promote themselves on the air:

Identification Announcements
The Federal Communications Commission requires stations to identify themselves hourly by call letters and city of license. Stations may include promotional material in their ID announcements, and frequently they do so with a musical jingle.

Slogan
Stations that have a slogan often use it in their FCC-required station identification announcements and with other promotional announcements during appropriate programs. A station whose slogan emphasizes its community role, for example, may use it with time checks, traffic and weather reports, and with news and sports programs.

Format
Station format promos are useful in identifying for listeners ways in which the station fulfills their desires, and may be scheduled at any time.

Programs
Individual program announcements permit the station to promote programs, as opposed to format. Stations may use them for the program

of a particular personality, a special, or a sports or interview program, for example.

News
Obviously, news is programming. For some stations it is the format. However, stations with a music format often separate news from other promotion. In addition to emphasizing the news programs themselves, many announcements draw attention to the news team, the speed and accuracy of their news gathering and reporting, and their awards.

Personalities
People, as well as programs, are a part of most stations' promotion efforts. Station personalities, such as disc jockeys, interviewers, and sports anchors are among those who may be promoted.

Contests Many stations have concluded that one of the most effective ways of attracting attention and listeners is through contests. Their conclusion is not surprising, in view of the lengths to which some people will go to win a prize.

Contestants have eaten live worms and a precooked leather football for Super Bowl tickets, and goldfish for concert tickets. They have buried themselves underground and changed their names legally for cash. At a marriage ceremony on a busy street corner, the groom dressed as a prisoner, complete with ball and chain, and the bride wore a police uniform to show who would be boss in the union. Why? That is what they said they would do if they won a station's "How Far Would You Go For a Trip To Jamaica?" contest.

It is not necessary to require or expect such extreme behavior. Contests may take many forms, as illustrated by the following examples:

- A station in Alexandria, Va., asked listeners to write in 25 words or less what the tearing down of the Berlin Wall meant to them. The 40 "most creative" entries were broadcast and the winners were awarded a piece of the wall.
- A Fruita, Colo., station ran a Colorado trivia contest. Each week, winners' names were entered in a grand prize drawing. The prizes were products made in the state and included sleeping bags, leather shoes, fishing rods, and state lottery tickets.
- A life-size figure of Elvis was placed in different locations by a Beacon, N.Y., station in its "Find Elvis" contest. Participants mailed in their answers and the winners were chosen randomly from correct entries. The prizes were the book, *Is Elvis Alive?*, and Elvis albums.
- Grandparents Day is observed by a St. Louis station with a "St. Louis Grandparent of the Year" contest. Entrants write a short letter telling why their grandparent should be selected. The prize, a one-week trip to Hawaii, goes to the winning grandparents.
- Dogs are the big winners in the annual "Halloween Dog Costume" contest sponsored by a Des Moines station. The categories are largest dog, scariest dog, dog and owner that look most alike, best celebrity look-alike dog, and best overall costumed dog. The "top dog" receives a year's supply of dog food, and category winners receive a bag of food. The owner of the top dog is treated to a weekend in Kansas City.

The large number of stations that conduct contests suggests that they are a very effective promotional tool. However, not every contest idea will lead to a surge in audience. Some never move beyond the idea stage because further consideration shows that they are lotteries, and the broadcasting of lottery information is a criminal offense in many states.

There are three elements of a lottery, and all three must be present if a promotion is to be considered an offense. They are *prize*, *chance*, and *consideration*. Obviously a *prize* is anything of value that a contestant may win. Cash, merchandise, trips, and services are examples of the prize element. *Chance* exists if the winners or the value of the prizes are determined, in whole or in part, by chance or lot. It is not a factor if the outcome rests on the skill of contestants or on the use of subjective standards, as in a beauty or talent contest. Of all the elements, *consideration* is the most difficult to define. Basically, it is the price a contestant must pay to take part, such as an entry fee or possession of an item for which payment had to be made. It also covers the expenditure of substantial time and effort by the contestant, such as listening to a long sales pitch or taking a test drive. To complicate the problem further, the interpretation of "substantial" differs from state to state.

The federal ban on the broadcasting of many kinds of lottery information, including promotions, was lifted by the Charity Games Advertising Clarification Act of 1988, which took effect in 1990. However, the act did not override state and local lottery regulations, and the promotion and marketing director must be familiar with them before embarking on any contest that contains the three elements described.

Assuming that the contest idea raises no legal problems, consideration focuses on whether it has possibilities. Among the questions to be asked are these:

- Is it simple? In other words, will the rules be understood easily and will it be easy for people to participate?
- Is it involving? Does it have the potential to excite people and provide enjoyment directly for participants and indirectly for those not taking part?
- How will it affect programming? Can it be conducted without detracting from programs? Is it compatible with the station's sound?
- Is it appealing? Is the targeted audience likely to be attracted to the contest and the prizes to be won?
- How frequently must it be scheduled and how long must it last to attract the number of participants to make it worthwhile?
- What will it cost? What kinds of expenses will the station incur and will they be justified?

If a decision is taken to proceed, rules must be established and prizes determined and obtained. At this stage, FCC rules on licensee-conducted contests take effect.[4] They require that the licensee "shall fully and accurately disclose the material terms of the contest, and shall conduct the contest substantially as announced or advertised. No contest description shall be false, misleading or deceptive with respect to any material term."[5]

Although the material terms vary with the nature of the contest, they generally include the following:

How to Enter or Participate
The station must let people know exactly what they must do to be considered entrants. The contest rules should be stated in easily understood language and should be free of ambiguities. The airing of contest information on the station can provide regular listeners with the necessary details. If one of the aims is to boost audience, infrequent listeners and nonlisteners must be alerted and encouraged to tune in. Presumably, additional information vehicles will be required, and decisions will have to be made on which of them will reach targeted contestants most effectively and efficiently.

Eligibility
Who will and who will not be allowed to enter? Many stations routinely exclude employees and their families. The station may decide that others will not be eligible. For instance, if the grand prize is an automobile, persons who do not have a driver's license may be declared ineligible.

Entry Deadline
Deadline dates for the receipt of entries must be clear. This is particularly important if participants are required to mail them. Will they be dated by postmark or arrival at the station?

Prizes
The rules must indicate whether prizes can be won; when they can be won; the extent, nature, and value of the prizes; and the basis for their valuation. Prizes should not only be attractive but numerous enough to encourage participation. The station may provide them or arrange tradeouts for some or all of them with area businesses. Whatever their source, they must be described fairly and realistically. It would be hard to argue that "space available" plane tickets are part of a "dream vacation" or that "keys to a new car" is an accurate description if the car itself is not to be awarded. One of the biggest complaints from contest participants is the time they often have to wait to receive prizes. Accordingly, they should be available at the time winners are selected or shortly thereafter.

Selection of Winners
The rules must set forth when and how winners will be chosen. If entrants must telephone the station within a fixed period of time, attempts must be made to ensure that an open line will be available during that period. If the contest is designed to last for a designated period, care must be taken to avoid a premature end. This could happen, for instance, if the winner is the first person to submit the correct answer. If a tie is possible, a decision must be taken on a tie-breaking procedure.

The station should assign an employee to supervise the contest and to ensure that it runs smoothly. The person selected also will be responsible for guaranteeing compliance with the FCC's rules and other applicable regulations and laws. One station landed itself in trouble when it organized a "Roll in the Dough" contest. Scantily clad, honey-drenched contestants were required to roll around in 100,000 one-dollar bills to win the number that stuck to them. A total of $7000 was awarded, but the station had to answer to the government for violating federal laws prohibiting the defacing of the currency.

The supervisor also should be charged with keeping contest records. This is especially important if individual prizes worth more than $600 are awarded, since details of the winners must be reported to the Internal Revenue Service.

On-Air: Television Like radio, television on-air promotion seeks to remind or inform the audience about the station to which they are tuned, the programs available, and the benefits to be gained. But there is an important difference.

By their emphasis on format and personalities, radio stations attempt to encourage listeners to stay tuned for considerable periods of time. Television stations would like to believe that people will switch to them and stay there. In reality, they tend to be attracted to specific programs. Accordingly, much of the effort is directed toward promoting individual programs or series, and for that reason, the scheduling of promos is important.

If the announcements are to be successful, they must reach those people who are most likely to view the programs being promoted. Since viewer tastes usually reflect preferences for types of programs, it is common to promote news or information programs before, during, or after similar programs. The same goes for situation comedies, quiz programs, drama, and other program types.

The frequency of program promos is also important. The goal should be to ensure that all those who might tune in are exposed to the announcement at least once.

Among the most common methods used by television stations to promote their image or programs are the following:

Identification Announcements
Stations may identify themselves aurally or visually at the required hourly intervals. In practice, of course, most regularly combine audio and video and often link call letters and city of license with the station's logo or slogan.

Slogan
Use of the slogan can be an effective way of promoting the station's image, whether used alone or in combination with other program promos. Many network-affiliated stations adopt the network slogan and add their call letters and channel number.

Programs
Entertainment: The most common method of promoting entertainment programs is with a film or tape clip. Use of a *specific promo,* one that comprises a scene from the next program in a series, is more effective than a *generic promo,* which emphasizes the series rather than any single program.

Movies: Use of clips is a common device to promote movies. Stations usually look for the strengths of individual movies for the promotional emphasis. Stars, the plot, awards won by the movie, or the comments of critics are among the items that may be promoted.

Information: Clips from films or taped information programs may be especially desirable if they include a clash of opinion or a heated exchange. If a well-known person is to be interviewed, the emphasis may be on the personality rather than the content.

Local News: Local news is a major element in the budget of most television stations and may be the only locally-produced program broadcast daily. It also plays a major role in the community's perceptions of the station. For these reasons, most stations place high priority on local news promotion. Among the emphases of news are generic promos, such as the anchors and reporters, the speed and accuracy of the station's news gathering and reporting, awards won for news coverage, and a slogan used by the news department. Specific promos are used to highlight stories that will be included in a particular newscast.

Many stations air audio promos under the closing credits of programs, urging viewers to stay tuned for the program that follows or to join the station again for a program with similar appeal later that day or on following days. This practice, known as a *voice-over credit promo* (VOC), *audio promo* (AP), or an *over-the-crawl* (OTC), may be employed by network-affiliated stations over the credits of local or syndicated programs, but not over those of a network program.

A station's own air has the potential to be a most valuable promotional tool. Its potential will not be realized, however, if the promotion department has access only to those times that cannot be sold to advertisers. Station management must make a commitment to use air time in the same way clients use it: to sell something. In this case, the station is selling its image and programs.

Since promos must be scheduled to reach targeted demographics, the department must request *fixed-position promotions,* which, by definition, cannot be bumped. A contract is signed with the sales department listing promo length and the specific time or daypart in which it will air. For internal accounting purposes, the promotion department is billed like any other client. Of course, times that have not been sold to clients still may be available for use by the department at no charge.

Obviously, all programs cannot be promoted on a regular basis. Priorities must be established and that is done in consultation with the general manager, program and/or news director, and sales manager. As noted earlier, news has an ongoing priority at most network-affiliated stations because of its dominant impact on the station's image. At both affiliated and independent stations, high-cost syndicated programs must be given preference if they are to attract enough viewers to justify the price charged to advertisers to recoup the investment. Finally, scheduling should permit the kind of rotation that ensures adequate exposure without the kind of repetition that would prove annoying to viewers.

Off-Air Promotions On-air promotions permit radio and television stations to reach people who happen to be listening or viewing. Off-air promotions can draw the attention of a wide range of people to the station.

Stations use a variety of means to promote themselves directly to the public off the air. Some, such as the sponsorship of live shows or remote broadcasts, are used by stations intermittently. Many, however, are carried out on a continuing basis in both radio and television. They include the following:

Bumper Stickers
Size limitations are more than offset by the fact that stickers are seen daily by large numbers of people. Usually, they contain the logo. Often, they include the station's slogan or promotion for a particular program.

Advertising Specialties
This term refers to a wide range of items bearing the station's logo and any other promotional material the station feels appropriate. Included in this category are pens, pencils, ashtrays, coffee mugs, T-shirts, and a host of similar items that are used regularly and are likely to be seen by persons other than the user.

Mail
Direct-mail promotions occasionally are used for special programs, though the cost is a deterrent to many stations. Some stations eliminate the mailing costs by including the promotion with bills, statements, or advertising matter sent out by companies sponsoring the programs.

Plastic Cards
Cards, similar to credit cards, are distributed by many stations and permit holders to enjoy special buying or use privileges with area merchants.

Record Sheets
Many radio stations publish weekly compilations of the top-selling recordings in their format and distribute them through music stores.

Station Publications
More and more stations are producing magazines or newsletters containing a variety of information about the station and its personnel. Many stations distribute them free through area stores and defray the publishing costs through the sale of space in the publication.

Public Service As noted in Chapter 4, a station should foster good relationships with the public. One of the most effective ways of attaining that goal is through public service. Conscientious effort will be rewarded with community gratitude and awards, favorable publicity, and the perception of the station as a responsible corporate citizen.

Success is achieved to a large extent by employee and station involvement in community activities. However, a station can enhance its identity by a commitment to public service on the air. Using air time for promotions designed to raise funds or goods for the needy, to encourage traffic safety, or to combat adult illiteracy are examples of ways in which service can be rendered.

Stations regularly carry public service announcements for government and nonprofit agencies. Their broadcast does not lead, necessarily, to a public perception of the station as a concerned member of the community, but if they are combined with a serious commitment to public affairs programming, the desired results may be obtained. The programs must deal with issues of community concern or meet a community need, and must be aired at times when they are likely to be heard or seen by a significant number of people. Many stations satisfy the first requirement, but not the second.

SALES PROMOTION

Sales promotion seeks to encourage the purchase of time on the station by advertisers and advertising agencies, and often involves the promotion of the broadcast media, as well as the station, for advertising.

Advertisers are interested in getting their messages to the people most likely to use their products or services, and in the most economical way. Accordingly, sales promotion places heavy emphasis on the broadcast media's ability to reach targeted demographics at a competitive cost.

The strengths of the station may be promoted in terms of the *quantity* or *quality* of the audience. Quantity refers to the number of listeners or viewers, while quality denotes characteristics of the audience, such as age, sex, and socioeconomic status. The station may point to quantitative or qualitative strengths over its entire schedule, during periods of the day, or in particular programs.

The element of cost is used in comparison with competing stations as well as other media. The aim is to persuade the advertiser that the station can deliver the number or kinds of people desired in a cost-efficient manner.

An effective sales promotion campaign is the result of careful planning based on the following considerations:

Campaign Purpose
Is the primary purpose to project station image or sell time? If the former, will it be attractive to the targeted advertisers? If the latter, will the focus be on particular programs or dayparts? What about the financial expectations?

Target Clients
Will the campaign be directed toward existing advertisers and time-buyers, potential new clients, or both?

Client Benefits
What benefits will the campaign stress? Demographics and the cost of reaching them? Exposure to potential new customers? Other benefits?

Promotion Methods
Which medium or media will be used to reach the clients? Will the station's own air be used? What about the possibility of a joint promotion with an advertiser or advertisers?

Content
What content will be suited best to the medium or media selected? Can it be prepared by station staff or will outside services be required?

Budget
What costs will be incurred? Can they be justified by anticipated new business?

Scheduling
During which quarter of the year will the campaign benefit the station most? Will that period match advertisers' needs?

Program Impact
Can the campaign be used to draw additional listeners or viewers to the station? Will it detract from programming?

Evaluation
Will the campaign be evaluated on the basis of dollars generated or will other criteria be used, also?

Promotion Methods

The targets of sales promotion efforts are those persons who make decisions about the purchase of advertising time. For the most part, that means advertisers themselves and media buyers in advertising agencies. The emphasis is on what the station can accomplish for the advertiser. The methods are the same as those used for audience promotion:

Advertising The broadcast and advertising trade press is an effective means of reaching those who are influential in making time-buying decisions, and includes publications such as *Broadcasting & Cable*, *Advertising Age*, *Radio & Records*, and *Daily Variety*. Often, stations place additional advertisements in the trade publications of other professions so that they may directly reach decision makers in businesses that advertise, or may be persuaded to advertise, on radio or television.

The content of the advertisements is determined by the purpose of the campaign. Some attempt to project the station's image. Others seek to sell time on the station. It is hoped that success with the first will influence decisions on the second. The important point is that all advertisements should attract the interest of the decision makers and be tailored to meet their needs.

The purpose of the advertising will suggest those characteristics of the station to be highlighted. Image advertising may place particular emphasis on community involvement and resulting recognition received by the station through community awards. The theme of market leadership may be projected through ratings and station facilities.

Advertisements geared directly to the sale of time often point to ratings for particular programs. Rating dominance in certain dayparts and with key demographics also may be stressed. Additional characteristics may include the station's coverage area, personalities, and merchandising plans.

Direct-mail advertising can be targeted to advertisers of particular kinds of products or services and draw attention to the station's strengths for those advertisers. Additionally, direct mail offers great flexibility in the number and format of sales promotion materials that can be distributed.

Trade press and direct-mail advertising permit stations to reach directly those who make decisions on the purchase of advertising time and reduce the amount of waste circulation. Other advertising vehicles, such as newspapers, billboards, and displays, are used to promote sales, even though the audience for them is not limited to time-buyers.

Publicity and Public Relations The focus of sales publicity in newspapers and magazines is on those station activities and achievements likely to impress advertisers. Stories about rating successes, awards won by the station or staff members, and favorable reviews of programs are examples of information that can be useful.

Public-relations activity concentrates on personal contacts between station executives and sales personnel with the business community. Many stations require or urge membership in appropriate community and professional organizations and participation in community activities. A speakers' program allows station personnel to make presentations at meetings attended by people involved in business.

Promotions One of the most basic and effective tools is the sales kit used by the local sales staff, the station representative, and advertising agencies. It provides information on the market and the station, and may be left behind after a sales call or mailed to potential clients.

With some modifications, many of the off-air promotions used in audience promotion can be beneficial in sales promotion. Bumper stickers can point to the station's advertising effectiveness. Advertising specialties can be selected from among those used most frequently by business persons. Ashtrays, coffee mugs, pens, pencils, calendars, and memo pads are examples.

Mailings to actual and potential time-buyers might include magazines or newsletters, with information on station sales activity, advertising news, explanations of advertising legislation, and a calendar of forthcoming special programs or events that the station will air or sponsor (see Figure 6-5). Other examples of mailings are letters of thanks for business placed with the station and details of forthcoming advertising opportunities.

On an even more personal level, station sales staff promote sales by entertaining clients at meals or at sports, social, or cultural events. Many stations organize, especially for clients, sports or recreation activities such as golf or tennis tournaments. Television stations often arrange a party for advertisers to see excerpts from the fall season's program schedule.

Increasingly, the impetus for promotions is coming from the client, who teams with the station in a joint effort. In these so-called *value-added promotions*, the client receives from the station marketing assistance that exceeds the value of the spots purchased. However, these promotions can produce benefits for the station—and for the consumer, too.

Plastic cards are an example. The station produces and distributes the cards and airs announcements promoting their use to obtain discounts at the client's business. The client makes a spot buy in an amount that matches the value of the promotional time and offers the discounts. As a result, the station obtains revenue from the sale; the advertiser receives exposure beyond the time purchased and the improved in-store traffic that should result; and the card holders enjoy the discounts. Such promotions impress participating clients with the station's advertising effectiveness, and can be used as a persuasive tool with other clients or potential clients.

Mutual benefits may be achieved, also, through radio remote broadcasts from stores, malls, and other places of business. The joint sponsorship of live shows by stations and advertisers is another example, and appearances by radio and TV personalities at places of business can have similarly beneficial results.

Many other joint ventures are possible. However, they should be chosen carefully, and with an eye to their value as sales promotion tools.

A value-added promotion method practiced by some stations is *merchandising*. It involves services by the station to assist the advertiser, but the station receives no income, apart from that for the air time purchased.

Figure 6-5 *Newsletters mailed to clients and members of the business community are a valuable sales promotion tool. (Courtesy WGOW-AM and WSKZ-FM.)*

RADIO hotline

WGOW AM 1150 KZ-106 WSKZ FM

Chattanooga Advertisers Talk Radio

Here are some comments from advertisers using KZ-106 and WGOW radio.

"I use radio because with today's busy lifestyle, I believe people spend more time with radio than any other medium. It's easy to pinpoint your audience and reach the frequency level necessary to get your message across."—Tony Boffa, Catalina Waterbed Gallery

"There was one busy corporate executive who came into town for the afternoon to choose an apartment, and while he was looking at several apartments, he heard our ad on the radio and he decided to come to Beaver Creek instead. Without a doubt, radio is the medium that reaches our market most often."—Mach Dotson, Beaver Creek Apartments

"I don't think you can go through a day without hearing radio. If it's not in your car, it's going to be in an office building or the shopping mall or the grocery store—it's basically everywhere you go. That's another reason to use radio."—Dale Forrester of the Del Ray Agency

"I get more and more new customers per day than I used to. 'How did you hear about this?' 'I heard it on the radio.'"—Ron Crawford, Dairy Queen

"Radio reaches more people for less money. And when you do a number of promotions like we do, you have to be able to let people know everything that's going on. Newspaper can tell people details, but only radio motivates people and builds that excitement that we need to generate traffic. Radio is probably the key element to our media mix."—Cindy Brannen, Hamilton Place Mall

Radio works for Chattanooga businesses! Call the KZ-106 and News/Talk 1150 sales staff at 756-6141 for more examples of how radio can work for you.

Wet 'n' Wild!

KZ-106 Coming Attractions

- Tennessee's Rock and Roll Station takes the law into its own hands and legalizes the lottery. The KZ-106 Tennessee Free Lottery is coming with thousands of dollars in cash and prizes plus the hot new Scenic City Mazda Miata up for grabs.
- KZ-106 and Pepsi stocked a Mazda 4×4 Sport pickup with high adventure camping gear and will let some lucky KZ-106 listener drive it away in August.
- Keep your eyes on the skies for the hot FM's hot air balloon. The KZ-106 Miller Lite Sky High Studio tethers above area Golden Gallons and takes some early evening free flights over Chattanooga.
- KZ-106 welcomes "1964 as the Beatles" to the Tivoli on August 4. Listen to win free tickets.
- Another great anniversary party is set for KZ-106 and Hamilton Place Mall this summer. Hot and spicy New Orleans rock & roll blues outdoors at Hamilton Place.
- KZ-106 and Gruds's have an explosive late summer promotion. The perfect opportunity to score hot back to school stuff!
- The KZ-106 Pringle Single means money in your pocket. Listen and score ready to spend cash.
- In August, KZ-106 joins forces with the expert outfitters at Outland Expeditions for a trip down the white water of the Ocoee.
- A hot line up this summer from the Hot FM, KZ-106 . . . The Station That Sets the Pace.

JOIN TASTE OF CHATTANOOGA THIS YEAR

RADIO

Red hot because it works.

WGOW Coming Attractions

- Listen for slight alterations in the positioning of our information segments. News, sports, weather, and traffic will be clustered more to allow for longer talk segments with guests and callers.
- This fall and winter WGOW again will be the voice of the UTC Mocs for football and basketball. Jim Reynolds will have the call of every UTC game at home and away. WGOW is the flagship station of the Mocs Sports Network and is pleased to renew its relationship with the UTC Athletic Program.
- Our sports weekend package will be beefed up in the fall with the coming of football season. WGOW will carry at least one other major college football game on Saturdays, usually in the early afternoon because most UTC games this season start at 7:30 p.m. Also, Sunday afternoons you can hear complete coverage of the NFL from Mutual.
- WGOW will take the show on the road this summer and fall. Watch for remotes with Don Welch, Mack Hackett, and Bill Lockhart. In addition the WGOW Town Meeting will continue to feature newsmakers and opinion makers from Hamilton Place Mall every Friday morning at 11:00 a.m.

RADIO hotline

WGOW & KZ-106

In effect, the station is donating those services to the advertiser. For that reason, many stations reject merchandising entirely, but some stations use it to promote sales, especially if they are seeking a competitive edge against other stations or if their ratings are so low that additional sales incentives are necessary.

Among the more common methods of merchandising are these:

Point-of-sale signs, supplied by the station and located in the advertiser's store or place of business.

Displays in stores and shops. Again, the materials are provided by the station.

Newspaper and billboard advertisements for a program that the advertiser sponsors. The advertiser is named in the ads, but does not pay any of the advertising costs.

Appearances by station personalities at the advertiser's place of business, at no cost to the advertiser.

Remote radio broadcasts from the advertiser's business, with the station meeting the costs involved.

Public Service A station's dedication to public service is no less important to its sales promotion than to its audience promotion efforts. The station that is perceived by advertisers as an important member of the community can reap financial benefits. Whether that perception is based on the involvement of the station and its staff in community activities or on its commitment to public affairs programming, the sales department has an important stake in the station's public service endeavors.

SUMMARY

Broadcast promotion and marketing refers to those activities through which a radio or television station attempts to promote its own interests. In many stations, the task is assigned to a promotion and marketing department, headed by a director who answers directly to the general manager.

The director assists in the development of a promotion plan, which identifies the station's competitive strengths and weaknesses, and sets forth a course of action to capitalize on strengths and correct weaknesses. Carrying out the plan is the director's responsibility and involves the creation, planning, implementation, and evaluation of audience and sales promotion campaigns.

The promotion and marketing director should have knowledge of marketing, promotion methods, research, professional services, and applicable laws and regulations. Professional skills in writing and production, and in planning and evaluating promotion campaigns are also desirable. Adaptability, cooperation, and creativity are among the necessary personal qualities, and they should be combined with the administrative ability to run the department.

Audience promotion seeks to maintain and increase the station's audience. Usually this is accomplished by projecting to listeners or viewers an image of the station (image promotion) and by promoting the station's content (program promotion).

Sales promotion is targeted toward those who make decisions on the purchase of advertising time, usually advertisers themselves and media buyers in advertising agencies. Promotion activities may be designed to project the station's image or to sell time to clients.

Even though the targets and goals of audience and sales promotion may differ, most stations use four principal methods for both: advertising, publicity and public relations, promotions, and public service.

The most commonly used advertising media for audience promotion are newspapers, outdoor, transit, and broadcast. Sales promotion relies more heavily on trade press and direct-mail advertising, though other media are used.

Many stations consider publicity to be "free" advertising, since they receive promotional benefits at little or no financial cost. Accordingly, they provide newspapers with news releases, photographs, press kits, and program listings for possible use. Publicity events, such as news conferences and TV program screenings, also are organized for coverage by other media.

Public relations is a broad term covering essentially anything that may influence people's perceptions of a station. Most stations attempt to influence perceptions through planned efforts. Speeches, public appearances, participation in community organizations, awards, and sponsorships are examples of audience promotion activities. In sales promotion, the public relations effort focuses most frequently on personal contacts between station executives and sales staff and members of the business community.

Promotions are attempts to promote the station directly to audiences and advertisers both on and off the air. Typical radio on-air audience promotions include ID announcements; format, program, news and personality promos; and contests. Television on-air promotions are characterized by promos for individual programs or series. In both radio and television, bumper stickers, advertising specialties, and direct mail are used as off-air promotions.

Sales promotions include the sales kit, mailings to advertisers, and advertising specialties. Entertaining clients and potential clients is a widespread practice. Increasingly, stations are engaging in joint marketing efforts with advertisers in value-added promotions.

Public service is important both in audience and sales promotion. In general, it is characterized by close identification with the community through station and staff involvement in community activities and a commitment to relevant public service promotions and announcements and to public affairs programming.

CASE STUDY: RADIO

You are the promotion and marketing director of a contemporary hit radio station (Q-107) in a medium market in the Midwest. The sales department has developed a joint promotion with Charles Elkins, a client and owner of Elkins Music Store. It will consist of an on-air contest, and Charles has agreed to donate the prize: a stereo system that he says has a value of $2000.

The rules will be quite simple. The contest will be conducted weekdays in morning drive for four weeks. Every day, listeners will be invited to call in to win "a $2000 stereo system." The seventh caller in each hour will qualify for the prize. At the end of four weeks, the name of one of the 80 qualifiers will be drawn during a remote broadcast from the store.

The program director has reviewed the proposal and sees no problems with it. You give your approval, and the contest runs. Charles Elkins selects the winner: Larry McCoy. The sales manager calls Larry with the news and tells him that he may pick up his prize at the store.

Three days later, you receive a call from Larry. Despite his win, he is not happy. In fact, he is very angry. When he collected his prize, he shouts, his first reaction was, "This stereo isn't worth $2000." He has priced the same model at other stores. The lowest price he found was $795, and the highest was $995. He threatens to consult an attorney if the station does not do something about "this fraud."

Exercises

1. Is Larry uttering groundless threats, or does he have a case against the station? Explain.
2. What liability, if any, does Charles Elkins have?
3. Could the problem have been avoided? If so, how?
4. What actions will you take? Why? What results do you expect?

CASE STUDY: TELEVISION

To promote the new season's programming on your Fox affiliate, you have arranged a joint promotion with Monty James, owner of Monty's Bar and Grill. It will be a lip-sync contest that will take place at the bar and grill every Thursday evening for four weeks. Participants must dress like a character from one of your station's programs and perform on stage. The contest will be taped, and highlights will be edited to air in a 30-minute program on your station.

The top three contestants in each of the first three weeks will proceed to the finals in week 4. The first-place winner in the weekly competition will receive $250, and those placing second and third will get $150 and $100, respectively. The person placing first in the finals will win a five-day, all-expenses-paid trip to Los Angeles. Judges will be selected from members of the area media.

You promote the event heavily in the morning and afternoon dayparts on the air in August and early September and place quarter-page ads in the entertainment section of the Sunday newspaper in the two weeks preceding the start of the contest. Monty uses a tag line to promote it in his commercials on an adult contemporary and a country radio station.

You are excited by the promotion's potential and think it will be as successful as one you did last year with Monty. Then, the contest was to select the local "Miss Hawaiian Islands." Dozens of women showed up to parade in grass skirts and skimpy bikinis, and hundreds of spectators sent Monty's business through the roof.

This time, however, the story is different. Only five contestants appeared the first week, and three of them did impressions of Elvis! Three took part in week 2 and only one in week 3. Worse yet, there was no increase in Monty's business. In fact, on every contest night it was slower than normal. He does not understand what went wrong.

Exercises

1. What do you think went wrong?
2. Was the basic idea flawed? Were other factors responsible? If so, which?
3. What lessons can a promotion and marketing manager learn from this failure?

NOTES

1. Different titles are used for the head of the department responsible for promotion and marketing. They include promotion manager, marketing director, director of creative services, and director of advertising, promotion, and publicity.

2. Just as the title of the head of the department differs from station to station, so too does the name of the department.
3. Walter Gantz and Susan Tyler Eastman, "Viewer Uses of Promotional Media to Find Out About Television Programs," *Journal of Broadcasting*, 27:3 (Summer, 1983), pp. 272–73.
4. The FCC defines a contest as a "scheme in which a prize is offered or awarded, based upon chance, diligence, knowledge or skill to members of the public."
5. 47 *CFR* 73.1216.

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7 BROADCAST REGULATIONS

This chapter surveys broadcast regulation and focuses on

- the postderegulation regulatory framework
- FCC license application and reporting requirements
- FCC policies pertaining to ownership, programming, announcements, commercials, and operating requirements

Historically, broadcasting has been the most heavily regulated mass medium. Broadcast regulation was based upon concepts of "public interest" and scarcity, which meant, simply, that there were more applicants for licenses than there were available frequencies. In the 1980s, a deregulation frenzy swept the federal government, and the "scarcity" rationale for regulation was declared by the Federal Communications Commission to be no longer valid.

In the early 1990s, the relaxation of formal broadcast regulation continued. The FCC's emphasis was on marketplace regulation and the maintenance of a "level playing field" for competing electronic media systems. However, hints began to appear that at least a partial return to formal regulation could occur and that the inertia of the deregulation era might be a thing of the past.

BACKGROUND

During the early days of broadcasting there were very few rules to follow. Anyone who wanted to transmit a broadcast signal on any frequency could do so, thus creating a jamming effect on frequencies carrying more than one station.

The attempt to regulate the airwaves in the United States dates back to the Wireless Ship Act of 1910. However, this act had little to do with commercial broadcasting as we know it today, since it was limited to the uses of radio for maritime communication. It was followed by the Radio Act of 1912, which attempted to regulate radio but was inadequate to deal with the emergence of hundreds of broadcast stations in the early 1920s. Chaos characterized the airwaves.

After years of discussion and compromise among all factions involved in this growing industry, Congress passed the Radio Act of 1927. The act provided for the formation of a Federal Radio Commission (FRC), comprising five persons appointed by the President, one of whom would be selected as chairman. It was to oversee broadcasting on a trial basis for one year. At the end of the year, its term was extended and it continued in effect until 1934.

It soon became apparent that broadcasting needed a new and more comprehensive regulatory agency. In February 1934, President Franklin D. Roosevelt sent to Congress a proposal to create an agency to be known as the Federal Communications Commission (FCC) and to bring all means of electronic communication under the jurisdiction of this one agency. The commission would be composed of seven members appointed by the President, with the advice and consent of the Senate. One member would be designated as chairman by the President.

Today, the FCC is a five-member body, but that is not the only change. Under Chairman Mark Fowler (1981 to 1987), the commission embarked on a program of industry deregulation. His successor, Dennis Patrick (1987 to 1989), accelerated the trend, culminating with the elimination of the Fairness Doctrine.[1] That decision put the FCC into bad standing with Congress, which had already been legislating to fill the regulatory void caused by commission policy changes.

After George Bush became president in 1989, he appointed as FCC chairman Alfred Sikes, former head of the National Telecommunications and

Information Administration. Sikes successfully mended congressional fences. He worked to revise certain archaic rules, such as the financial syndication regulations and, at the same time, he pioneered new concepts, like the entry of telephone companies into video. Sikes also undertook some technology-based initiatives, such as high-definition television (HDTV) and digital audio broadcasting (DAB). He was an activist chairman who perpetuated marketplace regulation and charted many new waters.

Sikes resigned on January 19, 1993, one day before Bill Clinton assumed office. President Clinton appointed Commissioner James Quello as acting chairman. He served until Clinton nominee Reed Hundt was sworn in as chairman later that year. Hundt's background is communication law, but little was known about his regulatory philosophy. However, observers of the Washington communications scene predicted another activist chairman.[2]

THE ROLE OF BROADCAST REGULATIONS

The FCC, the Broadcaster, and the Public Interest

When broadcasting emerged, it was recognized as having an obligation to serve the *public interest.* This phrase, along with *convenience* and *necessity,* was included in the Communications Act for specific reasons, not the least of which was to give the Federal Communications Commission maximum latitude to use its own judgment in matters relating to commercial broadcasting. Section 303 of the Communications Act, for example, begins: "Except as otherwise provided in this Act, the Commission from time to time, as public convenience, interest or necessity requires shall . . ." This section goes on to list 19 functions, ranging from the power to classify radio stations to the power to make whatever rules and regulations the FCC needs to carry out the provisions of the act. The term "public interest" similarly occurs in the crucially important sections dealing with granting, renewing, and transferring licenses.

The public interest has been discussed and defined by Congress, broadcasters, and the public for so long that its meaning has become whatever a person wants it to be. This is especially true of broadcasters, since they are ultimately the ones who determine what the public interest means, at least for their audiences. The real burden of definition must come from the commission, but even the commission has granted leeway to licensees, since they are in daily contact with their audiences and obtain feedback from them, thereby being able to gauge what is in their best interests. The commission does believe that it is in the public interest for stations to carry programs dealing with community issues and problems.

The whole topic of what is and what is not public interest is once again under review. Following the Red Lion Supreme Court decision in 1969,[3] many broadcast regulations were based upon the scarcity rationale. This was especially true of those that infringed upon broadcasters' First Amendment rights, such as the Fairness Doctrine. It was scarcity that allowed for different First Amendment standards for the print and electronic media businesses. In its 1987 decision eliminating the Fairness Doctrine, the FCC decided that scarcity of viewpoint sources no longer existed, leaving the concept of public interest as a basis for regulations. In the future, decisions on the public interest would be made on a case-by-case basis.

Other Regulatory Agencies

Broadcast regulation does not come entirely from the Federal Communications Commission (FCC). Of all the regulatory agencies, probably the one that has the greatest impact on broadcasting, other than the FCC, is the Federal Trade Commission (FTC).

Deregulation by the FCC has further enhanced the importance of the FTC. In 1986, the FCC eliminated many of its rules on station business practices, including fraudulent billing and contests. The terminated regulations were characterized as "unnecessary regulatory underbrush," which duplicated other federal and state laws. Much of the responsibility abdicated by the Federal Communications Commission was absorbed by the Federal Trade Commission.

The FTC is the primary agent of the federal government that regulates advertising. Its general mandate is to guard against unfair and deceptive advertising in all media. Broadcasters, or rather the companies that advertise on broadcast facilities, are the main target of this agency, since the broadcast media are a mass-advertising funnel that reaches out to almost the entire population. Because the agency was created under the authority of Congress to regulate interstate commerce, products or services must be sold in interstate commerce, or the advertising medium must be somehow affected by interstate commerce before the FTC can intervene.

Since the FTC is charged with policing unfair or deceptive advertising, the terminology needs to be defined.

Deceptive Advertising There are four considerations in deciding whether an advertisement is deceptive:

- The meaning of the advertisement must be determined. In other words, what promise is made?
- The truth of the message must be determined.
- When only a part of the advertisement is false, it must be determined whether the false part is a material aspect of the advertisement; that is, is it capable of affecting the purchasing decision of the consumer?
- The level of understanding and experience of the audience to which the advertisement is directed must be determined.[4]

Two cases will help explain these concepts. In the early 1970s, a spokesman for Chevron F-310 gasoline additive in advertisements claimed he was standing in front of the Standard Oil Research Laboratories when, in fact, he was standing in front of a county courthouse. Was this deceptive advertising? The FTC said no—that the location of a spokesman is irrelevant to a consumer making a purchasing decision.[5]

On the other hand, Standard Oil of California was ordered to stop claiming that its Chevron gasolines with F-310 produce pollution-free exhaust. The commission banned television and print advertisements in which the company claimed that just six tankfuls of Chevron will clean up a car's exhaust to the point that it is almost free of exhaust-emission pollutants.[6]

Other agencies, both state and federal, also are involved in the regulation of advertising. The advertising industry itself has industry-sponsored groups that are active in resolving complaints against advertisers. The National Advertising Division (NAD) of the Council of Better Business Bureaus and the National Advertising Review Board (NARB) are two examples.

Consumers, as a whole, have little or no influence when it comes to policing false advertising. For the most part, all they can do is report it to the regulatory agencies.

State and local governments have strengthened their laws, especially during the last 20 years. Back in 1911, Harry Nims, a New York lawyer, drafted the first state law to regulate advertising, and it was eventually adopted by all but three states (Arkansas, Delaware, and New Mexico). Here is the text:

> Any person, firm, corporation or association who, with intent to sell or in any way dispose of merchandise, securities, services, or anything offered by such person, firm, corporation or association, directly or indirectly, to the public for sale or distribution, or with intent to increase the consumption thereof, or to induce the public in any manner to enter into obligation relating thereto, or to acquire title thereto, or an interest therein, makes, publishes, disseminates, circulates, or places before the public, or causes directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in this state, in newspaper or other publication, or in the form of a book, notice, handbill, poster, bill, circular, pamphlet, or letter, or in any other way, an advertisement of any sort regarding merchandise, securities, service, or anything so offered to the public which advertisement contains any assertion, representation or statement of fact which is untrue, deceptive or misleading, shall be guilty of a misdemeanor.[7]

Besides the FTC, the advertising business is touched by at least 32 federal statutes, including the Federal Drug and Cosmetic Act, Consumer Credit Protection Act, Copyright Act, and Consumer Products Safety Act.

The FTC's ascendancy to fill the regulatory void left by the FCC has not been limited to advertising matters. In a significant decision on FCC "must carry" rules, a federal court adopted an FTC report that concluded that the absence of the rules would not be harmful to local broadcasting.[8]

Other federal agencies and executive departments have also stepped into the power vacuum left by FCC deregulation actions. One such example is the Department of Justice, which has become more involved in communications matters. Another is the National Telecommunications and Information Administration (NTIA), which is located in the Commerce Department and is the White House policy office on telecommunications. In 1988, the NTIA issued a 672-page policy paper on a variety of regulatory matters under the direction of then-NTIA head Alfred Sikes, much of whose agenda as FCC chairman was articulated in it.[9]

APPLICATION AND REPORTING REQUIREMENTS

One day, perhaps, both federal income tax and broadcast station forms will be simplified. Until that happens, the forms will continue to be cumbersome. The broadcast industry is full of forms: for a construction permit to build a radio or television station, for a broadcast license, for annual employment data, and so on.

To begin the process of establishing a new broadcast station, an individual, partnership, or corporation must meet certain criteria. They include the following:

- The licensee must be a U.S. citizen.
- The licensee must be of good character.
- The licensee must have substantial financial resources to establish and maintain the station.
- The licensee must have the technical ability to operate the station according to FCC regulations.[10]

Applicants requesting to construct a new facility or make changes in an existing AM, FM, or TV facility must use FCC Form 301 (see Figure 10-9). In the event an applicant cannot complete construction within the time permitted, an extension of the construction permit or replacement of an expired construction permit must be requested. FCC Form 307 should be used for this purpose. The application must contain a specific and detailed statement showing that failure to complete the construction was due to causes beyond the control of the applicant.

Once the construction is completed, it is necessary to apply for a license using FCC Form 302. Applicants must show compliance with all terms, conditions, and obligations set forth in the original application and construction permit. Upon completion of the construction, the permittee may begin program tests upon sending a notice to the FCC.

During the period of operation, all stations must file with the FCC an annual employment report form, FCC 395-B (see Figure 3-2), on or before May 31 of each year. The employment data filed must reflect figures from any one payroll period in January, February, or March. The same payroll period must be used each year.

In addition, stations must file at license renewal time an equal employment opportunity report form, FCC 396 (see Figure 3-3). The report is required to determine whether or not the station's personnel composition reflects that of the community of license. Stations with fewer than five employees are exempt from filing the form.

In 1993, the FCC intensified its employment reporting rules by requiring a midterm license report on television stations' employee composition. For a detailed discussion of the commission's equal employment opportunity reporting regulations, see Chapter 3.

The FCC requires each commercial broadcast licensee to file an ownership report (FCC Form 323) once a year, on the anniversary of the date that its renewal application must be filed.

Sports and network affiliation agreements must be in writing, and single copies of all local, regional, and national network agreements must be filed with the FCC within 30 days of execution.

Deregulation has ended the need to file with the FCC notification of radio and television station programming changes. To replace previous program ascertainment requirements, the commission requires only that stations place in their public file quarterly a list of five issues and programming related to those issues. The programming need not be locally-produced.

Broadcast licenses are not issued on a permanent basis and must be renewed on a regular timetable. All licensees, except those TV and noncommercial stations selected to complete the long-form audit, must file the simplified renewal application form, FCC 303-S (Figure 7-1). It must be filed every five years by television stations and every seven years by radio stations, on or before the first business day of the fourth month prior to the expiration of the existing license.

The short-form renewal was a product of deregulation and consisted of only eight questions. However, the simplicity has begun to fade, and the form is growing. In response to the Children's Television Act of 1990,[11] the FCC added a ninth question for all television renewal applicants. It requires a summary of the applicant's children's programming activity and its compliance with commercial content restrictions. It applies to all television renewal applicants whose license expired after June 1, 1992.

Another question was added on October 15, 1993. It requires the applicant to state whether the station is currently on the air. If the answer is no, the applicant must provide an exhibit about the circumstances and plans for restoring the service to the public.

Licenses that are in good standing may be sold and transferred by licensees to third parties with the consent of the FCC. To obtain consent, the seller and buyer must file FCC Form 314 (see Figure 10-7) with the commission's Mass Media Bureau.

OWNERSHIP POLICIES

Simply put, the ownership rules govern who can own what, and where. They include limitations on numbers and kinds of stations that can be commonly owned in a market and on the total number that can be owned in the country as a whole by a single person or entity. Another ownership consideration has to do with the length of time a station must be held by an owner before it can be sold. Cross-ownership rules exist for newspaper-broadcast combinations.

Deregulation's largest impact on changing the face of the broadcast industry has resulted from the relaxation of the ownership rules. The oldest and best known was the duopoly rule, which was designed to prevent a single person or entity from owning more than one station in a market providing the same class of service. Consequently, no individual or company could own more than one AM, one FM, or one TV station in the same service area. This media-concentration rule served its purpose for many years. But the decline of AM's competitive position in particular, and of radio's profitability in general, led to its reexamination.

On September 16, 1992, a new duopoly rule become effective. The change allows a single party to have up to three radio stations in the same market in markets with fewer than 15 stations. However, the three commonly owned stations may not exceed 50 percent of the total number of stations in the market. No more than two of the three stations may be the same class of service (AM or

Figure 7-1 *Deregulation at work: short-form renewal, FCC 303-S.*

Federal Communications Commission
Washington, D. C. 20554

Approved by OMB
3060-0110
Expires 01/31/96

FOR FCC USE ONLY

FCC 303-S
APPLICATION FOR RENEWAL OF LICENSE FOR
COMMERCIAL AND NONCOMMERCIAL
AM, FM OR TV BROADCAST STATION

FOR COMMISSION USE ONLY
FILE NO.

SECTION I - APPLICANT FEE INFORMATION

1. APPLICANT NAME (Last, First, Middle Initial)

MAILING ADDRESS (Line 1) (Maximum 35 characters)

MAILING ADDRESS (Line 2) (Maximum 35 characters)

CITY	STATE OR COUNTRY (if foreign address)	ZIP CODE
TELEPHONE NUMBER (include area code)	CALL LETTERS	

2. A. Is a fee submitted with this application? ☐ Yes ☐ No

B. If No, indicate reason for fee exemption (see 47 C.F.R. Section 1.1112).

☐ Governmental Entity ☐ Noncommercial educational licensee ☐ Other (Please explain):

C. If Yes, provide the following information:

Enter in Column (A) the correct Fee Type Code for the service you are applying for. Fee Type Codes may be found in the "Mass Media Services Fee Filing Guide." Column (B) lists the Fee Multiple applicable for this application. Enter in Column (C) the result obtained from multiplying the value of the Fee Type Code in Column (A) by the number listed in Column (B).

(A) FEE TYPE CODE	(B) FEE MULTIPLE (if required)	(C) FEE DUE FOR FEE TYPE CODE IN COLUMN (A)	FOR FCC USE ONLY
	0 0 0 1	$	

SECTION II - APPLICANT RENEWAL INFORMATION

1. NAME OF APPLICANT

MAILING ADDRESS

CITY	STATE	ZIP CODE

2. This application is for: ☐ AM ☐ FM ☐ TV

Principal Community	
City	State

3. Attach as an Exhibit an identification of any FM booster or TV booster station for which renewal of license is also requested.

Exhibit No.

FCC 303-S
November 1993

Figure 7–1 *Continued*

4. Have the following reports been filed with the Commission:

(a) The Broadcast Station Annual Employment Reports (FCC Form 395-B) as required by 47 C.F.R. Section 73.3612? ☐ Yes ☐ No

If No, attach as an Exhibit an explanation. Exhibit No.

(b) The applicant's Ownership Report (FCC Form 323 or 323-E) as required by 47 C.F.R. Section 73.3615? ☐ Yes ☐ No

If No, give the following information:

Date last ownership report was filed: ____________________

Call lettters of station for which it was filed: ____________________

5. Is the applicant in compliance with the provisions of Section 310 of the Communications Act of 1934, as amended, relating to interests of aliens and foreign governments? ☐ Yes ☐ No

If No, attach as an Exhibit an explanation. Exhibit No.

6. Since the filing of the applicant's last renewal application for this station or other application, has an adverse finding been made or final action been taken by any court or administrative body with respect to the applicant or parties to the applicant in a civil or criminal proceeding, brought under the provisions of any law relating to the following: any felony; mass media related antitrust or unfair competition; fraudulent statements to another governmental unit; or discrimination? ☐ Yes ☐ No

If the answer is Yes, attach as an Exhibit a full disclosure concerning the persons and matters involved, including an identification of the court or administrative body and the proceeding (by dates and file numbers), and the disposition of the litigation. Where the requisite information has been earlier disclosed in connection with another application or as required by 47 U.S.C. Section 1.65(c), the applicant need only provide: (i) an identification of that previous submission by reference to the file number in the case of an application, the call letters of the station regarding which the application or Section 1.65 information was filed, and the date of filing; and (ii) the disposition of the previously reported matter. Exhibit No.

