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COMMERCIAL PRODUCTION AT NETWORK AFFILIATES: A SURVEY

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ABSTRACT

The expanded television universe of the 1990's continues to create increased competition for advertising dollars, forcing sales departments at stations nationwide to step up local sales efforts. As a result, creative services and production departments must shoulder a greater responsibility for a variety of commercial production.

A telephone survey was conducted to examine the impact of a stronger local sales push on production. Fifty-four respondents representing creative services/production from affiliates of the Big Three networks were surveyed. Market rankings ranged from #1 (New York) to #212 (Alpena, MI) to allow for competitive factors related to market size.

Commercial production was on the increase at the majority of stations surveyed. This production included traditional thirty-second commercials, numerous "value-added" sales vehicles designed specifically for sponsorship, and a variety of sales presentations. This increase in commercial production often created a sort of internal competition--a heavier workload on existing personnel, equipment and production time. At several stations, external competition from other production sources in the market created another problem--undervalued production. This information provides a basis from which to compare a station's commercial production capabilities. Station management must re-assess these capabilities to meet the challenges of increased competition.

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CHAPTER I

BACKGROUND OF THE PROBLEM

Competition from cable and barter syndication, poor network program performance and affiliate pre-emption, the trend toward fifteen-second commercials, and corporate re-trenching and cautious spending by some of the nation's largest advertisers--which of these are responsible for the slowdown in national advertising sales? In varying degrees, all of these current market factors have combined to put the reins on double-digit increases in national advertising. Whatever the reason, the end result for television stations from coast-to-coast is increasingly large inventories for local sales staffs to sell.

As early as 1985, the Television Bureau of Advertising (TvB) began evaluating market factors that continue to create competition for advertising dollars today. These include increased inventory created by networks, expansion of barter syndication, and the drain of dollars to national satellite/cable networks ("TvB Sizes Up," 1985, p. 71). The decline in the rate of household growth, steady television audience levels, and an increase in new independents, larger station groups and aspiring networks were also cited as factors contributing to television's "uncertain" future (p. 71). These and other factors will be examined briefly, beginning with a look at competition from cable advertising.

Views on whether or not cable advertising is a legitimate threat seemed to be as varied as cable programming. On one side of the issue are those who are quick to point out "cable's fables"--that cable reaches the upscale viewer, that over-the-air-television underdelivers in cable households, and that cable is more efficient (Jaffe, 1989, p. 35). On the other hand, there are revenue estimates that project sizable increases in cable advertising expenditures.

In 1989, the Cable Advertising Bureau placed annual advertising revenues at just under $2 billion, and predicted revenues would reach $4 billion by 1994 (King, 1989, p. B4). Also cited were three primary reasons for cable's increasing popularity among advertisers: the higher cost of advertising on the major broadcast networks, the scarcity of time on those networks, and the increasing viability of cable as an alternative advertising vehicle since it now reaches a majority of the country (p. B4).

Others predict, however, that cable advertising will grow much slower over the next decade as subcriptions level off. One advertising executive predicts subscriptions will level off at 68% by the end of the 90s. (p. B4). In order to keep revenues up as subscriptions level off, the cable industry must focus on improving programming, marketing more effectively to "cable resisters," and retaining existing subscribers (Weinschenke, 1989, p. 60)

A long-term projection estimated national cable ad revenues would increase 63.6% from $1,650 million in 1991 to $2,700 million in 1995 (Jaffe, 1988, p. 130). A similar projection (1989-1994) for national/regional spot advertising sees an annual growth rate of only 6.1%, with the highest annual growth rate for local business estimated at 10.3% in 1992 (Jaffe, 1989, p. 49). With double-digit revenue increases ahead for cable and seemingly a thing of the past for networks, it becomes increasingly clear that cable will and should be a future source of concern.

Another indicator that cable is no longer a stepchild to the Big Three networks can be found in a comparison of television household viewing shares. When cable households are separated from the total number of television households, 36% of the viewing time is spent watching basic or pay cable channels, while 34% is spent watching network programming (Rothenberg, 1989, p. D23).

While cable viewers have roughly tripled over the past decade, the networks' share of primetime audience dropped from 90% in 1979-1980 to 60% in 1990 (Rothenberg, 1990, p. D18). ABC, CBS, and NBC responded by forming the Network Television Association to jointly promote the advantages of network television over cable and syndication (Horovitz, 1990, p. D2).

Like cable, barter syndication has also created competition for a share of the television advertising pie.

The improved quality and increased availability of barter syndication programming has combined with the poor performance of some network programming to create an opportunity for enhanced local sales revenues that is often too enticing for station management to resist.

The trend by advertisers toward regional marketing has led affiliates to buy or produce more syndicated or local shows with more minutes to sell than network shows (Paskowski, 1987, p.38). Barter syndication, seen as a "significant" part of television advertising and program distribution, will total an estimated $3.0 billion dollars in 1995, up from $730 million in 1987 (Jaffe, 1988, p. 55). Cutbacks in network compensation would only worsen the situation, with less to lose for pre-emption and more to gain in local syndicated time sales.

Some of the reasons cited by advertisers for using syndication mirrored the previously mentioned reasons for advertising on cable. These include the use of syndication to offset price increases by the networks and to reach particular audiences (Mandese, 1990, p. 56).

Some of syndication's weaknesses were also pointed out. These included questions about its legitimacy as a national advertising vehicle when clearance levels fall below 80-85%, the inablilty to change the creative or relative weight of ads on local or regional levels, and concerns about a show's image matching that of its advertisers (Mandese, p. 62).

The high prices that led advertisers to explore cable and barter syndication advertising options have also led more advertisers to add fifteen-second commericals to their media mix. Despite their price popularity, the rise in the number of fifteen-second commercials can create inventory problems for the networks. According to one media consultant, networks are "shooting themselves in the foot" by allowing the growth of fifteen-second commercials because it "enables clients to divert funds to other media" ("Making Sense," 1987, p. 84).

In addition, if stations start selling fifteen-second commercials at half the thirty-second rate, it will "open the floodgates to excessive inventory and local rates" (Jaffe, 1989, P. 46). The networks have responded by adding premiums to fifteen-second spots aired in special programming and certain dayparts (Walley, 1990, p. 3).

The use of fifteen-second commercials is just one of the cost-cutting measures that have added to the overall slowdown in national advertising. There are a number of reasons behind cutbacks in ad spending by some of the nation's leading advertisers. In 1986, preoccupation with unfriendly takeovers or friendly mergers forced top-ranked advertisers to focus more on their current profit performance (Zeltner, 1986, p. 30).

That same year Procter and Gamble, the biggest television advertiser, cut its primetime network spending by

20% and cut total network budgets by 8% (Gay, 1987, P. 3). Procter and Gamble was one out of ten of the top 25 network TV advertisers to cut budgets in 1986; those advertisers accounted for $3.8 billion or 44% of total network TV spending (p. 92).

The effect of mergers was a continuing concern the following year: "Mergers among advertisers may have had a negative impact on the number of new products...there is less risk-taking" ("Making Sense," 1987, p. 85). Spending by national advertisers was up slightly in the first quarter of 1989. Reasons for the increase were advertisers' renewed emphasis on re-building brand positioning, supporting new products, or battling for market share in specific product categories (Freeman, 1987, p. 84).

Despite a good start in 1989, the disappointment of the 1988 quadrennial year was still on the minds of many advertising industry analysts. Drastic shortfalls in political ad spending, uncertainty in the retail market, and changes in banking and on Wall Street were the main reasons cited for the worst quadrennial performance in 25 years (Sloan, 1988, p. 1). Again the concern over increasingly large inventories came into play: " The twin engines of the Olympics and political dollars, which drove quadrennial cycle years in the days of limited TV inventories, don't have enough steam to tighten up the market in the expanded TV universe of 1988" (Jaffee, 1988, p. 51).

Expanded inventories in the nineties continue to add to the slowdown in national advertising. Expansion from three nights of primetime programming to four by the Fox network and an increase in the number of avails in the other networks' primetime schedules were cited as forces behind the advertising slowdown (Farhi, 1990, p. C1). Increased competition from cable and "un-wired" networks that join to air a syndicated program at the same time were also mentioned as factors adding to slower advertising sales.

Economic factors in 1990 also forced many advertisers to cut their advertising budgets--one of the few flexible expenses that can be easily trimmed. "Skittishness" over the federal budget stalemate, the Persian Gulf Crisis, and uncertainty about the economy created a very soft upfront buying market (p. C1). Rather than paying premium prices to reserve ad time prior to the new fall season, advertisers waited for the "scatter" market, forcing the networks to sell unsold inventories at discounted prices.

