

Cable --The Silent Assassin!
By David Shackmann

The name "Cable --The Silent Assassin" probably attracted a lot of you here because you thought it was about terrorism in the media, but it's not. It's about selling cable advertising and it's something that never occurred to me to be of interest to Radio. And the only reason that (this session) ever even happened was that after I left Time Warner last summer, I was talking to some of my friends that sell Radio in the Cincinnati market and they started asking me questions like, "Now that you're not in cable anymore, can you tell me...(fill in the blank)." I really began to wonder exactly why they were so interested. So I started questioning them later and they firmly believed (and I also believe to be true) that cable was taking a tremendous amount of money out of the market that would have gone to Radio.



I always thought I was taking money from television stations because I sold TV. But in fact, what was happening was that a lot of money from agencies and from direct accounts was being moved over to cable. And a lot of it was being moved out of Radio. Because suddenly, these buyers and planners and advertisers were saying to themselves, "I can be involved in this really exciting world of cable with all the great programs that it has and I can do this at rates that I'm paying for Radio. So why wouldn't I do that?"

As a result, I wanted to share some things with you today. And I don't pretend to have all kinds of magical answers; there's no magic bullet. But I think it will help you to understand a little bit about what cable does -- how it does it and its strengths and weaknesses. Then all of your stations will be able to say, "Hey, I can do this better than they do that!" Or "That's a weakness that I can capitalize on. That's something that I understand now that I didn't understand before." I believe that if you know your enemy and even though you may respect your enemy, it's still that knowledge that helps you beat your enemy.

I don't know if any of you have ever seen the movie Patton, with George C. Scott, that came out some 30 years ago. But one of the great lines from that movie is when Patton defeats Rommel in the desert of North Africa. And after he defeats him, Patton is heard saying, "Rommel, you magnificent bastard! I read your book." Patton beat Rommel at his own game because he knew what Rommel was going to do because, essentially, Rommel told him.

So you have this idea in media where understanding the strengths and weaknesses of your competitor will obviously help you deal better with that competitor.

One of the things that you probably saw recently in the trades was that last year, Radio was more than a \$20-billion dollar business. Well, cable was, too, and that's probably a shock to a lot of people. Cable and Radio last year took out of the American marketplace just about the same amount of money. Now the business model is very different between cable and Radio. In Radio, obviously, the vast majority of that money was generated at the local level. In cable, it's just the opposite. A little over two-thirds of all cable ad sales revenue is generated at the network level; for example, CNN and ESPN and so on.

But what's really scary is that the growth of this medium has just been mind-boggling. In 1995, just 10 years ago, local cable ad sales were less than \$1.5 billion dollars for the entire country. Last year, it was almost \$5.5 billion dollars. That's a growth rate of 270%! Local cable advertising sales have tripled in 10 years, and I am sure that all of you can remember that in that 10 years, we had a recession. We had 9-11. And we had a dramatic decrease in the advertising market in the country. Cable grew almost 300% in the local arena during that 10-year period. That money came from somewhere and it wasn't tax reductions. It was real money coming out of somebody's hide and I think a big chunk of that was coming out of Radio.

One of the things that amazed me is that cable sales at Time Warner in Cincinnati grew 2,000% in 14 years. That's a real number. And we had years where we literally increased 50% to 60% over the prior year. We could not get out of the way of the money.

My wife does sales training and she has worked with both Radio and cable. My boss hired her at Time Warner in Cincinnati to come in and one of the things she would teach us was about Non-Traditional Revenue. My sales people, after her training, would go, "Why would I do all that work? I can't get the proposals out the door fast enough." And it was true. There really was so much money pouring in, that our biggest problem was getting it all booked and keeping our rates higher and higher without scaring everybody away. One of things that I looked at (after I left) was the question, "What caused this?" Other than the fact I thought I was a good sales manager. Actually, I thought I was a really good sales manager but I had a really great staff and they're all still there and they are doing a terrific job. They really are good at what they do. But something else had to be happening in the industry to allow this amount of money to grow. And I think the biggest thing is that cable created one of the best PR machines that's ever been seen. Cable takes programs that under any other circumstances no one would even look at, and makes hits out of them -- makes "talk" out of them or the old term "water-cooler" conversation. Things you heard back in the mid-90s with Seinfeld were on Friday morning; everybody talked about Seinfeld or Friends. And that's what cable suddenly started doing.

They were able to do this for two reasons. Number one, they were developing a lot of original programming, which had not occurred prior to this. And number two, they found themselves going up against broadcast TV, which suddenly lost track of what made network television successful. Broadcast TV saw their audience dwindling, and subsequently move over to cable. What they did was rather than invest in their product and try to keep and grow their audience, they took the opposite tact and went cheap and created reality TV, which is very inexpensive to produce and it's helped the bottom line. But what happened is it drove even more viewers to cable because cable suddenly started putting out cutting-edge shows.

Up to that point, you had the networks that created cable, made it what it was at that point. You had Nickelodeon, which basically took all of the children's viewing away from broadcast TV. You had MTV, which created an entirely new genre of television which had never even existed before; they even created a name called the MTV generation. You had CNN, in which crazy Ted Turner had this idea that he could create a 24-hour news channel. When he did it, it was derisively named the Chicken Noodle Network by his competitors at ABC, NBC and CBS. We all know Ted had the last laugh, and although a lot of people wonder about Ted on occasion, he still did create an empire. And so all of this had already occurred. But suddenly new things began to occur. You had HBO with a show called The Sopranos. HBO is in less than 20% of the homes in the United States. Less than 20% of the homes in this country could even watch The Sopranos, and yet it was one of the most talked- about shows on television. The same is true for Sex and The City. Less than 20% of the homes could watch it, yet everybody talked about it.

But then it moved into what we call “Ad-Supported Cable,” the stations that everybody who has cable could watch. Now picture this five years ago; you are a program producer, somebody who has this idea for a show and you walk into ABC, NBC, CBS or FOX, or even WB or UPN and you say, “Okay, I am going to do a show where I take five gay guys in Manhattan and we are going to go into some slob’s life and we are going to turn it around.” That became Queer Eye For the Straight Guy. It took a cable channel called Bravo which no one had ever heard of, on which the only show that had any notoriety was called Inside The Actor’s Studio, which is really exciting television. I mean, if you are a student of the theatre or cinema then it’s interesting because that James Lipton really does get very big stars to appear and say things they wouldn’t say in other forums, but that’s all they had. Well, suddenly, three summers ago, these five guys walked down the street in Manhattan and changed Bravo forever. They made it so valuable that NBC now owns it. And they did it with a show that has a really goofy premise but it became the talk of television that summer. And they did it with a show that at any given point, when that show was on, 97% to 98% of the country was not watching it. That is PR. That is buzz and that’s what cable has been able to do.

If you would like to hear this full session from RAB 2005, please visit www.mobiltape.com and search for Cable, the Silent Assassin.



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