7. Would a Commission grant of this application come within 47 C.F.R. Section 1.1307, such that it may have a significant environmental impact, including exposure of workers or the general public to levels of RF radiation exceeding identified health and safety guidelines issued by the American National Standards Institute? ☐ Yes ☐ No

If Yes, attach as an Exhibit an Environmental Assessment required by 47 C.F.R. Section 1.1311. Exhibit No.

If No, explain briefly why not.

8. Has the applicant placed in its station's public inspection file at the appropriate times the documentation required by 47 C.F.R. Sections 73.3526 or 73.3527? ☐ Yes ☐ No

If No, attach as an Exhibit a complete statement of explanation. Exhibit No.

9. For commercial AM, FM and TV applicants only:

Is the station currently on the air? ☐ Yes ☐ No

If No, attach as an Exhibit a statement of explanation, including the steps the applicant intends to take to restore service to the public. Exhibit No.

10. For commercial TV applicants only:

(a) Attach as an Exhibit a summary of the applicant's programming response, nonbroadcast efforts and support for other stations' programming directed to the educational and informational needs of children 16 years old and under, and reflecting the most significant programming related to such needs which the licensee has aired, as described in 47 C.F.R. Section 73.3526(a)(8)(iii). Exhibit No.

(b) For the period of time covered by this report, has the applicant complied with the limits on commercial matter as set forth in 47 C.F.R. Section 73.670? (The limits are no more than 12 minutes of commercial matter per hour on weekdays, and no more than 10.5 minutes of commercial matter per hour during children's programming on weekends. The limits also apply pro rata to children's programs which are 5 minutes or more and which are not part of a longer block of children's programming.) ☐ Yes ☐ No

(c) If No, submit as an Exhibit a list of each segment of programming 5 minutes or more in duration designed for children 12 years old and under and broadcast during the license period which contained commercial matter in excess of the limits. For each programming segment so listed, indicate the length of the segment, the amount of commercial matter contained therein, and an explanation of why the limits were exceeded. Exhibit No.

FCC 303-S (Page 2)
November 1993

Figure 7-1 *Continued*

The APPLICANT hereby waives any claim to the use of any particular frequency or of the electromagnetic spectrum as against the regulatory power of the United States because of the previous use of the same, whether by license or otherwise, and requests an authorization in accordance with this application. (See Section 304 of the Communications Act of 1934, as amended.)

The APPLICANT acknowledges that all the statements made in this application and attached exhibits are considered material representations and that all the exhibits are a material part hereof and are incorporated herein as set out in full in the application.

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE, TITLE 18, SECTION 1001), AND/OR REVOCATION OF ANY STATION LICENSE OR CONSTRUCTION PERMIT (U.S. CODE, TITLE 47, SECTION 312(a)(1)), AND/OR FOREFITURE (U.S. CODE, TITLE 47, SECTION 503))

CERTIFICATION

1. By checking Yes, the applicant certifies, that, in the case of an individual applicant, he or she is not subject to a denial of federal benefits that includes FCC benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. Section 862, or, in the case of a non-individual applicant (e.g., corporation, partnership or other unincorporated association), no party to the application is subject to a denial of federal benefits that includes FCC benefits pursuant to that section. For the definition of a "party" for these purposes, see 47 C.F.R. Section 1.2002(b). ☐ Yes ☐ No

2. I certify that the statements in this application are true, complete, and correct to the best of my knowledge and belief, and are made in good faith.

Name	Signature
Title	Date

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November 1993

FM). In markets with 15 or more stations, a single entity may own up to four stations, no more than two of which may be AM or FM. In those markets, there is an additional requirement: The combined audience share of the commonly owned stations may not exceed 25 percent.

Before the implementation of the new local ownership rules, many operators who were experiencing financial or competitive strain had entered into local marketing agreements (LMAs). Under an LMA, a station sells all or some of its weekly broadcast schedule to another station in the market, which uses the air time to broadcast content, including commercials, over the selling station. When the new duopoly regulations were adopted, they were accompanied by a new LMA requirement. It says that if an LMA exceeds 15 percent of the selling station's weekly broadcast schedule, that station must be counted as an owned station for the station buying the time. For example, if FM station A buys more than 15 percent of the time of FM station B, FM station A could own no other FM station in the market because two is the limit in the same class of service.

The ownership rule changes also affected the limits for the number of stations that could be owned nationwide by a single party. Since 1984, the rule had been 12 AM, 12 FM, and up to 12 television stations. The 1992 multiple ownership rules increased the radio levels to 18 AM and 18 FM stations. However, a further increase to 21 AM and 21 FM stations was permitted if 3 of the 21 were minority-controlled.

The rules would be in effect for only 24 months. On September 16, 1994, the AM and FM radio ownership caps would be adjusted to 20 AM and 20 FM stations before any allowance for minority-controlled stations.

The television multiple-ownership limit of 12 was unaffected by either the 1992 or 1994 changes. However, the television rule depends upon the percentage of TV households reached nationally by commonly-owned stations, with the upper limit being 25 percent. Therefore, if a company owns five television stations that cover 25 percent of the television households in the United States, it cannot own any more. Special variations of the rule allow UHF stations to count for only one-half of television market households in calculating the 25 percent. Minority rules extend ownership to a maximum of 14 stations, if 2 of the 14 are controlled by minorities. As defined for this purpose, minorities are ethnic minorities, not women.

One of the results of the changes in the multiple ownership rules has been greater media concentration.

In another significant development, the FCC eliminated what was known as the "three-year rule." It had required broadcasters who acquired a station to operate it for three years before being allowed to sell it. Now, there is no holding period for existing stations. However, a one-year holding period is required for newly built stations. The end of the rule led to a flurry of station transactions and brought new investors and new types of financing into the industry.

The combination of the changes in the ownership rules and the abolition of the three-year rule resulted in innumerable mergers, corporate takeovers, and leveraged buyouts.

PROGRAMMING POLICIES

Programming policies cover a broad area of station activity. Here, the focus is on those of particular significance to station management.

Political Broadcasts

The "equal opportunities" provision of Section 315 of the Communications Act is commonly (and incorrectly) referred to as the "equal time" provision. It allows broadcasters to permit a legally qualified candidate for public office to "use" a station's facilities, but they must afford equal opportunities to all other opposing legally qualified candidates for that office, provided a request for equal opportunities is made within seven days of the first prior use.

The use of a broadcast facility by a candidate is defined as *any* appearance on the air by a legally qualified candidate for public office, where the candidate either is identified or is readily identifiable by the listening or viewing audience. Appearances by candidates in the following types of broadcasts are *not* considered "uses" and therefore are exempt from the provision:

- bona-fide newscasts
- bona-fide news interviews
- bona-fide news documentaries (if the appearance of the candidate is incidental to the presentation of the subject or subjects covered by the news documentary)
- on-the-spot coverage of bona-fide news events (including but not limited to political conventions and activities incidental thereto)

In response to petitions from the National Association of Broadcasters and others, the FCC authorized broadcasters to sponsor political debates. In 1987, the debate exemption was expanded to cover candidate-sponsored debates.[12] In both cases, even if all competing candidates do not appear on the debate, the broadcast will be exempt from the equal opportunities requirements, provided the debate has genuine news value and is not used to advance the candidacy of any particular individual. Also, taped debates need not be aired within 24 hours of their occurrence to qualify for exemptions, as long as they are broadcast currently enough so that they are still bona-fide news.

Specifically, licensees now may air in-studio debates featuring only the most significant candidates. Minor candidates are not entitled to request other air time if they are not invited to appear.

In 1991, the Section 315(a)(4) exemption was expanded to include a situation in which a local television station dedicated an hour of time to be shared equally by the two major presidential candidates for separate 30-minute presentations. Although not technically a debate, it did qualify for the use exclusion.[13]

If a broadcast constitutes a "use" of a station by a legally qualified candidate for public office, Section 315 of the Communications Act prohibits a station from censoring the broadcast content, directly or indirectly. This "no censorship" provision bans a station from refusing to broadcast a "use" by a candidate or any person connected with the content or format of the broadcast. Thus, even if the proposed broadcast contains libelous statements, the station is prohibited from rejecting it. For this reason, the U.S. Supreme Court has exempted broadcasters from liability under state libel and slander laws for any defamatory material contained in such a broadcast use.

Under Section 312(a)(7) of the Communications Act, broadcasters are required to allow "reasonable access to or to permit purchase of reasonable amounts of time for the use of a broadcasting station by a legally qualified candidate for Federal elective office on behalf of his candidacy." In 1971, the FCC ruled that each licensee has a public interest obligation to make the facilities of its station "effectively available" to all candidates for public office. It was assumed that this rule would be considered in a case-by-case manner.

Comparisons between the requirements of Sections 315 and 312(a)(7) always seem to cause confusion. It can best be avoided by remembering that, under Section 315, a broadcaster has no obligation to political candidates unless one of them has been allowed to use the broadcast facility. Section 312(a)(7), on the other hand, requires a broadcaster to provide time to candidates for federal elective office.

Fairness Doctrine

The Fairness Doctrine required broadcasters to devote time to coverage of "controversial issues of public importance," and make sure that such coverage was not grossly out of balance. In other words, reasonable opportunity was to be afforded for presentation of contrasting views. It was left to broadcasters to decide what issues were controversial and how to treat them on the air.

In 1983, the FCC upheld a fairness complaint against a Syracuse, N.Y., television station resulting from commercial announcements run by the station promoting a nuclear power plant.[14] While an appeal of that case was pending, the commission issued the 1985 Fairness Report, in which it concluded that the Fairness Doctrine had lost its usefulness due to the elimination of scarcity and the "chilling effect" the doctrine had on broadcasters' presentations of controversial issues. At that time, the FCC did not repeal the doctrine. It finally did so when the Syracuse case was sent back to it by a federal court for further review.[15] That 1987 decision was upheld by the courts and placed the FCC on a collision course with Congress. Legislation to make the Fairness Doctrine the law of the land was introduced.[16] The proposed law was passed by the Congress but was vetoed by President Reagan. In succeeding years, congressional attempts were also fruitless due to White House action. The ascendancy of Bill Clinton to the presidency probably means that there will be no more executive opposition to Fairness Doctrine codification attempts. In fact, congressional enthusiasm is greater than ever, and prospects for passage are excellent.[17]

Children's Programming

The FCC began a study of children's television programming in the early 1970s. In 1974, it issued a Children's Television Report and Policy Statement. The commission stated that television stations would be expected to provide diversified programming designed to meet the varied needs and interests of the child audience. It said that television stations should provide a "reasonable amount" of programming designed for children, intended to educate and inform, not simply to entertain.

On December 22, 1983, the FCC adopted a report and order terminating its 13-year inquiry into this kind of programming. While reaffirming the obligations of all commercial broadcast television stations to serve the special needs of children, it rejected the opinion of mandatory programming requirements for children's television by a three-to-one vote. As a result, broadcasters could justify their inattention to such programming based upon alternate children's programming available in the market on public television or cable.

Citizens' groups were outraged by the perceived FCC abandonment of the licensee's obligation to children's programming. Their unhappiness was intensified by the commission's 1984 elimination of commercial guidelines for children's programming.

In 1990, activists succeeded in their efforts to restore commercial limits and licensee program obligations for children, and the Children's Television Act passed. President Bush signed the law and, in 1991, the FCC adopted regulations implementing the act, which went into effect in 1992.[18]

As administered by the FCC, the act no longer allows broadcasters to satisfy their children's programming obligation by relying on what is available on cable and public television. Children's programming was defined as those "programs originally produced and broadcast primarily for an audience of 12 years old and under."[19] Broadcasters' compliance with the program requirements would be examined at license renewal time.

The law also reimposed limitations on commercials in children's programming: 12 minutes per hour on weekdays and 10.5 minutes on weekends. FCC enforcement of the commercial limits has been vigorous.[20]

Prime-Time Access Rule

As noted in Chapter 4, the prime-time access rule (PTAR) states that network-owned or network-affiliated television stations in the 50 largest markets may present no more than three hours of network or off-network programs, other than feature films or, on Saturday, feature films, during prime time hours (7:00 to 11:00 P.M. Eastern and Pacific time and 6:00 to 10:00 P.M. Central and Mountain time). Exceptions are made for network news, public affairs or documentary programs, and programs designed for children.

While no changes in the rule have been made, the FCC is reviewing many of its rules pertaining to the affiliate-network relationship in recognition of the current adverse competitive position of networks. Proposals have also been advanced to change the start of the network feed to the West Coast from 8:00 to 7:00 P.M. The implementation of such a plan would conflict with the prime-time access rule and would require an FCC waiver.

Financial Syndication Rules

When the FCC adopted the PTAR in 1971, it also enacted a financial syndication rule. It prohibited networks from ownership and distribution (syndication) of prime-time entertainment programs that they exhibited. The restriction was justified on the grounds that the networks enjoyed up to a combined 90 percent share of audience and had program dominance. But things changed a lot in the following 20 years, and network audiences plunged to just over a 60 share. In 1990, the FCC attempted to modify the original rules to grant networks some ownership and distribution rights. Subsequently, the courts, on network petition, found the new FCC rules unreasonable. Responding to a blistering court opinion, the commission largely abandoned the 1971 rules early in 1993.[21]

Obscenity, Indecency, and Profanity

The U.S. Criminal Code forbids the utterance of "any obscene, indecent, or profane language by means of radio communication."[22] The problem, as it pertains to programming, is the definition of what is obscene or indecent.

The prevailing standard for obscenity was adopted by the U.S. Supreme Court in its 1973 resolution of Miller v. California. The Court's three-part test is: (1) whether the average person, applying contemporary community standards, would find that the work, taken as a whole, appeals to prurient interests; (2) whether the work depicts or describes in a patently offensive way sexual conduct specifically defined by applicable state law; and (3) whether the work lacks serious literary, artistic, political, or scientific value.

Post-Miller, the FCC standard for indecency was the "seven dirty words" test announced in the Pacifica case involving George Carlin.[23] That changed in 1987, when the FCC issued a new indecency standard.[24] It is now defined as "language or material that depicts or describes, in terms patently offensive as measured by contemporary community standards for the broadcast medium, sexual or excretory activities or organs." Contemporary community standards, said the FCC, were meant to be those of the average broadcast viewer or listener.

The 1987 indecency standard has been a problem from its inception. There have been three major points of contention: *What* was prohibited? *When* was it prohibited? *How much* would violations cost? The standard itself has been upheld by court decisions in the face of claims that it is vague and indefinite.[25]

Enforcement hours have been another story. Originally, the FCC proposed a "safe harbor" when adult programming might be broadcast. That time period was identified as the hours of midnight to 6:00 A.M. For a time, under a congressional mandate, the commission extended the coverage of its indecency rule to 24 hours a day. However, the courts have repeatedly refused to allow the FCC limitations. Consequently, a court-sanctioned safe harbor between the hours of 8:00 P.M. and 6:00 A.M. has evolved.[26]

Unlike obscenity, indecency is protected First Amendment speech. It is regulated under the nuisance theory of law, which says that it is subject to the time of day. Courts have approved the curtailment of indecency at times when children might be expected to be in the audience. The safe harbor debate has been about what those hours are.

The final major enforcement wrinkle is the amount of an FCC fine. Under current forfeiture schedules, the basic one-time indecency fine is $12,500. Sanctions can increase to a limit of $250,000 for a continuing violation. Many of the cash penalties imposed so far have been against New York "shock jock" Howard Stern. His show is syndicated nationally, and the FCC has been fining both the originating and carrying stations. Stern's employer, Infinity, has been assessed over one million dollars in fines and has had FCC approval of station acquisitions threatened.[27]

Indecency has been, and will be, a major initiative for the FCC. Litigation is costly, and broadcasters who cannot afford to fight for perceived First Amendment principles would be well advised to be cautious in observing a less-than-definite standard.

Racial Slurs

Shock jocks are not new to the airwaves, but the audience fragmentation of the 1990s and the success of Howard Stern have led to a shock jock breakout from East to West. More and more air hosts are pushing the envelope of acceptable standards for program content. Complaints about problem content are no longer limited to indecency. The 1990s have seen an increasing number of allegations of racism.[28]

The FCC has been confronted with the problem of racial comments in the past. Its policy has been to rely on industry self-regulation, and it has no fine or forfeiture for such comments. The commission's position is that federal law does not prohibit them. Indeed, the U.S. Supreme Court has decided that hate speech is protected First Amendment activity.[29]

In a recent case, the FCC was asked to halt the sale of a radio station to a company that employed a disc jockey who allegedly made racially insensitive comments on the air. In a petition filed to block the sale, the African American Business Association said that the station sale would create a hostile environment for blacks working there.[30]

While a search is under way to find a solution to this emerging problem at the national level, the current remedial approach appears to rely on the amount of pressure that can be brought against management by community groups. In one instance, community pressure was joined by a withdrawal of advertising support for the offending program, and station management elected to suspend and then fire the disc jockeys.[31] Where dictates of good taste do not govern an air host's behavior, perhaps concern about occupational longevity would be an appropriate guiding principle.

On-the-Air Hoaxes

The electronic media industry has a legacy of spoofs and hoaxes dating back to the famous 1938 "War of the Worlds" broadcast by Orson Welles. His elaborate radio production describing an invasion by men from Mars caused a panic.

The late 1980s and early 1990s saw a new rash of incidents, perhaps another by-product of audience fragmentation. One, in St. Louis, resulted in a substantial FCC fine. In that case, a disc jockey for KSHE-FM aired a Civil Defense alert for impending nuclear attack.[32] The fact that it occurred in the midst of the Gulf War only intensified audience reaction.

Responding to this and other complaints, many involving false reports of crimes, the FCC issued a new hoax rule in 1992. It forbids the broadcast of false information concerning a crime or catastrophe if (1) the information is known to be false; (2) it is foreseeable that the broadcast will cause substantial public harm; and (3) broadcast of the information does, in fact, directly cause substantial harm.[33] The basic FCC one-time fine for knowingly broadcasting a hoax is $10,000.

Lotteries

There has been a long-time FCC requirement that prohibits stations from broadcasting any advertisement or information concerning a lottery. As noted in Chapter 6, there are three elements to a lottery: prize, consideration, and chance. The prize must consist of something of value. Consideration means that the contestant has to provide something of value to participate. Listen- or watch-to-win requirements by many stations are not deemed to be consideration. Chance means that skill will not improve a player's chance of winning.

Many states have lotteries that use the electronic media to promote and disseminate information, but there was some concern that FCC lottery prohibition would prevent broadcasters from airing lottery spots and news. To remedy the situation, Congress passed a law stating that the lottery rule should not apply to "an advertisement, list of prizes, or information concerning a lottery conducted by a state . . . broadcast by a . . . station licensed to a location in that state or adjacent state which has a lottery."[34]

Congress revisited the lottery question in 1988 when it passed the Charity Games Advertising and Clarification Act. The FCC implemented the law in 1990.[35] In essence, the new rules created further exemptions to the general lottery prohibition. Basically, lotteries for tax-exempt charities, governmental organizations, and commercial establishments running an occasional lottery may be advertised now. To qualify, however, the lottery and its advertising must be legal under state law.

The FCC does have a fine for noncompliance with the lottery rule: $5000 per occurrence. This is one area in which broadcasters may need local legal advice before proceeding.

Other Regulations

The deregulation era has seen the termination of many regulations, some of long standing. Most were eliminated in the commission's "regulatory underbrush" proceedings in the 1980s, which allowed other federal agencies, like the FTC, to enter the regulatory void. Among the FCC regulations discontinued were those pertaining to

- double billing
- distortion of audience ratings
- distortion of signal coverage maps
- network clipping
- false, misleading, or deceptive advertising
- promotion of nonbroadcast business of a station[36]

Obviously, many rules remain in effect. Two that bear mention are rules regarding contests and phone conversations. The FCC has a strict contest rule.[37] As noted in Chapter 6, it requires the following:

- A station must fully and accurately disclose the material terms of the contest (prizes, eligibility, and entry terms, etc.).
- The contest must be conducted substantially as advertised.
- Material terms of the contest may not be false, misleading, or deceptive.

As applied by the FCC, failure to mention a relevant fact can be as serious as making a false statement. For example, advertising a resort stay as a contest prize must include information that transportation is not included if it is not.

FCC phone conversation rules also survived the "underbrush" proceedings. Simply stated, persons answering the phone must grant permission before their voice is put on the air live or prior to recording it for later broadcast.

ANNOUNCEMENTS

As used in broadcasting, the word *announcement* has a multitude of meanings and just as many regulations to cover them.

If a broadcast station or network airs a program that relates to an element of time that is significant, or if an effort is made by the program content to create the impression it is live, an announcement must be made stating that the program is either taped, filmed, or recorded.

A good example might be ABC-TV's "The Day After," which dealt with the time in which we live and the fear of World War III and a nuclear holocaust. The program was done in such a way that the action was taking place live. The producers included messages at the beginning and end of the program that it was a taped dramatization.

Broadcast stations are required to identify themselves at the beginning of daily operations and at the end of operations for that day. In other words, stations must start and end their broadcast day with station identification announcements. They are also required to air a station identification hourly, as close to the hour as feasible at a natural break in the programming. Television stations may make their station identifications either visually or aurally.

When a station broadcasts *any* material for which it receives compensation, it must identify the person or group sponsoring the broadcast. Compensation refers to money, services, or other valuable consideration. Sponsorship identification remains a problem, particularly in children's shows where the station receives the program from a distributor in exchange for air time.[38]

Disregarding the sponsorship identification rule has landed some stations in trouble for *payola*, the practice whereby recording company representatives have secretly rewarded disc jockeys for playing and plugging certain records. Payola is one FCC policy that has not been a casualty of deregulation. Indeed, in 1988, the commission issued a statement reemphasizing the importance it attaches to payola policies.

Similarly, the sponsorship identification rule also applies to *plugola*. Plugola is the on-the-air promotion of goods or services in which someone selecting the material broadcast has an undisclosed financial interest.

In broadcasting, there is a type of announcement referred to as a "teaser" or "come-on" spot. This announcement may consist of catchwords, slogans, symbols, etc. The intent is to arouse the curiosity of the public as to the identify of the advertiser or product to be revealed in subsequent announcements. The FCC has ruled that, even though the final advertisement in a campaign fully identifies the sponsor, the law requires that each teaser announcement reveal the identity of the sponsor.

When concert promotions are carried on a station and it receives some type of valuable consideration in return, the station must make this fact known. Concert-promotion television announcements for which consideration has been received must be logged as commercial announcements.

Finally, there are public service announcements. These are announcements provided by the station without charge, and include spots that promote programs, activities, or services of federal, state, or local governments (e.g., sales of savings bonds) or the programs, activities, or services of nonprofit organizations (e.g., Red Cross, United Way), or any other announcements regarded as servicing community interests. Here, the station must identify the group on whose behalf the PSA is being aired.

COMMERCIAL POLICIES

Commercial broadcasting in the United States operates in a free-enterprise system. Profit is the motivating factor, and it comes from a station's success in generating revenue from advertisers.

The public interest should be the primary consideration in program selection. However, as part of the deregulation of radio and television, the FCC has eliminated *all* program-length commercial restrictions. The rationale is the belief that audience selection and other marketplace forces will be more effective in determining advertising policies that best serve the public.

On the other hand, the commission continues to prohibit the intermixture of commercial and programming matter. The commission's basic concern is whether a licensee has subordinated programming in the public interest to commercial programming, in the interest of salability. The selection of program matter that appears designed primarily to promote the product of the sponsor, rather than to serve the public, will raise serious questions as to the licensee's purpose. But the fact that a commercial entity sponsors a program that includes content related to the sponsor's products does not, in and of itself, make a program entirely commercial.

If the program content promotes an advertiser's product or service, one key question the commission will ask is on what basis the program material was selected. If the licensee reviews a proposed program in advance and makes a good-faith determination that the broadcast of the program will serve the public interest and that its information or entertainment value is not incidental to the promotion of an advertiser's product or service, the program will not be viewed as a program-length commercial. To avoid any possible questions by the FCC, care should be taken to separate completely the program's content and the sponsor's sales messages.

Another commercial policy deals with "subliminal perception." Briefly, this pertains to the practice of flashing on a television screen a statement so quickly that it does not register with the viewer at a conscious level, but does make an imprint on the subconscious. For instance, if a station or network were to flash on the screen the words "Buy Coke" every 10 seconds throughout a program, in all probability the viewer would have a strong desire to buy a Coke by the end of the program. It is quite obvious why this type of advertising is illegal.

For years, radio and television broadcasters have been accused of cranking up the gain, so to speak, on their commercials. Whether the commercials are louder than the program itself has to be determined on an individual basis. The FCC requires that stations take appropriate measures to eliminate the broadcast of objectionably loud commercials.

The sale of commercial time is the lifeblood of the broadcasting industry. However, there may be times when a licensee does not want to sell time to an individual or group. The courts have held that broadcast stations are not common carriers and may refuse time for products or services they find objectionable. The licensee also may refuse to do business with anyone whose credit is bad.

Whether stations should be required to sell time for opinion or editorial advertising was an open question until 1973, when the Supreme Court upheld the principle of licensee discretion. Care should be taken to note the exceptions to the general rule. First, it is obvious that stations cannot refuse to sell time to a political candidate in response to a valid Section 315 equal opportunities request. Second, the antitrust laws make it illegal for a station to refuse advertising if the purpose of the refusal is to monopolize trade or if the refusal is part of a conspiracy to restrain trade.

Prior to the commission's "postcard renewal" and deregulation proceedings, license renewal applicants were required to state the maximum amount of commercial matter they proposed to allow in any 60-minute period. Currently, there is no rule that limits the amount of commercial material that may be broadcast in a given period of time. However, the prospect of the reintroduction of commercial content limitations is once again on the horizon. In September 1993, the FCC began an inquiry to determine whether to reinstate commercial time limits and logging requirements for television stations. The commission's action was apparently prompted by commercial excesses and "infomercials."

Restrictions placed on commercials in children's programs included commercial limits, separation of program and commercial matter, excessive promotion of brand names, and false advertising. The FCC had eliminated commercial limits in its deregulation of television, but a federal court found that it had inadequate justification to do so.[39] As noted earlier, the Children's Television Act of 1990 reimposed commercial limits of 12 minutes per hour on weekdays and 10.5 minutes per hour on weekends. The act also directed the FCC to reexamine the question of program-length commercials with respect to children's programming. In a 1992 proceeding convened to implement the act, the commission defined such a commercial as a "program associated with a product in which commercials for that product aired."[40]

The final note on commercial practices pertains to the rates charged to political candidates. Section 315 of the Communications Act was amended in 1971 to set commercial rates for political time, and they are contained in Section 315(b)(1) and (b)(2). The more significant part of the rule is the first and is called the "lowest unit rate" provision. During the 45 days before a primary, or 60 days before a general election, a candidate pays the lowest commercial rate charged for the same class and amount of time for the same period, without regard to the amount of time purchased. At all other times, the candidate pays the same as other users for comparable time, or the rate any commercial advertiser who buys in the same quantity would pay. Commission enforcement of the lowest unit rate provision has been vigorous in recent times. Numerous station audits have been conducted to ensure compliance, and fines have been assessed for violations. The FCC fine is now $12,500 per violation.

OTHER POLICIES

Public Inspection File

All broadcast stations must keep certain documents and information open for public inspection at "the main studio of the station, or any accessible place" in the community of license during regular business hours. Among the required contents of the so-called public file are the following:

- Material relating to applications filed with the FCC, ownership materials, written agreements between a licensee or broadcaster and a citizen or citizens' group, and annual employment reports. Radio stations must retain all these for seven years and TV stations for five years.
- *The Public and Broadcasting—A Procedure Manual,* which must be kept indefinitely.
- Political and "controversial programming" information, including requests for time by political candidates and any free political time granted within 72 hours of an election. This information must be kept on file for two years.
- Lists and other details of community issues given significant treatment by the station in the preceding three-month period, to be retained for the license term.
- Quarterly documentation demonstrating compliance with the commercial limitations in children's programming.
- Quarterly programs list detailing the station's responsiveness to the educational and informational needs of children.
- Letters and written comments from the public concerning station programming or operations, except obscene or defamatory letters or those that the author has requested not be publicly available. These materials are to be kept for two years from the date of receipt.

Operating Requirements

The legal guidelines for operation comprise one of the most important policies for a broadcaster. In the early days of radio, broadcasting stations went on the air when they pleased and where they pleased. Adhering to an assigned frequency was of no concern. With the passage of the Communications Act of 1934, broadcasting became highly regulated. Despite deregulation of many areas of station activity, the FCC continues to monitor technical operations very closely.

When licensees are allocated a channel for broadcast purposes, in effect, they have entered into a contract. They must keep their signal on that channel and at the power allotted to them at all times. They are also required to run checks on their entire transmitting system and to note and retain the information gathered.

Licensees must observe FCC rules on the painting and lighting of towers, whether they own them or not. The commission is now emphasizing observation of these rules and has an authorized $8000 fine to deal with those who do not adhere to them. A similar initiative has been under way to ensure that all stations have Emergency Broadcast System equipment in operational order. The fine for a deviation is $10,000. Those stations with directional patterns must keep them within prescribed limits or be subject to a $10,000 fine.

Inspectors from one of the various FCC field offices arrive unannounced and inspect the station for violation of the commission's engineering standards and other rules. After the inspection, the licensee will receive either (1) no notice at all, if the inspector determines that no violation exists; (2) a letter alerting the station that a problem does exist that could, if continued, result in a violation or prevent the station from performing effectively; or (3) an official notice of violation.

An important fact for all managers of broadcast stations to keep in mind is that, no matter how good their programs are, no matter how grandiose their facility may be, or how efficient their sales staff is, everything within their command is just as good as the technical staff that keeps the show on the air.

Fines and Forfeitures

Sections 503(b)(1) and (2) of the 1934 act authorize the FCC to levy monetary fines and forfeitures for violations of its regulations or certain federal statutes. Initial FCC authorization was for a fine of up to $2000 for each individual violation and a total of $20,000 for continuing violations. In 1989, the limits were increased to $25,000 and $250,000, respectively. The justification for the increase was to provide strength to enforcement actions. In 1991, the commission issued a fine and forfeiture schedule that set amounts for various categories of infractions. That basic menu was revised by the FCC in August 1993. Some of the relevant fines and forfeitures have been identified in various parts of this chapter. For a review of the violation classifications and the base fine for each, see Figure 7-2.

Regulatory Fees

The Omnibus Budget Reconciliation Act of 1993 requires the Federal Communications Commission to assess regulatory fees. These "user fees" are separate and distinct from application fees, which were authorized in 1987.

The amount of the fee depends on the class of license held by a broadcaster. Collection commenced on April 1, 1994, and the commission can levy a late fee of up to 25 percent. AM user fees range from $900 for a Class A to $250 for a Class D. There is a $100 fee for an AM construction permit. FM charges are higher on the average. FM stations with authorized power of 50,000 to 100,000 watts pay $900 per year. Stations with less than 50,000 watts in permitted wattage pay $600 per year. FM construction permits are assessed a $500 fee.

Figure 7–2 *FCC fine schedule. (Source: Fisher Wayland Cooper Leader & Zaragoza, Washington, D.C. Used with permission.)*

Violation	*Fine*
Misrepresentation or lack of candor	$20,000
Construction or operation without authorization	20,000
Unauthorized substantial transfer of control	20,000
Violations of rules relating to distress and safety frequencies	20,000
False distress communications	20,000
Violation of alien ownership rule	20,000
Failure to permit inspections	18,750
Malicious interference	17,500
Failure to respond to Commission communications	17,500
Exceeding authorized antenna height	15,000
Knowingly broadcasting a hoax	10,000
Exceeding power limits	10,000
Unauthorized emissions	10,000
Using unauthorized frequencies	10,000
EBS equipment not installed or operational	10,000
Transmission of indecent/obscene material	12,500
Violation of broadcast EEO rules	12,500
Violation of political rules	12,500
Fraud by wire, radio, or television	12,500
Violation of children's television requirement	10,000
Violation of main studio rule	10,000
Failure to engage in required frequency coordination	10,000
Failure to comply with prescribed lighting and marking	8,000
Unauthorized discontinuance of service	5,000
Use of unauthorized equipment	5,000
Construction or operation at unauthorized location	5,000
Failure to file required forms or information	5,000
Violation of public file rules	5,000
Violation of sponsorship ID requirements	5,000
Violation of requirements pertaining to broadcasting of lotteries or contests	5,000
Broadcasting telephone conversations without authorization	5,000
Failure to make required measurements or conduct required monitoring	2,500
Failure to provide station identification	1,250
Unauthorized pro forma transfer of control	1,250
Failure to maintain required records	1,250
Miscellaneous violations	1,250

DEALING WITH COMPLAINTS

For the most part, stations only receive complaints when an individual or group is angry about a program, a news report, a commercial, an editorial, or something technical like "your darn station is coming in on my toaster."

However, some people complain not only to stations but to the FCC. It disposes of most complaints by sending a letter to the complainant without ever contacting the broadcast station in question. For complaints involving political broadcasts or questions of access, the commission encourages good-faith negotiations between licensees and persons who seek broadcast time or have related questions. In the past, such negotiations often have led to a disposition of the request or questions in a manner that is agreeable to all parties.

In general, the commission limits its interpretive rulings or advisory opinions to cases in which the specific facts in controversy are before it for decision.

Written complaints to local stations must be kept in the public file, and the management should act or react to the complainant as soon as possible. Radio and television station operators are in a business where the image of the station must be a positive one or the audience may simply turn the dial or shut the TV or radio off. Good public relations are important ingredients in the management of any electronic media system.

With deregulation and some of the controversies that have ensued, the question now is what further changes, if any, will take place in the regulations and the agencies that enforce them. If the broadcast industry accepts the responsibility of self-regulation, deregulation may continue.

Accordingly, deregulation brings additional responsibilities for the broadcast manager. Some management decisions, especially in the area of programming, will have to be looked at in a different light without the federal regulations to guide the industry. The results of this new freedom within what was a heavily regulated business will come with time. If the industry does not take advantage of deregulation, it will find the old regulations being imposed once again. It is going to take time to determine whether or not broadcasters are willing to seize the opportunity to function in an environment similar to that of the print media. Responsible management will be the key.

SUMMARY

Traditionally, broadcast regulation has been based on the principles of the public interest and scarcity. The public interest remains intact. However, the Federal Communications Commission has effectively removed scarcity as a rationale.

The FCC was established by the Communications Act of 1934. It is the agency charged with regulating the electronic media but, in recent years, embarked on a program of industry deregulation. Another agency, the Federal Trade Commission, polices advertising in broadcasting and other media.

Would-be and actual station licensees are required to file a large quantity of information with the FCC. Forms must be submitted to request authorization to construct a station and to obtain a license to operate. The commission also requires submission of annual employment report forms, equal employment opportunity report forms, ownership reports, and license renewal forms.

Despite deregulation, the FCC retains and continues to enforce many policies. There are restrictions on the numbers and kinds of stations that can be owned by one person or entity in a single community and nationwide. Programming policies cover, among other content, political broadcasts, the prime-time access period, and the use of obscenity, indecency, and profanity.

Stations are required to maintain for public inspection a file containing copies of all applications to the FCC, ownership and employment reports, details of programs broadcast in response to community issues, and other information. They also must comply with operating requirements set forth in their license.

In this new era, broadcasters must show that they can operate responsibly without close regulation. If they do not, reimposition of at least some of the terminated policies is likely.

CASE STUDY

You are the sales manager of WAAA-TV, a network-affiliated station in a Southern state capital. This year, one of the state's two U.S. Senate seats is up for election. In the past, WAAA-TV has found that political advertising was more trouble than it was worth, so it plans to accept none. The station has not sold or given time to any Senate candidates.

Forty-five days before the March primary, one of the Senate aspirants pays a visit to the station for the purchase of broadcast time. The spot he wants to run was produced by a national right-to-life group, and it contains graphic footage of aborted fetuses. The candidate proposes to purchase spots in all the local news programs and in selected prime-time programs between 7:00 and 10:00 P.M. Central Time.

Exercises

1. Can the station successfully decline to sell time to the candidate?
2. If it decides that it must sell time to the Senate hopeful, can it censor the part of the spot with the graphic footage?
3. If the answer to question 2 is no, can the station successfully ban the spot on the grounds that it is indecent and violates the FCC's indecency ban?
4. If WAAA-TV concludes that it must sell the politician time and run the spot unedited, what rate is the station permitted to charge?

CASE STUDY

WSIN-TV is an independent station in a large East Coast market. The station has been steadily losing share to the Fox affiliate, which used to be an independent. To jump-start the lagging ratings, WSIN-TV has decided to air R-rated theatrical releases in prime time at 8:00 P.M. The first selection broadcast was a movie called *Private Lessons*, a sexually explicit coming-of-age film.

Though the showing was an overall audience pleaser, some complaints about indecency were filed with the FCC. The commission sent the station a notice of apparent liability for a violation of the 1987 indecency standard and assessed a $25,000 fine.

You are the attorney hired to defend WSIN-TV, and you must advise your client.

Exercises

1. Should the station simply pay the fine, or is there a basis to challenge the FCC action successfully in court?
2. If your conclusion is to pay the fine, has the FCC exceeded its authority as to the amount?
3. If you decide to challenge the action, will you advise the station to continue its movie plans or to put them on hold pending the outcome of the litigation?

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8 MANAGING THE CABLE TELEVISION SYSTEM

This chapter considers cable TV management by examining the

- emergence and development of cable television
- managerial functions and responsibilities, with special attention to programming, economics, and promotion
- the regulatory environment in which cable systems operate

While he was working toward his dream of a telegraph system without wires, Guglielmo Marconi would have laughed at the irony that, less than a century later, telecommunications *with* wires would again be all the rage. To Marconi and other electrical tinkerers of the early 20th century, it was a great goal to one day be able to send messages over long distances without the need of wires. These electronic pioneers brought us radio and, later, television. All the while, the fact remained that many more messages could be sent—much more clearly—through cable than could be broadcast over the airwaves. While Marconi might have laughed, broadcasters are not amused. Cable is a major competitor, siphoning off programming, audiences, and revenues from conventional television broadcasters.

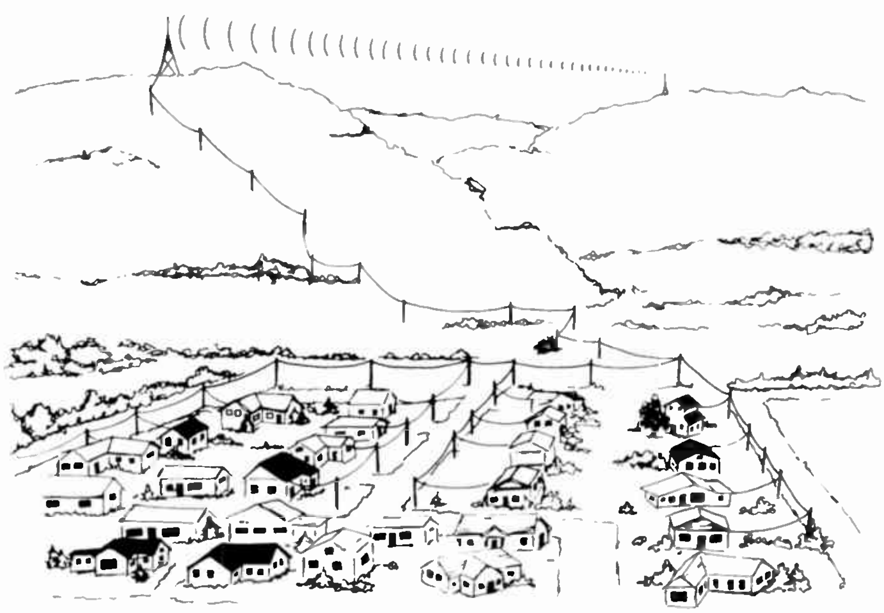
Cable television has proved to be a profitable venture. Investment capital has been combined with sound management practices to provide solid cash flow and value. Cable's success has not gone unnoticed, however, and it is not without a price. During the rest of this decade and beyond, cable will face its first significant competitive challenges and also will have to deal with government interference in its product pricing. Although the potential for cable development remains, success will not be as automatic or as assured as it was in its earlier days.

GROWTH OF CABLE TELEVISION

The cable revolution has its roots in a small town in Pennsylvania called Mahanoy City.[1] There, in 1948, an electrical appliance store owner was having difficulty selling his television sets. The reception of television stations, broadcasting from nearby Philadelphia, was poor because of the mountains that loomed over the town. The owner of the store got the idea of putting up a large antenna on a nearby mountain. He ran a wire from the antenna to his store, hooking up houses along the way. The antenna picked up weak signals from Philadelphia, brought them down to an amplifier, and carried the stronger signals into the customers' homes (see Figure 8-1). He charged $100 for the installation and $2 a month for service. His customers, as a result, received clear signals from all three channels in Philadelphia, and his television sets at last began to sell.

This was the beginning of what was called Community Antenna Television (CATV). It spread slowly through the country during the 1950s, mainly in rural and deep valley areas. By 1962, there were 800 such systems in the country, reaching a total of 50,000 homes. The growth of television and the desire of the people for better reception produced a brief boom in the cable business. The visionaries predicted that, by 1970, half of American television homes would be served by cable. There was talk of a wired nation and a multiplicity of cable TV services. Included in those services were to be computerized libraries that would allow a viewer to order any book ever printed, for transmission into their homes. Subscribers would be able to dial a movie, any movie, any time of the day or night; hold business conferences with participants scattered throughout the country; pay bills, shop, and do their banking—all without ever having to leave the comfort of their homes.

Figure 8–1 *Cable television system as first designed, showing headend receiving distant TV signals for distribution to a community where original signal could not be received due to mountainous terrain.*



Cable operators themselves were responsible for failure to effect some of these possibilities. They were plagued by a lack of imagination in their programming, marketing ignorance, and the inability to make their product attractive to enough customers. Then, in the late 1960s, the cable industry suddenly found itself under attack by the Federal Communications Commission (FCC). It was at this point that a constricting set of regulations went into effect.

Although cable television started in rural areas, it was being developed slowly in metropolitan areas. Even with television stations located within the same city or close by, some viewers could not receive clear signals. Master antenna systems were placed on the taller buildings, and the TV signals were redistributed to apartment buildings, thus increasing the reception for the tenants.

The year 1975 marked a turning point in the evolution of cable. RCA launched the space satellite SATCOM I, and Home Box Office (HBO) announced plans for a national pay cable network with satellite interconnection.

Henceforth, cable television would be much more than a simple retransmission service that provided viewers with clear reception.

By the mid-1990s, more than 11,000 cable systems passed 98 percent of the nation's 95.4 million television households. Cable penetration totaled 62.5 percent of those homes, yielding almost 59 million subscribers.[2]

Cable's challenge today is to convert the nonsubscribing homes passed by cable into paying customers. The industry plans to achieve this goal through expanded channel capacity and interactive services, such as pay-per-view, video-on-demand, and home shopping.[3]

THE FRANCHISING PROCESS

Anyone considering a career in cable television should be familiar with the basis of cable operation: franchising. The franchise agreement provides the cable system with authorization to utilize public rights-of-way in conducting business and establishes the terms and conditions under which this can be done. The franchise is to cable what the license is to broadcast stations.

In the beginning, the process was an area of shared responsibility between local and federal governments. Local governments issued the franchise because of the servitudes cable systems imposed upon city streets and other rights-of-way. The Federal Communications Commission set standards for the provisions franchises should include.

This structure of dual responsibility was confusing and ripe for abuse. Revenue-starved cities placed many demands on potential cable operators as preconditions to franchise issuance. This was true, particularly, when an exclusive franchise was at stake. In their zeal to win, competing companies made promises that were neither practical nor affordable. Bribery of officials to obtain lucrative franchises was not unknown. No one was happy—neither the local governments nor the operators.

It was in this climate that Congress enacted the Cable Communications Policy Act of 1984.[4] It conferred independent status on the cable television industry, which had grown amid a hodgepodge of FCC regulations designed to protect over-the-air television. Cable was the regulatory stepchild of a commission that saw the industry as a nuisance. The act continued the requirement that operators obtain a franchise. Franchising authority remained with local governments, and they determined the franchise term.

However, limitations were imposed on what a government could demand before granting a franchise. Cities could not stipulate specific video programming or information services, but they could require local access channels for public, educational, or governmental use. Mandatory access channel requirements came under First Amendment attack in the courts, and their ultimate fate is unclear.[5] Depending on channel capacity, the operator could be required to dedicate channels for commercial use by persons unrelated to the cable company. Local operators could also be required to lease or sell lockout devices to protect children from indecent or obscene programs. A/B switches enabling subscribers to switch from cable to over-the-air broadcast reception without disconnecting the cable also had to be available.

The 1984 law provided that the franchise authority might grant one or more franchises within its jurisdiction. Companies that overpromised in their eagerness to obtain a franchise could receive relief upon adequate showing of an inability to comply. Cities were entitled to collect a franchise fee from cable operators. However, it could not exceed 5 percent of the cable system's gross revenue for any 12-month period. The act also freed systems from franchise authority rate regulation.

The history of experience under the 1984 act was not one of success. Basic provisions of the law were challenged in court by the cable industry itself. One such provision was that which allowed franchise authorities to award exclusive franchises.[6] Deregulated cable rates exploded. The twin pressures of litigation and consumer reaction forced Congress to reexamine cable regulation. It did so and passed the Cable Television Consumer Protection and Competition Act of 1992.[7] The major impact of the new law on franchise requirements was a prohibition on the granting of exclusive franchises. The law imposed many new obligations on franchises and ended the "deregulation" of cable. Basic requirements of the law are reviewed in the regulation section later in the chapter.

FRANCHISE RENEWAL

As noted earlier, cable franchises are issued by local governments, not the FCC. Unlike broadcast licenses, cable franchises have no universally fixed term. Each local authority sets the term of the franchise or franchises within its jurisdiction. Before 1984, there were no universal rules for the procedure or for criteria to be applied in franchise renewals. Cable operators wanted the security that the FCC license afforded broadcasters. Broadcast licensees had a "renewal expectancy." In other words, if they had rendered "substantial past meritorious service to the public" during their license term, they expected that the license would be renewed. On the other hand, the absence of renewal standards in the cable industry had become an impediment to investment.

The Cable Communications Policy Act of 1984 addressed cable operator renewal concerns. The act set national renewal standards but left the administration of those standards to local franchise authorities. It also established specific time tables and criteria for renewal. Cable operators initiate the renewal procedure by submitting a specific, formal written notice to their franchise authority.[8] Any operator seeking renewal is entitled to receive a public hearing at which its past performance can be evaluated and the future cable-related needs of the community considered. The hearing must be held within a six-month period, beginning three years before the expiration of the franchise. At the conclusion of this evaluation, an operator may submit a renewal proposal. The franchise authority has a fixed period within which to accept it, or indicate its preliminary determination that the franchise should not be renewed. If nonrenewal is indicated, either party may initiate an administrative proceeding.

Denial of a renewal proposal must be based on one or more of the four factors examined at such a proceeding, which considers whether

- the cable operator has substantially complied with the material terms of the existing franchise and with applicable law
- the quality of the operator's service, including signal quality, response to consumer complaints, and billing practices, but without regard to the mix, quality, or level of cable services or other services provided over the system, has been reasonable in light of community needs
- the operator has the financial, legal, and technical ability to provide the services, facilities, and equipment as set forth in the operator's proposal
- the operator's proposal is reasonable to meet the future cable-related community needs and interests, taking into account the cost of meeting such needs and interests[9]

Like the franchise provisions of the 1984 law, the renewal provisions have also been the subject of First Amendment court challenges.[10]

The relative security afforded a cable operator by the law should not lead to laxity about the renewal process, however. Even though most franchises are granted for 10 to 15 years, many operators recommend an early start on preparing the new proposal.

If the franchisee has performed well during the franchise term, the task of obtaining renewal may not be too difficult. Nonetheless, the need to plan is extremely important. It should include identifying and resolving potential problems, striving to respond to community needs and desires for programming, and determining whether or not the system should be upgraded or expanded. With an eye toward renewal, many systems operated by MSOs sample customer attitudes in their monthly program guide.