Prices for spots sold in the scatter market are traditionally higher, with the networks penalizing advertisers for making the buy late in the season (King, 1990, p. B1). This reversal of the usual market dynamics could lead the networks into a downward spiral: if advertisers find they can buy spots at a cheaper rate in the scatter market, they may take a wait-and-see attitude and reduce their upfront buying commitment.

Another interesting change in the upfront buying season is an increase in the amount of money going to cable. Advertisers spent $500 million on initial cable buys for the 1990 new fall season, compared with $40 million in 1988 (Fabrikant, 1990, p. D17).

The change in the dynamics of the marketplace and drastically reduced viewing levels reported by Nielsen in the first quarter of 1990 prompted ABC, CBS, and NBC to adopt a new plan to reduce the audience size they guarantee to advertisers. Traditionally, the networks have guaranteed advertisers that a particular program will reach a certain number of viewers; if the program underdelivered that number of viewers, the networks would give the advertiser free "makegood" commercial time (Lipman, 1990, p. B6).

The new plan, devised by NBC, uses a "complex mathematical model to plot audience levels over the past eight years" (Lipman, 1990, p. B4). The trend line developed is then used to predict viewing levels for the upcoming season. If actual audience levels fall below the projection, the networks don't necessarily have to offer makegoods to the advertiser.

Ironically, in times of large unsold inventories, being forced to give advertisers makegoods can be a way to "turn the market around"--filling the inventory with makegoods could increase demand for the limited avails left, making those avails more valuable (Carter, 1990, p. D12).

It is interesting to note that the Nielsen figures that prompted the revised audience guarantee plans also sparked more concerns over the accuracy of the ratings system. The networks subsequently prepared a "Principles Document" calling for a renewed commitment to making the viewing measurement system "the best it can be" (Schlossberg, 1990, p. 1).

Nielsen responded by announcing "enhancements" to its peoplemeter service including (1) improving the level of household cooperation, (2) overcoming language barriers by using alternative households, (3) using recruiting specialists to choose Nielsen homes, (4) improving cooperation level of viewers, especially children, through letters, questionnaires, and games, (5) identifying homes or people who are "inconsistent" in their use of peoplemeters, and (6) improving measurement of multi-home sets ("Nielsen 'enhances' its peoplemeter service," 1990, p. 25).

The ratings system, audience fragmentation by cable and syndication, the economy--all have been directly or indirectly blamed for the slowdown in national advertising. Increases in competition have led to increasingly large inventories, forcing the networks to face new challenges. The same challenges must be met by sales staffs at television stations across the country as competition for ad dollars grows.

As is the case with the networks, the overall state of the economy greatly affects the economic well-being of local television stations. One advertising forecaster cut his local ad spending estimate for 1990 from 4.7% to 6.1%, blaming "miserable retail markets" as well as "pockets of recession in some areas of the country" (Lipman, 1990, p. B6). Automobile dealers slashed their local television advertising by 21%; department store advertising was off 13%, and banks and savings and loans were off 14% (p. B6).

These cutbacks represent challenges to local sales staffs that were recognized as early as 1985, when the soft national advertising market began to shift attention to the local marketplace. Station management began emphasizing the importance of market research in developing previously untapped accounts. Stations in Phoenix and Cleveland pulled together within their markets to sponsor research and prepare videotape presentations and reports for clients based on the information gathered ("TvB Sizes Up," 1985, p. 73).

Stations in Denver and Cincinnati initiated vendor programs and, although the estimated cost of generating these vendor dollars was 15% to 18% of the total advertising developed, station management thought the investment was worth it to get money that never existed before (p. 73).

With market research in hand, local sales staffs can design vendor support and co-op programs, and promotional

events to bring in first time advertisers (Josephson, 1986, p. 113). The key to success is an overall marketing strategy that goes beyond a quick sale--getting new accounts on the air and keeping them on the air. As one general sales manager put it, "New business permits improved revenue positions at the station. Without a flow of new clients, a station cannot continue to improve its profit picture and grow at an acceptable rate" (Altschuler, 1986, P. 254).

This new business push continued in 1986 and 1987 with stations recognizing that local sales are the only part of their revenue that they can control. Besides adopting a marketing approach and mounting special promotion and programming vehicles to attract new clients, stations re-structured compensation systems to reward sales personnel for bringing in new-to-television accounts (Josephson, 1986, p. 42+)

Program-related marketing is another approach to making the most of local advertising opportunities. WUAB-TV, a Cleveland independent, produced "Your Health Today"--vignettes to attract hospital and other medical-related advertisers (p. 71) WTNH-TV, Hartford-New Haven, produced a series of primetime hour specials devoted to serious topics; these "Closeup" programs attracted the upscale viewers that appealed to such advertisers as utility companies, banks, and automobile dealerships (p. 43). Group W Television developed the "For Kids' Sake" campaign and

marketed it to 95 stations covering more than 70% of the country (p. 71). In each market the campaign is supported by local sponsors.

In 1988, the emphasis on local sales was reaffirmed by station managers in a comprehensive study for TvB. According to the study, "The most promising area for holding on to and increasing...business is the local/retail field. And that's where they (station managers) want the bureau to concentrate" (Jaffee, 1988, p. 42). The three main reasons cited by station managers for their desired emphasis on local sales are:

1. They feel they have more control over revenues in their own markets than over national business coming through reps;

2. with only 18% of local ad money going to television while 50% of national ad expenditures go to TV, they see greater potential for growth in local versus national sales;

3. they know the competition at the local level and therefore feel it is more predictable than at the national level (p. 44).

As a result of the information gathered in this study, TvB restructured its local sales development efforts. TvB recognized that stations' needs in this area vary with market size (73% of station managers in 100-plus markets felt most of TvB's efforts should be in the area of local

market development) and split its local sales division, with one serving the top 30 markets and the other serving 31-plus markets (p. 42).

In November of 1990, workshops offered by TvB made clear that the "old ways of selling station inventory are increasingly viewed as rigid or inadequate" (Guider, 1990, p. 24). The increasing importance of local advertising strongly indicates that developmental selling, defined as "long-term, opening new revenue streams" (Myers, 1987, p. 75), can no longer be a sideline for today's account executives.

In the past, parent corporations' demands for increased profits left salespeople so concerned with maximizing today's revenues that they didn't have time for developmental selling (p. 75). However, in today's marketplace, with increasing competition and increasingly large inventories, bringing in new business is a necessity rather than a luxury.

Much has been written about the challenges to station management and local sales staffs that accompany this new opportunity for enhanced local sales revenues. Little has been said, however, about how this opportunity affects stations' creative services and/or production departments. Besides producing commercials for these all-important new accounts, creative services and production departments are often responsible for everything from market-oriented

videotape presentations to aid the local sales efforts, to the production of special programs for local sponsorship.

Despite this fact, a review of trade magazines would lead one to believe that the only type of commercial production worthy of attention is the $200,000 (White, 1986, p. S1), thirty-second extravaganza turned out by the largest advertising agencies and independent production houses in the country. Commercial production being done at the local television station level may not have "Star Wars" effects and the price tag that comes with it, but it is still an integral and increasingly important part of the local sales effort. For this reason, an evaluation of the commercial production efforts being made at television stations could provide station management with valuable information concerning the role of production in enhancing local sales.

An overall look at the basics of commercial production could also provide valuable information to the local sales staff. Too often, account executives undervalue production to their clients in an effort to close the sale. As a result, neither the salesperson nor the client understand what goes into the production process or the costs involved. A better understanding of the station's commercial production abilities can help bridge a communication gap that often exists between the salesperson and the client.

That same gap can also be found between a station's sales department and its production department. In an

effort to make budget, the sales department may choose to sacrifice some production revenue by offering clients a discounted rate. While no one would argue that a $10,000 schedule is more important than a $1,000 production job, it is a dangerous practice to routinely give production away. A client who has a commercial produced for free once will come to expect it as a common business practice.

This tendency to undervalue commercial production is at the root of the problem. Evaluating the commercial production efforts at several television stations will help identify the factors that fuel this problem. It will, hopefully, provide station management with a basis for comparison--a first step toward maximizing their station's commercial production abilities.

CHAPTER II

REVIEW OF LITERATURE

Although there was an abundance of information on television advertising at the national level, relatively few articles dealt specifically with the state of commercial production at the local level. Television/Radio Age and Advertising Age were the two most helpful resources when researching the topic of commercial production. Overall trends in the television industry were well chronicled in the Wall Street Journal.

