



By John Potter, RAB Educational Projects Specialist

(Editor's note: Part of being a successful Radio sales professional is having a good understanding of other media your prospects may choose in addition to (or instead of) Radio. The RAB Radio Training Academy's curriculum includes an intensive study of Radio's major media competitors - including both the advantages and disadvantages of advertising thereon - to give its graduates that understanding. In this Weekly Sales Meeting, John Potter, RAB Educational Projects Specialist, shares a peek at the portion of the Academy's curriculum that pertains to cable television.)

Cable reaches 68 percent of American households (source: Nielsen, 2003). Ratings certainly show cable TV's impact as a competitor to broadcast television, with cable viewing beating broadcast TV. This season through June, cable has grown to a 50.7 share, while the seven broadcast networks have fallen to a 38.0 share.

Cable TV pulled much of its 2002 revenue of \$16.3 Billion (source: Universal McCann) from broadcast TV... but also from Radio. Cable is sold more like Radio than like TV, with cable TV and Radio generally selling by daypart while Broadcast TV generally sells by program. Cable is relatively inexpensive, priced more like Radio than broadcast TV. Cable is targeted, more like Radio than Broadcast TV.

The Upside

- 68 percent household penetration
- Relatively inexpensive
- Targeted
- Consumer acceptance
- Ratings

The Downside

- 68 percent household penetration
- Alternate Delivery Systems (ADS)
- Fragmentation
- Ad clutter
- Poor ad quality

Cable TV's 68 percent household penetration achieves critical mass for an advertiser. More than one out of every three homes in America subscribe to Cable TV. More importantly, cable TV promotes itself as reaching above-average-income households, with 80 percent penetration among households earning over \$50,000.

Cable TV commercials are inexpensive compared to broadcast TV and, in some cases, inexpensive compared to Radio commercials. Cable TV systems might insert four 30-second commercials in each of as many as 34 networks. That means a cable TV system's sales staff might have 136 commercials per hour available for sale. Of course, with that much ad inventory, it is hard for them to command higher rates based on the simple rule of supply and demand.

With well over 100 channels available on many systems, a variety of programming achieves narrowly targeted audiences, albeit at the cost of splintered viewership.

According to the Federal Communications Commission, the average consumer's cable bill, including programming and equipment, is \$40.11 (July, 2002). Although broadcast TV programming is free, consumers obviously appreciate the value of cable TV and are willing to pay nearly \$500 per year for it.

Cable TV is heavily promoting the latest ratings. Cable TV networks' aggregate ratings have exceeded the seven broadcast TV networks since the 2001-2002 season.

What About the Negatives?

Let's take a closer look at the downside. Notice again the household penetration of 68 percent. Although most American households have cable, 32 percent have no opportunity to see a cable TV commercial. Cable TV penetration has declined. In May 2003, according to Nielsen NTI data, wired cable penetration fell to 68.1 percent from 70.6 percent a year earlier.

Much of cable's subscription decline can be attributed to alternate delivery systems (ADS). The penetration of ADS is estimated at 17.0 percent in the May 2002 Nielsen NTI data, with direct broadcast satellite (DBS) delivery, the largest component of ADS, estimated at 15.8 percent of the total. (Examples of DBS providers are DirecTV and DISH Network.) Look at the penetration of ADS among TV households, and households with cable and/or ADS in these leading larger markets:

Top 10 in Markets 1-50

DMA Name	ADS as percent TV HH	ADS as percent Cable+* HH
Dallas-Ft. Worth	26.4	36.9
Greenville-Spart-Ashevil-And	26.4	31.6
Albuquerque-Santa Fe	25.7	34.4
Salt Lake City	24.8	35.7
Nashville	24.4	29.3
St. Louis	22.9	30.8
Raleigh-Durham (Fayetteville)	22.6	27.2
Atlanta	22.3	24.9
Birmingham (Ann and Tusc)	22.2	25.8
Sacramento-Stktn-Modesto	22	27.5

* Cable and/or ADS

Source: Nielsen Media Research

The above chart points out that of the households in Dallas-Ft. Worth that receive cable programming, 36.9 percent of the households have ADS. An advertiser in Dallas-Ft. Worth buying a local commercial on cable TV will therefore reach 36.9 percent fewer households than the cable TV network ratings would lead you to believe. It is more dramatic among smaller markets:

Top 10 in Markets 51-100

DMA Name	ADS as percent TV HH	ADS as percent Cable+* HH
Springfield, MO	33.6	45.6
Paducah-C.Gird-Harbg-Mt VN	31.1	37.9
Jackson, MS	30	34.8
Shreveport	29.6	35.5
Burlington-Plattsburgh	28.3	34.3
Roanoke-Lynchburg	27.9	32.5
Little Rock-Pine Bluff	26.7	32.5
Lexington	25.6	29.5
Columbia, SC	25.4	30.9
Chattanooga	25.2	28.8

* Cable and/or ADS

Source: Nielsen Media Research

In the above chart, 45.6 percent of households in Springfield that receive cable programming have ADS. Advertisers need to adjust the cable programming ratings down by 45.6 percent to have a true reflection of the households their Cable TV commercial will reach.

Broadcast TV sellers used to point out that radio was fragmented. Now it is television that is fragmented. With the 30, 50, or 100 or more cable TV channels, a large number of commercials are required to reach a mass audience. And choosing the right cable network is often bewildering to most advertisers.

Most cable networks will carry as many as 28 commercial units per hour, as compared with network television's 24 per hour. Cable has earned a reputation of being king of ad clutter. This further encourages zipping, zapping and flipping.

Many of the local advertisers who buy cable TV buy it because it's inexpensive. Any advertiser that chooses a medium solely on price is not likely to be willing to spend tens of thousands of dollars on creative... and the results are unmistakable: local cable TV commercials often look cheap by comparison to the national ads they run near.

So what's a Radio sales pro to do? Point out to cable TV advertisers that radio, in combination with cable or alone, can solve their needs.

- Radio has more reach, with 96 percent of Americans listening to radio every week (RADAR 71, 2001).
- Radio is inexpensive compared to broadcast TV.
- Radio is a targeted medium.
- Radio can produce quality commercials for little or no cost to the advertiser.