Sensitivity to subscribers' needs is essential. An operator who is not prepared will run into difficulties during the refranchising procedures. It is important to let the public know what has been accomplished and what is planned.

Presentations before the local governmental authority must be professional. Information must be accurate and displayed in a form that can be read and understood easily. Keeping files on complaints, no matter how minute, as well as complimentary correspondence also will be of value.

Once the franchise has been renewed, full attention returns to day-to-day operations.

ORGANIZATION

Like a broadcast station, a cable television system is organized according to the major functions that must be carried out to ensure successful operation. While differences exist in organizational structure, the functions are similar and are allocated to departments. The following departments are found in many systems:

Customer and Employee Relations
This department is responsible for investigating and responding to customer inquiries and complaints, and planning and conducting public

relations campaigns designed to create and maintain a favorable image in the community. Its personnel activities include recruiting and interviewing job applicants, orienting new employees, developing and implementing supervisor training and evaluation programs, and handling employee benefits. The department is headed by a director.

Advertising Sales
The sale of local availabilities in advertiser-supported networks is a major responsibility of this department, headed by a manager. Many systems also sell classified advertising and spots on local origination channels.

Operations
An operations manager is charged with responsibility for this department, which engages in a variety of tasks. They include maintenance and operation of the headends, satellite receiver systems, and trunk and feeder cables; maintenance of the standby power supply; testing and adjustment of signal strength; installation and repair of drop cables and hookups to cable boxes and videocassette recorders; planning and construction of extensions to the cable systems in new subdivisions and apartment complexes; and the dispatch of technicians. The manager is assisted by a chief technician and by supervisors with expertise in the different operational areas.

Marketing and Sales
A marketing and sales manager heads this department. Its major responsibilities are the sale of the system's program services to subscribers and the planning and execution of advertising and promotion campaigns in furtherance of that goal. The department engages in market analyses to assess customer preferences and potential, determines the packaging of services and their price structure, and conducts door-to-door and telemarketing sales campaigns.

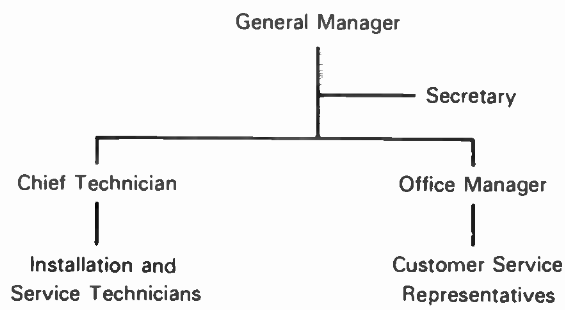
Business
A business manager supervises the work of personnel in this department, which has responsibility for processing revenues and expenditures, customer service, and office and computer operations.

The number and organization of employees is influenced by the size of the system and by its status as a single entity or part of a multiple system operation. Management preferences also play a role in system organization and scores of variations exist. Figures 8-2 and 8-3 show ways in which small and large systems may be organized. Each is headed by a general manager.

The GM directs and coordinates all system activities to ensure efficient and profitable operation within the framework established by federal law and the local franchise agreement. In particular, the general manager

- supervises and coordinates, directly or through subordinates, all personnel
- directs, through subordinates, employee compliance with established administrative policies and procedures, safety rules, and governmental regulations

Figure 8–2 *Organization of a small cable television system.*



- examines, analyzes, and establishes system directions and goals
- prepares and directs procedures designed to increase efficiency and revenues and to lower costs
- prepares, implements, and controls the budget
- approves requisitions for equipment, materials, and supplies, and all invoices
- represents the system to local government, business, the media, and other groups

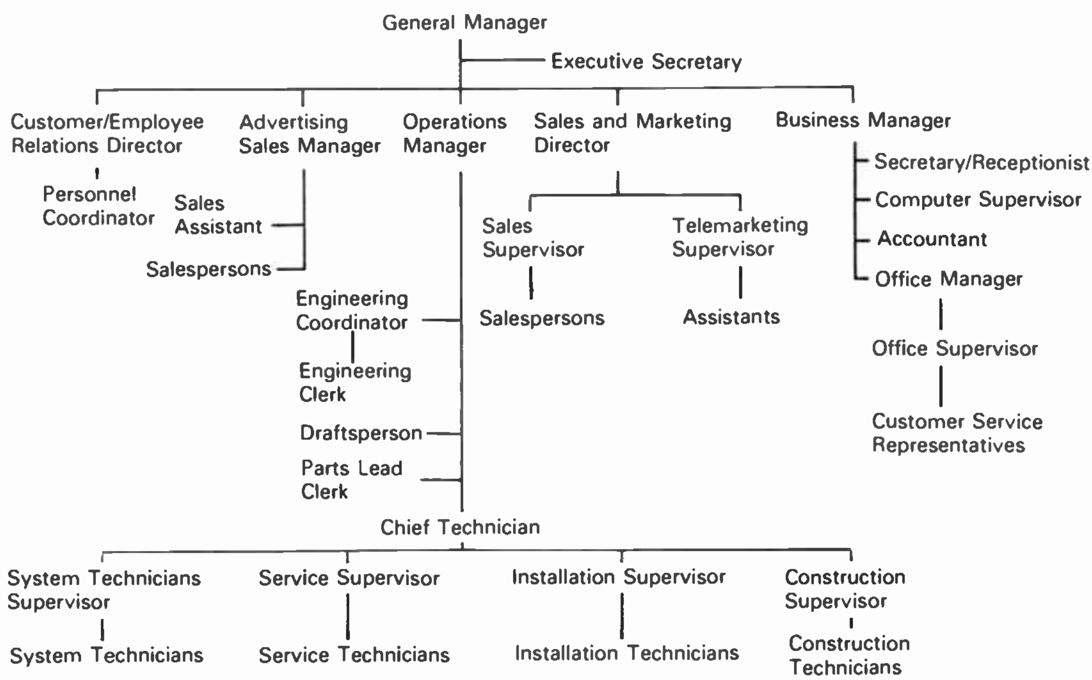
As in a broadcast station, each department is unique. However, there are major differences. The cable company sends its signals through wires, the broadcast station through the airwaves. In broadcast, advertisers are the primary market. In cable, the audience is the market and the system's financial success is tied closely to the number of subscribers it can attract and the number of services they purchase.

These realities impose on cable managers an obligation to ensure that the technical quality of the signal is of the highest caliber. Viewers will continue to subscribe as long as they feel they are receiving value for their money. Accordingly, the sales and technical staffs must cooperate closely, since the retention and addition of subscribers depend heavily on a signal that is technically acceptable when delivered to the home. The system manager must pay close and constant attention to those two areas of activity. They are the very foundation upon which the company survives.

The general manager must know what is happening in every department. This can be accomplished through regular meetings with department heads. Such meetings also provide an effective method of solving problems before they become crises.

Cable managers must be sensitive to the needs of their employees. Getting to know the staff, being receptive to their problems and ideas, and keeping an

Figure 8-3 *Organization of a large cable television system.*



open-door policy will be beneficial in the smooth and effective running of the operation. Further, apathy and discontent also may be avoided as a result.

PROGRAMMING

The programming challenge for cable system operators has never been greater. The explosion of available program services has continued unabated. New federal laws require operators to carry certain local broadcast stations.[11] Old federal laws stipulate that channels be provided for mandatory access, like PEG (public, educational, and governmental) access, and for lease by third parties.[12] Franchise agreements may require still other channel capacity dedication for services such as local origination.

Technological advances, including video compression and fiber optics, are rapidly expanding program choices and channel capacity. Interactive services, like video-on-demand and pay-per-view, are now part of the program mix.

Management must make program selections that satisfy subscribers' demands for choice and value while maximizing system revenue.

Essentially, system programming is of two types: voluntary and involuntary. Voluntary operator program choices include distant broadcast signals, advertiser-supported satellite networks, premium satellite services, and special programming, such as pay-per-view. Involuntary programming may include local broadcast stations under "must carry," PEG mandatory access, leased access, and local origination.

Once chosen, programming must be paid for. Most voluntary programming requires payment; most involuntary programming does not. System operators pay for programming in two ways. The first is a requirement of federal law. In 1976, Congress enacted a comprehensive copyright law that required cable systems to pay semiannual fees for the carriage of some television stations. Copyright fees are not owed for carriage of local stations under "must carry." However, a compulsory fee set by law is required to carry distant commercial stations, including superstations. Amounts owed are a statutory percentage of subscriber receipts and range from just under 1 percent to a maximum of 3.75 percent. Actual sums depend on the number of distant signals carried and the date of their introduction into the schedule by the cable system.

In addition to the copyright payment, most voluntary program selections involve a payment directly to the program supplier. Such payments normally are calculated on a per-subscriber basis. For most advertiser-supported cable satellite networks, the monthly fee paid to the supplier is less than one dollar per subscriber. However, there may be surcharges for some networks, especially those that offer professional sports, such as ESPN and TNT. In those instances, the programmer passes along to the cable system part of the substantial rights fee for such programming. However, many advertiser-supported cable networks allow local cable affiliates to sell local advertising in network programming, usually about one minute per half-hour. This local revenue generation helps to offset the programming cost.

Costs for noncommercial premium channels, like HBO, are far different. Payments are also set on a monthly, per-subscriber basis, but the amounts are much higher than for commercial advertiser-supported networks. Obviously, no commercial offset for local system revenue generation is possible. Consequently, subscriber charges for premium channels are also much higher than those for basic sources.

Some program decisions result in payments *to* the cable system. Home shopping networks, for example, pay local systems a percentage of gross product sales generated in the system's franchise area. In still other instances, religious networks may pay a system for carriage on a monthly, per-subscriber basis. Such amounts are quite modest, usually ranging from 5 to 25 cents per subscriber per month.

It has been emphasized that the audience is the major customer of cable television and provides its principal financial support. For that reason, an important economic consideration in all programming decisions is the anticipated impact on subscriptions. A major goal in program selection is the addition of subscribers and the minimizing of disconnects. Decisions to accomplish those goals will rely on the operator's familiarity with the composition and program preferences of the community and of subscribers and nonsubscribers.

The operator's expertise in program selection has never been more important. It was noted earlier that cable systems pass 98 percent of the nation's television households but that only about 62 percent of those homes subscribe. The cable system programmer must make attractive program choices that will convert some of the nonsubscribing homes to subscribers.

Recognizing the potential and limitations of the system's technology, legal obligations contained in federal law and the franchise agreement, and the need to maximize audience appeal and ensure a profit, the operator proceeds to program the available channels. Typically, the services provided include the following:

Local Origination and Access Channels
Many systems are required by the franchise agreement to produce programs for carriage on local origination, or community, channels. Time, temperature, and newswire displays, round-table discussions, and local sports are examples. Some also use the channel for community bulletin boards and program previews. In all cases, operators control the content.

The agreement also may require that channels be reserved for public, educational, and governmental access. This programming is produced by persons outside the cable company and often includes discussions, credit and noncredit courses, and meetings of local government bodies. The courts have ruled that users are protected by the First Amendment and that neither the franchise authority nor the cable operator may engage in editing or censorship.

As a result of the operator's court-imposed inability to control public access content, things were getting pretty wild. Complaints caused Congress to reexamine the problem. Consequently, the 1992 Cable Television Consumer Protection and Competition Act contained a section requiring the FCC to write regulations giving cable operators the power to forbid obscene or sexually explicit material on leased access and PEG channels.[13] The commission passed the regulations, and they were challenged immediately in the courts. A court order prohibited the FCC from enforcing its public access content rules until the challenge was resolved.[14]

Other content problems may also arise involving controversial topics or verbal attacks by participants. Accordingly, management must be vigilant.

Local, Over-the-Air Broadcast Stations
The 1992 act reimposed "must-carry" rules on the cable industry.[15] Simply put, must carry requires a cable system to carry the commercial and noncommercial stations in its area. Under the law, broadcasters were required to choose between must carry or retransmission consent before October 6, 1993. Retransmission consent is a legal alternative to must carry. If a station elected retransmission consent, that amounted to a must-carry waiver. Under retransmission consent, broadcast stations could not be carried on a cable system without their consent. If a station and system

could not reach a retransmission agreement, the system was free to drop the station in question.

If upheld in the courts,[16] the 1992 law will considerably reduce programming discretion by a cable operator with respect to local television stations. More detail on the specifics of must carry may be found in the regulation section later in the chapter.

Distant, Independent Stations
So-called "superstations," such as WTBS (Atlanta), WGN (Chicago), and WWOR (New York), offer entertainment and sports programming that may not be available from other sources. The system pays to the stations a small, monthly subscriber fee. As noted earlier, copyright fees may be substantial if several distant stations are included in the channel lineup, particularly if they have been added since 1981, when new FCC rules went into effect.

Basic Cable Networks
Operators have dozens of satellite-delivered networks from which to choose. Some target a narrow audience with specialized content, while others seek a broader audience with more diverse programming (see Figure 8-4). Together, the networks provide a range of programming, and their selection will reflect the operator's perceptions of the interests and needs of the community and its subgroups. Compensation arrangements for system carriage of these mostly advertiser-supported networks were reviewed earlier in the chapter.

Pay-Cable Networks
These networks (see Figure 8-5) offer commercial-free entertainment for a monthly subscriber fee, about half of which is retained by the cable company. As a result, these so-called "premium" channels are a high economic priority for operators.

Some systems are using channel space for their own newscasts and for system-purchased syndicated programming, previously the exclusive domain of network affiliates and independents. Those with the necessary technology are reserving channels for pay-per-view (PPV) programming, permitting subscribers to select special programs, such as entertainment specials and boxing matches, for which they are billed separately. Individual systems may contract for the rights to carry a pay-per-view event or to acquire programs from one of several national PPV services under a fee-splitting arrangement. Although PPV results have been somewhat disappointing to date, industry professionals predict significant growth. Still other channels are being dedicated to the emerging video-on-demand market, which may become a significant revenue source.

Programming is a key contributor to successful operation. Without appealing programs, there would be no subscribers. Without subscribers, there would be no system. Providing a balanced program service at an acceptable cost is a continuing challenge.

Tiering

Once the operator has made all the programming choices, attention will turn to marketing the selected product. Historically, cable systems have bundled

Figure 8–4 *Selected basic cable networks and their content.*

Name	*Content*
A&E Network (Arts and Entertainment)	Entertainment, including comedy, drama, the performing arts, and documentaries
BET (Black Entertainment Television)	Programming for the black audience: news, films, music, black college sports
Cable Value Network	Home shopping service
CNN (Cable News Network)	24-hour news and special interest reports
C-SPAN (Cable Satellite Public Affairs Network)	24-hour news events: live House of Representatives debates, Congressional hearings, viewer call-in shows
The Discovery Channel	Nonfiction entertainment: nature, science, technology, exploration, history, adventure
ESPN (Entertainment and Sports Programming Network)	Sports events, news, lifestyle programming, business news
The Family Channel	Original and syndicated family entertainment, movies, inspirational shows
FNN (Financial News Network)	Business news, personal money management information, ticker coverage of major exchanges
Headline News	Half-hour newscasts, 24 hours a day
Home Shopping Network I	Live discount home shopping service
The Learning Channel	Educational programming: instructional series, high school equivalency and college courses, independent film and video
Lifetime	Programming of special interest to women and Sunday programming for the health care community
MTV (Music Television)	24-hour stereo video music programming
Nickelodeon/Nick at Nite	Programming for kids/programming for the "TV Generation"
TNN (The Nashville Network)	Concert specials, sports, entertainment, news, movies
TNT (Turner Network Television)*	Movies (including original productions), sports, comedy, dramatic series
USA Network	Entertainment, especially for women, children, and teens, and sports programming
VH-1 (Video Hits One)	24-hour video music programming especially for 25- to 54-year-olds
The Weather Channel	24-hour weather information: local, regional, national, international

*Systems have the option of offering this service as either basic or pay

Figure 8–5 *Selected pay-cable networks and their content.*

Name	*Content*
American Movie Classics*	Nostalgic movies
Cartoon Network*	Cartoons
Cinemax	Recent box office hit movies, classics, and music specials
Comedy Central*	Stand-up comedy and vignettes
Court TV*	Live proceedings of high-profile court cases
The Disney Channel	Family movies and specials
Encore	Past and present hit movies
Home Box Office	Recent hit movies and special events
The Movie Channel	Box office hits and classic movies
Sci-Fi Channel*	Science fiction movies and series
Showtime	Box office hit movies, situation comedies, and specials

*May be offered on expanded basic by some systems

certain categories of programming together for sale to potential subscribers. That practice is known as *tiering*. Typically, the subscribers' fee structure is tied to the tiers, and the total monthly charge depends on the options chosen.

There has always been a relationship between tier structure and government regulation, both federal and local. The best current example of the relationship is the massive change in tiering that resulted from the Cable Television Consumer Protection and Competition Act of 1992. The law requires cable systems to establish a separate basic tier and specifies what must be included in it.[17] The minimum requirements include all must-carry stations, distant television stations carried by the system, excluding superstations, home shopping stations,[18] and mandatory access channels. Rates for this government-mandated tier are regulated by the local franchise authority. Details of rate regulation appear later in the chapter.

The basic tier requirement, and the rate control that went with it, caused a significant realignment of the structures that existed before the 1992 law. Operators had to create a new home for those program sources which were subject to price increases or surcharges. Because of government-imposed basic rate control, operators could no longer easily pass along to subscribers program costs for existing sources or for new sources.

As a consequence, most of the nation's 11,000 systems have established some form of expanded basic tier. Expanded basic, or expanded service, as some call it, usually includes the non-must-carry, nonpremium services that existed previously in the old basic tier. Here are found primarily the advertiser-supported cable satellite networks. Typical expanded basic offerings would include CNN, USA, TNT, MTV, A&E, and others.

The new tiering plans also have a premium level beyond the expanded basic service. At this level are positioned the standard, premium noncommercial program services. Such offerings might include HBO, Showtime, Cinemax, The Movie Channel, and the Disney Channel. These premium channels may be subscribed to on an individual or package basis.

Figure 8-6 shows the tiering structure used by Chattanooga Cable TV Company. Note that the 1992 cable law basic channel is called Lifeline Service. The expanded basic tier is known as Expanded Service. Premium services are divided into three categories: Entertainment Pak, Pay-Per-View Service, and Premium Pay Service.

Tiering structure has been acutely sensitive to the presence or absence of government regulation. The longevity of the current three-tier concept will depend, in large part, on the continuation of the present regulatory model.

ECONOMICS

Between 1980 and the mid-1990s, the number of basic subscribers more than tripled, from about 17 million to almost 59 million. The increase in pay-cable subscribers was equally dramatic. With these accomplishments behind them, cable operators have switched their emphasis from construction to the marketing of their services and the sale of advertising.

Revenues

Monthly subscriber fees account for almost 86 percent of cable television revenues. Basic payments, which averaged about $20.75 in 1993, make up approximately 63 percent of fee revenue, with the remainder coming from pay services, on which the average subscriber spent about $10.48 a month.

It is the responsibility of the system's marketing and sales department to recruit subscribers. As noted in the previous section, programming services are usually bundled together into tiers. The currently accepted structure involves three tiers: government-mandated basic, expanded basic, and premium. Subscribers pay a flat fee to receive all the programming provided in the basic tier. A higher fee provides subscribers with all the programming in the basic tier

Figure 8-6 *Tier structure of cable television system. (Source: Chattanooga Cable TV Company. Used with permission.)*

2	WGN
3	PEG
4	WRCB Channel 3 (Chattanooga) NBC
5	WTCI Channel 45 (Chattanooga) PBS
6	WFLI (Channel 53) IND (Cleveland)
7	TBS
8	BET Black Entertainment
9	CNN Headline News
10	WTVC Channel 9 (Chattanooga) ABC
11	WDSI Channel 61 (Chattanooga) FOX
12	WCLP Channel 18 (Chatsworth) PBS 7PM-12AM
13	WDEF Channel 12 (Chattanooga) CBS
14	THE MOVIE CHANNEL
15	USA
16	ESPN
17	TNT
18	TNN The Nashville Network
19	CNN Cable News Network
20	THE DISCOVERY CHANNEL Nature, Science, Adventure
21	THE DISNEY CHANNEL
22	CINEMAX
23	SPORTSOUTH
24	HOME BOX OFFICE-HBO
25	MTV
26	ARTS & ENTERTAINMENT
27	C-SPAN
28	NICKELODEON
29	LIFETIME

30	VH-1 (Video Hits)
31	FAMILY CHANNEL
32	THE WEATHER CHANNEL
33	SNEAK PREVIEW
34	ACTION PPV
35	REQUEST 1 PPV
36	REQUEST 2 PPV
37	CNBC
38	QUALITY VALUE CHANNEL
39	HOME SHOPPING NETWORK
40	MIND EXTENSION UNIVERSITY
41	C SPAN 11
42	AMC
43	ACTS/VISN
44	PREVUE GUIDE
45	COUNTRY MUSIC TV
46	LEASE CHANNEL
47	E!
48	CARTOON NETWORK*
49	COMEDY CENTRAL*
50	ENCORE*
51	NOSTALGIA NETWORK*
52	SCI-FI CHANNEL*
53	COURT TV*
54	THE LEARNING CHANNEL
55	THE TRAVEL CHANNEL
56	THE FOOD CHANNEL
60	VIEWERS CHOICE 1
61	SHOWTIME

*Available for purchase on a "per channel" basis if desired.

Lifeline Service
Expanded Service
Entertainment Pak*
Pay-Per-View Service (optional)
Premium Pay Service

and the expanded basic tier. Premium services in the third tier are usually available on a bundled or unbundled basis. Some systems have a special premium tier in addition to the traditional HBO, Showtime, Cinemax tier. This threshold tier is sometimes known as mini-pay. Its offerings might include

Encore, Court TV, or the Comedy Central networks. The example shown in Figure 8-6 has a mini-pay tier marketed as the Entertainment Pak.

Obviously, subscribers' tier selection determines their monthly bill. For an example of a tier pricing structure, see Figure 8-7.

One technique formerly employed by cable system marketers is no longer available. Before the 1992 cable law, subscribers were required to buy through one tier to get to the next. For example, they had to purchase expanded basic to obtain premium services. The law prohibits buy-through requirements except for the government-mandated basic channels.

Figure 8-7 illustrates how the program marketing process works. This system has four tiers: Lifeline Basic (mandated basic), Expanded Service (expanded basic), Entertainment Pak (mini-pay), and Premium. Lifeline Basic and Expanded Service have fixed fees for bundled services. The Entertainment Pak, consisting of six channels, is priced on a packaged or individual basis, as are the traditional premium channels, of which the system offers five.

Let's assume that a subscriber purchases Lifeline Basic, Expanded Service, Encore (mini-pay), HBO, The Movie Channel, Showtime, Cinemax, Disney (premium), and the system's monthly *Cable Guide*. Purchased on an individual basis, the monthly bill would be as follows:

Lifeline Basic	$ 6.56
Expanded Service	16.39
Encore	2.00
HBO	12.00
The Movie Channel	11.00
Showtime	11.00
Cinemax	11.00
The Disney Channel	9.45
Cable Guide	.99
Total	$80.39

A monthly expenditure of $80.39 for cable would be unattractive to most people. However, this system operator offers discounts to encourage subscribers to purchase more programs. If the services itemized above were selected under the discount plan, the bill would be as follows:

Lifeline Basic	$ 6.56
Expanded Service	16.39
5-Star Value Pak	26.70
Total	$49.65

Here, the discount and incentive plans cut the monthly service commitment by about 38 percent and, obviously, enhance subscribers' perceived value.

A cable system's revenues are not limited to regular video program services. Pay-per-view and digital audio also contribute to an operator's gross revenue.

Figure 8-7 *Tier pricing structure of cable television system. (Source: Chattanooga Cable TV Company. Used with permission.)*

Lifeline Basic	6.56
Expanded Service	16.39
Non-Rebuild Discount (non-Rebuild only)	N/C
Entertainment Pak	
Individual Services (Except Encore)	1.00
Package	3.95
Addressable Converter	2.61
Hand-held Remote Control	.30
HBO	12.00
Showtime, The Movie Channel, Cinemax(each)	11.00
The Disney Channel	9.45
Encore *	FREE - 2.00
2-Star Value Pak (HBO & Showtime)	15.50
2-Star Value Pak (Showtime & TMC)	12.29
3-Star Value Pak	
(HBO, Showtime & TMC, Guide)	20.49
(HBO, Showtime & Cinemax, Guide)	21.49
(HBO, Showtime & Disney, Guide)	20.49
5-Star Value Pak	
(HBO, Showtime , TMC, Cinemax, Disney, Encore , Guide)	26.70
Chattanooga Home Theatre (PPV)	
Prices may vary with movie/event	
Digital Music Express (DMX)*	
(Residential prices vary)	6.95 - 10.95
(Commercial rates available)	
Cable Guide	.99

* *Discount available based on service level.*

Installation charges and equipment rental (remote controls, A/B switches, lockout devices) add incremental income.

If revenues are to be enhanced, cable managers must continue to pay close attention to subscriber needs and provide prompt, efficient, and courteous service. One study of almost 1800 subscribers and nonsubscribers concluded that good service equates with good value and poor service with poor value, regardless of the rates charged.[19]

Many systems have installed telephone automatic response units (ARUs) so that questions may be channeled directly to the appropriate information source. Allied with computers, the units permit subscribers to check their account balance and the date and amount of their last payment, order special movies or events, report a service problem, confirm or reschedule a service or installation appointment, and receive general information.

Important as technology is, its contribution may be limited by the personnel assigned to it. Accordingly, customer service representatives (CSRs) must be trained in its use and must understand the importance of customer satisfaction. A dissatisfied customer may mean one fewer subscriber and a lost revenue source. Telemarketing assistants must be informed but not aggressive and dictatorial.

Similarly, company employees who come face to face with customers and prospective customers must be knowledgeable and skilled in human relations. Installers and service technicians must be aware of the subscriber's needs, take appropriate steps to avoid damage to property, and be tolerant in explaining and responding to questions about the operation of cable in the home. Door-to-door sales representatives must be suitably dressed and act in a professional manner.

The importance of cable to subscribers is exemplified when a storm or other event interferes with service. Typically, the system's telephone lines are jammed with calls and the temperament of the CSRs is put to the test. Patience and a sympathetic attitude can do much to disarm customers' annoyance and to reassure them that the problems are being resolved. On such occasions, however, frankness is mandatory. Only realistic estimates of service resumption time should be given. If wild and unsubstantiated guesses are made and not fulfilled, annoyance will grow into anger and, possibly, more lost customers and revenue.

Advertising is becoming an increasingly significant revenue source; it accounts for about 5 percent of system revenues. By 1992, national and spot sales on cable systems approached one billion dollars,[20] and were projected to reach one and a half billion by 1995.[21]

Multiple system operators have been especially aggressive in developing this revenue source. Often, they interconnect individual systems in contiguous geographic areas to deliver more homes to advertisers. Some large metropolitan systems owned by different operators may interconnect for the purpose of marketing local and spot announcements.

Cable has several advantages for advertisers. It attracts audiences that are characterized as better educated and more affluent than the average TV viewer. The special-appeal programming of many basic networks permits the targeting of specific demographics, much like radio. In addition, time is less costly than on a broadcast television station. However, the quality of ads produced only for cable often is inferior and the automated hardware to run them is expensive and often unreliable. It is also difficult to convince many advertisers and advertising agencies of cable's value because of the paucity of statistically reliable ratings information.

Time is sold on local origination channels and on many basic networks. For example, TNT makes available for local sale four minutes of every hour; CNN three minutes; ESPN, Headline News, Lifetime, MTV, TNN, USA Network, and VH-1 two minutes.

Figure 8-8 shows the rate card for a system offering single and double schedules of 24 30-second spots per network per week. Note that prices are discounted according to the number of networks and schedules purchased and the length of the contract. Twenty-six-week contracts provide for a discount of 10 percent on the 13- to 25-week rates, and 52-week contracts provide for a 20 percent discount.

The knowledge, skills, and personal qualities of the advertising sales manager and the account executives, and the sales tools necessary for success, are

Figure 8-8 *Cable TV system rate card for local spot purchases on basic networks.*

PLAN A
4–12 Weeks

	Number of Networks	Single Schedule Cost per Spot	Double Schedule Cost per Spot
	1	30.00	24.50
	2	21.50	18.00
	3	18.00	14.50
	4	15.00	12.00
	5	12.50	10.50
	6	11.00	9.50
PLAN B 13–25 Weeks			
	1	23.50	20.50
	2	18.00	15.00
	3	14.50	11.50
	4	11.50	9.50
	5	9.50	8.00
	6	8.75	7.00

For 60-second spots, add 50%

similar to those required of their broadcast counterparts, described in Chapter 5.

Historically, cable systems have not been preoccupied with ratings. What was important was that subscribers signed up and enjoyed their viewing experiences enough to continue their subscription. Now that advertising is becoming a more important revenue source, systems are more ratings-conscious. To assist them, Nielsen has developed the Nielsen Homevideo Index (NHI), which measures audiences for basic and pay services. The company also undertakes specially commissioned studies for operators.

Reliable audience information is a necessity if local ad sales are to continue their growth and operators are to make informed decisions in selecting programs with appeal to audiences and to the advertisers that seek them.

Expenses

In addition to paying regular taxes, cable television systems are required to hand over to the franchising authority up to 5 percent of their revenues and, in some cases, channel capacity for public, educational, and governmental use. The same authority will offer millions of dollars in tax abatements to industries as an incentive to locate in the community. No other business has ever been

Figure 8-9 *Cable TV system expense items.*

Technical salaries	Vehicles
Technical overtime	Equipment repairs
Office salaries	Production
Office overtime	Advertising
Marketing salaries	Office supplies
Marketing commissions	Telephone—base rate
Contract labor—marketing	Telephone—long distance
Employee benefits	Insurance
Payroll taxes	Legal and consulting
Contract labor—technical	Publications and subscriptions
Maintenance	Travel
Operating supplies	Bad debt
Converter maintenance	Janitorial/building
Pole rental	Property and general taxes
Basic programming	Data processing
Pay TV programming	Franchise fees
Pay-per-view	Copyright fees
Program guide	Charitable contributions
Utilities	

called upon to pay for the right to do business, except public utilities, and cable is not a utility. Some court cases have raised the question of whether fees and channel requirements represent an interference with the First Amendment rights of cable operators.[22]

The cost of laying cable ranges from $10,000 per mile in rural areas to $85,000 in urban areas or where underground cable is required. This is a substantial investment for a business that must share its revenues with the community. The investment becomes even more if the cable company has agreed in its franchise to originate local programming. Equipment costs start at about $30,000 for a small black-and-white operation and grow to $200,000 or more for color production facilities.

Many of the system's operating expenses are similar to those of a broadcast station: salaries, commissions, employee benefits, payroll taxes, utilities, supplies, programming, travel, and communication. Major differences are the franchise fees described above, maintenance and repair of miles of cable and associated equipment, and pole rental. Principal expense items are listed in Figure 8-9.

Like the broadcast manager, the cable manager faces a difficult task in trying to increase revenues and control costs in a very competitive marketplace. Consumers have many options in spending their entertainment and information dollars. Likewise, businesses have a choice of vehicles for marketing their products and services. Careful attention to the needs of both groups, and appealing and economically attractive responses are imperative.

PROMOTION

Cable promotion has begun to reflect the maturity of the business itself. The original elements are still there, to be sure. Systems continue to use direct mail, door-to-door, and on-the-air solicitations, but other techniques are being employed as well. Principal among them is over-the-air television. Local TV stations once were reluctant to accept cable advertising, since the two were seen to be in direct competition for audiences. For the most part, that reluctance is gone and systems, individually or as part of an area marketing group, use broadcast television extensively. The results are impressive. People who watch television are, after all, a logical market for cable systems.

Radio is attractive, too. It is cost-effective and advertising can be targeted to the unique formats and demographics of stations.

Newspaper is used successfully, particularly to feature coupons for a premium service at an introductory rate and with no installation cost. Program listings in the newspaper's television program supplement, in cable guides, and in *TV Guide* also are forms of valuable promotion.

Most systems use a monthly program guide to carry listings and interest subscribers in upgrading their service. Some employ a basic channel, called a "barker channel," to promote premium services and pay-per-view.

Promotion costs can often be offset by co-op money from the national cable networks, and system managers need to know how to access such funds.

Promotion sophistication for the system will increase as the battle for subscribers and advertisers continues to intensify. As a result, it will become a critical skill for cable management.

REGULATION

Since its inception, cable has been an irritant to the Federal Communications Commission. To begin with, it was not an area of federal preemption. Regulatory responsibility has always been shared with local authorities, whose streets and rights-of-way are essential for a cable system's operation.

The giant cable industry of today was not even contemplated when the 1934 Communications Act was written. Consequently, federal regulation of cable was done on an as-needed basis by the FCC. Courts and the FCC, alike, wrestled with rationales for tying regulation into the framework of the act. The commission's jurisdiction was confined to system operational matters; licensing was left to local authorities.

The initial FCC cable regulatory motivation was to protect licensed television broadcasters from the perceived threat of cable. The threat took two forms: First, cable's ability to reduce locally licensed stations' audiences and revenues by importing out-of-market signals, and second, its retransmission of expensive local broadcasters' programming without compensation.

As noted above, the FCC first attempted to deal with its cable concerns under imputed authority derived from the 1934 act. By 1984, cable had grown to the point that it was able to demand, and receive, explicit regulatory status from Congress. That law was the Cable Communications Policy Act of 1984,[23] which "deregulated" cable. However, industry stewardship of its deregulated status was not successful in the eyes of many consumers and Congress. In response, Congress passed the Cable Television Consumer Protection and Competition Act of 1992.

To combat the first threat, the importation of out-of-market signals, the FCC enacted signal carriage rules. They took three forms: must carry, network nonduplication, and syndicated exclusivity. The second problem, noncompensation to local broadcasters, was addressed to some degree by Congress in the Copyright Act of 1976.

All the signal carriage rules of the FCC have had many reincarnations, but none more than the must-carry rules. As noted earlier, must carry requires a cable system to carry the commercial and noncommercial television stations in its area. These long-standing rules were struck down on First Amendment grounds in two court decisions in the mid-1980s.[24] Broadcasters' attempts to restore them were finally achieved in the 1992 act. At the time of this writing, the new rules were under challenge in the courts, and their ultimate survival was questionable.

The 1992 must-carry rules apply to both commercial and noncommercial television stations. The principal requirements are as follows:

- Systems must devote one-third of their channel capacity to local commercial station must carry.
- A commercial station is entitled to must carry on all systems within its DMA, on its assigned channel or the channel it had on July 19, 1985, or January 1, 1992 or a mutually agreed-upon channel.
- Home shopping stations are entitled to must carry, as are LPTV stations that meet certain public interest requirements.
- Systems with 12 or fewer channels must carry one local noncommercial station, systems with 13 to 36 channels must carry up to three local noncommercial stations, and systems with more than 36 channels must carry all local, noncommercial stations.

As noted earlier, the 1992 law allows stations to select a retransmission consent option in lieu of must carry. Stations that opt for retransmission consent must negotiate with local cable systems for channel position and compensation. If the negotiations are unsuccessful, a local station might end up with no system carriage at all for three years.

A second FCC signal carriage rule is network nonduplication or network exclusivity. It prohibits a cable system from carrying an imported network affiliate's offering of a network program at the same time it is being aired by a local affiliate.

The third significant carriage rule involves syndicated program exclusivity, known as "syndex." Prior to 1980, the FCC protected a local station's syndicated programs against duplication in the market from distant signals imported by cable systems. In 1988, the commission reinstituted the rule, but delayed its implementation until January 1, 1990. The new rule allows a local station with an exclusivity provision in its syndicated program contract to notify local cable systems of its program ownership. Once notified, the system is required to protect the station against duplication from imported signals, including those of pay and nonpay cable networks transmitted by satellite.

The other principal FCC concern about the emerging cable industry was the question of compensation of broadcasters for retransmission of their signals by cable. The controversy finally was resolved in 1976, when a new copyright law was passed. Under the law, cable TV was to pay royalties for transmission of copyrighted works. These revenues were in the form of a compulsory license paid to the registrar of copyrights for distribution to copyright owners.

According to the provisions of the law, cable operators must pay a copyright royalty fee, for which they receive a compulsory license to retransmit radio and television signals. The fee for each cable system is based on the system's gross revenues from the carriage of broadcast signals and the number of ***distant signal equivalents***, a term identifying non-network programming from distant television stations carried by the system.

The law requires a cable operator to file semiannually a statement of accounts. Information in this report includes the system's revenue and signal carriage, as well as the royalty fee payment.

The law also established a now-abolished Copyright Royalty Tribunal (CRT), composed of five commissioners, to distribute the royalty fees and resolve disputes among copyright owners and to review the fee schedule in 1980 and every five years thereafter. The CRT administered three funds: (1) the basic royalty fund; (2) the 3.75 percent fund established to compensate copyright owners for distant signals added after June 24, 1981; and (3) the syndex fund. Claims against the funds, totaling more than $100 million annually, are made by broadcasters, the Motion Picture Association of America (MPAA), sports organizations, and the Public Broadcasting Service. Changes in the funds administered and the amounts collected have occurred as the FCC and Congress have altered the signal carriage rules. The abolition of the CRT will have no effect on copyright fees owed, or on cable system reporting requirements.

The 1992 cable law did much more than restore must carry. Essentially, it reregulated cable. Of special significance was the act's reintroduction of rate regulation, which had been abolished in 1986. The period of deregulation saw an explosion of system rates, with resulting pressure on Congress by angry subscribers.

In accordance with the law, the FCC in 1993 established rate regulations for implementation by local franchise authorities. The basic tier must be available separately and must contain, at a minimum, all nonsuperstation commercial and noncommercial broadcast signals, all franchise-required PEG channels, and such additional channels as the operator wishes to include. Before regulating basic rates, a franchise authority must obtain FCC certification. If certification is denied or revoked, the commission will regulate directly the rates for the system's basic tier.

The 1992 act sets forth criteria for determining whether or not rates are reasonable. Costs include programming, franchise fees, and taxes. Revenues include subscriber fees and advertising. A reasonable profit is allowed. The determination of reasonable rates is decided, in part, on basic rates for systems with competition. If a cable system wishes to raise basic rates, it must give the franchise authority 30 days' notice.

Expanded basic rates can be regulated under the "bad actor" concept. For 180 days after April 4, 1993, franchise authorities or subscribers could file complaints with the FCC about unreasonable rates. After that date, expanded basic rates could be challenged only when they were increased. Rates for premium channels and pay-per-view are not regulated.

Rate regulation has not produced the expected outcome. Although the industry complains that regulation has cost them billions of dollars,[25] consumers have apparently not noticed the savings. Complaints to Congress have continued, despite an initial FCC cable rate freeze.[26] On taking office in late 1993, commission chairman Reed Hundt considered proposing a major cable rate-reduction plan[27] but could not get the support of a sufficient number of other commissioners. Rate-control efforts are likely to continue due to congressional sensitivity to voter complaints. Congress looked for significant results from its 1992 law and, undoubtedly, will revisit cable regulation if its goals are not achieved.

SUMMARY

Cable television began as a means of distributing and enhancing over-the-air television signals. As television stations increased in number and service became universal, cable's mission changed. It became a source for alternate program choices—distant broadcast signals, including those of so-called superstations, and signals of advertiser-supported and premium cable-only networks.

Cable is hardwired and requires rights-of-way over and under city streets to gain access to viewers' homes. Because of this unique requirement, cable systems are licensed by local governments. The licenses are called *franchises*. The federal government regulates the operational aspects of cable, and this dual local-federal regulation produced confusion. The increasingly powerful cable industry wanted a legal clarification of its status and received it in the Cable Communications Policy Act of 1984. Cable's deregulated freedom was short-lived. It was, in large part, terminated by the Cable Television Consumer Protection and Competition Act of 1992.

Cable television systems are run by general managers, who answer to ownership. Reporting to the general manager are the heads of departments with clearly identified responsibilities. Usually, they include customer and employee relations, advertising sales, operations, marketing and sales, and business.

Programming decisions take into account technological, legal, and audience-appeal and associated economic factors. Program sources include local origination and access channels, local and distant over-the-air television stations, and basic and pay-cable networks. Many systems also offer special programs on a pay-per-view (PPV) basis.

Initially, cable revenues consisted almost entirely of monthly subscriber fees. As the industry has matured, it has developed other revenue sources, including the sale of local advertising and pay-per-view services. Operating expenses are similar to those of broadcast stations, but with some notable differences. Systems must pay to the local franchise authority a franchise fee of up to 5 percent of their gross revenues. They are also required to meet the cost of maintaining and repairing miles of cable and allied equipment and of renting poles on which to string the cable.

Promoting the varied program services available is a high priority in attracting and retaining subscribers. Among the most effective promotional media are local television and radio stations, newspapers (especially the television program supplement), and the system's own channels.

CASE STUDY

Major Money Cable, Inc., was founded in 1962 by George Bowersox, a local banker. From modest beginnings, the system has gone to fiber optics and now passes 100 percent of the television homes in a mountain-ringed community in a northeastern state. The market is served by local affiliates of ABC, CBS, NBC, and Fox. There is also a PBS affiliate, a Christian station, and an LPTV station, which is a Home Shopping Network outlet.

Major Money has 50 activated channels and has achieved a 50 percent penetration of the market's 20,000 television homes. By the effective date of the 1992 Cable Television Consumer Protection and Competition Act, no local station had elected retransmission consent.

Bowersox fired your predecessor, the general manager, for underperformance. He has devised a new marketing plan for his system and orders you to implement it. The essence of the plan is to increase overall penetration in general, pay penetration in particular, and to develop alternative revenue sources, such as advertising.

The ability to sell advertising depends on having the maximum number of availabilities possible in programming carried by the system. To make more spots available for sale, Bowersox wants to drop all local stations, except the PBS and Christian stations, and replace them with advertiser-supported basic cable networks with local availabilities. In addition, he plans to consolidate all programming into two tiers, basic and premium. Basic will cost $16 per month. Four premium services will be bundled on a discounted basis for $20 per month. However, subscribers will have to buy the basic to obtain the premium discount. Installation, remote controls, and the monthly program guide will be free to those who subscribe to both tiers.

Exercises

1. Is Bowersox right about underperformance? Based on the overall performance of cable systems around the country, is the Major Money system penetration acceptable?

2. Can Major Money fill all 50 activated channels with advertiser-supported basic networks and selected premium services? If not, why not? Be specific.
3. Major Money's two-tier structure and pricing plan appear to be attractive from a consumer viewpoint. Are there any reasons why they cannot be implemented? Be specific.
4. If Major Money proceeds with Bowersox's plan, based on national statistics, what benchmark percentage of total system revenue can it strive to achieve from the sale of local and spot announcements?
5. Assuming that there are problems with Bowersox's approach, what alternative revenue sources can you propose that might satisfy your employer's monetary goals without increasing system capital expenditures to accomplish them?

NOTES

1. Saundra Hybels and Dana Ulloth, *Broadcasting: An Introduction to Radio and Television*, p. 294.
2. "Summary of Numbers," *Broadcasting & Cable*, May 2, 1994, p. 61.
3. "Pay per View/Video on Demand," *Broadcasting & Cable*, November 29, 1993, pp. 54–55.
4. The act is contained in 47 USCA 521–559.
5. Century Federal, Inc. v. City of Palo Alto, 63 RR 2d 1736.
6. City of Los Angeles v. Preferred Communications, 106 S. Ct. 2034, 1986.
7. 47 USCA 325, 332, 335, 522, 532–537, 541, 544(a), 546, 548, 551–555(a), 558.
8. The operator renewal notice requirement was added by a provision in the Cable Television Consumer Protection and Competition Act of 1992, 47 USCA 546.
9. 47 USCA 546(c)(1)(A–D).
10. Group W Cable v. Santa Cruz, 609 F. Supp. 954, 1987.
11. The 1992 Cable Television Consumer Protection and Competition Act reintroduced a must-carry requirement. Under the law, the choice between must carry and retransmission consent was left to the broadcaster, who had to decide by October 6, 1993. 47 USCA 614.
12. 47 USCA 611, 612.
13. 47 USCA 532.
14. "Washington Watch," *Broadcasting & Cable*, May 17, 1993, p. 47.
15. 47 USCA 614.
16. Turner Broadcasting System v. Federal Communications Commission, 72 RR 2d 366, 1993.
17. 47 USCA 543.
18. "Home Shopping Gets Must Carry," *Broadcasting & Cable*, July 5, 1993, p. 8.
19. "Service Showing," *Broadcasting*, February 5, 1990, p. 86.
20. *Cable TV Advertising*, May 18, 1993, p. 1.
21. "Local Cable Ads: Are They a Threat to Broadcast TV?" *Television/Radio Age*, February 20, 1989, p. 35.
22. Erie Communications, Inc. v. City of Erie, 659 F. Supp. 580, 1987.

23. 47 USCA 521–559.
24. Quincy Cable TV, Inc. v. Federal Communications Commission, 768 F2d 1434, 1985; Century Communications Corporation v. Federal Communications Commission, 835 F2d 292, 1987.
25. "Real Numbers on Rate Regulation," *Broadcasting & Cable*, July 26, 1993, pp. 6–7.
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27. "Hundt May Find It Tough to Lower Cable Rates," *Broadcasting & Cable*, January 31, 1994, p. 14.

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9 PUBLIC BROADCAST STATION MANAGEMENT

This chapter is devoted to that area of noncommercial broadcasting known as public broadcasting. It examines

- the organization and framework of public broadcasting in the United States
- the major management functions performed by public broadcasting executives
- the challenges facing public broadcasting today and the management tools available to meet them
- the differences and similarities in operations between commercial broadcasting and public broadcasting

Noncommercial educational broadcasting accounts for approximately 14 percent of total radio stations and about 24 percent of total television stations operating in the United States today.[1] Despite these significant percentages, most broadcast professionals and broadcast students know little about its intricacies.

Within the category of noncommercial broadcasting there is a subcategory known as public broadcasting, which encompasses those broadcasters who meet the minimum operating requirements established by the Corporation for Public Broadcasting to qualify for federal funding.

Public broadcasting represents a specialized area of over-the-air broadcasting with its own unique concepts and principles. In public television, for example, unlike its commercial counterpart, emphasis is not on generating mass audience numbers per program, but on cumulative weekly audience. Public radio is largely format-based, as is commercial radio. However, public radio formats are somewhat different in that they possess more limited audience appeal. The emphasis is to increase time spent listening (TSL) by the audience. Commercial broadcasting sells the audience to advertisers; advertisers are the market. In public broadcasting, the audience is the market and public stations depend, in part, on direct audience financial support. Accordingly, revenue sources for public broadcasting and commercial broadcasting are very different. So are expenses. National TV networks pay commercial stations to carry their programs, but public stations must pay for their programming.

There is one major similarity between public and commercial broadcasting, however, and that is the bottom line. Commercial stations operate for profit and must be expense- and revenue-conscious. Public stations, while nonprofit in nature, are financially accountable and must conform expenses to anticipated revenue generation. This is especially true in these days of diminished governmental funding.

THE STRUCTURE OF PUBLIC BROADCASTING

The origins of the current structure in public broadcasting date to the 1967 report of the Carnegie Commission on Educational Television. Many of its recommendations to enhance the viability of noncommercial educational broadcasting were enacted into law by the Public Broadcasting Act of the same year, which created the Corporation for Public Broadcasting (CPB).

Distribution services for programs were added in 1969 to 1970, when the CPB and some noncommercial stations formed membership corporations. The television vehicle was named the Public Broadcasting Service (PBS), and the radio organization was called National Public Radio (NPR). Both of these entities provide member stations with various program options and services, which will be discussed in greater detail later in the chapter.

As a result of these developments, a three-level structure emerged:

1. local noncommercial educational radio and television stations licensed by the Federal Communications Commission
2. the Corporation for Public Broadcasting, which is primarily a funding mechanism
3. PBS and NPR

TELEVISION

By the mid-1990s, 363 noncommercial television stations were on the air, of which 123 were VHF, and 240 UHF.[2] Of these, 200 licensees, operating 349 stations, belonged to the Public Broadcasting Service.[3] Some of the PBS stations were low-power television (LPTV) stations.

The licensees may be divided into four distinct categories:

Community stations are operated by nonprofit community corporations created to build and run them. Most stations are located in large cities and have a significant dependence upon community support. Some are major program production centers. Community stations accounted for 94 licensees.