Two articles found in The Journal of Advertising Research did relate to information discussed in the backgound of this research study. One examined how advertisers use cable in their media mix. Another study evaluated the statistical reliability of Nielsen's peoplemeter.

Articles scrutinizing the costs associated with producing commercials for some of the nation's largest advertisiers were numerous. In 1985, results of a survey by the Association of National Advertisers indicated that television commercial production charges had doubled in the past five years (Diamant, 1985, p.20) Reasons for the 99% increase between 1979 and 1984 were:

1. longer shoots, with more overtime hours and more days of production per commercial unit,

2. more complex commercials requiring bigger sets and more time to prepare them,

3. the desire for higher quality which involves more lighting, rehearsing and shooting,

4. the tendency to shoot only one commercial instead of several in a campaign or "pool",

5. the use of more music, larger orchestrations and more singers,

6. the use of sets rather than location houses or other existing structures,

7. the overuse of special effects (the "Star Wars syndrome"),

8. preparation costs, an example of which is "prelight days"--lighting crews preparing the set a day in advance of the shoot (White, 1986, p. S2).

The American Association of Advertising Agencies then went on to offer some production cost-cutting suggestions:

1. account management must become more knowledgeable about production;

2. agencies must adopt a more streamline decision/approval system;

3. agencies must have producers who are more integrated with the creative team;

4. agency art directors and copywriters must be able to visualize what they want from start to finish;

5. agencies must be more rigorous with production house bids, less indulgent with directors (p. S2).

Considering the results of this 1985 survey, it is not surprising that one industry analyst wrote, "For as long as there have been advertiser-agency relations, the costs involved in producing the advertising...have been a major source of irritation, perhaps even the major cause of advertiser-agency friction" (Bernstein, 1985, p. 18).

In a 1986 Advertising Age editorial, another Association of National Advertisers' statistic cited a 15% increase in production costs over the previous year; this increase meant that, on average, the cost of a commercial went up more than the cost of making an entire movie (Danzig, 1986, P. 17).

Reasons given for the rising cost were too much production time, overtime, padded budgets and expense accounts, the high percentage of overproduction (commercials made but never aired), and the trend toward elaborate production values..."making mini-features rather than simple sales messages" (p. 17).

Other broader reasons for the production cost increases have also been cited. One ad agency executive noted that inflation was a major reason for cost increases, with unions boosting production crew rates to keep up with the cost of living (Mullins, 1986, p. 41). While some ad agencies blame production houses for cost overruns, others blame the

structural organization of ad agencies for exacerbating the problem.

The diffusion of responsibilty among agency personnel (writers, art directors, tv producers, etc.) is the "heart of the cost control problem" since they must each oversee a "complex cast of outside suppliers who do the actual production work" (Dietz & Erickson, 1986, p.18). The suggestion for reducing costs in this case is to centralize responsibility in one person with "creative ability, knowledge of the TV medium and its possibilities, and the ability to bring together the individual talents employed in commercial production into a coherent whole" (p. 18).

Another advertising executive echoed many of the same reasons for what he called "outrageous" TV commercial production cost increases: strategic differences of opinions between client and agency, excessive number of shooting days, unnecessary on-camera talent, costly special effects, elaborate sets, excessive agency travel expense, use of unnecessary "star" directors, unwarranted sixty-second commercial adaptations, lack of competitive bids, and sloppy bookkeeping (Claggett, 1987, p. 18).

The idea of centralized responsibilty within the agency structure again comes into play. With the addition of a television production specialist, agencies with TV production budgets of over $8 million (the break even point for hiring a TV specialist) can save at least 20% after all

administrative costs are deducted (p. 18).

Other agencies have taken an even more direct approach to cutting runaway costs by getting into the production business. Leo Burnett Co. and Needham Harper Worldwide opened in-house commercial production companies and planned to shoot 20% or more of their own television spots in 1987 ("Chicago Shops Form," 1987, p. 25). The message sent to the independent film production community was "cut costs or lose...work," but the Chicago Association of Independent Commercial Producers maintained that local production costs grew an average of only 2.9% in 1986 (p. 25).

Others have also defended production companies' markups as necessary for a variety of reasons. The 35% markup is needed to support a company's overhead which is not included in a production firm's estimate to agencies, to meet the challenges of more involved commercial concepts, to shoot the "alternates and variables" clients want so they can change ads in post-production, and to hire the expensive, superstar directors agencies want (Rothenberg, 1989, p. 21).

The prospect of other agencies taking production in-house to combat rising costs raised procedural and creative questions from one industry analyst. These questions ranged from how the advertiser/agency relationship will be affected: "What happens when the advertiser takes a more demanding position in regard to agency fiscal responsibilty for a properly finished product?", to how the agency's

internal compensation will be affected: "If current agency commissions/fee rates do not cover in-house operating costs, what additional compensation will be needed?" (Diamant, 1987, p. 18).

The most recent analysis of commercial production costs comes from the third annual survey by the American Association of Advertising Agencies. The survey cited a slower rise in production costs, with the average cost for a nationally broadcast television commercial up only 8% in 1989 to $190,000 (Rothenberg, 1990, p. D17).

The average producer markup was found to have slipped from the traditional 35% to 30% (p, D17). It is interesting to note that agency executives attribute this decrease to better cost control on their part, while producers attribute it to a "depression in the production industry" which has forced produciton houses into an "unprofitable situation" (p. D17).

Another finding in this 1990 survey was a 6% decline in the average production cost of regional and local commercials (p. D17). This news is encouraging considering that, one year earlier, an advertising agency president said that "high costs keep many clients, especially local and regional advertisers, out of television" (Meyers and Freeman, 1989, p. 51).

More specific issues that can affect production costs were the focus of additional articles found in the trade

journals. These included information on how the glut in the number of commercial directors soliciting work from agencies, combined with the fact that agencies are producing fewer commercials, could be used as a bargaining tool to help hold down director's rates and overall production costs ("Too Many Directors," 1985, pp. 31-32).

The ramifications of fewer commercials being made was another issued examined in the trades. In the '70's, ad agencies claimed advertisers needed a variety of commercials for the same product to get the message across; today, advertisers can get the same result by shooting a few commercials with minor variations and airing them more often (Marshall, 1987, p. 196).

A production consultant pointed out how this particular issue could be used to perpetuate high production costs; with fewer commercials being made, the impact of each is magnified, which means the agency can justify spending even more money on it (Block, 1987, p. 178).

Production costs have been examined from a variety of viewpoints--the advertiser, the agency, and the production house. Relatively few articles, however, have examined the relationship between production and the local sales efforts.

Of the articles that did focus on this relationship, one looked at the importance of using the latest production techniques to sell local retailers, and suggested showing clients a reel of spots using various digital video effects

to show the "profit-producing" potential of sight, sound, motion, and color" (Green, 1987, p. 83). Account executives must be "innovative and knowledgeable in explaining new production techniques...that reduce costs yet add to the visual effects and quality" if they are to overcome a retailer's fear of production costs (p. 83).

The role of production in a program-related marketing push for new business was the focus of another article reviewed. In the example given, a presentation by WVEC-TV to a "major health care player" resulted in a twelve-month commitment for commercials, as well as for a series of primetime specials the station would produce (Josephson, 1987, p. 71). According to station management, "Creative and media are tied together with the research effort. We are marrying the commercial production effort to the whole [marketing] effort" (p. 71).

From the review of literature, it is apparent that there has been a great deal of industry focus on the cost of producing commercials at the national level. While these rising costs have been examined from a variety of angles, the cost of producing commercials at the local station level have been virtually ignored. Are production costs rising at the local level, or are station's giving advertisers lower production rates in order to win their business? At a time when the bottom line is being watched more closely than ever, this is an important consideration for those stations

that regularly engage in commercial production.

The challenges of opening new revenue streams at the local level have also been widely discussed in the face of new economic realities for the television industry. Although industry trends at the national level directly impact local stations, there is considerably less information on what is happening at individual television stations across the country. Little has been written that specifically addresses what these new challenges mean for production and creative services departments. Are these departments seeing an increase in their workload and, if so, are they equipped to handle it? Research into these questions can provide important insight into how television stations prepare for the challenges ahead.

CHAPTER III

METHODOLOGY

In order to gain information about the quantity and quality of commercial production being done at television stations, it was necessary to survey advertising and/or creative services managers at a number of stations across the country.

A telephone survey was the appropriate method of information gathering for a variety of reasons. A specific population must be targeted for this survey and because titles may vary from station to station, a mail survey may not have been routed to the intended respondent. With a telephone survey, control over the selection of respondents within the sampling unit is high, as is the response rate for the type of homogeneous, specialized sample this study requires (Dillman, 1978, p. 74). Other performance characteristics for telephone surveys applicable to this study are high likelihoods of success with open-ended questions and screen questions, and the potential speed of implementation (p. 75).

Now that the methodology has been established, other considerations must be made when determining an appropriate sample. Because market size may be a factor in the amount of commercial production done at any given station, it was necessary to survey stations in markets of all sizes to

get an overall picture of how much or how little commercial production was being done.

In larger markets, a greater emphasis on national sales and greater competition from outside advertising agencies and/or production houses may mean less station-produced commercials. Conversely, smaller market stations may have to produce more local commercials because of a lack of any other viable production resource in the market.

For this reason, a survey of one station in several different sized markets provided a more comprehensive overview than a survey of more than one station in a few markets. Information about other stations within a particular market was obtained by asking the respondents questions about competitive forces within the market.

Market size was also a factor in deciding to include only network affiliated stations in the survey sample. Large markets can often have several independent stations, whereas smaller markets sometimes have none. For this reason, independent stations were not surveyed.

Table 1 provides a breakdown of markets by the number of television households (TV HH) within their area of dominant influence (ADI). The data is from the Arbitron Company and represents the Arbitron television household estimates for the 1987-1988 season (Broadcasting Cable Yearbook, 1989).

Table 1: Breakdown of Markets by Television Households

ADI TV HH	RANKS	NO. OF MARKETS	NO. TO BE SURVEYED
2,000,000-6,000,000+	1-6	6	4
1,000,000-1,999,999	7-19	13	4
700,000-999,999	20-31	12	4
500,000-699,999	32-48	17	5
400,000-499,999	49-65	17	5
300,000-399,999	66-80	15	5
200,000-299,999	81-112	32	8
100,000-199,999	113-161	49	10
LESS THAN 100,000	162-212	51	10

TOTAL TO BE SURVEYED: 55

This breakdown provided a fairly even representation with 34 stations in the top 100 markets being surveyed, and 21 stations in the 100-plus markets being surveyed. Table 2 represents the actual sample used in the telephone survey. In addition to basing the sample on television household rankings, geographic considerations were made in the final selection to cover all areas of the country. Station affiliations were rotated beginning with the ABC network; in a few cases, one network was substituted for another because the required network had no affiliate in that market.

Table 2: Telephone Survey Sample

RANK	MARKET	STATION	AFFIL.
1	New York	WABC	ABC
2	Los Angeles	KCBS	CBS
3	Chicago	WMAQ	NBC
6	Boston	WCVB	ABC
7	Detroit	WJBK	CBS
10	Houston	KPRC	NBC

Table 2 (cont.): Telephone Survey Sample

RANK	MARKET	STATION	AFFIL.
12	Atlanta	WSB	ABC
19	Denver	KMGH	CBS
22	Baltimore	WMAR	NBC
23	Hartford-New Haven	WTNH	ABC
25	Orlando-Daytona Bch.-Melbourne	WCPX	CBS
27	Portland	KGW	NBC
32	Nashville	WKRN	ABC
40	Salt Lake City	KSL	CBS
44	Providence-New Bedford	WJAR	NBC
46	Louisville	WLKY	ABC
48	Greensboro - Winston-Salem	WFMY	CBS
49	Dayton	WKEF	NBC
52	Wilkes-Barre - Scranton	WNEP	ABC
54	Tulsa	KOTV	CBS
56	Albuquerque	KOB	NBC
64	Toledo	WNWO	ABC
66	Des Moines	KCCI	CBS
70	Roanoke-Lynchburg	WSLS	NBC
72	Omaha	KETV	ABC
77	Spokane	KREM	CBS
80	Huntsville-Decatur-Florence	WOWL	NBC
85	Jackson	WAPT	ABC
86	Columbia, SC	WLXT	CBS
90	Madison	WMTV	NBC
92	Burlington,VT-Plattsburgh,NY	WVNY	ABC
93	Baton Rouge	WAFB	CBS
94	Las Vegas	KVBC	NBC
102	El Paso	KVIA	ABC
112	Santa Barbara-Santa Maria-San Luis Obispo	KCOY	CBS
115	Columbus, GA	WLTZ	NBC
117	Tallahasse-Thomasville, GA	WTXL	ABC
123	Duluth-Superior, Wisconsin	KDLH	CBS
125	Terre Haute	WTWO	NBC
137	Boise	KIVI	ABC
138	Topeka	WIBW	CBS
148	Minot-Bismark-Dickinson	KFYR	NBC
152	Medford	KDRV	ABC
157	Bangor	WABI	CBS
161	Utica	WKTV	NBC
162	Clarksburg-Weston	WDTV	CBS
164	Billings-Hardin	KOUS	ABC
168	Rapid City	KEVN	NBC
176	Jonesboro, Arkansas	KAIT	ABC
186	Cheyenne-Scottsbluff,NE-Sterling, CO	KGWN	CBS/NBC
189	St. Joseph	KQTV	ABC

Table 2 (cont.) Telephone Survey Sample

RANK	MARKET	STATION	AFFIL.
192	Anniston	WJSU	CBS
199	Laredo	KGNS	NBC
205	Flagstaff	KNAZ	NBC
211	Alpena	WBKB	CBS

The goal of the survey was to gain information about the quantity and quality of commercial production being done at stations around the country. Questions relating to the personnel and facilities were also good indicators of the station's level of commitment to commercial production. The survey also examined competitive forces within the surveyed markets to learn more about how external dynamics affect a station's commercial production efforts.

Survey questions were both quantitative and qualitative in nature. Open-ended questioning allowed respondents to cite a wide variety of examples of their commercial production efforts without any limitations. A descriptive analysis using qoutes and examples given by the survey respondent was the methos used to compile the results. Where applicable, percentages were figured to provide an overall picture of similar responses to a particular question. The final results should offer management a basis from which to compare their station to others, evaluate their station's strengths and weaknesses in the commercial production area, and possibly learn new ideas that can be put to work in their market.

CHAPTER IV

RESULTS OF THE SURVEY

The response rate for the commercial production survey found in the appendix was 98%, with 54 of the 55 targeted respondents completing the survey. The respondents were, for the most part, production managers. However, because organizational structures varied from station to station, the survey population encompassed a wide variety of job titles. These included creative services director, marketing director, operations manager, retail commercial manager, executive director, account manager, producer/director, sales development director, retail services director, creative services producer, commercial services director, commercial production producer, local sales manager, promotion manager, writer/producer and field director.

The stations represented by these respondents can be grouped into four primary categories: (a) stations that do not do in-house commercial production work, (b) stations that do commercial production only on occasion, (c) stations that have separate commercial production entities, and (d) stations that do commercial production for their advertising clients on a regular basis. Each of these categories will be discussed in detail.

Stations that Do Not Engage in Commercial Production

Of the 54 network affiliates responding, only three (5.5%) did not engage in commercial production: WABC in New York, KCBS in Los Angeles, and WMAQ in Chicago. It is not surprising that these stations would not be involved in local commercial production, given the dominance of national advertising sales in the country's largest television markets.

The survey respondent from WABC in New York said involvement in commercial production would be a "conflict of interest." At both KCBS in Los Angeles and WMAQ in Chicago, the respondents said that if a client needed production work, they would be referred to a production house in the market. Reasons given for not doing commercials in-house at these stations were:

1. The station does not have a creative services department for commercial work;
2. the capability for this type of work exists but, because of unions, is not cost effective for clients;
3. competition from several production houses in the market is too great;
4. the stations' emphasis on in-house promotion of their own news operations and public service endeavors takes precedence over all other production work.

In Los Angeles, about half of the news promotion done for KCBS was taken to an outside advertising agency, and an independent consultant also produced sales marketing presentations for the station on occasion.

Although there is no commercial production done at WMAQ in Chicago, some local programming designed specifically for commercial sponsorship is produced in-house. The example cited was "Your Vital Signs," a quarterly medical series. Mike Brammel, sales development director at WMAQ, called this type of programming a "heretofore unexplored avenue for advertisers," allowing them more time, more content, and greater control over that content.

Sales marketing tapes are also produced in-house at WMAQ on occasion; other presentations used to aid the local sales effort are network-produced. An example of the latter is a sales presentation for the Barcelona Olympic Games.