University stations arose as a natural consequence of the educational mission of their sponsoring institutions. They rely less on viewer support than community stations and operate as program origination sources for other public stations. There were 64 university licensees.

Local authority licensees, primarily public schools, are instructional in nature. As a consequence, the bulk of their programming is instructional. They rely on the audience for some degree of financial support. The number of local authority licensees has declined over the years, and only eight remained in operation.

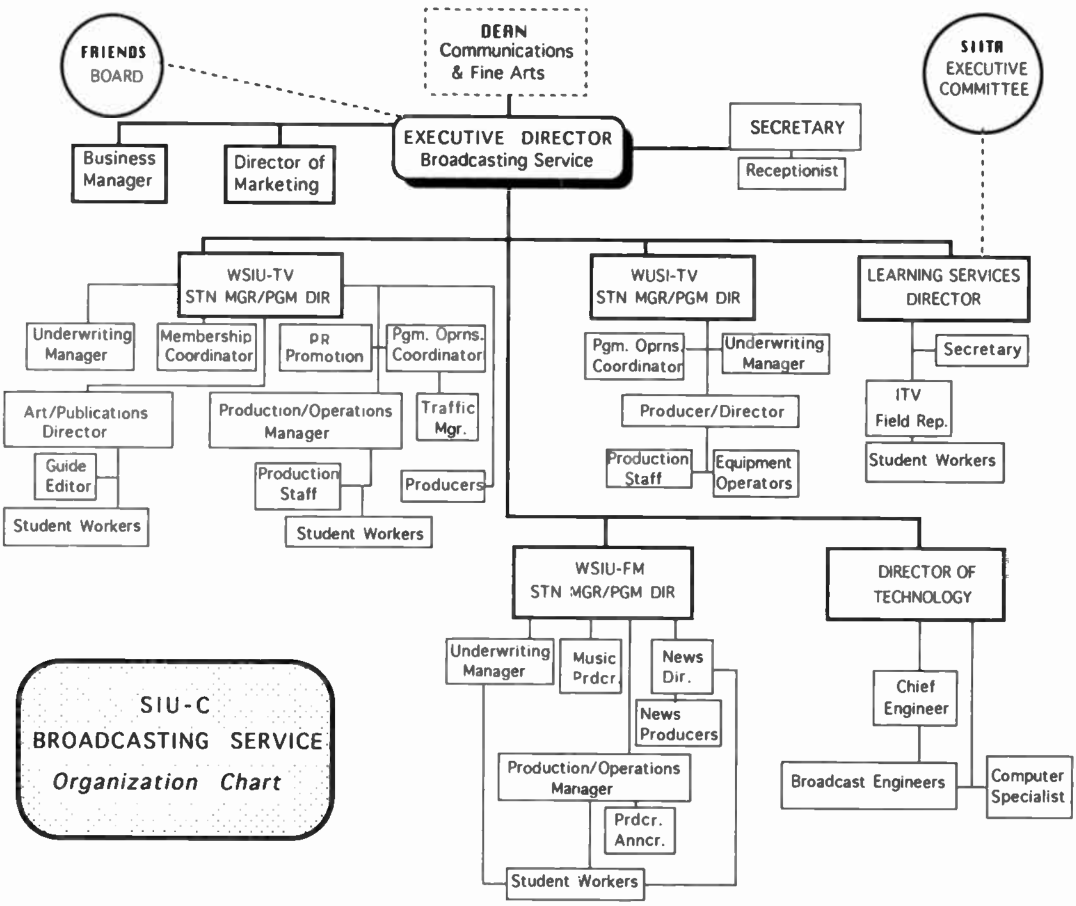
State agencies have been created by law in 23 states to operate statewide networks of public stations that are heavily involved in program production, both for instruction and for general audiences. With 34 licensees operating over 100 stations, state-operated stations represented the largest group of public television stations.

Organization and Personnel

The size and structure of a local public television station depend on market size, the type of licensee, and the programming it offers to the public. Stations are organized into various departments performing specific functions. Figures 9-1 and 9-2 depict the structure of a university licensee, Southern Illinois University in Carbondale, Illinois, and a community corporation, KETC, that operates a television station in St. Louis, Missouri. Department heads report to a general manager or station manager, who is responsible for the overall operation. Note that community corporations may be organized somewhat differently from other licensees because of their generally larger size and, in some instances, their role as a national production center.

The level to which the general manager reports varies according to the type of licensee operating the station. Community stations generally have a broad-based community board of directors to which the manager is responsible. In university stations, the manager usually reports to a designated university official. Public school station managers deal with the superintendent of schools or the school board. In the case of state-operated stations, the upper level structure is an entity created by state law. Whatever the nature of the licensee or structure, the manager is accountable to a higher authority, and that authority determines the degree of autonomy the local manager has.

Figure 9–1 *Organizational chart of a university licensee, Southern Illinois University, Carbondale, Illinois. (Used with permission.)*



Management Tasks

The responsibilities of the public broadcast manager are concentrated in eight primary areas. Through an examination of each, it will be possible to develop an appreciation of the challenges the public television executive faces and the tools available to meet them. The review of management tasks will also offer an opportunity to compare and contrast public and commercial television. The main management functions of the public television executive are as follows:

- financial
- programming
- promotion

Figure 9-2 *Organizational chart, KETC-TV, a community corporation licensee in St. Louis, Missouri. (Used with permission.)*

KETC ORGANIZATION
MARCH, 1994

BOARD OF TRUSTEES
Gregory Vatterott
Chairman

PRESIDENT & CEO
Michael Hardgrove

Capital Campaign
- Director
- Assistant

Executive Assistant

FINANCE & ADMINISTRATION
Wilma Matta, Vice President & CFO

Finance
- Manager
- Accountant

Personnel
- Manager

Mgmt. Info. Systems
- Coordinator

STATION OPERATIONS
Ted Garcia, Exec.V.P. & COO

Engineering
- Chief Engineer
- Maintenance Tech (3)
- Brdcst Center Mgr.
- Brdcst Center Tech (6)

Operations
- Opns. Director
- Production Tech (8)
- Studio Manager
- V9 Sales Rep

Programming
- Program Director
- Traffic Coordinator
- Traffic Clerk
- Secretary

Production
- Executive Producer
- Host/Producer (2)
- Producers (3)
- Director

Art & Design
- Design Manager
- Designers (3)

Building & Support
- Coordinator
- Custodians (3)
- Mail Clerk
- Receptionist

Outreach & Education
- Manager

PLANNING & DEVELOPMENT
Tom Jackson, Sr. Vice President

On-Air Communications
- Manager
- Producer
- Assistant
- Announcer

STL Magazine
- Editor in Chief
- Mng. Editor
- Asst. Editor
- Sales Rep

Member Acquisiton
- Manager
- Development Assoc Supvr
- Development Assocs.(10)

Member Service
- Coordinator
- Service Reps (3)
- Assistant

Auction & Events
- Manager
- Volunteers

Special Gifts
- Manager

Underwriting
- Account Mgr.

Database Analysis
- Coordinator

- research
- cable relations
- community relations
- engineering
- administration

Financial: Revenues If there is a top priority for public broadcast management, it is revenue. For years, the base of financial support for public television, whatever the type of licensee, has been governmental. In the 1990s, the reliability of that support came into question.[4] The total annual amount available continued to be uncertain. Further alarm arose in 1993, when the Twentieth Century Fund Task Force on Public Television recommended that federal funds be diverted totally from local public stations to national program production.[5] The national budget crisis was duplicated in many state governments. The consequence has been very budget-conscious public television stations across the land.

The crisis could not have come at a worse time because the 1990s also saw increased competition for audience and funds. Noncommercial public television now is as bottom line- and budget-conscious as its commercial counterpart.

Public television stations need funds to operate. Since they are noncommercial, the sale of time to advertisers is precluded. Principal sources of funding are as follows:

- federal government
- state and local governments
- audience
- underwriting
- other

Federal Government The financial base of most public television stations is provided by an annual Community Service Grant (CSG) from the Corporation for Public Broadcasting, accounting for roughly 16 percent of a public station's total support.[6] To qualify for a grant, each public station must file an annual Certification of Eligibility (see Figure 9-3). Basic requirements are that the station be full power with a noncommercial educational license, that it operate at least 3000 broadcast hours per year, that it have a minimum full-time professional staff of 10, and that it have nonfederal financial support of at least $450,000 a year. Stations must also file an annual financial report, a Station Activities Survey, and an Offer and Acceptance with the Corporation for Public Broadcasting.

After receiving the certification, the CPB determines the amount of the grant per station and assigns a CSG factor to the station. The factor is also used to calculate PBS membership and regional network fees.

Local stations may also apply to the National Telecommunications and Information Administration for support in purchasing equipment.[7] In this case,

Figure 9-3 *Television Community Service Grant Certification of Eligibility, KETC-TV, St. Louis, Missouri. (Used with permission.)*

Station Code TO7400	**Station** KETC
City St. Louis	**State** Missouri
Licensee Name St. Louis Regional Educational & Public Television Commission	

CORPORATION FOR PUBLIC BROADCASTING

FISCAL YEAR 1994 TELEVISION COMMUNITY SERVICE GRANT
CERTIFICATION OF ELIGIBILITY

NOTE: This document requires two different signatures: one for the licensee and one for the station. See bottom of form for clarification.

To help determine the station's eligibility for a Fiscal Year 1994 Community Service Grant, review the items below and check "Yes" or "No" for each criterion .

CRITERIA FOR GRANT ELIGIBILITY

The station and licensee specified above currently meet or exceed the following criteria:

	Yes	No	
a.	X	____	The station is operating as a full-power station under a noncommercial educational license granted by the FCC.
b.	X	____	The station has a staff of at least five full-time employees which includes the manager or other chief executive officer, and the equivalent of five additional full-time personnel, paid no less than the minimum federal hourly wage plus regular benefits. Minimum staff are not paid with CSG funds.

The manager or chief executive officer has the responsibility and authority to determine when and what material should be broadcast over the station and to administer disbursements under a budget authorized by the governing board of the licensee.

When more than one grantee is operated by one licensee, each such grantee must be headed by a manager or other chief executive officer who reports directly to the governing board of the licensee; or as in the case of institutional licensees, each general manager should report on an equal basis to the next level of governing superiors.

The term "full-time" will be understood to be the number of hours that constitute the normal acceptable work week at each institution or station. Likewise, each "equivalent full-time" position will mean equal to the number of hours for a normal work week at each station.

Persons employed on a nonpermanent basis, such as those on a public service employment training program grant or those funded by the CSG or any type of restricted short-term grant, cannot be considered full-time, professional television staff to meet this criterion.

Personnel used to meet the minimum staff requirement may not teach or hold academic duties in excess of the equivalent of one three-credit hour course per quarter or semester.

	Yes	No	
c.	X	____	The station had nonfederal financial support of at least $450,000 during FY 1993.
d.	X	____	The station has unrestricted access to studio and production facilities and regularly produces and broadcasts locally originated programming.
e.	X	____	The station broadcast 365 days during FY 1993, for a minimum of 3,000 hours.
f.	X	____	The station has a daily broadcast schedule devoted primarily to programming of good quality which serves demonstrated community needs of an educational, informational and cultural nature, within its primary signal area.

A program schedule designated to further the principals of particular religious philosophies does not meet the definition of this criterion.

Stations licensed to political organizations do not meet the definition of this criterion.

	Yes	No	
g.	X	____	The station and its licensee comply in full with the Federal Communications Commission's regulations concerning equal employment opportunity (47 C.F.R. 73.2080).

Figure 9–3 *Continued*

2 FY94 TV CSG Certification of Eligibility

h. X ____ The job openings identified in the employment portion of the licensee's and its station's 1992 Annual Station Activities Survey were filled in accordance with Federal Communications Commission's regulations concerning equal employment opportunity (47 C.F.R. 73.2080). If the job openings were not filled in accordance with such regulations, a statement of the reasons for not filling the positions in accordance with such regulations must be submitted to CPB with this Certification of Eligibility.

i X ____ The station and its licensee comply in full with the following sections of the Communications Act of 1934, 47 U.S.C. 390, et seq.:

OPEN MEETINGS, OPEN RECORDS AND COMMUNITY ADVISORY BOARD

Section 396(k)(4) - Requiring all meetings of the governing body of the recipient, any committee of such governing body, and any advisory body of the recipient to be open, preceded by reasonable notice to the public to the extent that the deliberations of those bodies relate to public broadcasting. Exceptions to this provision are listed in Section 396(k)(4) and Section 397(5) of the Communications Act.

Section 396(k)(5) - Requiring that copies of the recipient's annual financial and audit reports, and other information regarding finances submitted to CPB, be made available by the recipient for public inspection.

Section 396(k)(8) - Requiring the establishment and maintenance of a community advisory board for certain licensees as described in this section of the law.

Section 396(k)(11) - Requiring, that the statistical report described in Section 12 of the "Fiscal Year 1994 Community Service Grant - Television General Provisions" be made available to the public at the central office of the station and at every location where more than five full-time employees are regularly assigned to work.

FULL-TIME AND FULL-TIME EQUIVALENT STAFF

Please refer to b. above, and enter below only employees that meet the minimum staffing criterion. Do not include staff funded by the CSG, CETA, or any other restricted, short-term grant.

A. Number of Full-Time Staff 70
Number of Full-Time Equivalent Staff ____

Identify full-time staff (including name of the manager or chief executive officer) and full-time equivalent staff as required below (at least 10 employees should be listed):

NAME	TITLE	SOURCE OF FUNDS FOR SALARIES
Michael Hardgrove	President & CEO	Membership Contributions
Ted Garcia	Sr. V.P.	Membership Contributions
Tom Jackson	V.P. Development	Membership Contributions
Wilma Matta	V.P. Finance & Admin.	Membership Contributions
Patricia Boll	Program Director	Membership Contributions
Robin Boyce	Comm. Development Mgr.	Membership Contributions
Jim Marlow	Chief Engineer	Membership Contributions
Janice Claverie	Personnel Director	Membership Contributions
Suzanne Griffin	Managing Art Director	Membership Contributions
Janet Rahn	Auction & Events Mgr.	Membership Contributions

Figure 9-3 *Continued*

3 FY94 TV CSG Certification of Eligibility

NETWORKS AND OTHER DUAL OPERATIONS:

A. Television "networks" consist of at least two television stations licensed in dual operations (multiple stations with the same licensee). Their operations may be consolidated to earn a single Television CSG under the following conditions:

1. The stations (transmitters) serve separate communities.

2. A minimum of 50% of the broadcast schedule for each station originates from a central network source.

B. Television stations in dual operations (multiple stations with the same licensee) that are located in the same city of license may consolidate operations to benefit directly from the Television CSG under the following conditions:

1. Each station must be managed by and programmed by the professional staff assigned to the co-licensed CSG-eligible station.

2. Each station must provide a separate and distinct program service for the community of license.

3. Each station must adhere to the programming policies contained in this document.

4. Stations that are closed circuit, low power, student managed, and/or that provide in-service training type programming to licensee employees, clients, and/or representatives are not eligible.

List your dual licensed stations that meet the requirements set forth in A or B above.

Call Letters	Channel	Location
N/A		

Figure 9–3 *Continued*

4 FY94 TV CSG Certification of Eligibility

CERTIFICATION:

THE UNDERSIGNED ATTEST AND AFFIRM THAT THE INFORMATION PROVIDED THROUGHOUT THIS DOCUMENT IS ACCURATE AND VERIFIABLE.

THE UNDERSIGNED UNDERSTAND AND AGREE THAT THE LICENSEE WILL INFORM CPB IMMEDIATELY IN WRITING UPON FAILURE TO MAINTAIN ANY OF THE FOREGOING CRITERIA AND REQUIREMENTS.

Signatures of two different individuals are required: (1) an authorized official of the licensee responsible for signing grants/contracts for the licensee and who has knowledge and authority to certify that the licensee and its station meet or exceed each of the eligibility criteria set forth above and to certify the accuracy of all of the data and information above (e.g. chairman, treasurer or secretary of the board of directors, university vice president for finance, president of the school board, etc.) and (2) the chief executive officer in charge of the operation of the station (e.g. president, general manager, or station manager).

(1) For the Licensee: Gregory B. Vatterott, Chairman
(Name and Title)
G Vatterott 10-4-93
(Signature and Date)

(2) For the Station: Michael Hardgrove, President & CEO
(Name and Title)
10/5/93
(Signature and Date)

Please return to:

Priscilla Weck
Director, Station Grants Administration
Corporation for Public Broadcasting
901 E Street, NW
Washington, DC 20004-2037
(202) 879-9790

a formal grant application must be submitted to the NTIA, and the station must be able to raise matching funds from nonfederal sources.

State and Local Governments States may fund local licensees directly, as in the case of universities, or indirectly, as when states fund agencies or commissions that operate state networks. In some states, the funding is calculated by using the CSG factor. Local governmental entities fund public school stations.

Whatever the type of licensee, public station management must comply with the appropriate state or local procedures in a timely manner to ensure continued financial support.

Audience No matter what level of viewer financial support a public station enjoys today, it is certain that all categories of licensees will have a greater need for it in the future. Historically, community stations, out of necessity, have developed this method of raising funds better than the other types of public television licensees. However, with traditional funding sources retrenching, many stations are discovering audience support.

For the novice fund-raiser, there are tried and proven methods to be employed, and there is outside assistance available. PBS has a division in its development department called Station Independence Program (SIP). It is user-supported and offers fund-raising assistance to stations, particularly in local pledge drives or auctions. One of its significant functions is to provide stations with programs that perform well as fund-raisers.

The principal fund-raising activities for most television stations are pledge or membership drives, usually built around a PBS-sponsored fund-raising activity called "Festival," which is supported with national promotion and programming. It is conducted three times a year, and stations may participate in all, some, or none. Many stations take part more than once a year. However, multiple annual fund-raisers do cause a fatigue factor in the audience. As a result, some stations are experimenting with a plan that drops one of the extended on-the-air drives in favor of spot announcements emphasizing the value of public station programming and the need for public support. If a station chooses to be involved in only one, it is usually the 16-day March event. To tie in with "Festival," a station builds a set and structures a group of fund-raising appeals to be used during breaks in the specially selected programming. Timing, structure, and copy for the breaks are art forms in themselves.[8] The use of local celebrities is recommended, either to make appeals for funds or to take phoned-in pledges on camera. In areas without access to celebrities, videotapes of personalities making appeals are available from PBS. Stations may also offer premiums or gifts to viewers who call in pledges, with the value of the premium depending upon the amount of the pledge. Some stations, such as KETC-TV in St. Louis, have offered as a premium a gold membership card, which entitles members to discounts at local providers of goods and services. Like a membership magazine, the card offers members an ongoing reminder of the sustaining value of their public station commitment.

Another established fund-raising activity is the auction. Very simply, goods and services donated by area businesses and organizations are auctioned on the air to the highest bidder. Many stations also offer items donated by sports figures or celebrities. Auctions are expensive to produce and cause the preemption of regularly scheduled programs. However, they are an important source of funds. Licensees are experimenting with concepts like four-day weekend auctions to lessen the negative impact on programming. Others are studying the possibility of doing half-hour to one-hour auctions regularly throughout the year. Still others conduct auctions as nonbroadcast community events.

Special events are an additional source of funds. One example is the annual wine-and-cheese party conducted by KETC at a major downtown hotel. This event is open to the public, with special discount admission available to members who have previously contributed in pledge drives. Another event type involves bringing in PBS talent, such as Robert MacNeil, Jim Lehrer, or William F. Buckley, Jr., for a local appearance. Funds are raised through admission prices or donations to participate in cocktail parties or dinners attended by the talent. There is literally no limit, save the lack of imagination, to the kind of events that might be carried out. Contact with other PBS members and station executives is a good way to collect information on fund-raising ideas that work.

Underwriting Underwriting is a mechanism used to develop or present programs by securing grants from foundations, corporations, or businesses.

Stations that are also production centers, such as those in Pittsburgh and Boston, may seek underwriting from major corporations or foundations to develop programs. The objective for the station and the underwriter is to have the production selected for distribution by PBS and use by other stations. For the funding sources, this provides visibility and enhances image. Achieving the objective does the same for the producing station.

Stations also obtain underwriting to present programs of local origination or programs obtained from other sources. The underwriter, in effect, sponsors the programs.

This type of local underwriting raises day-to-day operating funds for the station. It is also the kind of local revenue development that is most similar to the sale of spot announcements by commercial stations. However, public stations are somewhat restricted in what can be shown or said in an underwriting credit, due to their essential noncommercial nature.

Pricing of underwriting credits is critical. Some public stations have written guidelines, similar to a commercial broadcaster's rate card. Whatever structure is employed, a public television broadcaster should market a program without limiting the underwriting announcement cost to that of the program itself. Stations that are hard pressed for support are learning to ask for the value the marketplace puts on the program offered. Such value may well be in excess of the cost.

The Public Broadcasting Service regularly issues revised guidelines on the permissible limits in underwriting announcements. The underwriting rules were "enhanced," or made more flexible, by the Federal Communications Commission in 1982,[9] following a failed 18-month experiment allowing certain public stations to sell advertising. Current rules allow the presentation in donor underwriting credits of the following:

- logograms or slogans that identify and do not promote
- location
- value-neutral descriptions of product line or service
- brand and trade names and product or service listings[10]

The underwriting guidelines are a serious matter and the FCC has shown an increasing willingness to entertain complaints brought against public stations alleged to have exceeded the limits.

Like audience support, underwriting must be developed for public television to survive. However, the noncommercial aspect is one of the appeals of public television, and this type of support could ultimately become counterproductive if the audience begins to perceive excessive commercialism.

Other Public television stations of the 1990s have had to become teleplexes to survive in the multimedia world. Stations are offering, or are learning to offer, a range of services beyond the traditional broadcast program model to remain competitive.

Some of these services generate support to augment that provided by government and the audience. One example is "for-profit" commercial production. Some stations, particularly community corporation licensees in large markets, have developed this alternative service into a significant revenue item. Entities engaging in this activity should organize a for-profit subsidiary corporation to avoid charges of unfair competition from their commercial counterparts.

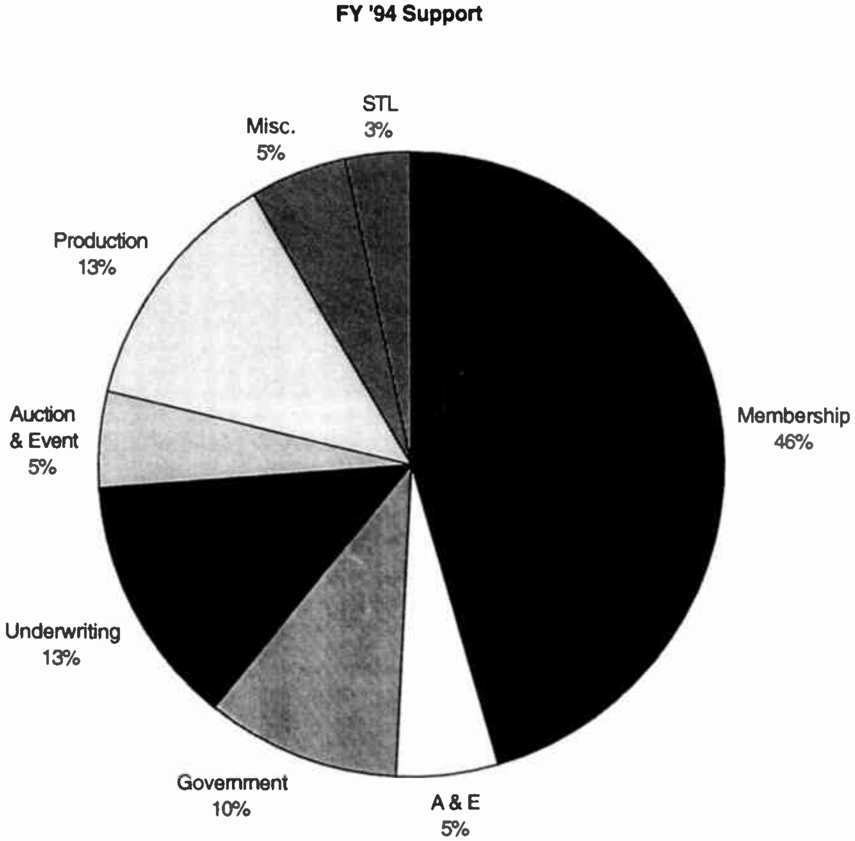
Other possible ancillary revenue sources include the sale of advertising in the membership publication. Selling editorial space to other community arts and educational organizations should be explored, especially with those organizations that are unable to support financially an independent publication. In sum, management should always be alert to potential revenue-generating opportunities developing in our expanding multimedia world.

Figure 9-4 illustrates the mix and significance of the support components that make up the total support package of a community corporation television licensee. ("STL" refers to the station's member magazine and "A&E" to an arts and entertainment organization that contributes to the station.)

For public television, the budget battle will continue. New funding sources need to be identified and developed as old ones fade out. It is necessary for the public electronic media manager to stay abreast of trends. One way to monitor developments is by reviewing the quarterly and annual revenue reports distributed by the Station Independence Program. Another, as mentioned earlier, is ongoing communication with associates in the industry.

Financial: Expenses Expense control is a critical management function. Because of operational variables resulting from the different types of licensees and market sizes, it is difficult here to make more than general statements about expenses. However, specific comparative information is available from the Corporation for Public Broadcasting and the Association of America's

Figure 9-4 *Support elements for KETC-TV, a community corporation licensee in St. Louis, Missouri. (Used with permission.)*



Public Television Stations (APTS).[11] Utilization of the CPB and APTS data makes it possible for the station manager to compare local expense results with those of other public stations of similar type and size around the country. Judgments can then be made about the appropriateness of expense levels at the local station.

The largest expense items for public television stations are programming and personnel costs. Usually, these two categories run neck and neck. One general observation can be made about both: They are rising.

Prices of all programming are increasing and competition for popular commercial syndicated product, in particular, has made its cost almost prohibitive for the budget-pressed public station. Cable networks—such as A&E and Discovery—are also competing for programming that was previously the exclusive prerogative of PBS and individual public stations.

Local origination is so expensive that most stations do little of it. Stations operated by universities have an edge here by utilizing qualified students, but at most universities this resource has not been fully developed. With more viewing choices available to audiences than ever before, local identity demands some local origination, and the problem will have to be dealt with. Some local origination is also necessary to satisfy FCC license obligations.

Personnel costs are always a pressure point, particularly in stations largely dependent upon governmental support. Many stations are unionized. To some degree, that impacts management's efforts to deal with the budget. Elected officials who make funding decisions for many public stations are susceptible to pressure applied by employees and their representatives.

The low inflation trend of the late 1980s has continued into the mid-1990s. When those inflation patterns begin to rise—as they inevitably will—labor costs will surely rise with them, further straining already stretched resources.

Another major expense item is development. Development is responsible for generating audience financial support, securing underwriting, and conducting auctions and other events. As government support becomes more problematic and operating costs continue to rise, development costs will also grow.

Capital costs are a continuing problem. Technology developments are escalating rapidly. Government requirements, such as those associated with HDTV, threaten to exacerbate capital demands. Some public stations have been successful at fully funding annual depreciation. Others are exploring the possibilities of capital-giving campaigns to remain competitive and develop the teleplex concept.

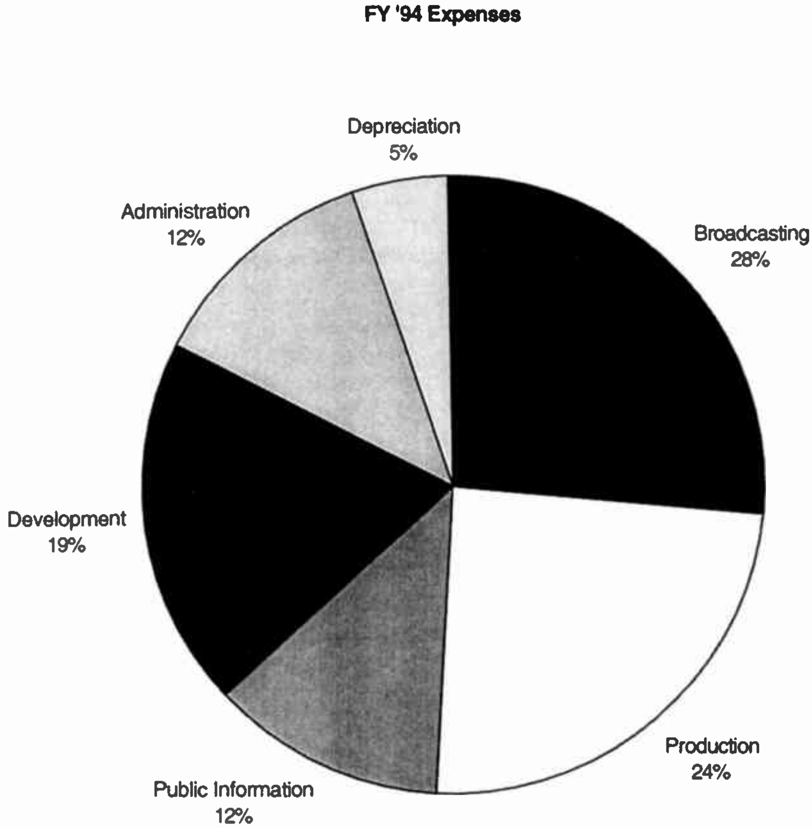
For an example of the distribution spread of a community corporation public station's expense dollar, see Figure 9-5.

Programming Programming is a critical area of management responsibility. It is an axiom in public television that "without audience there is no support, and without support there is no audience." In this era of deregulation and fragmented audiences, management must focus on the three essential programming elements: *strategy*, *acquisition*, and *scheduling*. Only through a masterful management of all three can a public television station build the cumulative audience required for success.

Strategy Most public television stations have program directors or managers who must develop the program strategy in conjunction with senior management. Program strategy is determined by the nature of the licensee, the needs and interests of the community, the requirements for fund-raising from the audience, and, increasingly, by ratings.

The basic direction of program strategy depends upon the type of licensee. A community licensee puts emphasis on presenting entertainment and cultural programs. The university, public school, and state networks may have as their thrust more instructional or educational programs. Instructional programs were important in keeping public stations on cable systems before must carry. Although must carry was resurrected by the Cable Television Consumer Protection and Competition Act of 1992, its future remains uncertain in the face of court challenges. Aside from its possible value as a cable carriage mechanism, however, instructional programming is also a revenue source. Eighty-three percent of public television stations carry some in-school, instructional programs.[12]

Figure 9-5 *Expense dollar distribution for KETC-TV, a community corporation licensee in St. Louis, Missouri. (Used with permission.)*



Paying attention to community needs and interests distinguishes a local public station from the many choices, including other public stations, now available to the viewer through cable. Identifying those needs and interests is treated later in the chapter.

Another factor in program strategy is the need to generate viewer financial support. Again, that varies with the type of licensee and location. Stations licensed to community corporations depend primarily on audience support. However, in these days of reduced governmental funding, all stations must rely increasingly on it. Hand in hand with this factor is the reality that, to some extent, public broadcasting has succeeded because it is unique. It presents something that the public cannot obtain elsewhere. Public television must remain unique, even though the wide range of viewing options available to audiences makes that a difficult objective.

A discussion of program strategy cannot be complete without a word about ratings. For many years, there was a perception about and in public television that ratings did not matter. That is changing. Ratings are important. Obviously, the amount of financial support required today cannot be supplied by a minuscule core of loyal viewers. Public television's audience base must be broadened. Ratings may not mean mass program numbers, as required in commercial television, but they do mean weekly cumulative household totals. To some extent, this need for larger ratings may be in conflict with the need to remain unique. A balance between ratings and uniqueness is a goal for management to achieve.

To the extent that ratings expectations play a role in program strategy, some general observations are in order:

1. A weekly cumulative audience of 30 percent of the television households in the market in prime time is a good goal or target.
2. Component numbers to achieve that goal depend upon individual program performance. Certain categories of programs produce predictable ranges of cumulative audience, as follows:
   - nature and science: 5 to 10 percent
   - drama: 4 to 5 percent
   - concerts: 3 to 4 percent
   - public affairs documentaries: 2 to 4 percent[13]

Acquisition Having determined program strategy, management must next identify sources from which to secure the desired programming. There are five major sources. Together, they account for almost 95 percent of a public television station's total broadcast hours:

- Public Broadcasting Service: 63.9 percent
- regional networks: 14.0 percent
- instructional: 6.1 percent
- commercial syndication: 4.4 percent
- local origination: 6.4 percent[14]

Public Broadcasting Service On the average, public stations obtain 64 percent of their programming from PBS. It can be acquired in one of two ways. The first method is *full-service.* Under this plan, the station pays a program assessment and is entitled to all of the programming that PBS provides. This includes the popular children's programs, such as "Barney" and "Sesame Street," and the news and public affairs offerings, like "The MacNeil/Lehrer Newshour" and "Washington Week in Review." It also includes other programming, such as "Mystery!," "Masterpiece Theatre," and "Nova." Concerts, specials, and documentaries developed by PBS are also part of the plan. Program assessment payments by PBS member stations equal approximately $88 million per year.[15]

The second method is called the *low use discount* (LUD). Here, the member station pays a reduced fee but receives only 15 percent of the PBS lineup. For additional monies, LUD stations can pick up to 50 percent of the entire schedule. Stations under financial pressure or those concerned with PBS's rising program costs may consider the LUD method. It may be attractive, also, to those stations that operate in markets with multiple public licensees. Most industry professionals, however, feel it would be very difficult to program a public station using the LUD alternative.

PBS now operates under the "chief program executive model." In other words, programs are commissioned and selected by one person, resulting in greater flexibility and freedom than was possible under the committee approach used formerly.

Regional Networks As a second major program source, stations have four regional networks: Eastern Educational Television Network (EEN), Central Educational Network (CEN), Southern Educational Telecommunications Association (SECA), and Pacific Mountain Network (PMN). An example of a regional program is William F. Buckley, Jr.'s "Firing Line." Most stations belong to at least one regional network. The EEN has spawned a spin-off, known as the American Program Service (APS), which offers how-to programs and some programs from the United Kingdom. It also produces the popular "Nightly Business Report."

Instructional Instructional programming plays a role in public television. How much of the schedule it occupies depends upon the type of licensee. Among the many sources for instructional programming are Western Instructional Television, TV Ontario, Central Educational Network, the Agency for Instructional Television (AIT), and Great Plains National (GPN).

Commercial Syndication Budget constraints and program strategy considerations formerly resulted in the infrequent use by public television stations of product supplied by commercial syndicators. In recent years, however, efforts to broaden the membership base have led to an increased use of commercial syndication. Some large-market community stations have programmed off-network series successfully. Highly regarded offerings, such as "St. Elsewhere" and "Hill Street Blues," have been purchased. PBS itself has resorted to this tactic. In 1993, it acquired "I'll Fly Away" for prime-time broadcast. Commercial syndicators, like Wolper Productions and Granada TV, have become regular sources for public television stations.

Local Origination The level of local origination depends upon the type of licensee and the location. Community stations in large cities do more than the other types of stations. Local programming is expensive, but it does provide identity and distinguishes public television stations from their commercial competitors and one another. To control the costs associated with local origination, some stations have experimented with hiring independent contractors on a per-program basis. Such arrangements avoid the expense of maintaining a large, on-site staff for local program production.

Scheduling Management can have a good program strategy and acquire excellent programming but fail on scheduling. If the program schedule is not built properly, the desired goals will not be achieved.

There are as many opinions on how to schedule as there are stations in the country. While there is no absolute right or wrong, there are some general guidelines.

Most public television stations observe the 1979 nonbinding Common Carriage Agreement, which has as its objective the airing by local stations of the PBS core schedule on the night and in the order fed during prime time (see Figure 9-6). This common carriage is important to program underwriters, to promotional efforts, and to establishment of a ratings position.

After making a decision on the core schedule, management should examine its commitment to, or requirement for, instructional programming. These programs are usually aired in daytime and may be a source of revenue. In many instances, stations now deliver instructional programming overnight via broadcast on a batch basis for later classroom use. This development frees up more daytime hours for programming like PBS's widely viewed children's shows or its "Ready to Learn" initiative.

With the two "must" parts of the schedule in place, allocation of the rest of the time is somewhat discretionary. Public stations do have constituencies that must be considered, including minorities and special interest groups. To those must be added the needs and interests of the community as a whole and the demands to raise financial support from the audience.

Whatever program choices are made, for whatever reasons, scheduling decisions must also be guided by the principles of audience flow and counter-programming. As noted in Chapter 4, audience flow is simply the movement of the audience from one program to the next and results from the placement of similar type programs back to back. Whenever possible, dissimilar programs should be separated. Counter-programming, as indicated earlier, is scheduling against the competition a program that will serve a segment of the audience whose interests or needs are not being met. Difference is the key to counter-programming, whereas similarity is encouraged for audience flow.

Special scheduling considerations come into play during fund raising when, for example, emotional or special appeal programs produce the best results. Different considerations also may be a factor during ratings periods. Ratings are increasingly important, and the competition stacks the schedule with their best product at such times. Local licensee philosophy may prohibit ratings period schedule strategy, but management needs to consider it, at least.

Promotion Historically, the role of promotion in public television has been neglected. Perhaps that resulted from the erroneous belief that ratings were not important, or possibly promotion was thought not to be important because public programming was unique and would sell itself. Whatever the reason, there is an increased awareness of its significance, and many public stations spend 5 percent or more of their budget on promotional activities.

There are many ways to promote, but the cheapest and most available is the station's own air. However, it has its limitations. The average household has the television set turned on more than seven hours a day, but that set is tuned to public television only one to two hours per week.[16] Therefore, the task is complicated. On-the-air promotion must be effective. That means that it causes the viewers of one program to sample other programs offered by the station. A viewer who watches "MacNeil/Lehrer" is a candidate for "Front Line" or "Firing Line." On-the-air promos for a program should be run during similar programs that are likely to attract the same audience. A "Firing Line"

Figure 9-6 *PBS winter/spring 1994 schedule.*

NPS: Winter/Spring '94

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
700		Sesame Street					
800	Sesame Street	Barney & Friends					
		Mr. Rogers' Neighborhood					
900	Mr. Rogers	Sesame Street					
	Barney						
1000	Behind/Scenes	Lamb Chop's Play-Along					
	R. Rainbow	Shining Time Station					
1100	Mr. Rogers	Sesame Street					
	Shining Time						Ciao Italia
1200	Ghostwriter	Mr. Rogers' Neighborhood					Julia Child...
	Lamb Chop's	Lamb Chop's Play-Along					V. Garden
1300		Reading Rainbow					Frugal Gour.
		Where in the World Is Carmen Sandiego?					Old House
1400		Barney & Friends					New Yankee
		Shining Time Station					Hometime
1500		Mr. Rogers' Neighborhood					Newton's
		Sesame Street					
1600							
		Reading Rainbow					
1700		Where in the World Is Carmen Sandiego?					
		Square One TV					
1800	Ghostwriter Hour	The MacNeil/Lehrer Newshour					In the Mix
1900	Ghostwriter Hour (rpt)	The MacNeil/Lehrer Newshour					Club Connect

Figure 9–6 *Continued*

NPS: Winter/Spring '94

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
2000	Nature	I'll Fly Away	NOVA	Specials	This Old House (rpt)	Washington Week In Review	
					Julia Child - Cooking... (rpt)	Wall Street Week	
2100	Masterpiece Theatre	Specials	Frontline	The American Experience	Mystery!	David Frost/ Bill Moyers' Journal & Other Specials	Austin City Limits
2200	Mystery! (rpt)		Specials	Specials	Medicine at the Crossroads	Clive James' Fame...20th Century	
					Healing and the Mind	Specials	
					Death...		
2300		CHARLIE ROSE					

audience is probably not given to watching "Sesame Street." It is a truism of audiences today that they watch programs and not stations. Accordingly, it makes good sense to promote in the program being aired other programs that that audience is likely to view.

On-the-air promotion must also be well produced. Promo production is an art form in the commercial world and needs to become such in public television. Promos should be attention-getting and not stereotyped. Station IDs should be alive and colorful. Public stations gradually have begun to recognize the importance of creative promos, and that trend must continue. Too often, management overlooks the role of effective, well-produced, and properly placed program and station promos.

On-the-air promotion reaches only the audience the station already has. So, too, does a station's monthly program guide (see Figure 9-7). For this reason, the program guide is a limited promotional vehicle. Typically, it is an in-house publication that is circulated to viewers pledging financial support and carries listings of regular and special programs. Stations that depend solely on on-the-air promotion and program guides limit their opportunities to broaden their audience and increase their financial support.

New viewers must be attracted. The most commonly used method of broadening the public television audience has been newspapers, especially Sunday television sections, which may be more widely consulted than *TV Guide*. Newspapers are valuable for promoting image, news, and special series. However, their readership is declining, and newspaper demographics are older than the target audience public television needs to attract. Hence, newspapers should not be relied upon to the exclusion of other media choices available.

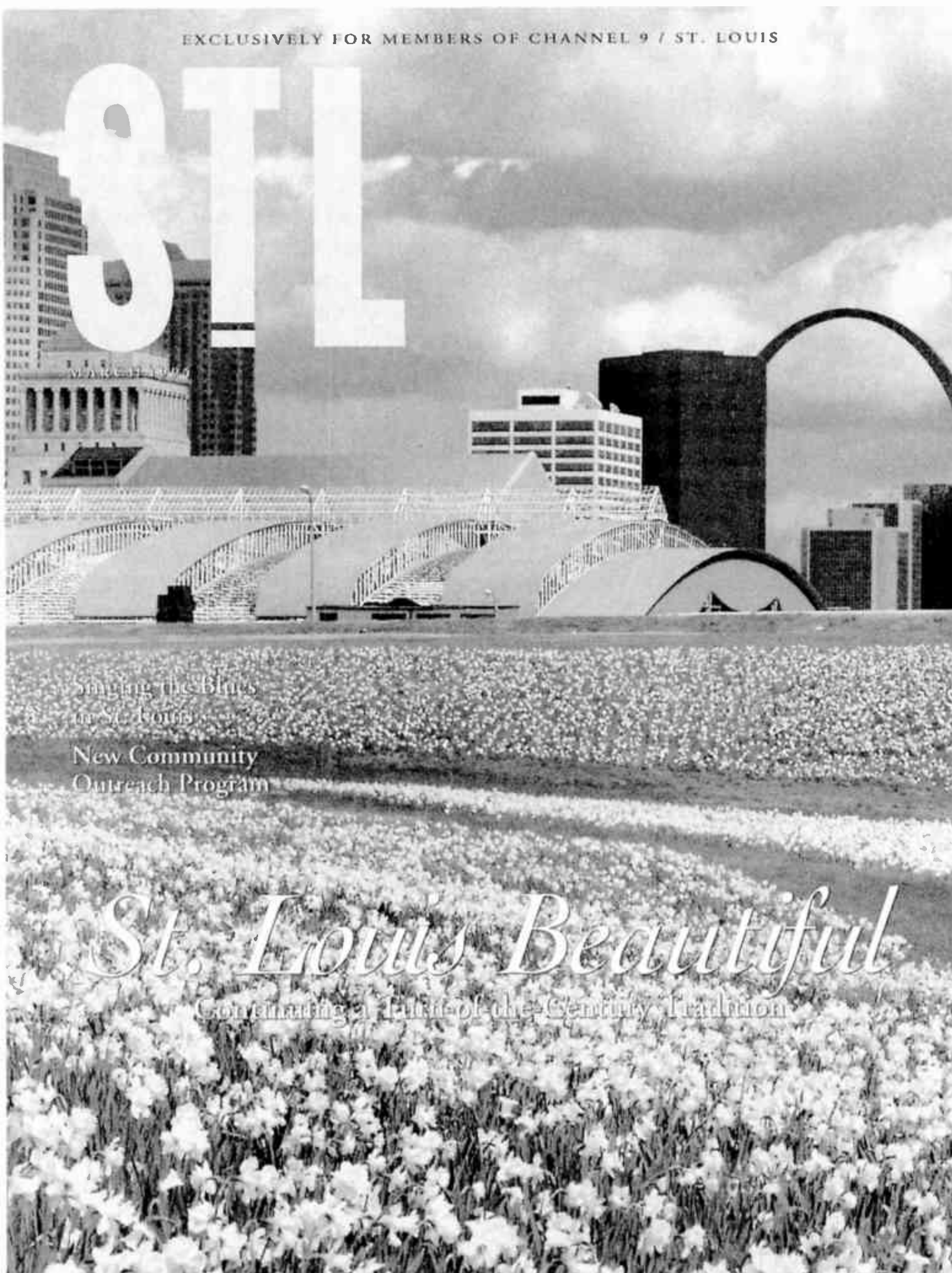
Radio can be used to supplement other promotion. It is economical and can be targeted to the desired audience. For example, "MacNeil/Lehrer" can be promoted on news and talk stations. "Masterpiece Theatre" and "Mystery!" promotional spots can be run on adult contemporary stations.

Another potential promotional tool is cable television. While cable presents a financial and audience challenge to public television, it can be used effectively. Cable systems have local advertising time available in national advertiser-supported networks. Cable spots are relatively inexpensive, often cheaper than radio, and certainly less expensive than commercial television. In addition, they can be targeted toward a specific audience. More and more stations are dedicating cash to the purchase of ad time in local system availabilities on basic cable networks. These campaigns are designed to attract viewers aged 25 to 44 and to change perceptions about public television.[17] Networks used include A&E, ESPN, CNN, TNT, USA, MTV, Lifetime, and Nickelodeon.

Periodicals such as *TV Guide* and local market life and leisure-type publications should also be considered as promotional vehicles. Other possibilities are outdoor, transit, and taxi cab advertising.

For the promotion-minded public broadcast executive, budget will be a problem. However, in this multiple-choice viewing world, promotion is essential. Management in the 1990s must know what promotion options are available and how to use them. The promotion function in public television now is of critical importance and in many stations is combined with the fund-raising function. For that reason, the promotion manager is typically called the *development director*.

Figure 9-7 STL, *monthly member magazine published by KETC-TV, St. Louis, Missouri. (Used with permission.)*



Research Research provides the road map for a station's programming and promotional strategies. Its importance cannot be overly emphasized. Research provides insight into what genre of programs should be considered for airing and into program placement in the schedule and in relation to other programs. It also provides guidance on what programs should be promoted to the public, both on the air and in outside media.

Research can be developed from routinely available sources or can be specially commissioned. The former include standard quarterly ratings reports provided to subscribing stations by Nielsen and containing valuable information on individual program performance and cumulative audience. In addition, specialized reports can be ordered. One example is the county coverage survey, which provides management with details of the relative strengths and weaknesses of a station in each county of the survey area.

Additional ratings information is available to PBS members in the *Station Audience Report*, issued at the end of each sweep period in November, February, May, and July. PBS also issues annual Designated Market Area (DMA) profiles. These research reports provide household demographic characteristics, sex/age demographics, and general market information for each of Nielsen's 211 DMAs. Individual markets may have characteristics that require special consideration in programming and promotion. The *DMA Market Profile* is one source of such data.

The Pacific Mountain Network provides a ratings service to participating stations called "TV Ratings Analysis Coalition" (TRAC). Included in its reports are overnight ratings, monthly ratings, and a local station's top-25 performing programs.

Station management may utilize other methods of obtaining research information. One technique is to place a questionnaire in the monthly program guide, seeking the program preferences and attitudes of the audience, which presumably consists of confirmed viewers. Such input is important because of the necessity of satisfying this financially supportive core audience. Program guide surveys are augmented by mail and telephone calls to the station, usually from committed viewers.

To broaden its information base, a public station may commission special research among viewers in the market who may not be part of its current audience. In-depth special research may suggest program and promotional changes that could result in a broadening of the station's viewership.

There are many private companies that provide such services. For example, The Gallup Organization in Lincoln, Neb.,[18] will work with a station to design a questionnaire, complete the field research, and issue a report. Companies charge a fee and, for some stations, the cost is prohibitive. An alternative is to commission a local college or university to undertake the work. Public broadcast stations operated by university licensees are particularly well positioned to avail themselves of that opportunity.

Fund-raising efforts also are a research tool. Programs that produce the largest viewer pledges often are a good indication of what the audience wants. Comments made by viewers while calling in pledges during fund-raising also provide useful insights.