Stations that Occasionally Do Commercial Production

Respondents who indicated that commercial production for local advertisers was done at their station only on occasion represented market sizes ranging from number 7 (Detroit) to number 161 (Utica, New York). Six of the 54 responding stations (11%) fell into this category. Each will be examined briefly, since each has unique reasons for doing a limited amount of commercial production.

1. WJBK - Detroit

At WJBK in Detroit (Market Rank #7), commercial production is done in-house only if a new client has no other source to turn to for the work, and it is important to get that client on the air. When the need arises, a producer/director who normally works on local programming is assigned to the project. In some instances, the account executive is called upon to write the copy for the commercial.

Restaurants, home remodeling stores, and financial services are the retail groups for which the station produces commercials most often. Some local programs designed specifically for commercial sponsorship are also produced in-house. The examples given were tax tips and "One Tank Trips." Vendor presentations were also being produced in-house in increasing numbers.

The primary reason given for not doing commercial production on a regular basis was the competition from independent production houses in the market. There are so many production houses that even the independent television stations in the market do very little commercial production. Because the auto business is so big in the market, there is an abundance of advertising agencies. These agencies can devote unlimited time to a commercial client; the station is at a disadvantage because it would have to interrupt commercial work for news production.

Overall, the commercial production done at WJBK is viewed as a sideline service to station clients, with the production charge included in the rate the salesperson gives to the client so that the client never sees the actual production cost.

2. KPRC - Houston

At Houston's KPRC (Market Rank #10), commercial production is also a service provided to clients who have no other production source. In these cases, the production is handled through the sales department, with creative services assisting on an as-needed basis. This type of production is again perceived as a sideline service to clients rather than a point of competition with local production houses.

The station's director of creative services, Bruce Bryant, added that, at one time, network affiliates did 100% of local production but, over the years, the importance of it has been "de-emphasized." Sales marketing presentations, however, are produced in-house, with the number of vendor tapes on the rise. These tapes are most often designed to increase a particular client's co-op advertising dollars through a joint station promotion.

3. WMAR - Baltimore

WMAR in Baltimore (Market Rank #22) also does occasional commercial work and has no separate commercial production arm. When the need arises, the production

department handles the work, with a producer/director, account executive, or agency contact writing the copy.

Being the flagship station for the Baltimore Orioles and doing a lot of news production were the primary reasons cited for the lesser emphasis on commercial production. The station does, however, produce local programming designed specifically to attract commercial sponsorships. Two examples of this type of programming are a homerun derby sponsored by area Ford dealerships and Black Histoy vignettes sponsored by McDonald's.

The main sources of competition for commercial production in the market are five independent production houses and two independent, non-union television stations that do little news production. The cable franchise in the market was said to be "scaling back" its commercial production and returning to its role as a "pure cable distributor." As with WMAR, the other Baltimore affiliates do little commercial production because of expensive union contracts and a heavy emphasis on news and promotion. Again, the point was made that production houses have a definite advantage because they can devote all their time and resources to commercial production.

4. WJAR - Providence-New Bedford

WJAR in the Providence-New Bedford market (Market Rank #44) is another station that engages in commercial production only on occasion. When the need arises, a

director from the production department is responsible for the commercial.

Clients' limited advertising budgets are seen as the primary reason for the decrease in the amount of commercial production work done at the station. The trend is for local advertisers to put less money into their commercial production so more money could be spent on airtime. The bulk of the commercial work done for clients in this hyphenated market is going to a production house in Boston, with one other station in the market competing for commercial production business.

5. WLKY - Louisville

Louisville, Kentucky's WLKY (Rank # 46) did quite a bit of in-house commercial production before turning its efforts to more internal promotion, programming, and newscasts. The theory behind the switch, according to production manager Don Helms: "One rating point is worth a million dollars and we wouldn't make that much doing commercial production."

Although the station's corporate philosophy leaned toward getting out of the commercial production business altogether, the station's owners are realizing they have to be able to provide some production as a service to clients. As a result, WLKY may be getting back into more commercial production work as its parent company test markets small commercial production units.

The trend toward doing fewer commercials could also be seen at the other affiliates in town, with the majority of the work going to two local production houses and an independent station. Helms added that the old theory that the station that had the production business controlled the account is not necessarily true anymore and that a station is not in the "production business" if production is given away to clients at no charge.

6. WKTV - Utica

Utica, New York (Market Rank #161) was the smallest market contacted that does commercial production only on occasion. WKTV has a few regular clients but, for the most part, does not consider itself to be a production house. The commercial production done at the station is seen as a sideline service that fits the needs of their clients.

The rates charged to the client for production work are not discounted, but the production rates are nominal to begin with. "Higher end" production work, generally meaning work with higher production values and their accompanying higher costs, is done at two production houses in the market. One other television station in the market also engages in commercial production. Overall, WKTV's production and program manager Tom Coin says the station's commercial productions may not be "artsy-craftsy," but they are highly successful in achieving their clients' advertising goals.

Stations with Separate Commercial Production Entities

A third category of respondents includes three network affiliates with separate commercial production units that have branched off from the station. The stations are WCVB in Boston (Market Rank #6), WCPX in Orlando (Market Rank #25, and Salt Lake City's KSL (Market Rank #40). Each will be discussed in detail.

1. Studio 5 Productions - Boston

Studio 5 Productions grew from the recognition that Boston's WCVB was underutilizing some of the resources at its disposal. As a result, a separate production company was launched four years ago. Initially, vacant facilities were rented out to independent producers for corporate work.

Today, Studio 5 Productions is a full-blown production company producing between 10 and 20 commercials a month (which accounts for about 20% of its overall business), a variety of corporate marketing presentations, programming seen throughout the New England area, and news inserts for the Lifetime cable network.

Car dealerships, restaurants, and sporting good stores are the retail groups Studio 5 produces commercials for most often. They also produce sales marketing presentations for WCVB aimed at informing retailers on how to use television. Included are advertiser testimonials and examples of commercials produced at various price ranges.

On staff at Studio 5 Productions are ten full-time employees: business manager, production manager, editors, administrative assistant, graphic artist, executive director, and floor director. By having a small permanent staff, overhead is low and freelance writers, producers, directors, and technicians can be hired as needed.

Facilities at Studio 5 include two multi-format editing suites, insert stage with two chip cameras and full lighting grid, remote production van, and a KU band satellite dish separate from the station. The only production element that might have to be "farmed out"--taken to a more specialized production company--is especially intensive graphic work.

Because of these facilities, Studio 5 competes equally with other production houses in the market; other production houses may, however, go after a more "big budget" client than Studio 5. The other television stations in the market do not do commercial production and, in fact, Studio 5 produces commercials for the other stations. Area cable franchises produce commercials at a very cheap rate on the condition that the spots run only on the cable system.

Studio 5 Productions is a profitable entity that operates under a separate budget from WCVB. Although some rate discounting is done to entice clients to advertise on the station, production costs are never traded out for airtime.

According to executive director Bill Lowell, Studio 5 Productions enjoys the best of both worlds, "the reliablity of the station, with the independence to do more." Because of the separate facility, Studio 5 does not have the time constraints found at other stations--a factor that is "reassuring" to clients. This allows Studio 5 to go beyond doing a commercial for a client and into other marketing endeavors.

2. Studio 6 Productions - Orlando

Another separate production arm can be found at WCPX in Orlando. Studio 6 Productions came about three years ago in an attempt to create another profit center for the station. At that time, another source of income was needed to offset the fact that CBS was not doing well. Since its inception, Studio 6 has become a separate, money-making entity which produces around 20 commercials per month mostly for shopping centers, car dealerships, and restaurants.

A variety of half-hour and one-hour shows developed for specific commercial sponsors is also produced at Studio 6. Examples of this type of programming include "Little Darlin's," "a rock 'n' roll, '60's-type dance show," "Cheyenne Saloon," a show featuring popular music, and a variety of programs produced for local hospitals.

Sales marketing presentations are also produced in increasing numbers by Studio 6 for hotels, developers, golf courses, and other corporate entities.

Job titles within Studio 6 Productions include creative director, director of operations, producer/writer, account manager, general manager, director, senior editor, audio technician, videographer, and lighting supervisor.

Facilities include a separate control room, studio, and off-line editing. Their state-of-the-art equipment allows them to actively compete on the same level with other production houses in the market for higher-end clients like Westinghouse, AT&T, and NASA.