Stations also collect research information when they call viewers. Outside the on-air campaigns, many stations conduct telemarketing membership renewal campaigns, during which they compile audience program preference data.

To complement this local information, management should determine audience strategies that have worked well in other markets. Maintaining contacts with other public station managers can provide valuable data.

In the fragmented, competitive viewer market of the 1990s, research is an important and ongoing function of the public television station executive.

Cable Relations The emergence of the cable industry initially was a favorable development for public television. Many stations operate on UHF channels and experience coverage and signal-quality problems. Cable systems enhanced their coverage area and improved the reception quality for many viewers. Because public television relies heavily on viewers for financial support, the benefits to be derived from cable carriage are obvious.

It was noted in Chapter 8 that, in the mid-1980s, court decisions eliminated the FCC must-carry rule requiring cable systems to carry local broadcast stations.[19] The rule was restored by the Cable Television Consumer Protection and Competition Act of 1992. Under this law, a system's obligation to carry noncommercial educational stations depends on its channel capacity. Systems with 12 or fewer channels must carry one local noncommercial station. Those with 13 to 36 channels must carry all local noncommercial educational stations up to a maximum of three, while systems with more than 36 channels must carry all local noncommercial educational stations.[20] If a system operates in a market with no noncommercial educational stations, it must import one.

The new must-carry rules face significant court challenges. Public station managers should remember the strategies and techniques used in the days before must carry because those days may return.

Whether must carry is in or out, good relations with cable systems in the station's DMA are important. Public station managers must appreciate the need to maintain contact with cable systems to lobby for the uniqueness of their product. A growing number of stations designate a person to handle cable relations. The cable operator must be told of specials and schedule changes. If the station will be off the air for any reason, the cable system must be informed, since service interruptions result in telephone calls to the system. If adequately advised, cable operators may be able to avoid the calls by displaying information pertaining to the schedule change or transmission difficulties.

Problems with cable systems should be reported to the Washington-based Association of America's Public Television Stations, which works with policy makers on questions of vital concern to the public television industry. Cable regulation is certainly one.

Community Relations Any entity that relies on governmental support as much as public television needs to be image-conscious and to maintain good community relations. Station and staff involvement in community life through participation in local activities and organizations can be helpful.

Beyond that, a very effective way to promote community relations is through on-the-air public service announcements and community events calendars. Requests for this kind of publicity assistance are frequent and, whenever possible, should be accommodated.

The concept of community relations also should be kept in mind when planning local origination of programs of a continuing nature, such as news or public affairs.

A final consideration is license renewal. Every television station must apply for renewal every five years. If citizens or citizen groups do not believe that the station has been operated in the public interest, they can file a petition to deny renewal. This has happened to some public stations, most often because of the station's failure to address the needs of some constituency, such as an ethnic group.[21] Good community relations can identify a problem like this before it matures to a denial petition.

Engineering Equipment must be purchased and maintained. Even the best programming is not worth much if the audience cannot receive a quality signal, but quality costs money. Capital costs are a significant ongoing expense. Most managers do not have engineering backgrounds and cannot evaluate technical options properly. However, it is important to devote the time required to stay abreast of these matters. The on-the-air look and sound are critical to the station's success.

As noted earlier in the chapter, the expense of equipment acquisition may be offset by grants from the National Telecommunications and Information Administration. However, the station applicant must support the purchase with some of its own funds, usually up to 50 percent of the total amount.

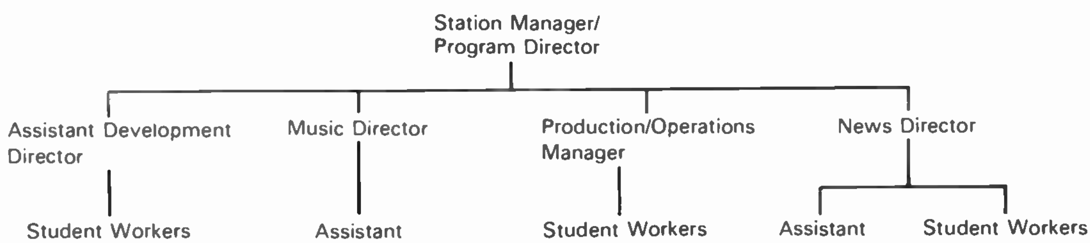
Administration Having identified the component parts of public television, let us now turn to the administrative function. Quite simply, it involves integrating the parts into a smoothly operating station that delivers the desired product to an aware audience. Among other things, administration is managing employee benefits, relations, and conflicts. It is negotiating for acquisition of program product, for equipment, and union contracts. It also involves the presentation for approval of the operating budget to the supervising authority, be it a board, official, commission, or agency. It is paper work, like preparing grant applications, CPB Certifications of Eligibility, and program schedules for *TV Guide*, newspapers, and ratings services. In reality, administration is managing people and deadlines.

Administration is the management function where a lot of executives fail. If attention to detail is missing, the component parts, as good as they may be, will not matter. It is the least inspiring but most important aspect of public electronic media management. For it is here that it all does, or does not, come together.

RADIO

More than 1600 noncommercial radio stations operate in the United States.[22] Almost 400 licensees meet Corporation for Public Broadcasting criteria and may receive CPB grants.[23] Like public television stations, public radio stations are divided into four licensee categories:

Figure 9-8 *Organizational chart, WSIU-FM, Carbondale, Illinois.*



- community (133)
- university (214)
- local authority (30)
- state (14)

Organization and Personnel

The staff size and organizational structure of a public radio station depend on the market, type of licensee, and format. Normally, a station has a general manager or station manager, who reports to a supervising authority. As in public television, the composition of the upper-level governing authority depends on the type of licensee.

Under the general manager or station manager are various departments. Structures and titles vary widely. Figure 9-8 presents the organizational chart of WSIU-FM, a 50,000-watt public station licensed to the Board of Trustees of Southern Illinois University. It broadcasts classical music, jazz, and news and is affiliated with National Public Radio (NPR) and American Public Radio (APR), which was planning a name change to Public Radio International at the time of writing.

Management Tasks

Public radio managers exercise responsibilities over seven principal station activities. A review of each of these management tasks will reveal the evolving nature of public radio and the problems it faces in the fragmented, competitive marketplace of the 1990s. It will allow, also, an examination of the management tools and techniques to meet the challenges and an opportunity to contrast public radio with its commercial brethren. The tasks are as follows:

- financial
- programming
- promotion
- research

- community relations
- engineering
- administration

Financial: Revenues Many of the comments about budget made earlier in this chapter about public television also apply to radio. One difference is that radio is only now adjusting to changes at the federal level resulting from a 1987 reorganization.

Formerly, program production was concentrated at the national level. Today, CPB radio programming funds are paid directly to qualified stations. In addition, National Public Radio has "unbundled" its programming. In other words, member stations now may take all or part of the NPR program offerings. These changes obviously have had an impact on the financial management of public stations.

Public radio is noncommercial. Unlike commercial radio, it does not have advertisers as a principal source of operating funds. Therefore, it has looked to alternate funding sources, of which there are four:

- federal government
- state government
- audience
- underwriting

Federal Government Public radio relies upon two principal kinds of federal funding, both of which emanate from the Corporation for Public Broadcasting. The first is Community Service Grants. To apply, a station must file with the Corporation for Public Broadcasting an annual Certification of Eligibility (see Figure 9-9). The certification must demonstrate that the station has adequate power to provide a minimum designated signal over the station's city of license, that it has at least five full-time employees, and that it operates a minimum of 18 hours per day on a minimum nonfederal income of $175,000.

The station must also file a Station Activities Survey, financial report, and an Offer and Acceptance to receive the grants with the CPB annually. They usually cover two-year periods and, because a station files annually, there is an overlap.

CPB's second method of distributing federal funds is via National Program Production and Acquisition Grants. They are a result of the 1987 CPB decision to fund program production at the local station level rather than through NPR. Requisite documentation is an Offer and Acceptance, which the station submits annually (see Figure 9-10).

Neither the CPB's Community Service Grants nor the National Program Production and Acquisition Grants require any local-station matching funds. However, CPB does provide grants for many local stations' activities, some of which do require such funds. Among these are Audience Building Grants and Tune In Grants.

It is important for management to know the many kinds of available grants and how to obtain them. Some of them will be discussed later in the chapter.

Figure 9-9 *Radio Community Service Grant Certification of Eligibility, WSIU-FM, Carbondale, Illinois. (Used with permission.)*

Station Code		**Station**	WSIU-FM
City	Carbondale	**State**	IL
Licensee Name	Board of Trustees of Southern Illinois University		

CORPORATION FOR PUBLIC BROADCASTING

FISCAL YEAR 1994 RADIO COMMUNITY SERVICE GRANT
CERTIFICATION OF ELIGIBILITY

NOTE: **This document requires two different signatures: one for the licensee and one for the station. See bottom of this form for clarification.**

To help determine the station's eligibility for a Fiscal Year 1994 CSG, review the items below and check 'Yes' or 'No' for each criterion.

CRITERIA FOR GRANT ELIGIBILITY

The station and licensee specified above currently meets or exceeds the following criteria:

	Yes	No	
1.	x		The station is licensed by the FCC as a noncommercial, educational radio station.
2.	x		The station has an operating power of 250 watts or greater in the case of an AM radio station, or an effective radiated power of 100 watts or greater in the case of an FM radio station.
3.	x		The station employs a minimum of five full-time professional radio staff on an annual (12-month) basis. At least three full-time staff members are employed in a managerial and/or programming position. Minimum staff are not paid with CSG funds. Minority controlled and operated stations that have a mission to provide service primarily designed to meet the needs and interests of specific ethnic populations may count full-time equivalent staff toward the full-time staffing requirement. The term "full-time equivalent" will be understood to mean combined employment equal to the number of hours that constitute the normal full- time work week at each institution or station. (Full-time, professional, radio station staff includes permanent personnel with demonstrated skill and expertise in the management, programming, production, promotion, development or engineering areas of radio station operation, paid no less than the minimum federal hourly wage plus regular health benefits, whose terms of employment require the exercise of full-time duties in one or more of these areas. Clerical and custodial staff, students whose student status is a condition of employment, interns and trainees, do not meet the definition of this criterion, nor do personnel teaching or holding academic duties in excess of the equivalent of one three-hour credit course per quarter or semester. The term "full-time" will be understood to be the number of hours that constitute the normal work week at each institution or station. Persons employed on a nonpermanent basis, such as those on a public service employment training grant or those funded by the CSG or any type of restricted short-term grant, cannot be considered full-time, professional radio station staff to meet this criterion.)
4.	x		Sufficient office space is provided. The station also has sufficient, professionally equipped on-air and production facilities to allow for broadcast of programming of high technical quality, including the capability for simultaneous local production and origination.
5.	x		The station's minimum operational schedule is 18 hours per day, 365 days per year. **(Should your station be an AM FCC- limited, please indicate.)** Shared time stations do not meet this criterion.
6.	x		The station's daily broadcast schedule is devoted primarily to programming of good quality that serves demonstrated community needs of an educational, informational and cultural nature within its primary signal area. Such programming is intended for a general audience.

Figure 9–9 *Continued*

2 FY 94 Radio CSG Certification of Eligibility

oA program schedule designated to further the principles of particular political or religious philosophies does not meet the definition of this criterion.
oA program schedule designed primarily for in-school or professional in-service audiences does not meet the definition of this criterion. A campus station managed and operated by and for students does not meet the definition of this criterion.
oNew applicants in areas already served by a CPB-supported station must propose a substantially different program service from the existing CPB-supported station(s) in the area, and clearly identify the unduplicated audience to be served.
oStations licensed to political organizations do not meet the definition of this criterion.

7. __x__ ____ Station originates a significant, locally produced program service designed to serve its community of license.

8. __x__ ____ Station had a total annual nonfederal financial support of at least $195,000 during FY 93.

9. __x__ ____ The station and its licensee comply in full with the Federal Communications Commission's regulations concerning equal employment opportunity (47 C.F.R. 73.2080).

10. __x__ ____ The job openings identified in the employment portion of the licensee's and its station's 1993 Annual Station Activities Survey were filled in accordance with Federal Communications Commission's regulations concerning equal employment opportunity (47 C.F.R. 73.2080). If the job openings were not filled in accordance with such regulations, a statement of the reasons for not filling the positions in accordance with such regulations must be submitted to CPB with this Certification of Eligibility.

11. __x__ ____ The station and its licensee comply in full with the following sections of the Communications Act of 1934, 47 U.S.C 390, et seq.:

OPEN MEETINGS, OPEN RECORDS AND COMMUNITY ADVISORY BOARD

Section 396(k)(4)-Requiring all meetings of the governing body, any committee of such governing body, and any advisory body of the recipient to be open, preceded by reasonable notice to the public to the extent that the deliberations of those bodies relate to public broadcasting. Exceptions to this provision are listed in Section 396(k)(4) and Section 397(5) of the Communications Act.

Section 396(k)(5)-Requiring that copies of the recipient's annual financial and audit reports, and other information regarding finances submitted to CPB, be made available by the recipient for public inspection.

Section 396(k)(8)-Requiring the establishment and maintenance of a community advisory board for certain licensees as described in this section of the law.

Section 396(k)(11) - Requiring that the statistical report described in Section 13 of the "Fiscal Year 1994 Radio CSG and NPPAG General Provisions" be made available to the public at the central office of the station and at every location where more than five full-time employees are regularly assigned to work.

FULL-TIME AND FULL-TIME EQUIVALENT STAFF

Number of full-time professional staff meeting the minimum staffing criterion specified in 3 above. Exclude staff funded by CSG, CETA, or any other restricted, short-term grant. ___5___

Identify full-time professional staff meeting the minimum staffing criterion (at least 5 employees should be listed):

NAME	TITLE	SOURCE OF FUNDS FOR SALARIES
Tom Godell	Station Manager	Broadcasting Service State Account
Jay Pearce	News Director	Broadcasting Service State Account
Gillian Martin	Music Producer	Broadcasting Service State Account
Beth Hart	Assistant News Director	WSIU Radio State of Illinois Grant
Mike Zelten	Operations Manager	Broadcasting Service State Account

Figure 9-9 *Continued*

3 FY 94 Radio CSG Certification of Eligibility

NETWORKS AND OTHER DUAL OPERATIONS:

A. Radio "networks" consist of at least two radio stations licensed in dual operations (multiple stations with the same licensee). Their operations may be consolidated to earn a single radio CSG under the following conditions:

1. The stations (transmitters) serve separate communities.
2. A minimum of 50% of the broadcast schedule for each station originates from a central network source.

B. Radio stations in dual operations (multiple stations with the same licensee) that are located in the same city of license may consolidate operations to benefit directly from the radio CSG under the following conditions:

1. Each station must be managed and programmed by the professional staff assigned to the co-licensed CSG-eligible station.
2. Each station must provide a separate and distinct program service for the community of license.
3. Each station must adhere to the programming policies contained in this document.
4. Stations that are closed circuit, low power, student managed, and/or that provide in-service training type programming to licensee employees, clients, and/or representatives are not eligible.

List your dual licensed stations that meet the requirements set forth in A or B above.

Call Letters	Channel	Location

Figure 9-9 *Continued*

4 FY 94 Radio CSG Certification of Eligibility

CERTIFICATION:

THE UNDERSIGNED ATTEST AND AFFIRM THAT THE INFORMATION PROVIDED THROUGHOUT THIS DOCUMENT IS ACCURATE AND VERIFIABLE.

THE UNDERSIGNED UNDERSTAND AND AGREE THAT THE LICENSEE WILL INFORM CPB IMMEDIATELY IN WRITING UPON FAILURE TO MAINTAIN ANY OF THE FOREGOING CRITERIA AND REQUIREMENTS.

Signatures of two different individuals are required: (1) an authorized official of the licensee responsible for signing grants/contracts for the licensee and who has knowledge and authority to certify that the licensee and its station meet or exceed each of the eligibility criteria set forth above and to certify the accuracy of all of the data and information above (e.g. chairman, treasurer or secretary of the board of directors, university vice president for finance, president of the school board, etc.) and (2) the chief executive officer in charge of the operation of the station (e.g. president, general manager, or station manager).

(1) For the Licensee: Benjamin A. Shepherd
Vice President for Academic Affairs and Provost
(Name and Title)

Benjamin A Shepherd 9/10/93
(Signature and Date)

(2) For the Station: Lee O'Brien, Executive Director/ GM
(Name and Title)

(Signature and Date)

Please return to:

Priscilla Weck
Director, Station Grants Administration
Corporation for Public Broadcasting
901 E Street, NW
Washington, DC 20004-2037
(202) 879-9790

Figure 9-10 *National Program Production and Acquisition Grant Offer and Acceptance, WSIU-FM, Carbondale, Illinois. (Used with permission.)*

Station Code R01800 Station WSIU-FM
City Carbondale State IL

CORPORATION FOR PUBLIC BROADCASTING

FISCAL YEAR 1994
RADIO NATIONAL PROGRAM PRODUCTION AND ACQUISITION GRANT
OFFER
CPB No. 7480-30014

Board of Trustees, Southern Illinois University
(Licensee Name)

The Corporation for Public Broadcasting (CPB), relying on representations made by the applicant in the Application for a Radio Community Service Grant and National Program Production and Acquisition Grant, and the certifications and relevant data and information contained in all of the related documents and forms and in the CPB Annual Financial Report for Fiscal Year 1992 submitted by applicant, hereby offers applicant a Fiscal Year 1994 National Program Production and Acquisition Grant (NPPAG) in the amount below. The amount of this grant has been computed pursuant to the NPPAG formula adopted by the CPB Board of Directors.

Amount Offered: $ 34,217

This offer is contingent upon CPB's receipt of its full authorized appropriation for Fiscal Year 1994 ($275 million), and is subject to decreases.

This offer is subject to acceptance by the applicant, which acceptance shall constitute an agreement by the applicant to comply with all of the terms and conditions set forth in the 'Fiscal Year 1994 Radio Community Service Grant and National Program Production and Acquisition Grant General Provisions' which all are expressly made a part of this Offer.

CORPORATION FOR PUBLIC BROADCASTING
8/30/93
(Signature)

FISCAL YEAR 1994
ACCEPTANCE OF A RADIO NATIONAL PROGRAM PRODUCTION AND ACQUISITION GRANT

Applicant hereby accepts the CPB National Program Production and Acquisition Grant offered above, and agrees to comply with all of the terms and conditions set forth in the 'Fiscal Year 1994 Radio Community Service Grant and National Program Production and Acquisition Grant General Provisions' which all are expressly made a part of this Acceptance.

Applicant agrees that CPB shall pay no more than the amount here offered.

Applicant warrants the present accuracy of data and information contained in its Application for a Fiscal Year 1994 Radio Community Service Grant and National Program Production and Acquisition Grant and its response to the CPB Annual Financial Report for Fiscal Year 1992; agrees to report any subsequently discovered inaccuracies to CPB; and further agrees to downward adjustments that accurate data might require, whether reported by applicant or discovered during the course of an audit conducted pursuant to Section 8 of the 'Fiscal Year 1994 Radio Community Service Grant and National Program Production and Acquisition Grant General Provisions.'

Applicant certifies and warrants: (1) that it currently meets or exceeds each of the eligibility criteria set forth in the 'Fiscal Year 1994 Radio Community Service Grant Certification of Eligibility'; and (2) the present accuracy of all of the data and information that it has provided in that Certification of Eligibility. Applicant agrees to inform CPB immediately in writing of any failures to maintain all such eligibility criteria, and any subsequently discovered inaccuracies or changes in the data or information provided.

Board of Trustees of Southern Illinois University
(Licensee Name)

9/10/93
(Signature of Authorized Official of Licensee) (Date)

Benjamin A. Shepherd
Vice President for Academic Affairs and Provost
(Name and Title of Authorized Official of Licensee)

Please return to:

Priscilla Weck
Director, Station Grants Administration
Corporation for Public Broadcasting
901 E Street, NW
Washington, DC 20004-2037
(202) 879-9790

Equipment purchase support is available through the National Telecommunications and Information Administration. To qualify for NTIA funds, the public radio stations must submit a detailed written proposal and be able to generate matching funds.

Federal funding is the financial foundation of local public radio. Attention to the details and procedures necessary to ensure the station's continuing qualification is a management priority task.

State Government A second key ingredient in public radio finances is the support of state governments. States may fund some licensees directly through annual appropriation, as in the case of public radio stations operated by universities. Some states operate statewide public radio networks that are funded in part by the state legislatures.

The future public radio manager should simply be aware that significant state financial resources are available and that complying with state procedures and deadlines is a major management function.

Audience All public radio stations rely to some degree upon their audiences to meet their budgets. Generally, this audience outreach takes the form of one or more on-the-air pledge or membership drives. Spring and fall are favored times of the year for such activities.

The design of the fund-raising drive is in the hands of the local station. The national fund-raising framework that exists in public television is absent in public radio, and no special programming or promotional support is provided by NPR.

Most stations prefer not to break the existing format during fund drives. Instead, special editions or encore presentations of normal programs are presented in their regular time periods. For example, a station during fund raising might use an expanded "St. Paul Sunday Morning" or a Garrison Keillor special. Such programming is then interspersed with on-the-air appeals to the audience. The listener who makes a pledge is often rewarded with a premium, the value of which depends upon the size of the contribution. Premiums might be anything, but the more successful ones are books, such as *Go Public*, which features coverage maps and format information on public radio stations across the country, and coffee mugs displaying the names of popular programs. Phone-in pledges are taken by volunteers, usually comprised of community leaders and members of community organizations. Where possible, involvement of local sports or entertainment celebrities is desirable.

Public radio stations do engage in other kinds of fund raising. Some organize auctions. However, this technique is difficult because radio lacks the visual element. Special events with personalities from national programs carried by the station are another type.

New methods of audience fund raising are developing and evolving. It is important to be aware of ideas and success stories from stations around the country. This can be done by direct contact with other public stations or by membership in selected organizations, such as The Development Exchange of Arlington, Virginia.[24] It circulates fund-raising information and sponsors workshops to enhance local stations' fund-raising abilities. The annual subscription cost for participation in the exchange is well worth the investment.

Underwriting This revenue source is used either to develop or present programs. As a rule, public radio stations are more active than television stations in program development. Stations involved in program production may submit grant applications to large corporations or foundations to secure development funds.

Stations not engaged in program development may still rely on underwriting to defray some of the costs of presenting programs. To secure presentation underwriting, a representative of the station offers a local business sponsorship identification during the program in exchange for a monetary contribution. To preserve noncommercial integrity, close attention must be paid to the preparation of underwriting copy.

Product identification is acceptable. Price information, product comparisons, and customer motivational language are not. Comments made earlier in this chapter about the similarity of this activity to commercial station spot sales and the dangers of not adhering to underwriting guidelines are relevant here.

Since underwriting is one of the few realistic revenue sources available to public radio, management should provide sufficient personnel and support to develop it.

Financial: Expenses In these times of decreased resources and increased competition, expense control for public radio management is as important as revenue enhancement.

The largest public radio expense item is staff. For reasons noted earlier, public radio tends to originate more programming than public television. Many stations also maintain a local news presence, which is expensive.

Second place in the expense race goes to programming. The unbundling of NPR programming has not led to the predicted cost reduction for stations. As a result, many member stations have defected and spent their money with competitors, like American Public Radio. Loss of member dollars for NPR programming only further increases the cost for those who use it.

Public radio is not as equipment-intensive as public television. However, the quality of on-the-air product and signal is affected by technological developments and their accompanying expense. Digital audio broadcasting (DAB) is an example of a likely expense in this category.

Promotion is becoming a greater expense item. Deregulation has led to an increased number of radio stations with more varied formats. As a result, the public station will have to spend more on promotion to stay positioned as an attractive media alternative.

Specific expense comparisons can be made with similar public radio stations in other markets by consulting annual expense data compiled by the Corporation for Public Broadcasting. Management should examine such data as part of the continuing effort to allocate and control expense dollars.

Programming The measurement of a successful program strategy in public television is cumulative audience. In public radio, however, it is time spent listening (TSL), or how long listeners are tuned in, and that requires a different program approach. The goal is to select a format that will retain the audience for extended periods of time. Usually, a public radio station plays to one constituency, whereas a public television station plays to many in order to build audience.

Public radio is format-based. In that respect, programming is similar to its commercial counterparts. However, public formats are specialized, with narrower audience appeal. For that reason, most of them would not be commercially viable. Public stations provide an important function by servicing what would otherwise be unserved portions of the radio audience.

Format Selection To succeed in public radio today, a niche in the fragmented radio spectrum must be identified and a format developed to fill it. Historically, management has had six recognized formats from which to select:

Classical and fine arts consists of recorded music and, at times, live concerts. Additional programming to support this format is available from NPR and the Beethoven Satellite Network.

Jazz is mainly recorded music and live concerts. Supplemental programming is obtainable from NPR.

News and public affairs is a format that can be partly local and partly national. National programming support is available from NPR and from APR, which carries the BBC's "World News Service."

Community service and public access is primarily a locally originated format designed to provide information to, and a forum for, those who may be neglected by the programming of other radio stations in the market.

Eclectic is the format used by most stations. It offers something for everyone, but does not generate the high TSL now considered desirable.

Dual format is a program concept featuring news and a certain type of music, usually classical or jazz.[25]

In addition to the six recognized formats noted above, a new public radio format has been evolving. Currently, it is known as the Adult Acoustic Alternative (AAA). This experimental concept represents an attempt to attract younger demographics by offering contemporary music.

The format ultimately selected will be dictated by the type of licensee operating the station, the needs and interests of the community, and the positioning of other radio alternatives in the market.

National Affiliation Having selected a basic format, the public radio program director must now decide how to augment it with a national service or services. At present, two primary services are available.

The oldest, and best known, is National Public Radio, a private, nonprofit membership corporation that produces and distributes programs. NPR has more than 300 members, and the programming it provides can be purchased in its entirety or in units. In recent years, NPR has tended to make more individual programs available. Major program blocks include the Morning News Service, the Afternoon News Service, and Performance Programming.

The morning service features a program called "Morning Edition," and the afternoon service's main offering is "All Things Considered." Both have weekend editions. Performance programming comprises a variety of content, including music (classical, jazz, and folk), drama, and comedy. Popular features are "Car Talk" and "Talk of the Nation." NPR also offers as a major feed "Performance Today," which includes occasional features in a classical music context. Other NPR selections include "Afropop Worldwide," "Club del Sol," and "Blues Stage."

NPR members pay for the programming they use and for transmission costs, as well as the basic station membership fee. As a result of the CPB's transfer of program grants from NPR to local stations and the withdrawal of some important member stations from NPR, these costs have risen sharply.

In addition to its programming services, NPR also provides program-producing stations with distribution services. The Extended Program Service enables local stations to send their programs to other stations via the Public Radio Satellite System, which maintains uplinks and downlinks throughout the country.

The other national service is American Public Radio (APR). Originated in 1982, this nonprofit corporation provides an alternative to NPR and many stations subscribe to both. Instead of membership fees, public stations pay affiliation fees, the amount of which depends on market size.

APR's programs originate with local stations and independent producers. Funding for program acquisition is provided by foundations, corporations, and station program fees.

Initially, American Public Radio did not offer as full a range of programs as NPR. However, since its inception, its program offerings have expanded considerably. It distributes news and special programs, some of which, like "Prairie Home Companion" and "Whad'ya Know?," have enjoyed significant popularity.

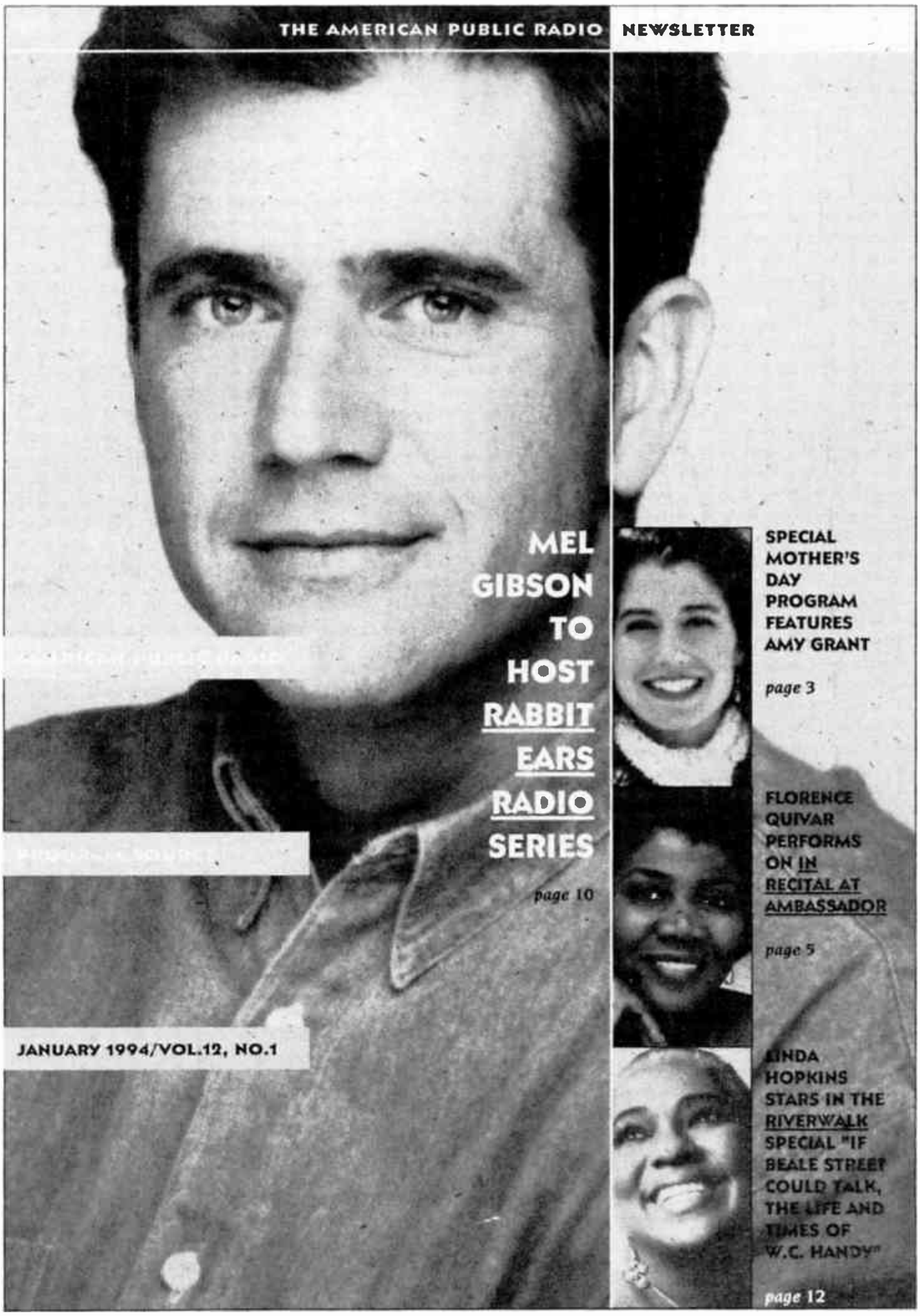
Unlike NPR, APR does provide some programming for the basic affiliation fee. Examples of such programming are the "Baltimore Symphony," the "Minnesota Orchestra," the "St. Paul Chamber," and "Concerts from the Library of Congress." Other APR programs available at an additional fee include "Monitor Radio Daily Edition," "Prairie Home Companion," and "Marketplace." These fees are also based on market size. American Public Radio also provides its affiliates with a monthly newsletter describing available programming (see Figure 9-11). APR is an important program source for public radio directors, and affiliation with it does not preclude association with other sources.

National Public Radio's program pricing policies, coupled with its loss of significant member stations, has led to the rise of independent program producers. Prominent alternative producers are Pacifica and WFMT, Chicago, which offers the Beethoven Satellite Network.

Others include Radio Features Corporation, which provides folk, talk, and music programming. Some major market public radio stations also have become program producers. Examples are WGBH, Boston, and WCLV, Cleveland, which operates as Seaway Productions. WFMT operates the Fine Arts Network. The final example is the Longhorn Network, which distributes the audio track of William F. Buckley, Jr.'s "Firing Line."

Public radio program directors have an ever-increasing selection of program sources. To stay in touch with what is happening, the local program director should consider membership in the Public Radio Program Directors' Association,[26] which makes information available to its members through a

Figure 9-11 *The American Public Radio* Newsletter. *(Used with permission.)*



newsletter. Staying current is a continuous challenge for public radio management, and industry associations are one way to do it.

Promotion Radio is more competitive and fragmented than ever. As more stations go on the air, as more are allowed to upgrade their power, and as contour overlap is reduced, the situation will intensify. In this climate, public radio management must promote. Gone are the days when programming promoted itself through its uniqueness.

Public radio promotes in a variety of ways. The most traditional has been the program guide, which appears in all shapes and sizes, from simple one-sheets to elaborate magazine-style monthly publications, such as Minnesota Public Radio's *Minnesota Monthly*. Figure 9-12 illustrates the cover page of a guide that falls between the two extremes, a four-page publication.

Newspaper has also been a traditional public radio promotional vehicle. It is suitable for image promotion and can be employed to promote news, programs, and series.

There is a realization in public radio that promotion methods must change to adapt to the new competitive environment. While research shows that public radio listeners are above-average newspaper readers, many development directors now utilize television. Television is expensive and may be cost prohibitive. However, local spots in national advertiser-supported cable networks carried by local cable systems are not. Announcements in CNN, A&E, The Discovery Channel, and The Weather Channel are affordable and effective.

The Corporation for Public Broadcasting has recognized the importance of promotion and makes available to local stations promotional Tune In Grants. In order to qualify, stations must apply for them, but they are fairly automatic. There is a matching funds requirement, as well as a requirement to file a final report once the promotion campaign is over.

National Public Radio also develops promotions for its news programs, and promotional ideas are found in the NPR monthly memo to managers.

The Development Exchange, referred to earlier, is also a source for promotional ideas. Among the exchange's publications is the *Tune in Advertising/ Market Handbook*. Publications like this should be in every public radio station's promotion library.

Another idea source is the Public Radio Association of Development Officers (PRADO).[27] Peer contact is always valuable for insights into promotional concepts that have worked for others.

While some promotional techniques of commercial radio are inappropriate for public radio, there are many that can be used. Among those are bumper stickers, T-shirts, and some kinds of contests. On-the-air contests do build quarter-hour audience and do increase critical time spent listening. On-the-air promotion is an element of the total promotion concept.

Development directors for public radio are also frequently the promotion mangers. The promotion aspect of the job should be given as high a priority as the fund-raising aspect.

Research Public radio management must regularly identify the constantly changing program needs and interests of the audience. A good place to begin

Figure 9-12 Airwaves, *the quarterly program guide of WLRH, Huntsville, Alabama. (Used with permission.)*

AIRWAVES

THE QUARTERLY PROGRAM GUIDE OF **WLRH** PUBLIC RADIO 89.3 FM / AUTUMN 1993

YOUR SHARE IN WLRH

We are at the start of our new fiscal year. Our funding comes from the Corporation for Public Broadcasting, the state of Alabama, and from you, our member supporters. The amount of CPB funding we annually receive is dependent upon the amount that you, our supporters, contribute during our Fall Membership Campaign and our Spring Celebration. If listener support drops, so, too, does the amount we receive from CPB.

We are especially concerned to have you, our loyal, dedicated member supporters renew your membership. Lost membership means lost revenue, and lost programming. We count on your support to be able to continue bringing you such costly programs as Prairie Home Companion, Marketplace, Adventures in Good Music, St. Paul Sunday Morning, and Echoes. Your membership also brings you our NPR programming, such as Morning Edition and All Things considered, that truly makes WLRH "A Different Kind of Radio"—unique, quality radio.

We thank the hundreds of members of our WLRH family who have pledged your commitment to WLRH by recently joining us as new members or by renewing your support. Now we'd like to hear from those of you who have not yet renewed your membership this year. We are here to serve you, and the kind of service your receive from us is dependent on your continued partnership with quality radio, WLRH.

A Prairie Home Companion Returns to the Air on October 8th.

What's in a name? Garrison Keillor's loyal listeners will be pleased that Keillor has decided that A Prairie Home Companion is more than just a name. According to Keillor, "It's a name I'm fond of and it's the name most people know this radio show by, even though I tried to make it be the American Radio Company for four years, I'm getting to be an old man and it's an old man's duty to prove that decline and decay aren't inevitable. We don't do that by running off and changing our names and getting silicon implants. So it's back to the Prairie Home. We sing great songs and tell good stories and tell jokes about all the usual disasters. It's the same show it ever was except much better."

WLRH PARTNERSHIPS

In addition to local member support, WLRH is dependent to a very large degree upon the services of many businesses and corporations.

For many years, Daytronix Computers has been assisting WLRH with our computer needs, most recently donating a computer and color monitor for our AP newsdesk.

Many of the services we depend upon are furnished through the generosity of the following companies: A.B. Stephens, American Mobile Phone Paging, Art Mart, The Bagel Place, Brien O'Brien, DeltaCom, Disc Connections, The Huntsville Times, The Kaffeeklatsch, Michael Cissell Design, The Mill, Mountain Valley Water, N & L Enterprises, Old Huntsville Magazine, Palm Audio and Video, Panciera Design, Red Diamond Food Service, Restaurant Connection, Robbins Music Center, Southerland Photo, Madison Square Mall, and The Huntsville Hilton.

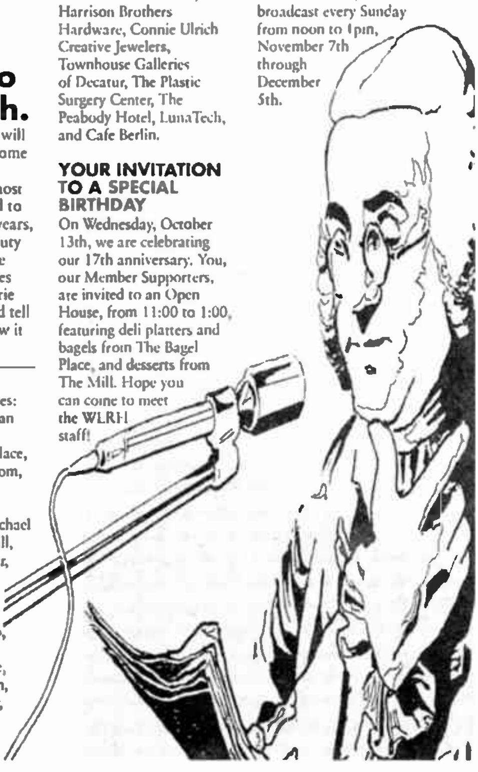
We are proud that many local companies are sponsoring our programming. Long-term supporters include The Boeing Company, Blue Cross and Blue Shield of Alabama, Ceramic Harmony, First Alabama Bank, Shaver's Bookstore, Hometown Press, Rockwell, Adtran, and The Webb School. In the past year we gained support from Alabama Credit Union, The Gatehouse of Decatur, Harrison Brothers Hardware, Connie Ulrich Creative Jewelers, Townhouse Galleries of Decatur, The Plastic Surgery Center, The Peabody Hotel, LunaTech, and Cafe Berlin.

YOUR INVITATION TO A SPECIAL BIRTHDAY

On Wednesday, October 13th, we are celebrating our 17th anniversary. You, our Member Supporters, are invited to an Open House, from 11:00 to 1:00, featuring deli platters and bagels from The Bagel Place, and desserts from The Mill. Hope you can come to meet the WLRH staff!

BEN FRANKLIN VISITS WLRH

Beginning in November we will present an historical dramas which tell the little-known story of Ben Franklin's exploits as a Colonial agent in London and his attempts to prevent the American Revolution. George Grizzard, Elizabeth Montgomery, Nigel Hawthorne, Alan Young, and Martin Sheen are featured in Craven Street. The five-part series, which is funded in part by the National Endowment for the Humanities, will be broadcast every Sunday from noon to 1pm, November 7th through December 5th.



is with a review of reports provided to subscribing stations by the national rating service, Arbitron. The frequency of the report depends on the size of the market. In some markets, there is a new ratings service called Strategic Accu-Ratings. As noted in Chapter 5, its methodology differs from that of Arbitron, and it claims that its reports more accurately reflect younger demographics and the out-of-home audience. Because public radio stations do not have access to the kind of ratings information provided by PBS to television stations, management should consider subscribing to a service that is available and affordable.

As an alternative, a public radio station may choose to develop its own data through specially commissioned research. Since many public stations are operated by colleges or universities, they are in a unique position to undertake audience research.

Other useful information comes from mail and telephone calls to the station. Talk shows featured on many public radio stations are an effective means of sampling audience attitudes. Station fund-raising also often yields valuable insights into listener likes and dislikes.

Finally, through the Corporation for Public Broadcasting, it is possible for a local public radio station to secure financial assistance for research. CPB offers Audience Building Grants for research development. Stations must submit detailed written proposals to qualify. Competition is quite intense, but the effort may prove worthwhile.

Community Relations Community relations are as critical to public radio stations as they are to public television stations. The paramount reasons are the level of governmental support and the license renewal, which occurs every seven years. Over the years, there have been occasional cases in which the licenses of some public radio stations have not been renewed. Often, the reason lay in the stations' offending community sensibilities.[28]

To enhance community relations, a public radio station can, of course, utilize public service announcements and involve itself in local civic and charitable activities. Depending on the format, the station may have legitimate visible personalities. Talk shows have become America's town meetings. Stations with host talent should consider instituting a speakers' bureau to provide guest speakers for civic organizations, charities, and schools. Similarly, invitations to community leaders to appear on local radio interview programs will assist in maintaining good community relations.

There is more local programming in local public radio than in public television; hence, there are more opportunities to develop community relations.

Engineering Observations made earlier about the importance of engineering in public television are equally applicable to public radio. Equipment must be bought and maintained to provide the quality signal necessary to retain and build audience. As already noted, management should be aware of the grant assistance available from NTIA for equipment acquisition.

Administration Most of the comments made earlier in this chapter about public television administration also pertain to public radio. However, some additional comments are necessary.

Because radio budgets are tighter, fund raising more difficult, and staff sizes smaller, public radio managers are under more pressure to administer expertly their more limited resources. Employing personnel who can perform multiple functions well is a real management challenge. Local program origination is a bigger factor than in television, and that poses its own problems. Coupled with that is the need for adequate supervision of on-the-air programming and talent. As discussed earlier, some public stations have offended public sensibilities with programs, music, or comments by on-the-air talent. Regulatory officials and lawmakers are taking a tougher, more rigid position on indecency and obscenity, as evidence by the promulgation and implementation of the 1987 Federal Communications Commission's new indecency standards. How these rules and policies will fare with the courts remains to be seen, but public managers and program executives need to be vigilant and current on developments. Apart from the equities of a case, the cost of defending an FCC indecency complaint can destroy the budget of even the best financially positioned public radio station.

Public radio stations that belong to NPR do have some administrative assistance. NPR has representation and distribution divisions. The representation division attempts to protect the position of public stations on critical issues before various governmental bodies. It also acts as a mediator in disputes between NPR and member stations. The responsibility of the distribution division is the NPR satellite system, which is important to many stations that produce programs. NPR also provides a monthly memo that keeps management abreast of current issues and opportunities.

Management should also maintain contact with management at other stations for advice and ideas. A listing of stations and executives can be found in the *Public Broadcasting Directory*, published annually by the Corporation for Public Broadcasting.

SUMMARY

Noncommercial broadcasting evolved into public broadcasting with the passage of the Public Broadcasting Act of 1967. A three-tiered structure now exists: (1) local stations funded in part by (2) the Corporation for Public Broadcasting, with program distribution provided by (3) nonprofit membership corporations—the Public Broadcasting Service (PBS) for television and National Public Radio (NPR) for radio.

The more than 300 public television stations are operated by four types of licensees: community, university, public school, and state. Organization of the local station depends to some extent on licensee type. Some stations are more active in programming for general audiences and others in instructional television.

Absent any specialized activity, the major management tasks in public television stations can be classified fairly uniformly into eight categories: financial, programming, promotion, research, cable relations, community relations, engineering, and administration. Budget considerations have become paramount, because continued significant governmental funding is no longer assured. As a result of the necessity of raising nongovernmental funds, public television has become more ratings-conscious and pays special attention to weekly audience cumulative numbers, as opposed to program numbers. Increased competition from many sources has led to a need to attach more importance to programming concepts and promotion. The reality of cable television must also be dealt with, particularly since many stations depend on cable's reach to deliver viewing to areas not covered by their own signals.

The future will be demanding for public television. Management will have to refine and develop skills to contend with the opportunities and problems of the evolving competitive marketplace.

While there are over 1600 noncommercial radio stations in the United States today, only about 400 licensees meet the eligibility requirements for funding by the Corporation for Public Broadcasting and thus are classified as "public." National Public Radio provides programming and distribution services for these stations. However, the growth in recent years of alternate program sources has decreased the reliance that stations once had on NPR.

Basically, public radio management has seven major functions: financial, programming, promotion, research, community relations, engineering, and administration.

Public radio also has had to make fund raising a priority. Developing ratings is, therefore, important. Ratings in public radio mean time spent listening (TSL), not cumulative audience. Fragmented markets have also led to a new emphasis on promotion.

Most stations use one of seven recognized and evolving formats: classical, jazz, news, access, eclectic, dual, and adult acoustic alternative. Many produce programs for distribution to other stations.

Strategy for the 1990s requires the public radio manager to achieve results in a more crowded marketplace and with fewer resources.

CASE STUDY: TELEVISION

WBEG is a state university public television licensee in a major eastern metropolitan market. Two other PBS member stations are in the market. Cable penetration is 80 percent.

The university's expertise is in educational psychology. It built the TV station to gain access to elementary and secondary school classrooms through instructional programming that it would originate and broadcast. WBEG is a full-service member of PBS, but it carries little of its programming. Its instructional commitment occupies the hours of 8:00 A.M. to 6:00 P.M. each day, leaving little time for anything else.

A combination of adverse economic developments has caused the state legislature to cut dramatically state university financial support. Because WBEG operates solely on its CPB Community Service Grant and state legislature support, the loss of state funds threatens the existence of the enterprise.

You have the misfortune to be the WBEG manager. The university president, Drew Martin, calls you in to announce that you have 12 months to generate the one million dollars of lost state funding (33 percent of WBEG's total budget) from some other source, or the station's plug will be pulled. Because the station has no measurable audience and PBS programming is available on other area licensees, the president wonders out loud whether anyone will notice anyway.

You accept the challenge and know, intuitively, that success will depend on a combination of revenue generation and cost containment. As you leave the president's office, you recall the old public broadcasting adage, "Without audience there is no support, and without support there is no audience."

Exercises

1. What program initiatives can you take to broaden the audience base and perhaps increase the station's financial support?
2. Because the station has little audience at present due to its instructional commitment, how will you create awareness in the general population of WBEG's programming changes?
3. What revenue enhancement tools are available to help you meet the target of replacing one million dollars in state funds with new money within one year?
4. There is one significant cost-saving move that WBEG can initiate immediately. What is it?

CASE STUDY: RADIO

KOLD is a class C FM community corporation public radio station in a large West Coast city. The station has been on the air since 1940 with the same dual format of classical music and news and, therefore, does not promote it.

The station belongs to NPR, which is its sole program source. It subscribes to the Morning News Service, the Afternoon News Service, and Performance Programming. Due to the presence of 24-hour news and talk commercial stations, cable penetration of 70 percent, and the 55-plus average age of 80 percent of its audience, KOLD's listener membership has dropped precipitously.

That trend is alarming because listener support accounts for 50 percent of KOLD's total budget. CPB grants provide the other 50 percent. The combination of unprecedented legal and illegal immigration has changed appreciably the demographic character of the city of license, with the largest age group now being those between 18 and 34.

The board of trustees of the community corporation that operates the station has retained you as a consultant to advise them on an appropriate strategy to deal with the situation.

Exercises

1. KOLD is an established institution. Is there anything that can be done to preserve it by altering the membership trend, enhancing revenue, and lowering costs?
2. If preservation is not achievable, what program alternatives might be considered, given the current market conditions?
3. If a major format change is recommended, how can it be promoted best to attract audience and members?