Within the market, the Fox independent is the greatest source of competition for local commercial production business. It is important to note, adds account manager Jo Kessler, that commercial production for station clients is only a small part of the overall production done at Studio 6, with corporate video comprising the majority of their business. Production done by cable franchises in the market is not considered to be a factor.

Overall, commercial production at Studio 6 is seen as both an independent, profit-making venture and a sideline service to WCPX clients. Rates are reluctantly discounted for some clients, but production is never given away.

3. Video West - Salt Lake City

The third station surveyed that has a separate production wing is KSL in Salt Lake City. A year and a half ago, an established production company, Video West, acquired KSL's production facilities; KSL dissolved its production

department and got out of the production business.

According to production manager Tony Young, Video West "solved a problem" for KSL by acquiring them. He added that with declining market shares and revenues, stations have to be more cost effective, and KSL was not watching its costs, often giving production away. Video West is now a part of KSL, Incorporated, which includes the television station and radio stations.

Commercials comprise about 30% of Video West's business and are decreasing in number; fewer commercials are being done and, when they are done, they have smaller budgets. However, Video West still produces more that 30 spots a month. Frequent clients include car dealerships and malls.

Commercially sponsored projects produced for KSL include "Your Health Today" medical vignettes, 3-minute "Shop Talk" commercials in which various advertisers are interviewed about their product and/or service, and the "Merchants Club," thirty-second commercials shared by clients who are new to television advertising and would otherwise not be able to afford a commercial on their own. The production costs are included in the Merchants Club sales package.

Corporate industrial videos are the mainstay of Video West's business, with a lot of business coming in from clients on the West Coast. Video West has a separate entertainment division that regularly works on projects with

Disney, shooting in California and returning to Utah for post-production. Some home videos of its own are also currently on the market, and Video West also engages in the mass duplication of VHS tapes.

Video West employs around 70 people, all of whom work on a variety of projects. Some job titles within the company include editor, director, camera operator, producer, lighting director, and project manager. Although they share the same building with KSL, they have separate production facilities. The station has a separate news studio and control room so Video West productions are not interrupted by news production. The only element of production farmed out of house is the transfer of film to videotape.

Young noted that stiff competition among the affiliates in Salt Lake City led to stiff competition among production facilities. As a result, the whole marketplace is very advanced with regard to equipment and the entire market will probably upgrade to the D2 format next year.

There are three top "one-stop shops" in the market. One, like Video West, is an offshot of a network affiliate. Another highly successful production house in the market actually launched its own independent television station. Other "mom and pop" production houses do hurt Video West in some ways, but only for the business of clients with smaller budgets. One of the competing production houses in the market is also affiliated with a local cable franchise for

the production of low budget commercials.

The commercial production at Video West was described as an independent, profit-making venture. Despite the ties to KSL, the station is charged for all the production Video West does for station clients. If the sales department chooses to discount a rate for a client, they have to absorb the cost.

Stations that Regularly Do Commercial Production

Of the 54 stations responding to the survey, 42 (78%) said that commercial production for local advertising clients is a regular activity at the station.

Information was then gathered regarding (1) the quantity of commercial production done in-house, (2) the variety of commercial-related production done, (3) the personnel engaged in commercial production, (4) the facilities devoted to commercial production, and (5) the competition for commercial production business within the market.

Each station was also asked about its perceptions regarding commercial production as an independent, profit-making venture versus its role as a sideline service to station clients. Each of these areas of interest will be discussed in detail.

1. Quantity of In-house Commercial Production

Each respondent was asked if there was an increase or

decrease in the amount of commercial production done at his/her station over the past couple of years, the assumption being that a greater emphasis on local versus national sales would cause an increase. Thirty-two of the 42 stations (76%) said commercial production had indeed increased. Some specific reasons given for this increase and the number of mentions each received were:

1. better marketing by the station (1);
2. expanded creative services and/or production departments (4);
3. a more agressive attitude toward local sales (4);
4. new equipment and/or facilities (2);
5. clients were becoming better educated about the advantages of television advertising (1);
6. slumping local economies were booming again (3);
7. overall market was growing (3);
8. station had established a reputation for doing good quality production at a reasonable price (1);
9. sales staff was continually coming up with new ideas for increasing local sales (2);
10. sales department more active in seeking direct local accounts (1);
11. a real emphasis on the importance of local sales and in maintaining close business contacts (1);
12. greater awareness in the community and more businesses buying time (1).

Extra effort on the part of local sales staffs was the common thread in the increase in commercial production seen by several of the stations surveyed.

Of the four stations that saw a decrease in commercial production work, reasons included the growing competition from production houses springing up in the market, a heavier station emphasis on in-house projects, a slumping local economy, and increased competition from other stations in the market that were upgrading production facilities.

Five respondents said their commercial production work remained steady, and one respondent could not comment on any trends since he was relatively new to the station.

The next area of interest regards the quantity of commercial production work done at the stations and the retail groups that the stations produced commercials for most often. In an average month, three (7%) of the responding stations produce fewer than 10 commercials and 11 (25%) produce between 10 an 20 spots a month. Thirteen of the stations (31%) surveyed produce between 20 and 30 spots per month, while 15 stations (36%) produce more than 30 commercials in a given month.

One comment often given in response to this survey question was that seasonal fluctuations can affect these numbers; Les Hofland, production manager at Rapid City's KEVN (market rank #168) added that, at times, commercial production is a bit of a "feast or famine" proposition.

Another respondent, production manager Don Jenson of KIVI (Boise, market rank #137), commented that sometimes 30 commercials were produced in a week! Joni Varner, creative services producer at WFMY (Greensboro-Winston-Salem, market rank #48), noted that the station actually had two separate departments--one which produces commercials for clients that do not have an advertising agency (less than 10 per month), another for clients that do have agencies.

2. Variety of Commercial-related Production

When asked to name some of the retail groups the station produced commercials for most often, a wide variety of responses were given, with car dealerships and furniture stores leading the pack.

Seventeen respondents (40%) said that a wide variety of retail businesses comprise the bulk of their commercial production work. Below is a list of the specific retail groups given and the number of respondents that named that particular group:

1. car dealerships (34)
2. furniture stores (19)
3. grocery stores (8)
4. clothing stores (8)
5. restaurants (6)
6. department stores (3)
7. interior decorating -- carpet, wallpaper, etc. (3)
8. electronics/appliances (3)

9. lawn and garden (2)
10. jewelry stores (2)
11. air conditioning/heating (2)
12. hardware stores (2)

Bedding outlets, florists, construction (roofing, siding, and replacement windows), RV dealers, drug stores, book stores, manufactured/mobile homes, malls, dry cleaners, hotel/casinos, pawn shops, and office supply stores each received one mention.

A variety of professional and service-related advertising was also named, with health-related advertisers (hospitals, chiropractors, etc.) mentioned by three of the survey respondents. Also cited were lawyers, dentists, accountants, real estate offices, banks, and political advertisers. One respondent, Angela Schafer of KOTV's creative services department (Tulsa, market rank #54) commented that advertising by professionals was definitely a growing trend at her station.

The examples cited by the survey respondents reflect traditional thirty-second commercial announcements. There is, however, an increasing demand for alternative advertising vehicles that offer clients unique opportunities to tie their name to something more than a hard-sell message. For this reason, respondents were then asked what, if any, "value-added" productions they offered to commercial clients.

When asked if any programming was designed specifically for commercial sponsorship, the stations were almost evenly divided in their response: 23 (55%) stations do produce alternative advertising vehicles for their clients, while 19 (45%) do not. Interestingly, two of the respondents who said they did not undertake this type of production either saw the need for it or were in the process of developing it. Production manager Joe Brennen of KQTV in St. Joseph, Missouri (market rank #189) was, at the time of the survey, developing a local sports wrap-up and outdoor hunting and fishing program. Creative services producer Joni Varner, added that, although WFMY is not currently producing local programming specifically for commercial sponsorship, she sees a need to get away from "straight selling" and move toward value-added marketing.

Of the 23 stations that do produce alternative advertising vehicles for their clients, 13 (56.5%) noted a definite increase in this type of production. Some had never engaged in this type of "value-added" production before, but were finding that more and more retailers want their name associated with something besides the traditional thirty-second commercial. Another reason cited for producing these alternative advertising vehicles was the realization that the station could offer a community service and produce revenue at the same time. A common example is producing health tips to be sponsored by a local hospital.

Bill Schultz, commercial production director at WNEP (Wilkes-Barre-Scranton, market rank #52), noted that increases in regular commercial production work made it difficult for him to engage in these value-added production projects. As a result, WNEP (channel 16) recently created "Suite 16" to handle such projects. This newly created department is headed by one person, with manpower from production and other areas.

Specific examples of these value-added advertising vehicles are:

1. "Your Health Today"--:60 medical vignettes sponsored by local hospitals, weight loss clinics, etc.
2. Special Olympics and local college basketball games
3. weekly music shows, parades, air shows, rose festivals and other special events
4. "Get Well Games"--series of health hints
5. one-hour news specials
6. Healthbeat segment in newscast sponsored by a local hospital
7. "Buckskin Bill"--the country's longest-running children's show
8. half-hour show for senior citizens put on by a local attorney
9. backyard gardening and "Urban League on Location"

10. weekly feature that gives golf tips
11. "Time to Care"--spotlighting important issues and neighbors helping neighbors
12. "For Our Kids"
13. "Outdoor Weekly"
14. "HiQ"--high school quiz show sponsored by 14 different advertisers
15. "Profiling America"--a series of historical facts
16. safety and crime prevention tips, cholestorol tips, and heat index alerts
17. "Weather Garden"--gardening tips
18. half-hour, weekly real estate show
19. half-hour home improvement, gardening, fishing, and real estate shows
20. "House Call"--medical advice in newscast, amateur athlete of the week, "Crime Watch"--sponsored by an insurance company, and "Prime Time" health vignettes sponsored by a local hospital.

Another type of commercial-related production often undertaken in-house is the production of sales presentations to aid account executives in their local sales efforts. Respondents were asked if they engaged in this type of production and if the number of sales presentations produced over the past couple of years had increased or decreased.

Of the 42 stations responding, 34 (81%) do produce marketing presentations for their sales departments. Of the

eight respondents who do not produce sales presentations, one said that production did not have time to produce "spec" (speculative) spots. Another, Joe Brennen of KQTV, said the sales department often uses resources provided by the Television Bureau of Advertising to help market the station rather than producing sales presentations in-house.

Sixteen of the respondents (47%) who do produce sales presentations noted an increase in this type of production over the past couple of years. Some reasons cited for this increase were:

1. better marketing efforts by the station aimed at cultivating new business and increasing local sales;
2. a greater awareness of the benefits of this type of visual selling tool;
3. a growing need to educate clients and salespeople about the station's commercial production capabilities.

Ronnie Melancon, production manager at WAFB in Baton Rouge (market rank #93), added that, because of a drop in viewing levels, it was up to the station to go out and get new business and find new ways to enhance revenue. The station began producing sales presentations a year and a half ago because it was "up to us (the station) to go find money they (advertisers) could spend with us."

Six respondents (14%) said the number of sales presentations produced remained steady but, at KDRV (Medford, Oregon, market rank #152), production manger Kingsly Kelley added that it was now a "tougher sell." Of the two respondents who specifically noted a decrease in the number of sales presentations produced, one--Jeff Hoffman, commercial services director at WKEF (Dayton, market rank #49)--said an increase in regular commercial production business left less time for sales presentations. The other, Bill Schultz of WNEP, said the station was producing sales presentations to the point of "overkill" and were now producing fewer tapes aimed at specific clients and more generic tapes that sell the station and the market.

Sales presentations were produced to serve a variety of purposes, the most common being to sell the station's production capabilities. Thirteen respondents said they produced this type of presentation--showing examples of commercials the station had produced, using testimonials from clients, demonstrating production techniques, and explaining price ranges.

Another commonly produced sales tape cited by six of the survey respondents is the fall premiere presentation. These presentations are produced by the networks to showcase their new fall programming lineups. The tapes are often customized to include the station's syndicated programming as well.

Six survey respondents also said they produce presentations designed to sell the advantanges of their market and their station to potential advertising clients. One specific example of this type of presentation is "Metro Story"--a tape produced by WAPT in Jackson, Missippissi (market rank #85). According to production manager Lynn Bullock, WAPT--a UHF station in a market with 2 VHFs--uses this presentation to promote the advantages of buying the metro area rather than the ADI.

Vendor presentations to increase co-op advertising dollars, presentations designed to sell various sports programming (pre-season Atlanta Falcons football games, golf tournaments, Volvo tennis tournament, and "Kickoff Countdown" highlights of the Cleveland Browns and Cincinnati Bengals), and presentations to sell sponsorships of special events (home builders parade of homes, Special Olympics, Miss Connecticut Pageant, Calloway Gardens flower shows) were each mentioned by five of those surveyed.

Four survey repondents noted that they produced sales presentations explaining special sales packages or promotions to potential advertisers and sponsors. Also cited by two respondents were presentations designed to sell sponsorships for a variety of live programming and newsbreaks. Respondents from WJSU (Anniston, Alabama, market rank #192), WFMY in Greensboro-Winston-Salem, and WKEF in Dayton made specific references to presentations

for, respectively, "Buy Northeast Alabama First," "Buy North Carolina First," and "Buy Miama Valley First"--syndicated campaigns that encourage viewers to patronize local businesses.

3. Personnel Engaged in Commercial Production

The examples given above indicate that television stations are involved in a variety of in-house commercial production. The survey then focused on the employees involved in this production.

Before giving the results of the personnel portion of this commercial production survey, it is important to note that organizational structures varied from station to station. Although most of the responses reflect the number of full-time employees in the station's production department, some respondents gave the number of employees in:

1. retail or commercial services departments--which include only those people who work solely on commercial production;
2. creative services departments--which also include promotion personnel;
3. operations departments--which include production and some engineering personnel.

Because of these variations, it is difficult to make direct station-to-station comparisons. These responses can, however, provide some information relative to the stations'

commitment to commercial production.

The survey respondents were asked how many people were employed at their station, how many employees were in their department, and how many of that number were engaged soley in commercial production. Table 3 gives the responses to these questions and the percentages of total station employees that do only commercial production.

Table 3: Employees Involved in Commercial Production

Market Rank	Total Employees	Department Employees	Employees working on commercials only	% of Total
12	150	5	5	3.3
19	120	50-60	2	1.7
23	135	14-30	0	---
27	200	75	5	2.5
32	100	10	0	---
48	130-150	30-50	3	2.1
49	80-90	4	4	4.7
52	100	2	2	2.0
54	130	20	1	0.8
56	126	31	5	3.9
64	52	6	0	---
66	100	17-18	0	---
70	76	16	1	1.3
72	100	25	2-3	3.0
77	85	5	0	---

Table 3 (cont.): Employees Involved in Commercial Production

Market Rank	Total Employees	Department Employees	Employees working on commercials only	% of Total
80	40	20	3	7.5
85	50	9	4	8.0
86	45	7	0	---
90	70	3	3	4.3
93	100	30	5	5.0
94	125	20	5	4.0
102	80	11	1	1.3
112	70	20	5	7.1
115	43	6	0	---
117	60	7	0	---
123	65-70	9	7	10.0
125	65-75	11	0	---
137	60-65	7	0	---
138	60	14	2	3.3
148	40	12	6	15.0
152	75	24	8-9	12.0
157	50	12	12	24.0
162	40	17	0	---
164	---	3	0	---
168	55	14	0	---
176	65	16	6	9.2
186	45	15	2	4.4

Table 3 (cont.): Employees Involved in Commercial Production

Market Rank	Total Employees	Department Employees	Employees working on commercials only	% of Total
189	50-60	14	2	3.6
192	65-70	38	8	11.9
199	40	11	2	7
205	65	18	2	3.0
211	24	7	1	4.2

The respondents were then asked to name some of the job titles within their department. The job titles most frequently given were producer/director, director, camera operator, audio operator, writer/producer, production assistant, videographer, editor, copywriter, and graphic artist. Rarely mentioned were lighting directors, floor directors, and chyron operators.

Whenever writer/producer or copywriter was not mentioned by respondents, they were aked who wrote the copy for commercials when the need arises. Their answers included directors, producers, salespeople, continuity directors, production managers, ad agencies or the clients themselves.

The survey respondents were then asked if their department was overstaffed, staffed at the correct level given the workload, or understaffed. Not surprisingly, none of the 42 respondents thought they were overstaffed.

Twenty-seven respondents (64%) said they are staffed at the correct level; several also added, however, that they could use more people because, as WAFB production manager Ronnie Melancon put it, they run "right on the edge" of being understaffed. One production manger, KEVN's Les Hofland added that it was increasingly difficult to get the work done with the present number of employees but, because of seasonal fluctuations in the workload, it was hard to justify hiring another person. Two respondents--Joni Varner of WFMY and Gary Williams, production manager at KOB in Albuquerque (market rank #56)--noted that they soon would be understaffed if the workload kept increasing at its present rate.