NOTES

1. "Summary of Numbers," *Broadcasting & Cable*, January 31, 1994, p. 61.
2. *Ibid.*
3. *Public Broadcasting and You*, p. 6.
4. In fiscal 1994, the Corporation for Public Broadcasting distributed $275 million in federal monies to local public stations. "Funding Scramble Is 'Nature' of Public TV," *Broadcasting & Cable*, January 31, 1994, p. 22.
5. "Panel Calls for More Money for Public TV," *Broadcasting & Cable*, July 19, 1993, p. 32.
6. "Funding Scramble Is 'Nature' of Public TV," *Broadcasting & Cable*, January 31, 1994, p. 22.
7. The NTIA is part of the Department of Commerce and is the telecommunications policy office for the executive branch of government.
8. For what to do and what not to do in membership drive break structuring, see Susan T. Eastman and Robert Klein, *Promotion and Marketing for Broadcasting and Cable*, 2nd ed., pp. 249–279.
9. T. Barton Carter, Marc A. Franklin, and Jay B. Wright, *The First Amendment and the Fifth Estate: Regulation of Electronic Mass Media*, p. 402.
10. *Ibid.*
11. Public stations file annual financial reports with the Corporation for Public Broadcasting, which issues station revenue and expense profiles. The data are categorized according to the type of licensee and the size of the operating budget. Comparative financial data are also available through the Association of America's Public Television Stations, 1350 Connecticut Avenue, N.W., Washington, DC 20036.
12. Susan Tyler Eastman, *Broadcast/Cable Programming: Strategies and Practices*, 4th ed., p. 506.
13. *Ibid.*, p. 488.
14. *Ibid.*, p. 501.
15. "Funding Scramble Is 'Nature' of Public TV," *Broadcasting & Cable*, January 31, 1994, p. 22.
16. Susan T. Eastman and Robert Klein, *Promotion and Marketing for Broadcasting and Cable*, 2nd ed., p. 254.
17. "Public Station Launches Commercial Campaign," *Broadcasting & Cable*, March 29, 1993, p. 46.
18. The Gallup Organization, 301 S. 68th Street Place, Lincoln, NE 68510.
19. Quincy Cable TV, Inc. v. Federal Communications Commission, 768 F2d 1434, 1985; Century Communications Corporation v. Federal Communications Commission, 835 F2d, 292, 1987.
20. 47 USCA 535.
21. Alabama Educational Television Commission, 50 FCC 2d 461.
22. "Summary of Numbers," *Broadcasting & Cable*, January 31, 1994, p. 61.
23. *Public Broadcasting and You*, p. 6.
24. Development Exchange, Inc. (DEI), 1911 Ft. Meyer Drive, Suite 906, Arlington, VA 22209.

25. Susan Tyler Eastman, *Broadcast/Cable Programming: Strategies and Practices*, 4th ed., p. 514.
26. Public Radio Program Directors' Association, Inc. (PRPD), P.O. Box 988, Olney, MD 20830.
27. Public Radio Association of Development Officers (PRADO), P.O. Box 21090, Washington, DC 20009.
28. In Trustees of the University of Pennsylvania, 69 FCC 2d 1394.

ADDITIONAL READINGS

American Public Radio Newsletter. Minneapolis: American Public Radio.

Current. New York: Educational Broadcasting Corporation.

DMA Market Profile. Washington, D.C.: Public Broadcasting Service.

i.e. development. Washington, D.C.: Development Exchange.

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Keith, Michael C., and Joseph M. Krause. *The Radio Station*, 3rd ed. Boston: Focal Press, 1993.

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Public Radio Program Director's Handbook. Olney, Md.: Public Radio Program Directors' Association, 1989.

A Public Trust: The Report of the Carnegie Commission on the Future of Public Broadcasting. New York: Bantam Books, 1979.

Quarterly Edition. Washington, D.C.: National Public Radio.

Station Audience Report. Washington, D.C.: Public Broadcasting Service.

10 ENTRY INTO THE ELECTRONIC MEDIA BUSINESS

This chapter examines the methods of attaining management or ownership by focusing on

- how to identify and secure employment in a managerial capacity or a capacity that may lead to management
- how to buy an existing station, by exploring methods of finding the property, financing the acquisition, and following legal and other procedures to consummate the transaction
- how to build a new station or cable system, by identifying methods of locating open frequencies and franchises, obtaining financing, and complying with governmental requirements

Many college and university students pursuing the electronic media curriculum have as their ultimate goal either station management or ownership. Some use the first as a steppingstone to the second. However, as noted in Chapter 1, managers operate at various levels, and the aspirations of some students may stop short of those goals.

There is no precise formula for reaching management or ownership status, but more than 70 years of broadcast history and experience provide road maps to the promised land.

The purpose of this chapter is to journey down that road and point out the landmarks along the way. This chapter is, in fact, a skeleton of some of the methods and procedures utilized by successful broadcasters. All the detail required to put flesh on the skeleton would require at least one volume, maybe more.

Students wishing to pursue the ownership option, in particular, are encouraged to take other courses to augment their broadcast education while they are still undergraduates. Prominent among those that might be suggested are basic courses in business financing and accounting. Some understanding of the complexities and terminology of finance and accounting is critical to the realization of a person's ownership goals.

EMPLOYMENT

Employment is the most traditional and common means of entering the electronic media business. Those professionals who have no present ownership goals may view increasingly challenging managerial positions as ends in themselves. Those individuals with ownership aspirations also generally work in the industry for some time, since some personal resources are necessary and because lenders and investors simply do not finance new owners without some demonstrable track record, which means experience. Even those few and fortunate individuals possessing extensive funds are better served by a working apprenticeship in the industry, given the competitive, specialized nature of media markets in the 1990s.

Of course, in all but rare cases, students enter the industry through employment. Despite possession of a degree, most college graduates will start on their career journey at the bottom, in an entry-level position.

Even at that level, competition for jobs is intense. Hundreds of colleges and universities graduate thousands of electronic media students annually. The edge will go to those who have used their college years wisely. That means high academic performance. It also means participation in relevant activities outside the classroom and laboratory. The importance of such pursuits should not be minimized, since taking the first step is the most challenging part of the career journey. Academic achievement combined with professionally related experience are what most employers expect. Students who are serious about employment will not disappoint them.

There are several ways of accumulating experience before graduation. Volunteer or paid employment often is available to those who enroll in colleges and universities that operate radio or television stations or provide programming for cable television systems. Internships offer the chance to develop first-hand experience in commercial and noncommercial stations, cable systems, and allied operations, such as recording studios, production houses, advertising and public relations departments and agencies, and station representative companies. These opportunities have an added advantage: They provide interns with a valuable means of displaying their abilities to those engaged in the hiring of personnel. Many employers also seek out part-time employees, especially for weekend and vacation work.

Some new graduates set their sights on entry-level positions in large markets. That is probably unrealistic, and it is not necessarily the wisest course, since the level of competition is likely to be extremely high. In addition, it is too easy to become pigeonholed or lost in the crowd, both of which may prove to be impediments to advancement.

Small markets, on the other hand, offer several advantages. Competition for jobs is not as keen. Opportunities are more numerous. Most significantly, perhaps, employees are expected to perform a broader range of responsibilities. While the immediate reaction may be one of shock at the volume and variety of work required, such feelings will turn to appreciation later, with realization of the wealth of knowledge and experience acquired.

Details of many of the managerial functions performed in the electronic media were discussed in earlier chapters. However, it may be useful here to identify examples of typical paths of career advancement.

A beginning position in radio as a disc jockey may lead to promotion to music director or production director and, ultimately, to program director. In time, a reporter may assume greater responsibility as public affairs director, en route to a news director's slot. The aspiring general sales manager may start out as a sales trainee and move in stages from small to larger accounts and into the local sales manager's chair before attaining the ultimate goal. From program director, promotion and marketing director, news director or general sales manager, a step up to general manager may be the next move. Promotion to GM typically requires significant sales experience, however.

A starting camera operator in a television station may advance to a management position as program director, production director, or operations manager by achieving success, in turn, as a floor manager, production assistant, assistant producer/director, and producer/director. A general assignment reporter may progress to a beat before advancing to assignment editor, news producer, assistant news director, and, finally, news director. Initial employment as an assistant in traffic, continuity, or promotion and marketing may pave the way for an upward move to traffic, continuity, or promotion and marketing director. Again, if the desired destination is a general manager's post, the final step may be taken comfortably from one of several department head positions.

A beginning producer/director in a cable television system may be advanced to director of local origination, a sales representative to sales manager, and then to marketing director. A technician may progress to chief technician or chief engineer, and a customer service representative to office manager and, subsequently, to accountant or bookkeeper and business manager. The top management position as system manager may result after advancement through the ranks to head of marketing, engineering, or business.

Upward movement in all electronic media careers often occurs through promotion in a station, system, or group. In such cases, identifying appropriate vacancies presents no problem, since they are publicized to existing employees. However, if advancement is possible only through a move to another station in the market or to another market, the search for positions is more challenging. A similar challenge faces those who are about to embark on a career.

Probably the best sources for locating radio and television positions are *Broadcasting & Cable* and *Electronic Media*, both weekly magazines.[1] They list openings in markets of all sizes and in all areas of commercial and noncommercial station activity, from entry level to general management (Figure 10-1). Those with a special interest in public broadcasting will find *Current* magazine helpful, while a publication such as *Multichannel News* will provide useful information on cable television openings.[2]

There are several commercial publications, such as *Entertainment Employment Journal* and *Media Grapevine*, that list positions. For contact information, see the Additional Readings section at the end of the chapter. Related national and state or regional professional associations also provide information on job openings in their publications.

Several organizations, including the National Association of Broadcasters (NAB) and Promotion and Marketing Executives in the Electronic Media (Promax), operate clearinghouses.[3]

National station representative firms, such as Blair Television and Banner Radio, are often asked by client stations to identify candidates, especially for management positions. Many trade publications run "situations-wanted" ads, and associations do likewise in their newsletters. Some, like the Radio-Television News Directors Association (RTNDA), maintain a telephone line dedicated to job openings. The fee for use of the service is nominal.[4]

Another method of taking the initiative in the job search is through registration with specialized employment placement firms, more commonly known as "head hunters." Many companies provide such services, and a partial listing can be found in the "Professional Services" section of *Broadcasting & Cable Yearbook*.[5] Typically, an applicant files a résumé with the firm, which attempts to match qualifications with the needs of an electronic media employer. Fees sometimes are paid by the employer.

The final method worthy of mention is networking. There is an old adage that it is not what you know but who you know that counts. Relationships should be developed with industry professionals during internships. Most colleges and universities maintain active contact with their electronic media alumni. Many students belong to national organizations with local chapters, like Alpha Epsilon Rho, The National Broadcasting Society, which is more than 50 years old and has many distinguished alumni.[6] Each year, it has a national convention that affords a unique networking opportunity for participating students from around the country. Of special interest to minority students is Howard University's Annual Communication Job Fair in Washington, D.C. Representatives of many of the most important electronic media companies in the United States attend to meet and interview students who are seeking employment.

Job seekers looking for their first full-time position or advancement must convince employers of their skills and potential contributions. To that end, a letter of application must be accompanied by a résumé, and, where appropriate,

Figure 10-1 *Examples of help-wanted classified ads displayed in* Broadcasting & Cable. *(Used with permission.)*

TELEVISION

HELP WANTED MANAGEMENT

National sales manager: Top 40 Eastern market. FOX affiliate. Prefer NSM sales experience. Reply to Box C-12. EOE.

National sales manager: WEAU-TV, dominant station in the La Crosse-Eau Claire market, is seeking national sales manager with minimum 2 years TV sales experience. WEAU-TV is an equal opportunity employer. Send resume to GSM, WEAU-TV, PO Box 47, Eau Claire, WI 54702.

HELP WANTED SALES

Entry level position sales. Willing to listen and learn. Great opportunity. Write and tell why you'll be successful! EEO. Richard Bradley, Local Sales Manager, PO Box 37943, Knoxville, TN 37927. No phone calls.

Account executive needed for fast growing independent. Area includes Laughlin, Nevada. Great place to live. Fax resume & references to Joel Gable 602-758-8139. EOE.

WRDW TV has an opening for national sales manager. Must be highly motivated and energetic. Minimum two years national sales experience desired. Local sales and value added selling experience preferred. Ability to develop and deliver presentations a must. College degree required. Send resume to Stephen E. Johnston, General Sales Manager, WRDW-TV, PO Box 1212, Augusta, GA 30903-1212. EOE.

Small market affiliate seeking aggressive local/national sales manager. Must have excellent organizational and motivational skills, strong personal sales ability, a proven track record in small market sales management and desire for future promotion to station manager. Reply to Box C-33. EOE.

HELP WANTED TECHNICAL

Chief engineer needed for upstate New York, VHF affiliate. Strong personnel, administrative and hands-on technical skills required. Send letter and resume to Bone & Associates, Inc., 6 Blackstone

WSAV is seeking a hands-on chief engineer. Demonstrated ability to lead, train, motivate a staff and can operate constructively with other departments. Station has SNG, micro and computer systems and operates an RCA transmitter that requires loving care. Send resume to Harvey Libow,

The Pulitzer Broadcasting NBC affiliate in the Gulf South is seeking an experienced person to lead a 27 person technical and operations staff. The candidate will need a strong technical and personnel background. Send letter with resume to Fred Steurer, Director of Engineering, Box 2429,

Assistant chief engineer needed for leading VHF ABC affiliate in Columbus, GA. Must be energetic and highly motivated individual. Candidate should have at least 5 years experience, two years formal training, and 2 years in a supervisory role. FCC General Class license or SBE certified preferred. Send letter and resume to: Chief Engineer, WTVM TV, PO Box 1848, Columbus, GA 31994. EOE.

Maintenance engineer, WKYC-TV (Multimedia & NBC) Cleveland. We have an opening for an outstanding maintenance engineer with a solid background in troubleshooting to component level. Prefer expertise with MII. Resume with references to Jerry Plemmons, V.P., Engineering, 1403 East 6th Street, Cleveland, OH 44114. Multimedia is an equal opportunity employer.

HELP WANTED NEWS

News director: Spanish television station in San Francisco is seeking an experienced news professional to manage a #1 news operation. Spanish language skills and television experience are a must. Equal opportunity employer. Fax resumes to August Ruiz, KDTV 415-695-3926.

News director and teacher needed for midwestern network affiliate who's number 1 priority is news. Outstanding teacher, people and organizational skills, and team spirit a must. Previous news management experience required. Send resumes to Box C-20. EOE.

Co-anchor: Pennsylvania NBC affiliate seeks experienced, energetic news anchor for 6 and 11 pm newscasts. Must be strong writer, reporter, and liveshot anchor. Send non-returnable tape, resume, and references to News Director, WBRE-TV, 62 S. Franklin St., Wilkes-Barre, PA 18773. EOE.

Weeknight anchor: Dominant small market station, KMVT-TV, needs a 10pm anchor with strong writing and on-air delivery skills. Job includes producing and reporting. Send non-returnable 3/4 or 1/2 inch tape and resume to Doug Maughan, News Director, 1100 Blue Lakes Blvd. N., Twin Falls, ID 83301. EOE.

Chief meteorologist: Second most active weather market in the country looking for degreed meteorologist with AMS seal and burning desire for excellence. Tapes and resume to: Fred Jordan, KBMT-TV, PO Box 1550, Beaumont, TX 77704. EOE.

Co-anchor: Energetic, personable co-anchor with strong hard news reporting skills for noon newscast. Must be excellent in live on-location segments. Prefer 3-5 years experience and journalism degree. Minority candidates encouraged. Send non-returnable 3/4" tapes and resumes to Scott Benjamin, News Director, WROC-TV, 201 Humboldt St., Rochester, NY 14610. EOE M/F.

Broadcasting & Cable

an audiotape or videotape. Tapes are not just for on-the-air positions. They may also demonstrate other skills, such as production, promotion, and copywriting. The résumé should include details of the broadcasting courses taken by the applicant. There was a time when broadcasters were skeptical of the relevance of a broadcast education, but in this age of fragmented audiences and increased competition, electronic media executives have come to appreciate the need for a formal education in the field. Consequently, it may be beneficial to highlight the management, programming, sales, promotion, and marketing, and audience research courses completed in college. Information on related courses and experience also should be set forth.

If the ultimate goal is ownership, rather than management, the employment search may be conducted somewhat differently. There is no "best way" to go about it, but there are some tips and techniques that are often productive.

First, the market in which there is an interest in ownership must be identified and stations and/or cable systems serving the market noted. A listing of stations may be compiled from *Broadcasting & Cable Yearbook*, which contains information on station ownership, management, formats, technical facilities, addresses, and telephone numbers.

To evaluate station desirability within a market, ratings and revenue information on each station may be acquired by reviewing material published by Duncan's American Radio.[7] Additional sources of information on ratings, market revenue, and growth are *Investing in Television* and *Investing in Radio*.[8]

After completing this audition process of markets and stations, it is time to address letters or telephone calls to the management at the target stations. If a group owner is preferred over an individual station, the group offices should be contacted.[9] With the relaxation of the three-year ownership rule and the expansion of the limits on multiple ownership, group operators account for an increasing percentage of station licensees.

Should there be an interest in cable, *Television and Cable Factbook*[10] provides telephone numbers, addresses, ownership, management, and system information. Data on multiple system operators (MSOs) and cable networks, such as HBO, USA, and CNN, are also included.

There is no right or wrong way to identify and secure employment. However, any approach must begin with facts. The information provided in this section should be adequate to initiate the process.

OWNERSHIP

The second method of entry into the electronic media business is through ownership, which can be accomplished in one of two ways: (1) purchase of an existing facility or (2) construction of a new facility.

Purchase of an Existing Facility

In the United States today, there are about 10,000 commercial radio stations, more than 1100 commercial television stations, 11,385 cable systems, and permits outstanding to build approximately 1500 additional radio and television stations.[11] The decision to purchase an existing facility will provide a far greater number of choices in more varied locations than are available when constructing a new facility. Purchase offers the additional advantage of being able to examine the performance record of a facility already operating. The job of financing the purchase of an existing station is substantially less difficult than that of a new build or start-up. The disadvantage of purchasing is that attractive existing operations are in demand.

Midway through the 1990s, market demand for existing facilities was especially strong. The market hangover of the late 1980s and early 1990s—caused by the FCC's liberal licensing policies of the 1980s, station debt defaults due to exorbitant prices of that decade, and the 1989–1993 recession—came to an end. In addition to the removal of these three negative factors, two positive factors occurred.

The first was the alteration of the FCC's ownership rules, noted in Chapter 7. The new rules allowed the purchase by an operator of a second station in the same class of service in a market, i.e., combination of two AMs or two FMs by a single owner. At the same time, multiple ownership levels were raised to 18 AM and 18 FM stations in 1992, and to 20 AM and 20 FM stations in 1994. Second, financial sources, scared off by the 1989–1991 defaults, returned to the marketplace.

All this created substantial demand for existing facilities. Cash-flow multiples, which determine station prices, began to rise again from their 1991 lows. Large-market radio multiples ranged from 8 to 11, smaller markets 6 to 7, and television multiples averaged 8 to 8.5. The dollar value of all radio and television sales of existing facilities in calendar year 1993 shot up to $3.3 billion from the 1992 level of $1.0 billion.

In 1993, also, the psychological barrier on prices paid for stations was broken when Infinity paid $110 million for a stand-alone FM in Los Angeles. See Figure 10-2 for a review of the dollar volume of trading in existing stations from 1954 to 1993.

The market interest in existing operations also extended to cable systems. In 1993 alone, sales of existing systems exceeded $10 billion. The announced TCI-Bell Atlantic merger and U.S. West's multibillion dollar investment in Time Warner fueled the increase. By the beginning of 1994, however, the combination of the failure of the TCI-Bell Atlantic deal and the impact of the FCC's action to roll back cable rates 7 percent put a damper on cable prices. Cable systems also sell at multiples of cash flow and, in the mid-1990s, multiples averaged 11.75. For an insight into the size and volume of cable system trading, see Figure 10-3.

Finding the Station or System What is for sale, and how does one locate it? Finding a station or cable system to purchase can be accomplished in two principal ways: (1) through direct contact with the station or system owner and (2) through the use of an intermediary, most often a media broker.

Direct Contact One way to initiate direct contact is to select markets that are of interest and then list the stations in the markets. A good source for this data is *Broadcasting & Cable Yearbook.* This publication gives the ownership of each station, which may be an individual, a partnership, a corporation, or a broadcast group. Owners sometimes operate stations, but often are nonoperating investors.

Figure 10-2 *40 years of station transactions. (Source:* Broadcasting & Cable, *March 7, 1994, p. 37. Used with permission.)*

STATION & CABLE TRADING

40 YEARS OF STATION TRANSACTIONS

Dollar volume of transactions approved by FCC (Number of stations changing hands)

YEAR	RADIO ONLY*	GROUPS*	TV ONLY	TOTAL
1993	$815,450,000 (633)	$756,722,000 (NA)	$1,728,711,000 (101)	$3,300,883,000
1992	603,192,980 (667)	318,176,050 (24)	124,004,000 (41)	$1,045,373,000
1991	534,694,500 (793)	206,995,500 (61)	273,365,000 (38)	1,014,579,000
1990	868,636,700 (1045)	411,037,150 (60)	696,952,350 (75)	1,976,626,100
1989	1,148,524,765 (663)	533,599,078 (40)	1,541,055,033 (84)	3,235,436,376
1988	1,841,630,156 (845)	1,326,250,000 (106)	1,779,958,042 (70)	4,947,838,198
1987	1,236,355,748 (775)	4,610,965,000 (132)	1,661,832,724 (59)	7,509,154,473
1986	1,490,131,426 (959)	1,993,021,955 (192)	2,709,516,490 (128)	6,192,669,871
1985	1,414,816,073 (1,558)	962,450,000 (218)	3,290,995,000 (99)	5,668,261,073
1984	977,024,266 (782)	234,500,000 (2)	1,252,023,787 (82)	2,118,056,053
1983	621,077,876 (669)	332,000,000 (10)	1,902,701,830 (61)	2,854,895,356
1982	470,722,833 (597)	0 (0)	527,675,411 (30)	998,398,244
1981	447,838,067 (625)	78,400,000 (6)	227,950,000 (24)	754,188,067
1980	339,634,000 (424)	27,000,000 (3)	534,150,000 (35)	876,084,000
1979	335,597,000 (546)	463,500,000 (52)	317,581,000 (47)	1,116,648,000
1978	331,557,239 (586)	30,450,000 (5)	289,721,159 (51)	651,728,398
1977	161,236,169 (344)	0 (0)	128,635,435 (25)	289,871,604
1976	180,663,820 (413)	1,800,000 (3)	108,459,657 (32)	290,923,477
1975	131,065,860 (363)	0 (0)	128,420,101 (22)	259,485,961
1974	168,998,012 (369)	19,800,000 (5)	118,983,462 (24)	307,781,474
1973	160,933,557 (352)	2,812,444 (4)	66,635,144 (25)	230,381,145
1972	114,424,673 (239)	0(0)	156,905,864 (37)	271,330,537
1971	125,501,514 (270)	750,000 (2)	267,296,410 (27)	393,547,924
1970	86,292,899 (268)	1,038,465 (3)	87,454,078 (19)	174,785,442
1969	108,866,538 (343)	35,037,000 (5)	87,794,032 (32)	231,697,570
1968	71,310,709 (316)	47,556,634 (9)	33,588,069 (20)	152,455,412
1967	59,670,053 (316)	32,086,297 (9)	80,316,223 (30)	172,072,573
1966	76,633,762 (367)	28,510,500 (11)	30,574,054 (31)	135,718,316
1965	55,933,300 (389)	49,756,993 (15)	29,433,473 (32)	135,123,766
1964	52,296,480 (430)	67,185,762 (20)	86,274,494 (36)	205,756,736
1963	43,457,584 (305)	25,045,726 (3)	36,799,768 (16)	105,303,078
1962	59,912,520 (306)	18,822,745 (8)	23,007,638 (16)	101,742,903
1961	55,532,516 (282)	42,103,708 (13)	31,167,943 (24)	128,804,167
1960	51,763,285 (345)	24,648,400 (10)	22,930,225 (21)	99,341,910
1959	65,544,653 (436)	42,724,727 (15)	15,227,201 (21)	123,496,581
1958	49,868,123 (407)	60,872,618 (17)	16,796,285 (23)	127,537,026
1957	48,207,470 (357)	47,490,884 (28)	28,489,206 (38)	124,187,660
1956	32,563,378 (316)	65,212,055 (24)	17,830,395 (21)	115,605,828
1955	27,333,104 (242)	22,351,602 (11)	23,394,660 (29)	73,079,366
1954	10,224,047 (187)	26,213,323 (18)	23,906,760 (27)	60,344,130
TOTAL	$13,737,230,175	$12,421,715,066	$20,111,144,153	$46,270,089,394

Note: Dollar volume figures represent total considerations reported for all transactions with exception of minority interest transfers in which control of stations did not change hands and stations sold as part of larger company transactions. Although all sales have been approved by FCC they may not necessarily have reached final closing. Prior to 1978, combined AM-FM facility was counted as one station in computing total number of stations traded. Now AM-FM combinations are counted as two stations.

*Starting in 1993, the Radio Only column includes only standalone AM and FM deals and the Groups column contains AM-FM combos and all other multiple stations deals. In previous years, the AM-FM combos were included under Radio Only.

Broadcasting & Cable Mar 7 1994 37

Figure 10-3 *1993's top 10 announced cable system sales. (Source:* Broadcasting & Cable, *March 7, 1994, p. 40. Used with permission.)*

1993's Top 10 Announced Cable System Sales

Date	Buyer	Seller	Location	Basic Subs	Price(000)
12-07-93	Southwestern Bell	Cox	GA	1,620,000	$3,300,000
05-17-93	US West	Time Warner (25%)	NY	1,449,350	2,725,000
10-01-93	TCI	Liberty Media	CO	925,100	2,513,000
02-09-93	Southwestern Bell	Hauser	VA	225,000	650,000
10-27-93	Cablevision Systems	Sutton Capital	NY	176,500	463,000
12-02-93	Bell Canada	Jones Intercable/ SPLKA (30%)	CO	110,400	230,700
03-29-93	Sammons Comm.	Cardinal	IN	86,078	182,000
11-12-93	Marcus Cable	Star Cablevision	WI	68,900	149,000
07-23-93	Cablevision Systems	North Coast Cable	OH	81,530	133,000
06-18-93	Peter Kiewit Sons	C-TEC (34%)	PA	87,720	129,600

Paul Kagan Associates Inc. estimates. Copyright 1994.

Owners and managers are very sensitive to sale rumors and inquiries because these are disruptive and destabilizing for stations. For that reason, inquiry to a station owner should be discreet and direct, not through secretaries or other employees. Because of the sensitivity of the subject, an owner, even when properly contacted by someone unknown, may not want to confirm the availability of the property for sale. Occasionally, an owner may tell an unknown inquiring party outright that the station is for sale. A more likely answer is, "No, it is not for sale," or, in some cases, "Anything is for sale for the right price."

For these reasons, the direct approach may be time-consuming and, in the end, unproductive. If successful, however, it is probably going to be cheaper than other methods of purchasing a property.

Use of a Media Broker The most efficient and productive search for a property is conducted through the use of a media broker, who generates income by listing stations or systems for sale and then locating qualified buyers for the properties. Brokers are known to media owners and are sensitive to their concerns about confidentiality. Media brokers compete actively among themselves to obtain listings.

When obtained, the listings may be *exclusive* or *nonexclusive*. Exclusive means that only one broker has a listing for a station for a designated period, while nonexclusive means that more than one broker has the same listing. The kind of listing may become important to the prospective buyer. For example, a would-be purchaser who is about to make an offer on a station after expenditure of time and money to investigate may be shocked to learn that the broker had a nonexclusive listing and that another broker has completed the deal.

The broker should be asked exactly what kind of listing it is. For an illustration of an exclusive listing agreement, see Figure 10-4.

As mentioned earlier, brokers are paid for what they do. Fees vary, but a standard fee is 5 percent of the first million dollars, 4 percent of the second, 3 percent of the third, 2 percent of the fourth, and 1 percent of the balance.[12] Fees on very large transactions usually are negotiated and generally are not calculated by this formula. Whatever the fee, it does add to the price of the station, and the buyer will pay it through a higher price or through a direct agreement to pay some or all of it.

Despite the negatives, use of a media broker probably is the best way to proceed in acquiring a station or system. A listing of media brokers can be found in the "Professional Services" section of *Broadcasting & Cable Yearbook* and in the "Brokerage and Financing" section of *Television and Cable Factbook*. Brokers also run ads in trade publications and issue press releases on transactions they have completed or stations they have listed. An example of a press release appears in Figure 10-5.

Brokers may be national in scope, such as Blackburn and Company or Communications Equity Associates, or regional, like New England Media and William A. Exline, Inc. Some brokers provide more than sales assistance. Blackburn and Company, for instance, also offers financing help.

Having identified a broker, the prospective purchaser must choose the method of working with the broker. One way is to register by completing the broker's buyer information form. The data facilitate the matching of the buyer's geographical interest, the type of facility (AM, FM, TV, or cable) desired, and the financial capability with the broker's listings. The buyer will be contacted by the broker as ownership opportunities develop. This procedure enables the broker to pre-clear the client as a qualified buyer so that immediate action can be taken when an especially good property comes along.

A second way of working with a media broker is to respond to a specific ad about a station or cable system. This amounts to a case-by-case use of a broker's services and does not necessarily lead to the close working relationship that could make one a favored client who gets called first on that very special deal.

The receipt of information on available properties leads to the next stage of the acquisition process—station evaluation.

Station Evaluation Once the acquisition candidate has been identified, it must be analyzed. Before analyzing the reasonableness of the price, the buyer should review the status of the market and its competition. Finance sources will expect the buyer to be fully versed on these topics. Rarely does a good price cure a bad market. Analyzing the market will be a key element in analyzing price.

Analyzing Market and Competition Cash flow and capital appreciation of a station will depend in no small way upon the condition of the market and the number of existing and potential competitors. Market data can be obtained from local chambers of commerce or from Standard Rate and Data Service, which provides information on rates, facilities, and the market. Significant market and competition data can also be found in Duncan's American Radio publications and in *Investing in Radio* and *Investing in Television*. Statistics to analyze

Figure 10-4 *Exclusive listing agreement used by Blackburn and Company, Inc., Alexandria, Virginia. (Used with permission.)*

EMPLOYMENT AGREEMENT

The undersigned, Seller, hereby employs and appoints Blackburn & Company, Incorporated (hereinafter referred to as Blackburn) as Seller's exclusive agent for a period of 120 days (and thereafter until this Agreement is revoked by 10 days written notice) to negotiate for and sell, subject to the approval of the Federal Communications Commission

____

for $ ____

or at a purchase price and/or on such other terms which shall be satisfactory to Seller.

The compensation to Blackburn shall be five percent (5%) of the first three million dollars ($3,000,000) of the gross price (including cash and/or notes, liabilities assumed, and non-compete and consulting payments) and two percent (2%) of all additional consideration on any sale negotiated hereunder, payable from first funds received at closing, following the consent and approval of the Federal Communications Commission to the transfer of the license of said station.

Seller agrees in the event of execution of a sale agreement to use its best efforts to procure approval thereof by said Commission and to consummate such sale.

Blackburn agrees to use its best efforts and complete facilities to procure a sale of said station, and to conduct, on Seller's behalf, all negotiations necessary to conclude a satisfactory sale of the station. All expenses incurred by Blackburn shall be borne by it.

Seller agrees during the life of this agreement that it will deal exclusively through Blackburn, and Seller will not offer or sell said station directly, or through any other agency, and that all negotiations for sale and inquiries regarding sale will be referred to Blackburn. Blackburn agrees to submit and refer to Seller any proposal received for sale of the station for consideration by Seller, and approval or rejection by Seller will be promptly given.

Seller shall pay to Blackburn a commission as calculated above on any sale, whether contracted for during the term of this employment or within one year thereafter, by Seller to any Purchaser to whom said station was presented by Blackburn during the life of this agreement. In the event Blackburn is required to take legal action to enforce any of the terms of this agreement, Blackburn shall be entitled to reasonable attorneys' fees and costs. This agreement shall be construed under the laws of the State of Virginia.

Dated ____________________

____________________________ Seller

By: ____________________________

BLACKBURN & COMPANY, INCORPORATED

By: ____________________________

BLACKBURN & COMPANY
INCORPORATED

Figure 10-5 *Media broker press release on a completed transaction. (Source: Blackburn and Company, Inc., Alexandria, Virginia. Used with permission.)*

January 4, 1994

FOR FURTHER INFORMATION:

Richard L. Sharpe
Blackburn & Company, Inc.
Suite 340
201 N. Union Street
Alexandria, VA 22314
(703) 519-3703
FAX: (703) 519-9756

FOR IMMEDIATE RELEASE

STATIONS:	WWQM-FM, WHIT-AM, Madison, WI
FACILITIES:	106.3 mhz, 4.5 kw, Ant. 380 ft. 1550 mhz, 5kw-D
BUYER:	Enterprize Media Partners, Inc., Edward G. Rogoff
SELLER:	Madison Communication Properties, L.P. General Partner, Media Capital of Madison,Inc. Thomas J. Buono, Michael B. Hesser, P. Richard Zitelman
PRICE:	$5,625,000
BROKER:	Blackburn & Company, Incorporated

BLACKBURN & COMPANY
INCORPORATED

include population, retail sales, and employment trends. Is there explosive growth, stable growth, or no growth? Markets with no upside or, worse yet, with only downside should only be considered if the price is substantially discounted or if some major economic development is scheduled for the area.

Market size determines the number of national advertising dollars spent in the market. The top-100 markets command more of those dollars than the 100+ markets. Whether or not a market is about to move into or out of the top 100 is a significant valuation consideration.

Retail sales also are important, because they are a reliable predictor of electronic media revenue available in a market. Generally, electronic media dollars equate to between 1 percent and 2 percent of sales, with television getting the larger share. To determine radio revenue, a good rule of thumb is to multiply retail sales by .0035. *Duncan's Radio Market Guide* provides estimates of electronic media market revenue as a percentage of such sales. Comparisons can be made to other markets to evaluate the relative strength of electronic media overall and the vitality of a market's radio and television components. For markets not covered by Duncan, *Investing in Radio*, or *Investing in Television*, prospective buyers can make their own calculations.

If a station has a high percentage of total revenue available, it may have peaked, which means it has no upside revenue potential.

Another market evaluation benchmark is data on employment. Who are the largest employers and in what businesses are they engaged? The departure or closing of a large employer can depress a market. State governments, insurance companies, universities, and federal facilities are normally stable. Some caution is advised in the case of military bases and defense plants in the post–cold war period. The Pentagon maintains a base closure list, which should be consulted if the target market has a military installation. Are any major plants about to be constructed or expanded? The market's employment base and stability should be examined.

After checking the vital signs of the market, the prospective buyer should examine the competition. Some markets have too many stations. It is not just the signals licensed to the community, but also those from outside the market that get in, that are competitive factors. Data on competition can be gathered from sources like *Investing in Radio* and *Investing in Television* and from national ratings services, such as Arbitron for radio and Nielsen for television. Determine how much of the audience is attributable to "below the line" or outside-the-market stations. The broker or station owner should provide the rating service's reports.

Not all the competition information may be readily apparent. In the 1980s, the Federal Communications Commission aggressively authorized new stations in a proceeding known as Docket 80-90[13] and permitted the upgrade of existing stations to new tower heights and power. In still other cases, commission rules allowed stations licensed to small communities to "move in" to larger ones. Any one of these developments could immediately diminish the attractiveness of a proposed investment. Communications attorneys stay current on these developments, as do consulting engineers. Analysis of the competitive environment is not complete until the status of potential new or modified signals that might affect the market is known.

Review of competition should not be limited merely to the number of stations. Station comparisons should also be made of power and antenna heights. Selection of a station with inadequate transmission capabilities when compared with the competition might lead to the purchase of a permanent second-class station. Such purchase errors are difficult, if not impossible, to correct.

The competitive analysis should not be confined to a comparison of technical facilities. A prospective purchaser also should examine competitors' formats. The best discovery would be that a significant format was not being offered in the market at all. The presence of a "niche" opening satisfies an important investment criterion. If, however, there are no obvious format holes, research may reveal that a competitor already in the market with an established format is not executing it well. That may present enough of an opportunity, assuming everything else checks out, to justify going ahead. However, prospective purchasers must remember that the cost of head-to-head competition is always more. Even if success is achieved in such a battle, the return on investment will be less than can be achieved in markets where an open niche exists.

In television acquisition, it is wise to pay attention to network affiliation. Obviously, an affiliate with a strong network may command a better price than one with a weak network. Those stations that have an underperforming network parent have to do more locally to maintain market position. Probably, that will mean higher operating costs for programming, promotion, and personnel, especially news talent. Higher costs mean lower cash flow and lower valuation. Translated, that means the upside may be limited.

Television stations with no affiliation, independents, are to be left to the sophisticated television investor. With the success of Fox and the possible emergence of more networks, those remaining true independents will have a very hard time making ends meet.

Assuming that the evaluation of the market and the competition is satisfactory, it is now time to evaluate the price.

Analyzing Price Stations and cable systems are usually offered for sale at a price rather than on a "best offer" basis. That price can be firm, which means that the seller will not take less, or an asking price, which is negotiable.

The reasonableness of the price must be evaluated. The most common and generally accepted criteria for judging prices are multiples of cash flow. Cash flow is a station's operating income before charges for depreciation, interest, amortization, and taxes. In some situations, cash flow may be increased by adding back on a pro-forma basis certain expenses the current owner has that the new owner will not. Examples are extraordinary legal, telephone, or travel, or even an excessive compensation arrangement. How cash flow is defined is important, because it is the base number from which price computations emanate. Some lenders and investment bankers also use the term *trailing cash flow,* which means simply the cash flow as previously defined for the most recent 12-month period available. This is a different concept from that of calendar year or fiscal year. Trailing cash flow analysis ensures that the financial performance of the station used to determine price will reflect the most current cash flow, along with any positive or negative trends that might be at work.

- Once cash flow is determined, multiples are applied to calculate price. As noted earlier in the chapter, the mid-1990s have been marked by a resurgence of station and system trading activity. Multiples paid for FM stations depend on the market size. In larger markets or those where duopoly trading is under way, FM multiples range between 8 and 11. In smaller markets, the range is between 6 and 7.[14] Multiples used to value AM stations are applied to gross revenue, not cash flow, and they are running between 1 and 1.25. Like FM radio, television multiples are related to cash flow and they are in the 8 to 8.5 ranges. Except for AM radio, multiples in the mid-1990s are trending up. However, they have not met the explosive pre-1989 levels and are unlikely to do so.

Prices paid for cable television systems are commonly calculated on a per-subscriber basis, with current levels fluctuating between $2000 and $2200 per subscriber. As in broadcasting, an alternate method of cable system valuation depends on multiples of cash flow. In the mid-1990s, cable cash flow multiples range between 11.75 and 12. However, as mentioned earlier in the chapter, the effects of cable reregulation and the termination of the TCI-Bell Atlantic merger will likely be a softening of prevailing yardsticks.

Standard multiples are not absolute, however. Adjustments to the multiple depend on the size of the market and the station's place in it. Small markets do not justify the full multiple, nor do markets with depressed economies. Stations with declining sales and audience do not bring full price. Network affiliate prices have declined because of erosion of audience shares and concerns about prospects for the future. The large number of bankruptcies of true independent stations in recent times depressed prices for those stations. AM stations rarely bring the full multiple today due to declining listenership.

For a further review of the elements of station valuation, a number of very useful NAB publications may be consulted.[15]

There are situations where multiples do not apply at all. A station may have no earnings and, in that instance, a determination has to be made on what a license in that market is worth. Some guidance can be found in examining the "stick" or FM base value listed in Duncan's American Radio publications or by calculating the property's probable revenues by applying a multiple to the retail sales in the area. One method applies a multiple to retail sales in the market to derive the electronic media revenue for the market and then divides that figure by the number of stations in the market. That number yields possible station revenue and provides a basis to predict cash flow. Buying a station with no earnings is an art form and should be reserved for the sophisticated buyer.

Financing At this point, the prospective buyer has evaluated the market and the station and has decided to make an offer. However, before the offer is submitted, the financing to complete the transaction must be in place. There are numerous sources of financing, depending upon the buyer's circumstances. Among the principal sources are these:

- banks
- venture capital
- investment banks

- funds for minority acquisition
- seller financing
- governmental agencies

Banks The most traditional source of funds is the commercial bank. Banks have established criteria for lending that must be met. For example, they require the applicant to have some money of their own to invest, which means that a percentage of the purchase price and operating funds required comes from the applicant's own sources. There is no fixed rule, but a minimum of 20 percent is not uncommon. Banks also closely examine the operating statements of the facility to be purchased and will lend a multiple of the operating cash flow for the most recent 12-month period. The multiple will vary depending on the bank and is different for AM, FM, affiliate television, independent television, and cable. The multiple applied by a bank for loan purposes is less than the multiple used to evaluate the price of a station. Most banks have no standard for independent television and AM radio, because they do not view them as desirable lending opportunities. Cable systems command a multiple of seven to eight times trailing cash flow with large banks and are viewed as utilities. For FM and affiliate television, the multiple now used by most money center banks is five times trailing cash flow. To illustrate, consider the purchase for $8,000,000 of an FM station cash flowing $800,000 per year. To establish the loan amount, the bank multiplies trailing cash flow ($800,000) by five, resulting in a $4,000,000 loan for the purchase. The down payment and working capital would have to be provided by the buyer. In this example, the equity required would equal 50 percent of the purchase price.

For the first-time buyer without significant personal funds or a substantial partner, bank financing is difficult to achieve. Banks will require experience in the business, as well as equity.

Another limitation with banks is that electronic media lending is an area of specialization, and many do not feel that they have the expertise to evaluate such transactions. Consequently, it may be difficult to find the right bank. Examples of commercial banks active in electronic media lending are Bankers Trust in New York and Society in Cleveland.[16] Note, however, that large money center banks consider only multimillion dollar, multistation transactions. For small, single-station purchases, banks in local communities likely will be the best source if one can be found that is willing to commit itself.

Venture Capital There are venture capital firms that assist and, in effect, become partners with the prospective entrepreneur to acquire a property. Unlike banks, venture capital firms are high-risk lenders. Such companies often will invest in stations or management that have potential but no proven track record. For example, there may be a station with good facilities that has never made any money. A venture capital firm might take a chance if it becomes convinced that a new format and new management can turn the station around. Most banks would never do a "turn around" without guarantees from investors with substantial capital. Similarly, a venture capital firm might invest with a manager who was successful for an owner but who has not yet been an owner or who does not have adequate personal capital to become an owner.

Venture capital companies are often called "vulture capital companies." The name is derived from the price one has to pay to become a partner with one of these firms. While the venture capital fund may provide all or part of the necessary financing, the firm usually demands a significant ownership, often a majority position in the acquired property. These investors will back proven management with capital with the expectation of making money on increased value over time of that station and any additional stations that may be acquired. In most such arrangements, the buyer will be giving up control of the enterprise to the venture capital firm, and performance will have to satisfy the provider of the funds.

Examples of venture capital firms are TA Associates of Boston and McKinley Capital Partners, Limited, of New York.

Investment Banks Many institutions have been very active in raising funds for the electronic media industry in recent times. Typically, an investment bank will agree to raise funds from public or private sources for a purchase. Their activities may be "guaranteed" or on a "best efforts" basis. Guaranteed means that on the day it is time to pay for the purchase, the investment banker will be there with the funds. Best effort means that the firm will attempt to raise the money, but it is not committed to the buyer if it does not.

For their services investment bankers charge a fee, which is usually a percentage of the money raised. These companies prefer multimillion dollar transactions involving multiple stations and normally are not a source for a first-time buyer.

Investment bankers are most often employed by small, intermediate, or large companies seeking to grow larger by acquisition or merger. During the media acquisition frenzy occasioned by deregulation in the 1980s, investment bankers invented creative financial instruments, such as "junk bonds," which were interest-bearing debt securities sold to the public to raise funds for corporate clients of investment bankers for the purpose of acquiring additional stations.

Morgan Stanley and Company in New York is an example of an investment bank.

Funds for Minority Acquisition Government policy has attempted to encourage the development of minority ownership in the electronic media. Consequently, there are specialized financing sources available to minority buyers. Perhaps the most prominent of these is Broadcap, which is funded by the National Association of Broadcasters and whose offices are located at NAB headquarters in Washington, D.C.

Seller Financing Not infrequently, the seller becomes the financing source. To facilitate a sale or to avoid immediate tax consequences, a seller may extend terms to the buyer. The seller in effect becomes the lender and "carries the paper." Seller financing arrangements are attractive, because they might require less equity or down payment than a bank or other source. The seller might also be willing to have the debt bear a fixed rate of interest, as opposed to the floating rate over prime that most commercial banks use. Where this type of financing does occur, the seller takes a collateral position in the assets of the station. However, this interest of the seller in the station means the buyer cannot use the assets to secure any additional borrowing without the seller's permission. Seller financing is a good approach for the first-time buyer.

Governmental Agencies Principal in this category is the Small Business Administration (SBA). For qualified applicants, this federal agency will guarantee up to 90 percent of a loan at a commercial participating bank, or it may make a loan directly from its own funds. As a threshold requirement, the applicant must demonstrate in writing rejections by at least two commercial banks. The negative in this case is the time it takes to get such a loan approved. It may be difficult to get a seller to wait for an extended period during which there is no guarantee of success. In addition, these are times of reduced circumstances for government spending, and there are concerns about the availability of such fund guarantees and even the future of the SBA.

In conclusion, there is more qualified assistance available for prospective purchasers than there was before the dawn of the deregulation decade in 1979. Most media brokers now provide financing services and can help select a source and assist in the written presentation. Fees are charged for such services, and they vary, depending upon whether the broker secures equity, senior debt, or junior debt. However, media brokers do know where electronic media financing is, and they have a substantial interest in securing it for their clients, since they do not collect the commission for the sale of a property unless the financing for the buyer is complete.

Among the publications available to introduce the novice to financial concepts and methods is the NAB's *Understanding Broadcast and Cable Finance: A Handbook for the Non-Financial Manager.*[17]

Submitting an Offer With the financing in place, it is now time to formalize the offer, which must be submitted in writing for consideration by the seller. The media broker, if one is being utilized, will prepare a written offer (Figure 10-6) for the prospective buyer to review carefully and sign. It is wise at this stage to hire an attorney to examine the offer, since it is a legally binding document. Terms and conditions must be clearly written to avoid misunderstanding and even litigation. Attached to the offer should be a check for the deposit. Again, deposit amounts vary, but 5 percent of the total purchase price is the norm. This deposit assures the seller that the buyer is serious and will forfeit the deposit if the buyer does not complete the transaction as agreed. The offer should be written to expire at a certain time, 72 hours, for example. This will prevent the seller from shopping the offer in an attempt to get a higher price from another purchaser.

The offer may provide for an inspection period (most often 30 days) during which the buyer may examine facilities and financials. If the inspection is unsatisfactory, the buyer may withdraw without penalty. However, with the expiration of the inspection period, all contingencies are removed and the transaction is firm. Risk has attached. The buyer must now appear at the closing with funds in hand. Should that not happen, the escrow deposit will be lost. In other words, risk of losing the deposit by failure to close in a timely manner has now attached to the offer.

Figure 10-6 *Offer letter. (Source: Blackburn and Company, Inc., Alexandria, Virginia. Used with permission.)*

DATE

Blackburn & Company, Inc.
Suite 340
201 N. Union Street
Alexandria, VA 22314

Gentlemen:

Subject to agreement on a formal contract, an inspection of the station, and subject to FCC approval, _____ hereby offer to purchase the fixed assets of ____________________________ on the following terms and conditions:

1. We will pay a total purchase price of $________________ as follows:

   (a) $________________ in cash at closing, of which $________________ will be placed in escrow at the time of signing a formal contract.

   (b) Balance in the form of a first mortgage on the assets payable in equal _____________ installments of principal and interest at ________ percent over ___________ years. The payments, however, will be calculated on a _____-year basis with remaining principal paid in a lump sum at the end of ______ years. Buyer reserves the right to prepay this note in whole or in part at any time without penalty.

2. It is understood that all of the assets owned by the Seller both real and physical, and used or useful in the operation of said station, will be delivered free and clear of all liens and encumbrances. An inventory of the assets to be delivered will be prepared and will become a part of the formal contract.

3. ____________ agree to assume all contractual obligations of the station which are usual and normal to its operation, such as music licensing agreements, news service contracts, studio and transmitter site leases, and the like, provided that all such contracts, agreements and leases are made available to us for our inspection and approval prior to the execution of a formal contract. A schedule of all such agreements to be assumed will be prepared and will become an exhibit to the formal contract.

Figure 10-6 *Continued*

Blackburn & Company, Inc.
Page 2

4. It is understood and agreed that current assets, such as cash and accounts receivable, are not among the assets to be delivered, but will remain the property of Seller. However, all accounts receivable on the books at final closing are to be turned over to ____________ for collection only for a period of ________ days, at the end of which period _____ will pay to Seller all money collected against said accounts and will return to Seller any such accounts remaining uncollected at that time.

5. It is understood and agreed that all filing and grant fees charged by the FCC in connection with this transaction, if any, will be paid half by the Buyer and half by the Seller.

6. Both parties recognize Blackburn & Company, Inc. as exclusive broker in this transaction. Seller agrees to pay Blackburn a brokerage commission in connection with this transaction, as agreed on between Seller and Blackburn, and to hold us harmless from any obligation for such commission to Blackburn.

As evidence of ______ good faith, ____ attach herewith a check in the amount of $______________, made payable to Blackburn & Company, Inc. If this offer is accepted and a formal contract agreed to, this amount will become a part of the escrow payment mentioned above. If this offer is not accepted, or if a formal contract is not agreed to, this check is to be returned to _____ without any obligation.

This offer is being made on behalf of a corporation, either in existence or to be formed, in which the undersigned will be stockholder, and shall expire _____ days from the above date.

If this offer is accepted, both parties agree to cooperate promptly in the preparation of a formal contract and all other documents and applications required for filing with the FCC in order to effect this transaction.

By: ________________________________

AGREED

By: ________________________________

Received check for $ ______________
BLACKBURN & COMPANY, INC.

By: ______________________________

Letter of Intent, Contract, Transfer Application Following acceptance of the offer by the seller, attorneys for both sides set to work on more formal documents. The offer may be succeeded by a letter of intent, which is a more complete legal recitation of the principal terms and responsibilities of both parties. Major topics in the letter are price, method of payment (which means cash or terms), and assets to be sold. The pro-rating of expenses is also often covered. This category includes the responsibility for accrued vacation time of employees and adjustments for annual expenses already paid, such as insurance and taxes. Parties must also provide for payment of accounts receivable owned by the station. Are they, too, included in the purchase price, or will they be collected by the buyer and remitted to the seller after a period of time, usually 90 days? Often stations have balances of air time owed to clients who provided goods or services. As noted earlier, these transactions are known in the industry as trade or barter, and adjustments to the accounts of buyer and seller may be in order here.

Parties may elect to bypass the letter of intent and to go directly to a formal purchase contract, which is a complete legal document that addresses all aspects of the transaction, major and minor. The contract outlines responsibilities, timetables, and place and time of the closing. It provides for everything, from transfer of title to real estate to accrued vacation time of employees, and may even provide a mechanism for dealing with disputes. Questions frequently arise over handling of accounts receivable and accounts payable, for example. Once executed, the purchase contract must be filed with the Federal Communications Commission within 30 days.

Subsequent to the filing of the purchase document, a transfer application, FCC Form 314 (Figure 10-7), must be filed with the commission. It requests the FCC to assign the license for the station from the selling to the acquiring entity.

The Federal Communications Commission or, to be specific, the commission's Mass Media Bureau, may not act on the transfer application until 30 days after it has been accepted for filing. In this 30-day period, notices of the impending transaction are run on the air of the station and in the local newspaper. The purpose of this public notice is to give members of the community an opportunity to comment on the proposed transaction. Assuming no objections, and assuming the seller is in good standing with the FCC, the transfer will be approved.

The time required for commission approval depends upon the volume of transfers pending. Once approved, the FCC transfer order does not become final for 40 days. In that 40-day period, the proposed transfer is still susceptible to challenge. However, at this advanced stage it is only the Federal Communications Commission itself that can initiate the action. During this time, information may come to the FCC's attention reflecting on the character of, or on the integrity of the filing representations made by, parties seeking the assignment. Problems rarely occur in this "waiting period," but occasionally they do.

The procedure for acquisition of a cable system is much the same: offer, deposit, letter of intent, and contract. However, notification to, and approval by, the regulatory body is another matter. There is no central federal regulatory body for licenses of cable as there is for broadcast. Cable franchising, or licensing, authority has been specifically reserved for local governments by federal law.

Figure 10-7 *Excerpt from FCC Form 314.*

Approved by OMB
3060-0031
Expires 06/30/95

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

FCC 314

APPLICATION FOR CONSENT TO ASSIGNMENT OF BROADCAST STATION CONSTRUCTION PERMIT OR LICENSE

(Please read instructions before completing this form.)

FOR FCC USE ONLY

FOR MASS MEDIA BUREAU USE ONLY

FILE NO.

Section I – GENERAL INFORMATION

1. APPLICANT NAME

MAILING ADDRESS (Line 1) (Maximum 35 characters)

MAILING ADDRESS (Line 2) (if required) (Maximum 35 characters)

CITY	STATE OR COUNTRY (if foreign address)	ZIP CODE

TELEPHONE NUMBER (include area code)	CALL LETTERS	OTHER FCC IDENTIFIER (IF APPLICABLE)

FOR MAILING THIS APPLICATION, SEE INSTRUCTIONS FOR SECTION 1

2. A. Is a fee submitted with this application? ☐ Yes ☐ No

B. If No, select the appropriate box to indicate reason for fee exemption (see 47 C.F.R. Section 1.1112) or reason a fee is not applicable and go to Question 3.

☐ Governmental Entity ☐ Noncommercial educational licensee ☐ Other (Please explain):

C. If item 2.A. is Yes, provide the following information:

Enter in Column (A) the correct Fee Type Code for the service you are applying for. Fee Type Codes may be found in the "Mass Media Services Fee Filing Guide." Column (B) lists the Fee Multiple applicable for this application. Enter in Column (C) the result obtained from multiplying the value of the Fee Type Code in Column (A) by the number listed in Column (B).

	(A)	(B)	(C)	
(1)	FEE TYPE CODE	FEE MULTIPLE (if required)	FEE DUE FOR FEE TYPE CODE IN COLUMN (A)	FOR FCC USE ONLY
			$	

To be used only when you are requesting concurrent actions which result in a requirement to list more than one Fee Type Code.

	(A)	(B)	(C)	FOR FCC USE ONLY
(2)			$	

ADD ALL AMOUNTS SHOWN IN COLUMN C, LINES (1) THROUGH (2), AND ENTER THE TOTAL HERE. THIS AMOUNT SHOULD EQUAL YOUR ENCLOSED REMITTANCE.	TOTAL AMOUNT REMITTED WITH THIS APPLICATION $	FOR FCC USE ONLY

Figure 10-7 *Continued*

SECTION I (Page 2)

PART I – Assignor

1. Name of Assignor	Street Address		
	City	State	ZIP Code
	Telephone Number (include area code)		

2. Authorization which is proposed to be transferred

(a) Call letters ______________________ Location ______________________

(b) Has the station commenced its initial program tests within the past twelve months? ☐ Yes ☐ No

If Yes, was the initial construction permit granted after comparative hearing? ☐ Yes ☐ No

If Yes, attach as an Exhibit the showing required by 47 C.F.R. Section 73.3597. Exhibit No.

(c) Has the license for the station been acquired through the Commission's Minority Ownership Policy? ☐ Yes ☐ No

If Yes, has the station been operated on-air for less than the past twelve months? ☐ Yes ☐ No

If Yes, attach as an Exhibit the showing required by 47 C.F.R. Section 73.3597. Exhibit No.

3. Call letters of any SCA, FM or TV booster station, or associated auxiliary service stations (e.g., remote pickup, STL, inter-city relay) which are to be assigned:

4. Attach as an Exhibit a copy of the contract or agreement to assign the property and facilities of the station. If there is only an oral agreement, reduce the terms to writing and attach. Exhibit No.

5. If this application is for assignment of a construction permit for an unbuilt station, submit as an Exhibit the detailed showings and declarations of the applicants required by 47 C.F.R. Section 73.3597 regarding the assignor's legitimate and prudent out-of-pocket expenditures and the retention, if any, of any interest in the station. Exhibit No.

6. State in an Exhibit whether the assignor, or any party to the assignor: Exhibit No.

(a) has any interest in or connection with an AM, FM or television broadcast station; or a broadcast application pending before the FCC; or

(b) has had any interest in or connection with any application denied and/or dismissed with prejudice; or any FCC license which has been revoked.

The Exhibit should include the following information:

(1) name of party with such interest;
(2) nature of interest or connection, giving dates;
(3) call letters or file number of application; or docket number; and
(4) location.

7. Since the filing of the assignor's last renewal application for the authorization being assigned or other application, has an adverse finding been made or an adverse final action been taken by any court or administrative body with respect to the applicant or parties to this application in a civil or criminal proceeding, brought under the provisions of any law related to the following: any felony; mass media related antitrust or unfair competition; fraudulent statements to another governmental unit; or discrimination? ☐ Yes ☐ No

If Yes, attach as an Exhibit a full description of the persons and matter involved, including an identification of the court or administrative body and the proceeding (by dates and file numbers) and the disposition of the litigation. Exhibit No.

FCC 314 (Page 2)
August 1992

Figure 10-8 *List of FM allocations available for application. (Source: Fisher Wayland Cooper Leader & Zaragoza, Washington, D.C. Used with permission.)*

Community	Channel	Deadline
Norwood, New York	241A	April 26, 1993
Grants, New Mexico	224C2	April 26, 1993
Leavenworth, Washington	249A	April 26, 1993
Walton, Indiana	229A	May 6, 1993
Proctor, Minnesota	299A	May 6, 1993
Point Comfort, Texas	231C2	May 16, 1993
Seadrift, Texas	286A	May 16, 1993
Ganado, Texas	283C3	May 16, 1993
Three Rivers, Texas	233C2	May 20, 1993
Brighton, New York	231A	May 27, 1993
Lakewood, New York	295B1	May 27, 1993
Silver Lake, Kansas	223A	June 1, 1993
Jourdantown, Texas	239A	June 1, 1993

However, even though franchising has been left to local governments, the federal government may still impose franchise requirements. For example, the Cable Television Consumer Protection and Competition Act of 1992 requires that once an existing system is acquired in a purchase, it must be held by the purchaser for three years before it can be sold again.[18] Most often, franchising authorities are cities, but some states have cable commissions. Consequently, each cable system has its own licensing authority, which in turn has its own procedures. It is impossible to generalize such requirements, except to say that most franchise agreements have some language about notification to the governmental body of a sale. The proposed buyer must obtain competent advice on the local procedures and comply with them.

The parties now meet a final time for the closing. Documents are signed and funds transferred. The seller goes to Bermuda, and the buyer goes to work.

Construction of a New Facility

As an alternative to acquisition, entry into electronic media ownership may be achieved by construction of a new facility, or a *start-up.* Of the two possible means of ownership entry, this alternative is cheaper, riskier, and more difficult to finance. New builds also limit the range of choices as to type of station and location. However, on the plus side, the entrepreneur is not paying an excessive price based upon the good will of an existing station.

Locating a Frequency or Franchise To build a facility, one must first identify an open, or vacant, frequency or franchise. Depending on the type of broadcasting, this procedure varies.

AM In broadcast AM, the Federal Communications Commission does not assign frequencies to designated geographical areas. Instead, the prospective applicant must conduct a frequency search to identify what is available where. Most people are not in a position to do this unassisted, and the services of a consulting engineer must be obtained. Information on these consultants can be found in the "Technical Consultants" section of *Broadcasting & Cable Yearbook*. It is wise to get several quotes from these specialty firms on the cost of conducting a search.

FM and Television In the case of FM and television, there is information readily available on what frequencies or channels are available where. The Federal Communications Commission regularly updates this information, and it can be obtained from the agency directly. It may also be available through attorneys who specialize in FCC practice. Such data identify the frequency or channel, power, location, and the dates for filing of applications by interested parties. These filing dates are called windows and are usually 30-day periods (Figure 10-8).

Cable Cable systems are licensed by local governmental bodies, most often cities or counties, and such licenses are called *franchises*. In the case of a new service, the local governmental body usually authorizes the proposed new cable services by an ordinance that outlines the specifications an applicant will have to include in a proposal. Local governments have not been bashful in setting out their service and financial requirements. The list of items to be supplied spans the spectrum from local access channels to mandatory support of city services or donation of facilities. Inordinate franchising demands in no small way prompted passage of the Cable Communications Policy Act of 1984 and the prohibition on the award of "exclusive" franchises contained in the Cable Television Consumer Protection and Competition Act of 1992.[19] Following the ordinance, the local body will request proposals from interested parties. These proposal requests are called *RFPs* (requests for proposals). Existence of these new service opportunities can be found by reading cable trade publications, through cable brokers such as Communications Equity Associates, or by a review of legal notices in papers of general circulation in communities in which there is an interest. There are, of course, other methods. A call to a state cable television association, for example, may uncover a new build opportunity.

New Service: Application, Construction, and License Once the vacancy has been identified, an application must be filed with the appropriate governmental body, the new facility must be constructed, and a license or franchise must be obtained.

Broadcast For broadcasting, the procedure is to file an application with the Federal Communications Commission on FCC Form 301 (Figure 10-9). Note that the form is entitled Application for Construction Permit for Commercial Broadcast Station. This means that the prospective applicant must be qualified for, and receive, a construction permit prior to the issuance of a license for the proposed facility. Assistance of counsel in preparing this application is desirable

Figure 10-9 *Excerpt from FCC Form 301.*

Approved by OMB
3060-0027
Expires 6/30/95

FCC 301

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON DC 20554

FOR FCC USE ONLY

APPLICATION FOR CONSTRUCTION PERMIT
FOR COMMERCIAL BROADCAST STATION

FOR COMMISSION USE ONLY
FILE NO.

Section I - GENERAL INFORMATION

1. APPLICANT NAME

MAILING ADDRESS (Line 1) (Maximum 35 characters)

MAILING ADDRESS (Line 2) (If required) (Maximum 35 characters)

CITY	STATE OR COUNTRY (If foreign address)	ZIP CODE

TELEPHONE NUMBER (include area code)	CALL LETTERS	OTHER FCC IDENTIFIER (IF APPLICABLE)

FOR MAILING THIS APPLICATION, SEE INSTRUCTIONS FOR SECTION 1 - GENERAL INFORMATION B.

2. A. Is a fee submitted with this application? ☐ Yes ☐ No

B. If No, indicate reason for fee exemption (see 47 C.F.R. Section 1.1112) and go to Question 3.

☐ Governmental Entity ☐ Noncommercial educational licensee

C. If Yes, provide the following information:

Enter in Column (A) the correct Fee Type Code for the service you are applying for. Fee Type Codes may be found in the "Mass Media Services Fee Filing Guide." Column (B) lists the Fee Multiple applicable for this application. Enter in Column (C) the result obtained from multiplying the value of the Fee Type Code in Column (A) by the number listed in Column (B).

	(A) FEE TYPE CODE	(B) FEE MULTIPLE (if required)	(C) FEE DUE FOR FEE TYPE CODE IN COLUMN (A)	FOR FCC USE ONLY
(1)		0 0 0 1	$	

To be used only when you are requesting concurrent actions which result in a requirement to list more than one Fee Type Code.

	(A)	(B)	(C)	FOR FCC USE ONLY
(2)		0 0 0 1	$	

ADD ALL AMOUNTS SHOWN IN COLUMN C, LINES (1) THROUGH (2), AND ENTER THE TOTAL HERE. THIS AMOUNT SHOULD EQUAL YOUR ENCLOSED REMITTANCE.	TOTAL AMOUNT REMITTED WITH THIS APPLICATION	FOR FCC USE ONLY
	$	

3. This application is for: (check one box) ☐ AM ☐ FM ☐ TV

(b) Channel No. or Frequency

(b) Principal Community	City	State

FCC 301
July 1993

Figure 10-9 *Continued*

Section I - GENERAL INFORMATION (Page 2)

(c) Check one of the following boxes:

☐ Application for NEW station

☐ MAJOR change in licensed facilities; call sign: ____________

☐ MINOR change in licensed facilities; call sign: ____________

☐ MAJOR modification of construction permit; call sign: ____________

File No. of construction permit: ____________

☐ MINOR modification of construction permit; call sign: ____________

File No. of construction permit: ____________

☐ AMENDMENT to pending application; Application file number: ____________

NOTE: It is not necessary to use this form to amend a previously filed application. Should you do so, however, please submit only Section I and those other portions of the form that contain the amended information.

4. Is this application mutually exclusive with a renewal application? ☐ Yes ☐ No

If Yes, state:

Call letters	Community of License	
	City	State

FCC 301 (Page 2)
July 1993

but not essential. Most successful applicants do use communications attorneys, a list of whom can be found in the "Professional Services" section of *Broadcasting & Cable Yearbook.* Many of these attorneys are located in Washington, D.C., where the FCC has its offices.

The applicant must satisfy certain basic qualification requirements. Among these are legal, technical, financial, and character rules, as set out in the Communications Act of 1934.[20] For example, the act precludes ownership of licenses by aliens or persons who have had a previous license revoked for antitrust violations. In addition, the proposed new service must not interfere with any existing service. This means that the applicant must affix an engineering exhibit identifying the tower site, height, power, and coverage area. The assistance of a consulting engineer is normally required to prepare the exhibit. The height and location of the tower may necessitate the filing of an application with the Federal Aviation Administration (FAA). The consulting engineer who prepares the engineering exhibit will be able to advise how to satisfy this requirement.

The applicant must also demonstrate the financial ability to complete the project. This requires a showing that the prospective licensee can construct the station and operate for three months without any revenue.

The final area of examination is character. The FCC looks at three main character questions: (1) Has the prospective applicant engaged in conduct that violated the 1934 act or FCC rules? (2) Has the applicant been guilty of misrepresentation or lack of candor before the commission? (3) Has the applicant aired fraudulent programming? In 1990, the FCC broadened its character review to include certain applicant felony and misdemeanor convictions that were not broadcast-related. All of these threshold basic qualifications must be satisfied.

In filing an application for new FM service, the applicant should be aware that the FCC does grant preference for current owners of AM stations. Preferences also exist for minority applicants.

When complete, the application is filed with the Mass Media Bureau of the Federal Communications Commission. If there are no other applicants and the licensing requirements of the 1934 act have been met, the commission issues a construction permit, known as a CP. The new station then must be constructed within a designated period or the permit will lapse. Extensions may be granted, depending upon circumstances.

If, however, more than one application is filed for the same frequency, the FCC, through an Administrative Law Judge, will conduct a comparative hearing to determine which applicant is best qualified. Should there be two or more competing applicants, it may be necessary to reevaluate resources, as comparative hearings become expensive and time-consuming. This is especially true if one of the other applicants has an AM or minority preference. Even when a construction permit is obtained after a comparative hearing, the grant may be appealed into the courts. When faced with this prospect, applicants frequently will combine into new companies, or one will offer to buy out the other applicants. This involves paying compensation for time and expense of the applications by the surviving party to the withdrawing party or parties.

With the issuance of the construction permit and the construction of the station, the process is almost over. Once constructed, the new facility is tested to determine conformity with the technical outlines set forth in the applicant's FCC Form 301. Assuming the results are positive, the applicant now files an FCC Form 302 to obtain the license.

Cable The procedure for processing a cable application requires that the franchise proposals be submitted by a certain date. Multiple applications are compared for conformity with the bid requirements in the RFP. Additional consideration might be the extent of local ownership, and the expertise and financial capability of each applicant. Public hearings may or may not be required. Legal appeals by dissatisfied applicants are possible, but at some point the franchise will be granted and construction will begin. Often the franchise grant contains specific requirements as to what parts of the system will be built when.

A final note on cable is necessary. It is a capital-intensive business. Everything from the headend, or origination source, to miles of cable is very costly. It is significantly more difficult to construct a new cable system than a new broadcast station. Coupled with the front-end capital costs is the likelihood that it will be years before revenue exceeds cost and debt service. Usually, it takes six years to break even on a cable start-up. For this reason, cable construction often falls to large companies already in the business that have adequate capital and that can realize the tax benefits accruing from interest and depreciation.

This is not an enterprise to be embarked upon with anything less than full knowledge and substantial funding. However, the financial markets tend to view cable very favorably, which enhances the prospects of successfully undertaking the new system project.

As discussed earlier, this construction alternative for ownership entry is generally much cheaper than the purchase of an existing property, but it is not without risk and danger. It is, however, an attractive option to the purchase of an existing facility.

SUMMARY

Entry into the electronic media business can be achieved either by employment or ownership. Since experience may be required to secure financing to own, employment is often the first step. It is a necessary first step for those who aspire to management.

Typically, initial employment is in an entry-level position in a station or cable system. Small-market stations provide the greatest number of openings and offer opportunities to develop a depth of knowledge and breadth of experience. Advancement comes as a result of promotion within a station, system, or group, or through a move to another station or market. Job vacancies may be identified through trade and association publications. Clearing houses and specialized employment firms also are used to locate positions.

Ownership is accomplished through buying or building a station. The purchase of a property begins with the identification of stations for sale. This can be done directly or indirectly through a media broker. Once identified, the purchase candidate must be evaluated as to market, competition, and price. Price evaluation begins with standard multiples.

Prior to making an offer, the prospective purchaser must have a financing commitment to complete the transaction. There are six traditional financing sources from which to select, depending upon circumstances. Once the offer is accepted by the seller, contracts are prepared, and an application to transfer the license or franchise is made to the appropriate governmental authority. Subsequent to transfer approval, the transaction is completed when the buyer pays the seller.

Construction of a new station or cable system is an alternative to purchase. Information on available frequencies or franchises can be obtained in a variety of ways and may require the services of a consulting engineer. Once the opportunity has been located, application for the new service will have to be made to the FCC for broadcast or to the local governmental authority for cable. The length and outcome of the application process will depend on whether competing applications have been filed. Once the application evaluation has been completed, the appropriate body will issue a construction permit or franchise. At this point, construction commences, and it must be completed in a timely manner. In broadcast, the licensing follows completion of construction and operational tests. A cable franchise precedes construction.

Construction of a new facility is a riskier venture than the purchase of an existing operation, though it is also less expensive.

CASE STUDY: ACQUISITION

WSEA is a 3000-watt Class A FM station that transmits a CHR format from a 300-foot tower in a Mid-Atlantic coastal community. Five other FM stations are licensed to the market, which is ranked 102 by Arbitron. The other stations are two Class B 50,000-watt and three Class C 100,000-watt FMs. All are located at various levels from 500 to 1000 feet on a single tower. Two of the five competitors program country. The other three broadcast urban, adult contemporary, and classical music. In the most recent Arbitron, WSEA was the market leader with a 12 rating among persons 12 and older, 6:00 A.M. to midnight, Monday through Sunday. Below-the-line listening accounted for 40 rating points in the market. The only station not generating cash flow is the classical station.

Retail sales in the market total $20 billion and have been growing at an annual rate of 5 percent. Population growth also has been about 5 percent annually, due in part to the construction of a Disney America history theme park. Other significant employers include an Air Force base, which is home to all of the B-2 stealth bombers and has 12,000 uniformed personnel and 5000 civilian employees, and a large community college with 14,000 students and 600 faculty. One-half of the students are military personnel or their dependents.

WSEA went on the air in 1940. It is 100 percent owned by its founder, Troy Rice. He is 80 years old, and his only relative is a 40-year-old son who has been institutionalized since age 15 at a private hospital-home. For the last 12 months, the station grossed $2 million and generated $400,000 in cash flow. Rice's $300,000 annual salary is charged to station operating expenses.

He wants to sell. His principal concern is to provide funding for the continuing care of his son. He discloses his sale plans to you because you have been his station manager for the last 10 years. Your annual salary is $50,000. You are stunned by the news, and you realize that you will have to either buy WSEA or find a new job.

Rice wants $5.6 million cash for the station, a price clearly beyond your resources. To complete the purchase, you will have to locate a capital source and make a convincing presentation.

Exercises

1. In preparing your presentation to secure financing, what are the pros and cons of the acquisition?
2. Can Rice's asking price be justified? If not, what should it be? Detail the elements that are analyzed to calculate your alternative number.
3. Review possible financing options and choose one that you feel would be most appropriate for the facts presented. Explain the reasoning for your choice.

CASE STUDY: NEW BUILD

J.T. Smith is general manager of a top-50 market Class C FM. At age 35, she realizes that she makes a lot of money for her company, but not for herself. After 10 years in sales and management, she has saved about $100,000. She has often contemplated starting her own company but has been discouraged somewhat by the huge financing demands associated with the acquisition of an existing property. As an alternative to acquisition, Smith has been advised to consider applying for an open frequency. The thought intrigues her and seems more economically attractive than the purchase of an existing facility. She has turned to you for advice on how to pursue the idea.

Exercises

1. Smith needs to develop data on new build possibilities. How can she secure information on what start-up possibilities might exist and where they are?
2. Assuming that Smith is able to identify an attractive new build candidate, what steps must she follow to proceed from concept to licensing?
3. New builds are less capital-intensive than acquisitions, but they still require money. What realistic financing options are available?
4. Which of the financing possibilities identified in your answer to question 3 would you recommend? Why?

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11 THE FUTURE

This chapter looks to the future and tries to project the managerial challenges growing out of

- changes in the population makeup of the United States, in the work force, and in household composition
- evolving technologies and their effects on broadcast and cable operations
- intensified competition and its economic implications
- public policy decisions designed to protect and advance the public interest

On the occasion of its fiftieth anniversary in 1981, *Broadcasting* magazine speculated on the world of communications in 2001. It quoted the late physicist Niels Bohr: "It is very difficult to make predictions—especially about the future."[1]

The year 2001 is just a few years away. Bohr's amusing observation is as valid as ever, at least in relation to electronic media. If the remainder of the 1990s mirrors the first half of the decade, only one prediction can be made with certainty: It will be a period of immense change. Only fools would claim that their particular vision of change will prove to be correct. The authors make no such claim.

Former British Prime Minister Harold Wilson observed that a week is a long time in politics. In electronic media, a decade must seem like an eternity, as evidenced by the events of the 1980s. At the start of 1980, Cable News Network and the USA Network did not exist. A decade later, they were among the most successful basic cable networks. Walter Cronkite was anchoring the top-rated early-evening network newscast on CBS. Ten years later, with Dan Rather in the anchor chair, the newscast regularly placed last and ABC had moved to the front of the line. At ABC, Ted Koppel was hosting a temporary late-night program on the fate of American hostages in Iran. It would give birth to the permanent and successful news and interview program "Nightline."

During the year, CBS reached an agreement with RCA to manufacture and distribute videodiscs, heralded as a major development in home entertainment. Then, along came the videocassette recorder. The Subscription Television Association made its debut, within months of an FCC rule change allowing more than one subscription television (STV) station per market. But STV was no match for cable television and, before the end of the decade, both subscription television and its association had disappeared. Comsat established a direct broadcast satellite (DBS) subsidiary and announced plans for a $700 million DBS television system. Four years and tens of millions of dollars later, it abandoned the effort and DBS was declared dead. Reports of its death may have been premature, however, as we shall see later in the chapter.

Also in 1980, the Federal Communications Commission selected the Magnavox system to be the standard for AM stereo, then changed its mind and decided to re-examine five proposed systems. Ultimately, it decided not to set any standard and, a decade later, the promise of AM stereo remained just that. The FCC repealed the syndicated exclusivity rules. By 1990, the rules were back, albeit in a different form.

Of course, some of the events of 1980 continued to have an impact as the 1990s began. Ronald Reagan was elected President and ushered in an unprecedented era of broadcast deregulation. Closed-captioning of television programs began, and it continues to permit the hearing-impaired to enjoy the benefits of the medium. The FCC proposed the creation of low-power television (LPTV) stations, and they became a reality.

The events of the rest of the 1990s and beyond and their impact on electronic media will be shaped by many forces. The four that will be examined here are among the most important: social, technological, economic, and public policy forces.

SOCIAL FORCES

One assertion can be made with confidence: The United States is growing older. The Census Bureau estimates that the median age will be 36.5 in the year 2000, up from 33 in 1990 and 30 in 1980. By 2010, it will reach 39, its highest ever, and will exceed 40 in more than one quarter of the states.[2]

A dominant element in this aging nation is the more than 70 million babies born between 1946 and 1964, the so-called baby boom generation. Today, they account for almost one-third of the population, and they are no longer babies. By the mid-1990s, the youngest boomer was 31 and the oldest was 49. By the end of the decade, they will account for nearly 45 percent of all households.

The aging of the United States poses many challenges and opportunities for electronic media managers. Typically, older audiences have a need for more news and information, and stations and cable systems must be ready to respond. Entertainment programming will have to be targeted increasingly at demographics that will be attracted to nostalgia and adult themes. In addition, advertisers will be looking for effective ways of marketing products and services to a market characterized by older and more affluent Americans.

Local news has long been a profit center for network-affiliated television stations and will continue to be profitable for stations that meet viewer needs. The major events of the day still will have to be reported, but news and features on health, travel, finance, retirement, and associated topics of interest will have to be covered. Information-based syndicated programming already has proved popular in daytime and prime-time access, and should maintain its popularity. The networks may not expand their early-evening newscasts, but may venture into even more information programming in prime time. Cable television systems may find locally produced newscasts to be attractive to audiences and advertisers and to be an important supplement to cable information networks.

Out of economic necessity, independent television stations long have been accustomed to broadcasting programs that had their first airing during the baby boomers' earliest acquaintance with the television medium. In the future, they may face stiff competition for such product from network affiliates and cable systems seeking to meet the interests of an audience anxious to recapture its youth. The TNT and American Movie Classics cable networks already have positioned themselves to satisfy audience nostalgia through feature films produced for earlier generations of moviegoers.

Traditionally, radio stations have catered to the music tastes of older Americans with formats such as beautiful music and middle of the road. In the immediate future, audiences will be dominated by baby boomers, and station managers will have to follow their evolving tastes. Many stations have reacted already and have targeted their formats accordingly.

The number of commercial stations programming beautiful music and middle-of-the-road formats has declined. Also down are teen-oriented contemporary hit radio and urban contemporary. The big gains have been registered by stations offering the boomers the sounds with which they grew up. The adult-targeted formats of country, oldies, and classic rock have increased.

At the same time, stations have moved to meet the demand by baby boomers for news and information. News formats are up on commercial stations, and the number of stations using the word *talk* in describing their format has more than tripled.

The lesson for radio managers is clear: For the rest of the 1990s, the medium's principal target demographic, persons aged 25 to 54, will consist entirely of boomers. Stations must be alert to the opportunities presented and consider appropriate format changes or adjustments.

The conventional view of FM as a music-only vehicle has been revised, and some unconventional steps have been taken. With so many stations in most markets dedicated to music, the time is ripe for some to stake out a position as information stations. Already, commercial stations in markets such as Chicago, Philadelphia, Washington, D.C., and Atlanta have news and talk programming on the FM dial, and the trend is likely to continue.

Although overall population growth is slowing, the proportion of minorities is increasing. By the year 2000, it will reach 29 percent, compared to 25 percent 10 years earlier. Census data from 1990 show that one in every four Americans is of African, Asian, Hispanic, or Native American ancestry, up from one in five in 1980. The fastest-growing segment is Asian and Pacific Islanders, up by 108 percent over a decade earlier.[3] However, over the next 15 years, Hispanics will register the greatest growth, and they will pass African Americans as the nation's largest minority group by 2010.[4]

Electronic media managers will have to take into account the content needs of these increasingly important audiences. In many markets, radio stations already are positioned to attract listeners characterized by ethnicity or a language other than English. TV stations and cable systems in communities with significant ethnic or foreign-language populations may find it profitable to program to them or to speak to them in their own language. Almost half of all Hispanics, for example, do not speak English, and another 40 percent prefer to communicate in Spanish.[5]

Sensitivity to minority needs will be enhanced as more minorities advance to supervisory and managerial positions in the broadcast and cable industries. They will be leading the most diverse work force in American history. By the late 1990s, nearly one-third of all new workers will be members of a minority group, mostly African American and Hispanic. About seven million immigrants will enter the labor market. By the end of the decade, white males will constitute only about 15 percent of the total new work force.[6]

Women, too, will play an important role in the shift from a predominantly white male management force. The Radio-Television News Directors Association predicts that, if present trends continue, 40 percent of radio news directors will be female by 2000.[7] Female participation in the total work force will expand. In the 1990s, they will account for almost two-thirds of all new entrants.[8] It was predicted that women in 80 percent of all households would be working outside the home by 1995. That compares to 58 percent in 1977 and includes almost all of those aged 25 to 45.[9]

These dramatic changes in work force composition will pose a challenge for all managers. They will have to respond to the needs and aspirations of a work force characterized by a greater degree of heterogeneity than at any time in the past. Managing diversity creatively will be one of the keys to success.

The increased involvement of women in paid employment is one contributor to the disappearance of the "all American family," consisting of the husband as a wage earner and the wife as a homemaker raising the children. In 1990, such families accounted for only 27 percent of all U.S. households, down from 44 percent in 1960.[10]

But there are other contributors. The trend in single-person households will continue and, by 2000, one-third of the population will live alone. Add to this a continuation in the number of single-parent families, a delay by married couples in having children, and, when they do, the production of fewer offspring, and a picture of the American family of the 1990s begins to emerge.

Furthermore, it was predicted that by 1995 almost 60 percent of all husband and wife households would have two wage earners. When combined with single-person households and single-parent families, the picture becomes even clearer. By mid-decade, almost 75 percent of all households had no full-time female "homemaker" in the home.

These demographic, work force, and household composition changes have significant implications for broadcast stations and cable systems, and especially for their advertising sales departments.

The product and service needs of the baby boom generation, and the unprecedented purchasing power it commands, render it a target of many advertisers. One estimate suggested that by 1995 boomers in the 35 to 44 age group would have $870 billion to spend, or double what those in the same age group had a decade earlier.[11]

An indication of the economic clout of the baby boomers may be gleaned from the following facts and projections:

- In 1989, 80 percent of baby boomers had credit cards, and over one-third of them charged $1000 or more.
- They bought more than 70 percent of single-family homes, the majority of them trade-ups.
- They consumed 51 percent of all goods and services.[12]
- In the 1990s, 80 percent of the increase in incomes will go to households they head.
- Their spending power will increase 90 percent.
- The number of boomer households with incomes over $50,000 will triple.[13]

These projections may suggest that all baby boomers are successful and wealthy, and that they can be targeted as a group with programming and advertising appeals. Electronic media managers would be making a big mistake in drawing such a conclusion. In reality, only about one-quarter of them may be considered upscale. The rest are decidedly not and may even be a little downscale.

A study by the advertising firm A.A. Ayer places boomers into four basic psychographic cells:

Satisfied selves: the so-called yuppie group. They are educated, achievement-oriented, and feel good about their lives and careers. They are also the most affluent and have the greatest amount of disposable income.

Contented traditionalists: those who fit into this cell tend to be more closed-minded, conservative, and resistant to change. They are secure and reasonably self-actualized and are more family- and home-oriented.

Worried traditionalists: characterized by fear and insecurity, members of this group view the world as complex and scary. Their self-image generally needs improvement and, with that goal in mind, they are not hesitant to emulate changes in fashion and lifestyle.

The sixties and the eighties: the smallest cell, this group may best be portrayed as open-minded hippies, with flower-child values and budgets.[14]

The first group obviously is being targeted most actively by many electronic media managers and advertisers. However, despite its affluence and appeal, it cannot provide economic success for all. The needs of the other 75 percent of baby boomers, as well as the rest of the population, must be identified and addressed.

Affluent baby boomers will be seeking homes, furniture, appliances, and other durable goods. Low-calorie foods and cosmetics, especially for men, will be in vogue. Antiaging products, financial services, health care, and leisure and retirement products and services will assume added importance.

Banks and finance, credit card, and insurance companies will target increasingly the growing number of working women.

Single-person households and those with two working adults will have less time to shop around. As a result, advertising will be even more important than formerly in purchasing decisions. Convenience stores, malls, superstores, and catalog and direct-mail companies are among clients whose messages will be of interest to these time-pressed consumers. They will also be responsive to the convenience of prepared and takeout foods, eating out, and time-saving food preparation appliances.

Getting advertising messages to potential customers who are constantly on-the-go will not be easy, however. Radio stations may have an edge, since they will be able to reach their audience during the drive to and from work.

Other significant segments of the broadcast and cable audiences should not be overlooked. Teenagers, for example, spend more than $100 billion annually and also influence the purchases of their parents.[15] Persons 55 and older have the second-highest level of discretionary income per capita, surpassed only by those aged 35 to 54. They should be targeted even more vigorously in the future because they will constitute about 33 percent of the population by 2010, up from about 20 percent in 1990.[16] The black population enjoys total purchasing power of more than $250 billion and is growing at twice the rate of the white population. Close behind, Hispanics account for more than $240 billion in consumer spending, and that figure is expected to grow to almost $440 billion by the year 2000.[17]

TECHNOLOGICAL FORCES

Social change can be predicted with relative ease. The same is not true of technological change, as evidenced by a heretofore successful media visionary, Rupert Murdoch. In a 1994 interview with *Broadcasting & Cable*, the chairman and chief executive of News Corp. observed that "the technology has gone so fast in the last three to five years, and it's tending to go faster, that none of us know the future, really."[18]

Changes in technology are characterized by high manufacturer research and development costs, uncertainty of media and consumer acceptance, and fluctuating public policy. However, notwithstanding Murdoch's comment, a few forecasts can be made.

To survive in the intensely competitive marketplace, media managers will be compelled to increase their reliance on computers. Since their introduction to the broadcast and cable industries in the 1970s as aids in office administration, they have become indispensable tools in virtually all areas of station and system activity. In the decade of the 1990s, their utilization has continued to have a major impact.

Computer-triggered change is particularly evident in television station production and on-air operation. While cost and the still-evolving technology may limit the use of robotic studio cameras, computer control will expand to most studio and control room equipment. Commercials and promos will be loaded, cued, and activated by cart machines programmed to match the traffic log. Newsroom use of computers will spread to include tape and script archive searches and the coordination of supers, closed-captioning, and prompting devices with scripts. Some observers predict that the day is quickly approaching when newscasts will be produced with only the talent and one technician seated at a computer panel.

Managers will be called upon to weigh the benefits of additional computer applications against the costs. Computers can improve efficiency, reduce payroll and employee benefit expenses, enhance production techniques, and free staff to engage in creative and nonmechanistic endeavors. At the same time, however, the financial commitment can be high. Furthermore, as multiple administrative and operational responsibilities are shouldered by a single staff member, the potential for errors increases, both on and off the air. In addition, the threat to the morale of employees grows as they ponder the security of their employment in an increasingly technological environment. The challenge will be especially great for managers in unionized operations.

In their quest for quality and speed in production, more stations will move into the world of digital video. Despite relatively high initial costs, stations—particularly those in large markets—are finding that the purchase of fully digitized production switchers, audio monitors, and test equipment is worth the investment.

Without question, radio's future is digital. Digital audiotape (DAT) recorders permit radio managers to store hours of content on one tape and to program the station via computer. Digital equipment allows for faster and more flexible editing and mixing, and a sound quality superior to that of analog-based systems. Costs may deter some managers, but they will have to be judged against the potential benefits and the pressure to match the competition.

Among the benefits are interference-free signals of superior quality for consumers, many of whom have grown accustomed to such characteristics by listening to compact discs and by using digital audio tape recorders. They expect nothing less from their radio. At issue, however, is the source of those signals.

Although the FCC has proposed the allocation of spectrum for satellite-delivered digital audio broadcasting (DAB) channels, AM and FM stations were exploring in-band digital broadcasting technologies that would allow them to upgrade to digital quality within the existing radio bands.

The method of content distribution is a major technological challenge confronting cable managers. As the useful life of existing coaxial cable ends, they have to contemplate the merits of replacing it with optical fiber, a flexible strand of glass about the size of a human hair. Many already have made the decision, and it was not difficult. The fiber permits the distribution of dozens of signals to subscribers' homes. Picture quality suffers no degradation as it travels from the headend, in sharp contrast to the boost required by coaxial cable at intervals of about 2200 feet. In addition, perhaps most significantly, the economics of optical fiber installation compare favorably with those of coaxial cable. With such obvious benefits, it is not surprising that the National Cable Television Association predicts that 75 percent of all cable systems will be rebuilt by the year 2003. The benefits do not stop there, however. When combined with the processing power of computers, fiber optics will enable cable to achieve its much-heralded promise of fully interactive TV and video-on-demand.

The technological developments with potentially the most far-reaching consequences are expected to be high-definition television (HDTV) and direct broadcasting to the home by satellite (DBS). High-definition television promises the delivery of vividly detailed images on substantially enlarged screens. Specifications were unveiled late in 1993 by the Grand Alliance, a consortium of former rival HDTV developers. It agreed to use, initially, both an interlaced scanning picture, the screen type of current television receivers, and progressive scanning, the picture employed by computer monitors. Testing of the prototype was scheduled for late 1994, and the FCC's advisory committee was expected to recommend a full high-definition broadcast standard to the commission by the end of that year.

Once the FCC has made its decision, managers will be faced with important decisions. Conversion from the current NTSC (National Television Systems Committee) system to HDTV will be expensive. Total broadcast investment in the new technology is expected to total $10 billion,[19] and estimates of the cost of individual station conversion are set at $5 million to $12 million.[20]

Another dilemma facing managers is viewer acceptance of the new system. Some observers conclude that consumers will not be anxious to buy new receivers, whose anticipated initial cost will be $1000 to $2000 higher than today's sets. Estimates of HDTV household penetration levels range from a low of 15 percent to a high of 56 percent within 10 years of the FCC's adoption of a standard.[21]

Anticipating the actions of competing stations and, if necessary, taking steps to remain competitive, will also pose problems. To control production costs, some stations may choose to lease HDTV equipment rather than to purchase it. Other possible cost-control measures advanced have been the contracting out of production to independent production houses or the pooling of equipment among stations. It is difficult to know how such arrangements would work, especially in the very competitive arena of news production.

Of more immediate concern to broadcast managers—and also to managers of cable systems—is the arrival of nationwide direct broadcasting by satellite. From a single satellite, Hughes' DirecTV and Hubbard Broadcasting's United States Satellite Broadcasting (USSB) in 1994 began the distribution of cable networks, digital audio channels, and pay-per-view movies. With the launch of a second satellite later that year, up to 150 channels of programming will be available from the two companies.

The initial cost of a receiving system was about $700. The monthly subscription fee for DirecTV ranged from $21.95 to $29.95 and for USSB from $7.95 to $34.95, depending on the level of service.[22] Equipment manufacturer RCA projected that sales of equipment and programming would total $700 million in the first year and would reach more than $1 billion in the second year.[23]

The two DBS services, and possibly others that have FCC authorization to operate, will give television viewers, in particular, additional program choices and threaten to cut further into the audiences of local television stations and cable systems. For that reason, TV and cable managers will have to pay increased attention to what national services cannot offer: local programming.

ECONOMIC FORCES

The shape of the electronic media at the dawn of the 21st century will be determined in part by the economic wherewithal and priorities of consumers and by the economic impact of unprecedented media competition, particularly in the visual media.

Watching television remains the principal activity of U.S. adults between dinnertime and bedtime,[24] but no longer does that mean merely tuning in a local television station or over-the-air or cable network. For most U.S. citizens, "watching television" reflects any activity in which the picture comes through a TV set. That includes videocassettes, laser discs, and video games.

By the year 2000, the television set will be only one item among an array of electronic gadgets in many homes. Radio receivers, compact disc and laser disc players, audio and videocassette recorders and players, video game units, and external speakers will occupy a place in what is being called the "home entertainment center." Many households will turn it into an entertainment and information center through the addition of computers and printers. Establishing the center carries a high financial cost. The cost, and the center, will grow when flat-panel wall screens and receiving equipment are introduced to accommodate high-definition and DBS television.

Thus far, consumers have responded enthusiastically to some of the new technological hardware and the software necessary to derive maximum benefit from its use. For example, the proportion of TV households with VCRs raced from about 4 percent early in the 1980s to about 66 percent by the end of the decade.[25] Sales of prerecorded VCR tapes galloped from fewer than three million to about 200 million annually between 1980 and 1989.[26] Video game unit and cartridge sales totaled more than $3 billion in 1989, up from about $330 million at the start of the decade.[27]

However, acquisition does not necessarily equate with satisfaction. An Associated Press poll found only two in five Americans saying it was getting easier to find something they liked to watch at home, even with the increased choices provided by cable and VCR rentals.[28]

No one can predict accurately future consumer behavior. As noted earlier, predictions of 10-year household penetration of high-definition television range from 15 percent to 56 percent. A survey by the advertising agency Backer Spielvogel Bates revealed that only 32 percent of respondents would be likely to subscribe to interactive TV.[29] A CBS News/*New York Times* poll reported that 51 percent had no interest in ordering products or paying bills via television.[30]

As they view the explosion in the availability of home electronic equipment and services, media managers are left to ponder. What is on their audiences' priority list? Will they be willing to pay for all of it? If not all, how much? Which? And, most importantly, what will be the effect on the economic fortunes of their stations and systems?

No less significant than the questions surrounding the audiences' financial investment is their investment of time. With the large number of video options available through cable, backyard satellite dishes, DBS, and videocassettes, consumers are faced with unprecedented choice in the allocation of their leisure time. They have the ability to receive, record, store, playback, and initiate a wide variety of communication experiences. As the year 2000 approaches, even more will be available as services expand to include shopping, banking, mail, and others. It would be naive to assume that audiences will ever return to being merely passive receivers of content dictated by others.

The message for all electronic media managers is obvious: In the future, they will have to compete as never before for the attention of listeners and viewers. The array of alternative communication activities will render audiences more selective in their allocation of time. Finding the content that best meets their needs and marketing it in a way that captures and maintains their interest are the challenges. The degree of their success will determine their economic standing.

It is not possible in the pages of this chapter to set forth the many, often conflicting, predictions about the fortunes of the various media players in this new era of intense competition for audiences and revenues. Accordingly, the examination that follows will include only some of the possibilities and suggest responses by station and system managers.

The TV Networks

The 1980s were turbulent times for the three major networks and their employees. CBS had to fight off an attempt at control by Fairness in Media, a group of political conservatives led by Senator Jesse Helms, and a takeover try by Ted Turner. The network was successful in both endeavors, but not without cost. Subsequently, a New York-based conglomerate, Loews Corporation, became CBS's largest stockholder, and Laurence A. Tisch, its chairman and chief executive officer, was named president and chief executive officer of CBS, Inc. To pay off the huge debt resulting from its stock buy-back to thwart Turner, CBS sold off several of its subsidiaries, including the lucrative CBS Records, and fired hundreds of employees.

Capital Cities Communications, Inc., a company with interests in broadcast stations, cable systems, and magazines, bought American Broadcasting Companies, Inc., the parent of ABC, and formed Capital Cities Communications/ABC, Inc. Capital Cities chairman and chief executive officer Thomas S. Murphy assumed the same roles in the new company. Again, employees were laid off.

To complete the picture, The General Electric Company acquired RCA, the parent company of NBC, and GE executive Robert Wright was named NBC president. Employees were released, and the company sold its radio stations and networks.

The 1990s have not been as turbulent for the "big three," but they have been challenging, nonetheless. Their share of the prime-time audience has continued to drop. How much farther the decline will go will depend, to a large degree, on their ability to clear most of their programming on affiliated stations.

The past suggests that prospects may not be all that bright. In fact, in an attempt to stem the trend toward increased affiliate preemptions, all three have restructured their compensation payments. At the same time, they have reduced the amount of compensation paid to affiliates, their largest single expense item.

Other cost-cutting measures have included further staff layoffs, the elimination or reduction of domestic and overseas news bureaus, and the merging of operating divisions. To rein in program costs, they have handed back to affiliates time in the formerly very profitable daytime hours, ordered shorter and fewer pilots, and increased the use of in-house news and information productions and lower-cost reality programs in prime time.

However, cost reductions cannot continue without endangering the networks as we know them. Indeed, a former NBC senior executive predicted that networks would be essentially unprofitable by 1995 or 1996. He recommended that they might be better off by merging with a multichannel company or by reorganizing as a co-op jointly owned by affiliates.[31] That followed a similarly gloomy conclusion by the FCC's Office of Plans and Policy (OPP) that, at some point, "the networks may find it more profitable to supply programming directly to cable or other media (including DBS), than to broadcast affiliates."[32]

Currently, the networks face not only intensified competition, but also a massive outlay for HDTV. An ABC executive estimates that it will cost more than $150 million for the network and its owned stations to complete the conversion.[33]

The networks' viewer erosion has been triggered chiefly by cable, home video, and Fox Broadcasting Company (FBC). In its first six years, Fox doubled its household rating, captured a sizable segment of prime-time viewers aged 12 to 34, and became the top-rated children's network on weekday afternoons and Saturday morning. It scored a major coup in snatching NFL rights from CBS, and its plans to broaden its demographic appeal to embrace those aged 18 to 49 demonstrate that it will continue to be a stiff competitor.

Although most observers agree that it will be difficult for any additional new network to match Fox's success, at least two others are planned. Paramount said that it had signed up enough prospective affiliates to give it 80 percent national coverage, and Warner Brothers claimed 73 percent coverage for its projected WB Network.

However, the 1990s have produced some bright spots for the major networks. The FCC rolled back its network-cable cross-ownership rules to permit network purchase of cable television systems, within limits. The lifting of the financial interest and syndication consent decrees enables them to share in the profits from the syndication of off-network programs. In addition, it was expected that the FCC's remaining fin-syn rules soon would expire, allowing the big three to sell both off-network and first-run syndicated programming.

To alleviate the impact of the cable, home video, and emerging technologies revolution, the networks have responded by joining it. ABC's parent company has a financial interest in several cable networks, including ESPN and Lifetime, and shares ownership with NBC of the A&E Network. NBC also has a financial stake in cable's Consumer News and Business Channel (CNBC) and in national and regional programming ventures. It is also engaged in an effort to launch NBC Desktop News, a customized information service that would be transmitted by satellite and fed into personal computers. CBS is involved in a home-video partnership with Twentieth Century Fox.

Economically, the networks' financial interests in competing media may be wise, but they do not tackle the problem of trying to stem the loss of viewers from their broadcast operations. No longer can they achieve success by using yesterday's programming recipe—something for everyone. In an era of growing competition, they must establish an identity. Some have suggested that they follow the cable model and move from broadcasting to narrowcasting through specialization. Sports, news, and entertainment have been proposed as possible options. However, as audiences shrink and their share of advertising revenues falls, their ability to compete for the purchase of attractive programming is reduced.

Others have concluded that viewer erosion will be worse than predicted and that technology, not programming strategy changes, provides the answer to the networks' economic concerns. They propose that the networks end their reliance on affiliated stations and distribute programs to the home via satellite and cable initially and, subsequently, in high definition through direct broadcast satellite. Both methods would save them millions of dollars in station compensation costs and guarantee that their programs would not be preempted. Meanwhile, affiliated station managers can only wait and wonder.

Affiliated TV Stations

The future of the major broadcast networks will determine the future of the more than 600 television stations that are affiliated with them. The major benefits of affiliation were listed in Chapter 4: Provision of a large amount of widely promoted programs that attract sizable audiences, thus increasing the value of local advertising time in and adjacent to them; promotional exposure to those audiences for locally programmed time periods; and an important revenue source in the form of station compensation.

Erosion in the major networks' audience share really means a loss of audience and revenue for the affiliated stations that carry network programs to viewers' homes. With the spread of cable, the emergence of more independent and low-power television stations, the increased ownership of backyard satellite dishes, and the popularity of home video, affiliate managers have discovered that they can no longer count on an automatic audience, and the future looks no brighter.

Competition for viewers will intensify as cable systems complete their move into fiber-optic distribution, with its increased channel capacity, and as DBS adds further to program choices. Importantly, both will be able to capitalize on the appeal of high-definition television, a costly undertaking for a local station but, without which, the station will find itself at a severe competitive disadvantage. What is an affiliate to do?

Assuming the continuation of the network-affiliate relationship, station appeal will be influenced heavily by decisions at the network level. As noted earlier, network and, thus, affiliated station prime-time audiences may fall further. A decision by the network to specialize probably would impose on affiliates the obligation to engage in similar specialization locally. Otherwise, the advantage of positioning would be lost.

Stations should not wait for the network to determine a course of action. They should move aggressively to position themselves. That means doing what most competitors cannot: Responding to the interests and needs of the community through local programming characterized by diversity and high quality.

Such a move will require courage, but the future does not belong to the faint-hearted. It will also require money, but the investment offers at least the opportunity to be competitive.

If it is to attract audiences and advertisers, local programming must be appealing in content and presentation. It must also be scheduled wisely. Accordingly, programmers will have to be willing to incur network displeasure by preempting network programs more frequently than in the past. They will have to possess effective negotiating skills in arranging for productions by outside companies. Above all, they will have to believe in and practice strategic planning.

To ensure that programs are sampled, the promotion and marketing department will be required to develop new and imaginative promotion methods. One of the results of declining audiences is the reduced impact of on-air promotion. Increasingly, other media—including those in direct competition for audiences—will have to be used.

The sales department already has experienced the impact of the new competition. As local cable advertising expands, account executives will face even more challenges. Selling by the numbers will no longer suffice. For one thing, the numbers are not as impressive as they used to be. For another, many advertisers are seeking narrowly targeted demographics. As a result, the station's sales force will be required to match more closely audience characteristics and lifestyle with advertisers' products and services. Tailored sales presentations and skills in the preparation and use of computer-generated data will become even more essential. The trend toward shorter commercials and the resultant clutter will require greater creativity in the writing and production of advertising messages.

Amid all the dark clouds, there are some rays of sunshine. Despite the fact that retransmission consent negotiations with cable TV systems failed to produce an instant new revenue stream, they did lead to agreements that will permit many stations to own and operate local cable channels. Even though home audiences will turn more and more to services delivered to the home by fiber optics and satellites, when they are out of the home they will have to rely on portable receivers. As a local, over-the-air operation, the affiliate will have much less competition in reaching them, wherever they are and whatever they are doing.

Independent TV Stations

The steady growth in the number of independent stations and the popularity of some of their alternative programming were factors in the prime-time audience decline suffered by the three major networks. Ironically, many of those stations jumped at the opportunity to join forces with a network when Fox was introduced, and they have benefited from that network's success.

However, even with the expansion of the Fox schedule, they will operate mostly as independents until the quantity of network programming is increased still further. Obviously, their success during network-programmed time periods will be tied to their network's fortunes. During the remaining hours, they will be in tough competition, as before, against the affiliates of the big three. Those that have established a strong presence through alternative or specialized programming may fare quite well, but there is a danger that their expanded network programming may play havoc with the scheduling strategies that have been the foundation of their success. In addition, like all over-the-air stations, they will be threatened by the growing number of cable program offerings and by even more viewer options delivered by direct broadcast satellite systems and the Paramount and WB networks.

True independents (those that have no affiliation with a permanent network) face an uphill battle. Some are banding together through local marketing and joint sales agreements and time leasing. Many are following the earlier trend of signing up with an emerging network, which, if successful, could spell the end of the truly independent station in most markets.

Cable TV Systems

Cable enjoyed remarkable growth in the 1980s. While the total number of television households increased by about 20 percent the percentage of TV households subscribing to basic cable rose by 167 percent and to pay cable by 53 percent.[34] Between 1979 and 1989, national cable viewing grew from less than a 1 rating to a 9.[35] The combination of greater penetration and viewing was a major factor in the steady decline in the audiences of the major networks.

In the 1990s, cable's growth has slowed. By mid-decade, 58.8 million homes subscribed, 62.5 percent of the nation's TV households, only 6 percent more than in 1990.[36] Pay cable subscribers showed a decrease of almost 2 percent in the same period, at about 26 million homes.[37] The government predicted that cable penetration would level off at about 70 percent by the year 2000.[38]

In the 1980s, cable contributed to a virtual tripling in the number of channels available to the average household. By the mid-1990s, the number had grown to almost 40 and was increasing as systems replaced coaxial cable with fiber optics. The result is significantly expanded consumer choice for entertainment, information, and interactive services for both personal and business use.

Most of the viewer gains in the 1980s resulted from the growth in distribution of existing channels and the creation of new channels. Very little could be attributed to increased viewing of incumbent services. In other words, the appeal of cable to potential new subscribers appears to lie in the provision of cable-exclusive programming. Happily for cable operators, there are indications that such programming will not be in short supply. *Broadcasting & Cable* listed almost 50 new cable networks set for launch in 1994 alone.[39]

The growth in the number of available networks will pose a program selection challenge for cable managers, even with expanded channel capacity. First, it is unlikely that the predicted 500-channel universe will exist on more than a small percentage of systems by the turn of the century. Second, the emergence of dozens of niche-oriented networks could siphon off a significant number of viewers from existing popular networks and could lead to the cannibalization of the cable programming business.

Accordingly, managers will have to move carefully in determining those services that have the potential to increase the number of subscribers. Decisions on service packaging methods and costs also will have to be weighed if they are to maximize the revenue possibilities. One possible marketing trend will be a move away from packaging to the offering of programs on an à la carte basis.

Of course, that is the method used for pay-per-view (PPV), a service that is growing with the increase in channels. By the mid-1990s, it was available in about 22 million homes and was moving forward at about 5 percent a year.[40] Even though growth was modest, cable operators were pleased with the additional revenues that it brought. However, it may lead simultaneously to a decrease in revenues from pay cable, since many households are limited in the amount of money they can afford each month for entertainment.

Attracting cable subscribers may not be difficult. Retaining them will continue to be a problem. One reason is that, unlike the case of over-the-air broadcasting, households must make direct payment each month. If they do not believe that the expense is justified, they are likely to terminate their subscription. That imposes on cable managers the continuing obligation to ensure that programming is responsive to subscriber needs and interests, and that it is offered at a reasonable cost.

A second reason grows out of the new competition that cable faces. The DirecTV and USSB direct-broadcast satellite services offer programming previously available only via cable. The nation's leading telephone companies are testing the waters for possible entry into the video business on a large scale, and wireless cable, the broadcasting of cable programming over microwave channels, may be about to take a leap forward. A Wall Street report predicted that more than 50 percent of cable subscribers will have access to a competing video service by the end of the decade.[41]

The report also suggested that the anticipated loss of subscriber dollars could be offset by strengthened advertising dollars. Faced with slowing subscriber growth and regulation making it more difficult to raise subscriber rates, that is a welcome prospect for cable managers. It is reinforced by a projection that system-based advertising sales will show double-digit annual increases for the foreseeable future.[42]

Managers must be prepared to take advantage of this increasingly important revenue stream by ensuring that the advertising sales department is led by a competent manager and is staffed by knowledgeable and skilled account executives. Local broadcast television stations will be fierce competitors. However, to counter their larger audience numbers, cable can point to its ability to reach more narrowly targeted demographics at an attractive cost. Indeed, for many local retailers, it may be the only affordable means of access to the television medium.

Many cable operators are taking a closer look at additional unregulated revenue sources, including telephony and video games. They are also reexamining the cable-delivered but relatively untapped digital audio services, which have the potential to attract significantly higher revenue than heretofore and to cut into radio station audiences.

Radio Stations

Radio stations have many advantages in their quest for audiences. Of particular importance is their ability to reach listeners in their automobiles. Through portable and walk-along receivers, they can reach many others, no matter where they are or what they are doing.

However, access to out-of-home audiences does not necessarily translate into success in attaining listenership. Even though radio has little competition from other media for a driver's attention, tape players do provide an alternative source of entertainment. Tapes also offer alternatives for those who seek a companion or background accompaniment to their outdoor activities.

In the home, competition is more intense. Tapes and compact discs enable potential radio listeners to create an audio experience to match their need or mood. The number of options will increase with the growth of fiber optic and satellite delivery of out-of-market stations and national or regional music services. To remain competitive, stations will have to match the high technical quality of other available content.

One element that sets a local station apart is its localness. To compete, radio managers will have to recognize the importance of air talent in establishing a local identity. That will call for a greater emphasis on their recruitment and motivation, and an investment in their professional development.

Audience targeting will be even more crucial to profitable operation than heretofore. The future will be characterized by even more niche programming, or content that appeals to a segment of the audience formerly attracted to a format with a relatively broad demographic appeal. In other words, stations will seek an audience within an audience, and music, news, and other program elements will have to be directed solely towards it.

This trend by an already narrowcast medium to even more sharply focused demographics will present significant challenges to station sales departments. They will be able to rely less on audience numbers and will be required to collect, analyze, and interpret qualitative data that permit them to match advertisers' products and services with the lifestyles and purchasing behavior of their listeners. Additionally, they will have to proceed beyond the selling stage and assume the role of marketers. They will have to demonstrate familiarity with the full range of marketing vehicles and show advertisers how to address their needs with a complete marketing package. In the process, they must be able to argue convincingly for their station's importance in the marketing mix.

Traditionally, a station's battle for advertisers has been waged chiefly against other radio stations and local newspapers. A new competitor has emerged and is growing into a major force: cable television. In the past, many local retailers have been unable to afford the cost of television advertising, especially on network-affiliated stations. Advertiser-supported cable networks offer them the opportunity to enjoy the persuasive benefits of the television medium at a reasonable cost. Accordingly, sales managers will be compelled to deal much more seriously than before with television and to develop and implement appropriate strategies.

Noncommercial Stations

Like their commercial counterparts, noncommercial radio stations have carved out an audience through specialized programming. Those that have been successful are unlikely to feel the need to change. However, the increased station and service options noted earlier may have an effect, and managers may have to engage in some fine-tuning of their format to counter the challenge.

At the same time, they should monitor closely the impact of the trend toward niche programming by commercial stations and be ready to exploit any opportunities for listener growth that may arise. This is especially important in the days of increased program costs and reduced federal funding, the results of which have been a greater reliance on financial support from station audiences.

Noncommercial television stations face a difficult future. Cable television already has drained off some of their audiences through the alternative, specialized programming that was the foundation of noncommercial television's appeal. The increase in cable's channel capacity is likely to lead to further audience erosion.

Direct-broadcast satellite systems will offer significant new competition. Their offerings will meet some of the interests of traditional noncommercial viewers, many of whom have the economic ability to afford the services.

A reduction in audience poses problems for all electronic media. It is particularly troublesome for noncommercial stations, which rely heavily on viewer financial support, and the trend is not encouraging. Over the past several years, the amount of money raised from viewers has been on the decline. It is expected to decline further with the competition for subscribers from cable and DBS, and there is no indication that governmental funding will be increased to compensate for the loss.

The Twentieth Century Fund, a New York research foundation, concluded that public television needs about \$250 million more a year for national programming if it is to survive. It suggested that some of that money could be freed up through the elimination of federal subsidies to local stations.[43]

Public TV officials are no more optimistic about the future. Citing diminishing viewership and funding, they say that the noncommercial medium could be destroyed by the advent of 500 cable channels. They advocate a reduction in the number of stations, from the current 350 to 200, and a renewed focus on programming.[44]

PUBLIC POLICY FORCES

Competition will be an increasingly important factor in the economic fortunes of the electronic media for the rest of the century and beyond. The nature of that competition, and the resultant economic impact, will be determined in large measure by public policy decisions.

The major decisions to date have been recounted in earlier chapters. At the time of writing, the principal focus was on the Clinton administration's proposal for a National Information Infrastructure, the so-called information superhighway. At the core of the plans is the fostering of a "seamless web" of high-capacity networks and information services interconnecting every home and business in the country. To accomplish this goal would require enhanced competition, and the White House has committed itself to the removal of restrictions that limit it.

A review of the administration's *White Paper on Telecommunications Policy Reform Initiative* suggests that the telephone companies (telcos) could be the big winners. They would be allowed to do business as common carriers and as programmers. Additionally, after five years, they would be permitted to acquire cable companies in their service areas. Cable, too, would be able to claim a victory of sorts. It would be able to enter the telephone business.

What about broadcasters? That was the question being asked after the administration's highway plans were revealed, with no direct mention of whether radio and television would be welcome to travel on it.

NAB President Eddie Fritts expressed disappointment. Preston Padden, executive vice-president for affiliate relations at Fox Television, was more forceful. It makes "no sense," he observed, "to streamline the Communications Act for cable and telcos while leaving broadcasters in a 40-year-old antiquated statutory straitjacket."[45]

What broadcasters want is regulatory or legislative relief of the kind promised to telephone and cable companies. High on their list is the relaxation of ownership rules, including national and local caps. They also seek flexibility to use a portion of their existing channels—and those to be awarded to TV broadcasters for HDTV—to provide new digital, voice, data, and video services. Further, the TV networks would like to see an end to the so-called dual network rules, which limit each of them to the provision of only one program service. Only through such relief, broadcasters believe, will they be able to compete in an era characterized by technological convergence.

Their concerns were heard. Backed by other key senators, Senate Commerce Committee Chairman Ernest Hollings introduced a bill that would, among other measures,

- direct the FCC to review its radio and TV ownership rules and "eliminate those that are not necessary as long as the goal of media diversity is reached"
- permit broadcasters to use spectrum for nonprogramming services if they paid for it and if services were "broadcast-related"
- ask the FCC to conduct a study on the statutory cable-crossownership ban.[46]

Obviously, the stakes are high for all potential users of the highway. All want to travel it. Broadcasters, however, feared that they might be abandoned on its shoulder.

SUMMARY

Four important influences will shape the operation of the electronic media. They are social, technological, economic, and public policy forces.

The aging of the United States will dictate changes in programming. Changes in the composition of the work force and of households, allied with the economic power of the baby boom generation, will lead to shifts in the content and appeal of advertising.

Use of computers will increase as broadcast stations and cable systems strive for success in an increasingly competitive marketplace. Radio stations will have to contemplate investing in digital equipment, and cable systems in fiber optic technology. High-definition television (HDTV) may enhance viewers' experiences, and direct-broadcast satellites (DBS) will offer them an abundance of channel choices.

Consumer and marketplace economics will be influential in determining the financial fortunes of the various media. The major television networks may continue to suffer audience loss as a result of competition from expanded cable offerings, the Fox network, and the new DBS services. Network-affiliated stations will face the same competition and will have to consider positioning themselves through local programming. Stations affiliated with Fox will operate mostly as independents until the network increases substantially its program offerings. True independents will face a difficult challenge in surviving the competition.

The growth in cable TV subscribers has slowed, but fiber-optic delivery will permit systems to increase offerings. Local advertisers will be attracted by cable's ability to target specialized audiences at a reasonable cost. However, cable will also face the new competition of direct-broadcast satellites.

Commercial radio stations will move increasingly to niche programming and will confront the challenge of local cable advertising sales. Noncommercial radio stations will continue to cater to their traditional audiences, but television stations will have difficulty retaining their viewers in the face of the new video competition.

Public policy decisions will be a principal determinant of the shape of the competitive marketplace. At the dawn of the next century, it will be fashioned largely by legislation resulting from President Clinton's proposal for an information superhighway.

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APPENDIX: TELEVISION LICENSE AGREEMENT*

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PARAMOUNT PICTURES CORPORATION
DOMESTIC TELEVISION DIVISION
5555 MELROSE AVENUE
LOS ANGELES, CALIFORNIA 90038

TELEVISION LICENSE AGREEMENT

Agreement No. ____________

AGREEMENT made this day of 1989, by and between **PARAMOUNT PICTURES CORPORATION DOMESTIC TELEVISION DIVISION** (hereinafter "Paramount") and (LICENSEE) (hereinafter "Licensee")

In consideration of the payment by Licensee of the amounts specified in Schedule A hereof, and Licensee's compliance with and performance of all the obligations and conditions set forth in Schedule B, attached hereto and made a part hereof, the Standard Terms and Conditions, attached hereto and made a part hereof, Paramount hereby grants to the Licensee and Licensee does hereby accept an exclusive license to make the following local broadcasts by free television on the television station in the licensed community set forth below for the period of time or maximum number of telecasts specified in Schedule A and for no other purpose whatsoever.

LICENSED STATION:

LICENSED COMMUNITY:

SCHEDULE A

TITLE OF SERIES: **ENTERTAINMENT TONIGHT** (hereinafter "Series" or "Programs")

LICENSE TERM: Fifty-Two (52) weeks commencing September 4, 1989

NUMBER OF PROGRAMS PER WEEK: Five (5) half-hour programs - delivered one per weeknight. One (1) one-hour program - delivered for weekend broadcast. Up to two (2) one-hour "Special" programs delivered for broadcast during calendar periods to be determined by Paramount on six (6) weeks prior written notice.

LICENSE FEE PER WEEK:

TOTAL LICENSE FEE:

DELIVERY: Via satellite pursuant to Schedule B attached hereto and made a part hereof or at Licensee's request on three-quarter (3/4) inch or one (1) inch color videotape in accordance with the terms of Paragraph 2 of the Standard Terms and Conditions attached hereto and made a part hereof.

--CONTINUED ON PAGE -ii- ATTACHED HERETO AND MADE A PART HEREOF--

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This instrument, including Schedule A and Schedule B attached hereto containing barter and satellite delivery provisions, and the Standard Terms and Conditions attached hereto, constitutes the entire agreement between the parties with respect to the subject matter contained herein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and the year first written above.

This Agreement is not valid until signed by a duly authorized officer of Paramount in its Home Office.

Accepted at Los Angeles, California by:
PARAMOUNT PICTURES CORPORATION
DOMESTIC TELEVISION DIVISION

____
(Licensee)

____
(Address)

By: ______________________________

By: ______________________________

PRINT NAME AND TITLE

S

ATTACHED HERETO AND FORMING PART OF TELEVISION LICENSE AGREEMENT NO.
BETWEEN PARAMOUNT PICTURES CORPORATION DOMESTIC TELEVISION DIVISION AND (LICENSEE)

DATED:

AUTHORIZED TELECASTS: Each weekday program and each weekend program shall be regularly scheduled for broadcast commencing at the time periods specified below:

Monday through Friday (at/between)
Weekend on (Saturday/Sunday-at/between)

Each "Special" Program shall be scheduled as follows:

First Exhibition on day to be advised between 7:00 PM and 11:00 PM (EST OR PST) or between 6:00 PM and 10:00 PM (CST OR MST) according to Licensee's Time Zone.

Second Exhibition on between and

It is of the essence of this Agreement that Licensee broadcast the Series and "Special" programs at the time periods indicated above. In the event Paramount makes the Series available for a second run anywhere in the United States, and provided that Licensee shall have obtained Paramount's prior written consent, Licensee shall have the right t(broadcast the Series a second time within the time limits set forth herein:

All weekday programs shall be broadcast no later than twenty-four (24) hours after delivery.

All weekend programs shall be broadcast within forty-eight (48) hours after delivery.

TERMINATION OF PRODUCTION:

Paramount shall have the right to terminate production of the Series during the term hereof. In the event Paramount exercises this right, Paramount shall endeavor to give no less than eight (8) weeks prior written notice.

TERMS OF PAYMENT:

The total license fee of ($) Dollars shall be due and payable in thirteen (13) consecutive installments commencing September 4, 1989, as follows:

1) $	.00 due September 4, 1989	8) $	.00 due March 26, 1990
2) $	.00 due September 25, 1989	9) $	.00 due April 30, 1990
3) $	.00 due October 30, 1989	10) $	.00 due May 28, 1990
4) $	.00 due November 27, 1989	11) $	.00 due June 25, 1990
5) $	.00 due January 1, 1990	12) $	.00 due July 30, 1990
6) $	.00 due January 29, 1990	13) $	.00 due August 27, 1990
7) $	.00 due February 26, 1990		

USE OF TRANSLATORS:

Paramount grants Licensee the right to retransmit the programs licensed hereunder over the facilities of its translators simultaneously with its transmissions over the facilities of its main transmitter provided that in the event the signal emanating from said translators is received in a market having its own Area of Dominant Influence (ADI) as defined by Arbitron and/or having its own Designated Market Area (DMA) as defined by A.C. Nielsen Company for the current year, Paramount shall have the right at any time, but not the obligation, to rescind Licensee's right to make such retransmissions.

SCHEDULE B
OF TELEVISION LICENSE AGREEMENT DATED ____________________
BETWEEN
PARAMOUNT PICTURES CORPORATION DOMESTIC TELEVISION DIVISION
AND
(LICENSEE)

FOR THE "ENTERTAINMENT TONIGHT" SERIES

1. **DELIVERY**

At its own cost and in a manner of its own choosing, Paramount will cause each Program in the Series to be delivered in a timely manner to Licensee in the form of a signal off a satellite transponder via an earth station (which may or may not be owned or controlled by Licensee), but Licensee shall be responsible for the availability of and bear the cost of any video loops, including any connecting and switching charges, necessary for the receipt of the Series from a local toll office or earth station.

Licensee shall erase, remove or destroy the audio and visual images of each Program in the Series from the tape of material upon which it was recorded within seven (7) days of delivery of such Program unless Paramount shall have approved Licensee's right to retain each Program for a longer period of time.

All tapes or any other material upon which the audio and/or visual images of each Program in the Series is recorded shall at all times remain the property of Paramount for so long as such images shall remain recorded on such tapes or other materials.

Where Paramount has caused the Series to be delivered by way of a satellite signal, this Paragraph shall supercede Paragraph 2 of the Standard Terms and Conditions.

2. **ADVERTISEMENTS**

Each one-half hour (weekday) Program will be delivered formatted for six and one-half (6 1/2) minutes of commercial announcements with up to one and one-half (1 1/2) minutes of commercial announcements on Monday and up to one (1) minute of commercial announcements for all other weekdays selected and sold by Paramount to national advertisers.

Each one-hour (weekend) Program and each "Special" Program will be formatted for twelve (12) minutes of commercial announcements with up to six (6) minutes of commercial announcements selected and sold by Paramount to national advertisers.

The commercial announcements sold by Paramount may be provided to Licensee within each Program or separately but in either event must be telecast by Licensee within the formatted position and in the order designated by Paramount.

Licensee shall have the right to sell up to a maximum of five (5) minutes of commercial announcements in each Monday Program, a maximum of five and one-half (5 1/2) minutes of commercial announcements in all other weekday Programs and a maximum of six (6) minutes in each one-hour (weekend) and each "Special" Program. Licensee shall abide by Paramount's prior written instructions to avoid conflicts with advertisements of competitive products and/or services selected and sold by Paramount.

Neither Licensee nor Paramount shall share in the revenue realized by the other from the use of commercial announcements sold to their respective advertisers.

Licensee shall have the right to delete commercial announcements which do not comply with the rules and regulations of the Federal Communications Commission or with such reasonable standards of the Community of License as the same may apply to commercial advertising. In such event, Licensee shall so advise Paramount by phone or telex followed by a written statement setting forth the specific reasons for such rejection. If there is time, Paramount will furnish a substitute commercial announcement.

3. PRE-EMPTION AND CHANGE OF BROADCAST SCHEDULE

The following "make good" requirements shall apply to all Program exhibitions of the Series regardless of whether the pre-emption is of the first or second broadcast of the Program.

A. <u>One-Time Only Pre-emption:</u>

1) In the event Licensee pre-empts a Weekday Program

(a) The pre-empted commercial announcements sold by Paramount shall be broadcast within seven (7) days after the pre-emption within a subsequent Weekday Program in the Series in place of commercial announcements sold by Licensee, or

(b) In the event it is not possible to broadcast Paramount's commercial announcements as set forth in (a) above, the pre-empted commercial announcements sold by Paramount shall be broadcast within the pre-empting program during the time periods set forth in Schedule A herein.

2) In the event Licensee pre-empts a Weekend Program or a "Special" Program

(a) The pre-empted Program including Paramount's commercial announcements will be broadcast in a time period mutually acceptable to Paramount and Licensee, or

(b) In the event it is not possible to broadcast the pre-empted Program, the pre-empted commercial announcements sold by Paramount shall be broadcast within seven (7) days after the pre-emption in a mutually acceptable time period with a Nielsen Rating equivalent to the Nielsen Rating for the time period set forth in Schedule A herein.

B. <u>Re-Integration of Pre-Empted Commercial Announcements</u>:

In the event the pre-empted commercial announcements are to be "made good" outside the pre-empted Program (as provided herein), Licensee shall be responsible for transferring said announcements from the delivered Program to Licensee's tape stock for re-integration by Licensee within the subsequent Program or time period.

C. <u>Notice of Pre-Emption and "Make-Good" Procedure</u>:

Licensee shall notify Paramount of each pre-emption of a Program of which Licensee has advance knowledge not later than three (3) weeks prior to the date of such pre-emption, or, if Licensee learns of the pre-emption within three (3) weeks prior thereto, Licensee shall notify Paramount within one (1) day after Licensee learns of such pre-emption. Licensee shall notify Paramount of each pre-emption of a Program of which Licensee did not have advance knowledge within one (1) day after such pre-emption occurs. Licensee shall include notification of the "make-good" procedure selected from the alternatives set forth hereinabove concurrently with notice of pre-emption provided for in this paragraph C.

4. AFFIDAVITS

Licensee shall maintain and, if requested by Paramount, shall furnish Paramount with affidavit(s) of performance or a copy of the station log in a form acceptable in the industry which shall certify the date, time and place of emanation of each broadcast of a program and each advertisement contained in such program.

5. USE OF EXCERPTS

Licensee shall have the right to use segments excerpted from the ENTERTAINMENT TONIGHT Programs in other station programs such as news programs, subject to the following limitations:

A. Promotional and Advertising Uses:

(i) The rights granted by Paramount to segments whose entire content is original to the ENTERTAINMENT TONIGHT series shall be subject to clearances and payments required pursuant to Paramount's collective bargaining agreements, if any.

(ii) Licensee acknowledges that it may be required to obtain clearances and/or make payments pursuant to collective bargaining agreements entered into by Paramount or by others in the event the segment excerpted from ENTERTAINMENT TONIGHT and exhibited by Licensee contains excerpts which originate from a source other than the ENTERTAINMENT TONIGHT series. Paramount will provide Licensee with all information required as to the origin of excerpted material so that required clearances may be obtained.

(iii) The excerpted segment shall be no longer than two (2) minutes.

(iv) Licensee's exhibition of the excerpted segment shall occur in advance of the Program, whether Monday through Friday or Weekend Program in which such excerpted segment is broadcast.

(v) The fact that the segment is an excerpt from an upcoming program in the ENTERTAINMENT TONIGHT series shall be clearly indicated at the time of exhibition.

(vi) The words "Courtesy of ENTERTAINMENT TONIGHT" shall appear on the screen during the exhibition.

(vii) Licensee shall indemnify and hold Paramount harmless from any payments or liabilities, including without limitation, payments pursuant to Paramount's collective bargaining agreements, resulting from the use of the excerpted segment.

B. Use on News Programs:

(i) The rights granted by Paramount to segments whose entire content is original to the ENTERTAINMENT TONIGHT series shall be subject to clearances and payments required pursuant to Paramount's collective bargaining agreements, if any.

(ii) Licensee acknowledges that it may be required to obtain clearances and/or make payments pursuant to collective bargaining agreements entered into by Paramount or by others in the event the segment excerpted from ENTERTAINMENT TONIGHT and exhibited by Licensee contains excerpts which originate from a source other than the ENTERTAINMENT TONIGHT series. Paramount will provide Licensee with all information required as to the origin of excerpted material so that required clearances may be obtained.

(iii) The use must occur within twenty-four (24) hours of the event which is the subject of the news item.

(iv) The fact that the segment is an excerpt from the ENTERTAINMENT TONIGHT series shall be clearly indicated at the time of exhibition.

(v) The words "Courtesy of ENTERTAINMENT TONIGHT" shall appear on the screen during the exhibition.

(vi) Licensee shall indemnify and hold Paramount harmless from any payments or liabilities, including without limitation, payments pursuant to Paramount's collective bargaining agreements, resulting from the use of the excerpted segments.

6. PROMOTIONAL REQUIREMENTS

Licensee shall promote the Series to the extent of insuring that there is an explanatory listing of each Program therein in the local newspaper and television guide and, provided Paramount has furnished Licensee with materials (print/broadcast), shall also promote the Series in a manner no less favorable than its usual promotional activity for other television programs of this nature. Upon Paramount's request, Licensee shall advise on a Program-by-Program basis the number and placement of all on-air promotional (radio/tv) spots used and all published print promotions.

7. ALTERATION OF PROGRAMS

Except as specifically provided herein, the Programs in the Series will be broadcast exactly as delivered to Licensee; however, Licensee may, at its own expense insert commercials at places provided or designated for this purpose by Paramount. Paramount bears no responsibility for any materials contained in such commercials.

8. PRODUCTION

It is understood that the Series licensed hereunder is produced as a Joint Venture between Paramount, Telerep, Inc., Great American Television Productions, Inc. and Cox Broadcasting and that the commmercial announcements are sold by Television Program Enterprises, a division of Telerep, Inc.

GLOSSARY

Accounts payable ledger: an account book that reflects amounts owed to the providers of goods and services.

Accounts receivable ledger: an account book that records amounts owed to a broadcast station by its clients or to a cable system by its clients and subscribers.

Administrative management: a managerial approach emphasizing the effectiveness and efficiency of the total organization.

Affiliation contract: an agreement governing the relationship between a network and an affiliated station.

Age Discrimination in Employment Act: legislation that forbids discrimination in employment against any person between the ages of 40 and 70.

Americans with Disabilities Act: legislation that prohibits employers with 15 or more employees from discriminating against qualified individuals with disabilities.

Amortization: the systematic reduction or writing off of an amount over a specific number of time periods, usually years.

Asset: an object, right, or claim that is expected to provide benefits to its owners.

Audience flow: the movement of an audience from one television program to another on the same channel.

Auditorium testing: a radio station research method that seeks reactions to short excerpts from recordings played to several dozen people gathered in a large room or auditorium.

Balance sheet: a periodic financial statement that reports a company's assets, liabilities, and net worth.

Barter: a transaction involving the exchange of advertising time for goods or services. Also called a *trade-out.*

Barter-plus-cash programming: a station acquires a syndicated program for a fee and also surrenders to the syndicator some of the commercial inventory.

Barter programming: a syndicator provides a program to a station at no cost but retains for sale some of the commercial inventory.

Basic cable: the minimum number of cable channels a subscriber may receive for a monthly fee.

Behavioral school of management: a school of management thought that emphasizes employee needs and their role in motivation.

Block programming: scheduling several television programs of similar kind or with similar audience appeal back to back. Also called *vertical programming*.

Bonus spots: spots given to an advertiser at no cost as a consideration for buying other spots. Also called *spins*.

Budget: a financial plan showing estimated or planned revenues and expenses.

Bureaucratic management: an approach to management that pays special attention to the structure of the organization and its impact on efficiency.

Call-out research: a radio station research method that seeks reactions to recordings by playing over the telephone short excerpts or "hooks."

Cash disbursements journal: a transaction record of all funds disbursed by a company.

Cash flow: operating income before charges for depreciation, interest, amortization, and taxes.

Cash receipts journal: a transaction record of all funds received by a company from any source.

Checkerboard programming: scheduling a different TV program series in the same time period daily.

Civil Rights Act: legislation that prohibits discrimination in employment based on race, color, religion, sex, or national origin.

Classical school of management: a school of management thought that embraces administrative, bureaucratic, and scientific approaches to management.

Clipping: the practice whereby an affiliated TV station does not show all of the credits, commercials, or network promotional announcements in a network program.

Community Service Grant (CSG): a grant from the Corporation for Public Broadcasting to public radio and television stations for operating costs and program purchases.

Compact disc (CD): a recording whose content is encoded in digital form and read by a laser beam.

Contingency theory: a management approach that takes into account the particular circumstances in reaching decisions and undertaking actions.

Contract: a formal legal document containing all the terms of a proposed transaction between buyer and seller and accompanied by exhibits reflecting details of all assets to be conveyed and all liabilities to be assumed.

Co-op advertising: the cost of advertising is shared, usually between the manufacturer and the retailer. An abbreviation for *cooperative advertising*.

Cost per point (CPP): the cost of a spot divided by the rating for the program or period in which it is broadcast.

Cost per thousand (CPM): the cost of reaching 1000 targeted households or persons with a commercial.

Counter-programming: scheduling a TV program that appeals to a different audience from that sought by the competition in the same time period.

Cume: an abbreviation for *cumulative audience*, an estimate of the number of different households or persons viewing or listening for at least 5 minutes in a specified period.

Current asset: an asset expected to be sold, used, or converted into cash within 1 year.

Current liability: amounts, taxes, and commissions payable in the near future, usually within 1 year.

Current ratio: the relationship of total current assets to total current liabilities.

Debt-equity ratio: the relationship of total long-term liabilities to stockholders' equity.

Depreciation: the systematic reduction in value of long-lived assets due to use or obsolescence.

Designated market area (DMA): Nielsen's term for the geographic area in which television stations in the survey market receive a preponderance of viewing.

Diary: an audience measurement method in which a sample of people record their listening or viewing activity in a small booklet.

Direct broadcast satellite (DBS): the transmission of a television signal by satellite to a small receiving dish.

Duopoly rule: an FCC rule limiting the number of licensed facilities that a single person or entity may own in a local market. Depending on the number of signals in the market, the limit for radio is two AM and two FM stations, while the limit for television is one station per market.

Equal Employment Opportunity Commission (EEOC): the governmental agency that ensures compliance with laws prohibiting discrimination in employment practices.

Equal Pay Act: legislation that prohibits wage discrimination between male and female employees.

Expenses: costs of services and facilities used in the production of current revenue.

Fair Labor Standards Act: legislation that sets forth requirements for minimum wage and overtime compensation.

Family and Medical Leave Act: legislation that requires employers with 50 or more employees to make available to them up to 12 weeks of unpaid leave annually to care for children, parents, or close relatives.

Fiber optics: the conversion of electrical signals into light waves sent through glass fibers.

Financial interest and syndication rules: FCC rules that prohibited networks from ownership interest in, and syndication of, their prime-time entertainment programs. The rules were relaxed in the early 1990s to allow for network ownership interest in such programs, but some syndication restrictions remain.

First-run syndication: the sale to television stations of programs produced expressly for syndication.

Fixed asset: an asset that will be held or used for a long term, usually more than 1 year.

Flipping: the use of a remote-control pad to switch from channel to channel within and between television programs.

Focus group: a research method in which a dozen or so people engage in a moderator-led discussion on a question of importance.

Format: a radio station's principal content element or sound.

Format search: a research method to determine if there is a need or place in a market for a radio format or for elements within a format.

Franchise: an agreement between a governmental body and a cable television company setting forth the conditions under which the company may operate.

Frequency: the number of times targeted homes or persons are exposed to an advertiser's commercial.

General journal: an account book used to record "other" expenses, such as depreciation, amortization, and interest.

General ledger: the basic accounts book, in two sections: one records figures for assets, liabilities, and capital; the other, income and expense account figures.

Generic promo: a promotional announcement for a program series.

Good will: the term used to describe the intangible assets of a broadcast station, such as reputation, image in the market, and the value of the license.

Grazing: the continuous scanning of the TV dial with the use of a remote-control pad.

Grid card: reflects fluctuations in advertising rates according to supply and demand.

Gross impression (GI): the total number of exposures to a schedule of commercials.

Gross rating points (GRPs): the total of all rating points achieved for a schedule of commercials.

Hammocking: placing a new or untested television program between two popular programs.

Hawthorne Effect: despite a deterioration in working conditions, productivity is likely to increase when managers pay special attention to employees.

Head-to-head programming: a strategy whereby a television station competes directly against another station (or stations) by scheduling a similar program or one with similar audience appeal in the same time period.

Hierarchy of needs: Abraham Maslow's theory that human beings have certain basic needs that are organized in a hierarchy.

High-definition television (HDTV): a television system using more than 1000 scan lines and an increased width-to-height ratio.

Hook: see *call-out research.*

Horizontal programming: see *strip programming.*

House accounts: accounts that require no selling or servicing and on which no commissions are paid.

Households using television (HUT): the percentage of all television households in a survey area with TV sets in operation at a particular time.

Hygiene factors: Frederick Herzberg's term to describe factors associated with conditions surrounding work, such as salary, benefits, and job security.

Image promotion: an attempt to establish, shift, or solidify public perceptions of a station.

Income statement: a periodic financial statement that reports a company's revenues, expenses, and resulting profit or loss. Also called an *operating statement* or *profit and loss (P and L) statement.*

Information superhighway: a term coined to describe the projected high-capacity networks and information services interconnecting every home and business in the country.

Liability: an obligation to pay an amount or perform a service.

Local marketing agreement (LMA): a contractual agreement whereby a radio or a television station sells a block of air time to a third-party programmer, who uses the time to broadcast content, including commercials, over the station. May also be applied to a situation where the licensee sells only its commercial inventory to a third party and retains programming control.

Local origination channel: a cable television channel equipped and maintained by the cable system to provide locally originated programming.

Logo: a distinctive symbol that identifies a station and often incorporates its call letters and frequency or channel number.

Long-term liability: an obligation, such as bank debt, mortgages, and program contracts, to be paid over an extended period of time.

Loss: the excess of expenses over revenue.

Lottery: a contest containing the elements of prize, chance, and consideration.

Lower-level managers: those responsible for overseeing the day-to-day performance of employees.

Low-power television (LPTV): a television station that broadcasts to a limited geographical area, usually about 10–15 miles in radius.

Low use discount (LUD): an alternative to full membership in the Public Broadcasting Service (PBS) that allows a public television station to carry up to 15 percent of the PBS program schedule at a reduced rate.

Management: the process of planning, organizing, influencing, and controlling to accomplish organizational goals through the coordinated use of human and material resources.

Management by objectives (MBO): a management approach whereby all employees establish objectives designed to assist in the achievement of organizational goals and progress in attaining them is reviewed periodically.

Management science: a school of management thought that uses mathematical models to simulate situations and to project the outcomes of different decisions.

Market perceptual study: a research method to determine target audience perceptions of a station.

Metro area: a geographical area generally corresponding to the metropolitan area defined by the U.S. Government's Office of Management and Budget.

Middle managers: those responsible for the coordination of activities designed to assist the organization in achieving its overall goals.

Motivators: the term coined by Frederick Herzberg to describe factors associated with job content, such as achievement, recognition, and advancement.

Multiple: a number by which the cash flow of a company is multiplied to determine the offering price.

Multiple system operator (MSO): a company that operates more than one cable television system.

Must carry: FCC rule providing that television stations may demand carriage on cable systems within their designated market area.

National Telecommunications and Information Administration (NTIA): the White House telecommunications policy office, located within the Department of Commerce.

Net loss: the excess of all expenses, including taxes, over revenue.

Net profit: the excess of revenue over all expenses, including taxes.

Net worth: the owners' equity in a company, reflecting the difference between total assets and total liabilities.

NSI area: Nielsen's term for a market's metro and designated market area counties, plus other counties necessary to account for approximately 95 percent of the average quarter-hour audience of stations in the market.

Occupational Safety and Health Act: legislation that requires employers to ensure that the workplace is free of hazards that could cause illness, injury, or death.

Occupational Safety and Health Administration (OSHA): the governmental agency that administers the Occupational Safety and Health Act.

Off-network syndication: the sale to television stations of programs formerly aired on a network.

Operating expense: the expense of carrying on normal business activities, as opposed to the expenses of financing the business.

Operating loss: the excess of operating expenses over revenue.

Operating profit: the excess of revenue over operating expenses, excluding depreciation, amortization, interest, and taxes.

Operating statement: see *income statement.*

Orientation: the process whereby new employees are introduced to other employees and the station.

"Other" expenses: nonoperating cash and noncash costs of a business, usually including depreciation, amortization, and interest.

Pay cable: channels added to basic cable offerings for which an extra subscriber fee is required.

Payola: the practice whereby recording company representatives secretly reward disc jockeys for playing or plugging certain recordings.

Pay-per-view (PPV): cable programming for which the subscriber pays on a per-program or per-event basis.

PEG channels: cable television system channels allocated for public, educational, and governmental use.

Per-inquiry advertising: an advertiser pays a commercial rate based on the number of responses generated by the advertising.

Piracy: the unauthorized reception of a television signal.

Playlist: the list of recordings played by a radio station.

Plugola: the on-air promotion of goods and services in which someone responsible for selecting the material broadcast has a financial interest without disclosing that fact to the audience.

Policy book: contains the philosophy and policies of a broadcast station and sets forth the responsibilities of individuals and departments.

Pregnancy Discrimination Act: legislation that forbids discrimination in employment based on pregnancy, childbirth, or related medical conditions.

Prepaid expense: an expense paid in advance of its occurrence.

Pretax loss: the excess of expense, including depreciation, amortization, and interest, but excluding taxes, over revenue.

Pretax profit: the excess of revenue over expenses, including depreciation, amortization, and interest, but excluding taxes.

Prime-time access rule (PTAR): generally forbids network-affiliated television stations in the top-50 markets from airing more than 3 hours of network or off-network programming between 7:00 and 11:00 P.M. (ET).

Profit: the excess of revenue over expenses.

Profit and loss (P and L) statement: see *income statement.*

Program promotion: the promotion of a station's content.

Promo: an announcement promoting a station and/or its content. An abbreviation for *promotional announcement.*

Public access channel: a cable television channel for which individual members of the public or groups provide content.

Rating: in television, the percentage of all television households or persons in a survey area viewing a particular station. In radio, the percentage of all persons in a survey area listening to a particular station.

RBOC: an abbreviation for a regional Bell operating company.

Reach: the number of different targeted homes or persons exposed to an advertiser's commercial.

Request for proposals (RFP): an invitation from a governmental body to submit a proposal for the establishment of a cable television system.

Retransmission consent: legislation that permits a station to waive its "must-carry" right in return for the right to require its consent before a cable system may carry its signal.

Revenue: the inflow of resources to a broadcast or cable business from the sale of time or the provision of services.

Rotation: the frequency with which a recording is played by a radio station.

Sales journal: a transaction record of billings to clients for commercials run over a certain period of time, usually a month.

Saturation schedule: a heavy commercial load aired when targeted homes or persons are tuned in.

Scientific management: a systematic approach to management with the emphasis on productivity.

Share (of audience): in television, the percentage of households using television or of persons viewing television tuned to a particular station. In radio, the percentage of all listeners tuned to a particular station.

Specific promo: a promotional announcement for one program in a series.

Spectrum plan: a moderate number of spots scheduled throughout the day.

Spins: see *bonus spots.*

Spot schedule: a series of commercials aired in only one or two periods of the day.

Station rep: a company that represents a radio or television station in the sale of time to national and regional advertisers and advises the station on the purchase, scheduling, and promotion of programs.

Strip programming: scheduling a TV program series at the same time each day, usually Monday through Friday. Also called *horizontal programming.*

Syndicated program exclusivity rule (syndex): a rule protecting a local television station's syndicated programs against duplication from signals imported by a cable television system.

Syndicators: companies that sell programs or features to radio and television stations.

Systems theory: a management approach that views an organization as a system of parts related to each other and to the external environment.

Telco: an abbreviation for a telephone company.

Television network: the FCC defines it as an entity providing more than 15 hours per week of prime-time entertainment programming to interconnected affiliates on a regular basis. Such programming must reach at least 75 percent of the nation's television households.

Theory X: a philosophy of human nature, advanced by Douglas McGregor, suggesting that managers must coerce, control, and even threaten to motivate employees.

Theory Y: a philosophy of human nature, advanced by Douglas McGregor, suggesting that employees are capable of accepting responsibility and exercising self-direction.

Tier: a level of service offered by a cable television company.

Time spent listening (TSL): the time a person listens to a radio station during a specific period of the day.

Top managers: those who coordinate an organization's activities and provide its overall direction.

Total quality management (TQM): a management approach that focuses on the customer and emphasizes quality in everything the organization undertakes.

Trade-out: see *barter.*

Trailing cash flow: a company's cash flow for the most recent 12-month period, which may or may not correspond with the fiscal year.

Underwriting: the provision of funds by businesses for the production and airing of programs on public radio and television stations in exchange for announcements in the programs.

Union contract: an agreement governing relations between an employer and unionized employees.

Vendor support program: a method whereby a retailer obtains manufacturer dollars to cover advertising costs.

Venture capital: financing in which the company providing the funds receives an ownership interest in the facility to be acquired, as well as interest on the funds advanced.

Vertical programming: see *block programming.*

Zapping: using a remote-control pad to change TV channels to avoid commercials.

Zipping: the fast-forwarding of videocassette recorders through commercials in recorded programs.

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Focal Press
is an imprint of Butterworth-Heinemann

ISBN 0-240-80199-7
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