Fifteen of the managers surveyed (36%) felt their departments were understaffed; they were then asked in what areas they were most lacking. The job titles mentioned were writer/producer, videographer/editor, studio and field production assistants, and director. Part-time help in support of commercial and daily news production and a flexible "utility" man were also on some managers' wish lists. One production manager, Norm Legg of WTWO in Terre Haute (market rank #125), commented that his department had "the right number of people, but not enough facility to do the work they could be doing." This leads into the next area of discussion--the stations' production facilities.

4. Facilities Devoted to Commercial Production

In previously cited comments, respondents who do commercial production only on occasion noted the importance of having separate production facilities in order to efficiently accommodate commercial clients. Those who regularly do commercial work were asked if they had any separate facilities devoted soley to commercial production.

Of the 42 stations where commercial production is done regularly, 16 (38%) have separate production facilites; 26 (62%) do not have production facilities separate from the news department. Although several respondents mentioned that they do have separate editing suites and field production gear just for commercial production, relatively few had complete post-production capabilities specifically for commercial production.

Even a few of the respondents who said they do have separate production facilities noted that the news or promotion departments also have access to that equipment. Glen Turner, production manager at KVBC in Las Vegas (market rank #94), noted that the separate off-line edit suite was set up three years ago to ease the "in-house crunch." WNEP's Bill Schultz added that a second control room became necessary because newscasts throughout the day broke up production time.

The issue of fragmentation of production time led to the next survey question. Those respondents from stations

without separate commercial production facilities were then asked how many hours per day were available for commercial work.

Responses ranged from 4 hours per day to 14 hours per day, with 4 hours, 6 hours, and 8 hours being the most frequently given responses. There were two main factors in the wide range of time available for commercial production work:

1. Several respondents with 8 or more hours of available commercial production time noted that this included an evening production session;
2. Several respondents with 8 hours of available commercial production time during the day (usually from 8 AM to 4 PM) were often from stations in smaller markets that did not produce a noon newscast.

It is also important to note that, although 6 to 8 hours of commercial production time per day may seem like quite a bit, several respondents noted that this per-day total is the sum of two- and three-hour production sessions scheduled throughout the day. It is this fragmentation that many see as a detriment to their commercial production efforts.

The survey respondents were then asked if they thought their stations' production equipment (a) meets and exceeds their current demands, (b) sufficiently meets their current

demands, or (c) needs upgrading to meet their current needs. Eight respondents (19%) said they had state-of-the-art equipment that meets and exceeds their demands. The remaining respondents were evenly split, with 17 (40%) saying their equipment sufficiently meets their current needs and 17 (40%) saying they need equipment upgrades to meet current production demands.

Of the eight respondents whose equipment meets and exceeds current demands, three are the beneficiary of new facilities. Two of the respondents noted that they are, for the most part, state-of-the-art, but do need upgrading in some areas. Rick Davis, field director at WABI in Bangor, Maine (market rank #157), noted that his station has "more tools than the time to use them."

WSLS (Roanoke-Lynchburg, market rank #70) production manager Jim Dickey added that, because of ever-changing technology, "You buy something new and it's obsolete as soon as you unpack it!" Coby Cooper, director of marketing and technical services at KAIT in Jonesboro, Arkansas (market rank #176), noted that his station reaps the benefits of a state-of-the-art facility thanks to its group ownership, even though it is the smallest station in the group.

When upgrading, KVBC production manager Glen Turner suggests buying the best equipment possible; trying to save money with lower-end equipment costs more in the long run because "you end up buying the higher end anyway."

The following "wish list" represents responses given by those whose stations need equipment upgrades and the number of respondents who noted that item:

1. better digital video effects (6)
2. more advanced graphics capabilities (5)
3. bigger switcher (5)
4. more modern editing system (5)
5. better studio and/or field cameras with chip technology, or upgrade from 3/4" to 1/2" format (5)
6. newer video tape recorders (3)
7. better audio board (2)
8. still store (2)

Two of the stations surveyed are in the process of building new editing suites because of an increase in commercial production business. Joe Brennen of KQTV noted that new, off-line posting capabilites there would increase the time available for commercial production work by five hours per day.

Respondents were then asked if they ever have to farm out any commercial production elements. Of those surveyed, 27 (64%) occasionally have to take work to an outside production source. The production elements most often farmed out are computer animation, film work, special effects, art work, voice work, and music jingles.

Jeff Hoffman of Dayton's WKEF noted that when the station is overloaded with commercial work, he can trade out

business with an independent production house in the market in order to get the work done. Four respondents also added that they hire freelance photographers, grips, lighting technicians, and copywriters as the need arises.

5. Competition for Commercial Production Business

Internal factors such as personnel and equipment shape a station's production capabilities, but it is important to realize that individual stations do not operate in a vacuum. There are several external forces that create competition for commercial production business within the markets surveyed.

Respondents were asked to name their station's major sources of competition for commercial production business. Thirty of the 42 responding stations (71%) said other television stations in the market are a major source of competition (12 specifically mentioned other network affiliates in the market; 3 mentioned independent stations in the market). Production houses are the next greatest source of competition, receiving mentions from 21 of the survey respondents. Other competitive forces are advertising agencies (3 mentions) and a local cable outlet (1 mention). Four of the respondents said there is no competition for commercial production business in their market.

When asked to single out their <u>greatest</u> source of competition, 15 of the respondents (36%) said their station

does the majority of the commercial production work in their market; six said they compete equally with everyone else in the market, and five said they do less commercial production than the other stations in the market. A couple of the respondents said they would place second in the amount of commercial production done if compared to their competitors.

Ten of those surveyed singled out one other network affiliate in the market as their greatest source of competition. Other stations in general were cited as the greatest source of competition by seven of the respondents; production houses in the market were also singled out by seven respondents.

In two of the markets surveyed, production houses have gone out of business due to lack of business, while in another market (Nashville, market rank #32), there are 30 to 40 production houses--more than in several larger markets.

Several respondents noted that the reason production houses are not in direct competition with their station is because the production houses generally go after higher-end or regional accounts. An independent television station, a local advertising agency, and an ad agency outside the market surveyed each received one mention as the greatest source of competition.

Three respondents noted that some accounts are lost to advertising agencies outside of their markets, but one added that clients are realizing the station can do the same work

at a much cheaper rate. Other stations had a peaceful co-existence with would-be competitors; one station produces commercials for another station in the market, and one uses its facilities to produce ad agency commercials.

It is also interesting to note that, while one respondent claimed independents have an advantage over affiliates because they do little or no news production, another respondent noted that affiliates have an advantage over production houses because they can negotiate commercial production rates in conjunction with air time buys.

Some of the reasons cited for doing less commercial production than competitors are:

1. Other stations in the market have more personnel devoted to commercial production;
2. other stations in the market have recently upgraded their facilities or have a separate facility for commercial production;
3. the station surveyed is devoting more time to in-house promotion, news and community affairs;
5. the station surveyed is getting out of commercial production and doing more corporate/industrial videos;
4. competitors undercut the station by offering flat or discounted production rates.

Only one respondent mentioned a local cable operation as a source of competition but, because commercial

production by local cable systems is a relatively new endeavor, respondents were asked if any such production is being done in their market and whether or not it is a competitve factor.

Of the 42 people surveyed, 32 (76%) said one or more cable systems in their market are engaged in commercial production, but they do not consider this to be a factor because the spots are generally very low budget and poor quality. Four respondents said the commercial production done by local cable companies is a factor.

One noted that the cable company probably produces more commercials than any one else in the market because of all its "freebies;" another added that he would "be lying if he said he never lost any business to them (cable)."

There is no commercial production by cable companies in seven of the markets surveyed and three survey respondents were not sure if their local cable company was involved in commercial production. Again, a couple of stations noted a peaceful co-existence between competitors; cable is seen as a benefit to one station because the cable company produces spots that run on the station and the station produces spots that run on the cable system. A cable company in one of the markets surveyed also takes its production business to a production house in the market.

One respondent also noted that the cable company in his market has the hardware to do commercials but does not have

the people to sell them. Although commercial production by cable companies was repeatedly described as low buget and therefore, not much of a factor, it is that same characteristic that makes it a factor in at least one of the markets surveyed. One production manager noted that he was trying to uphold the value of his station's commercial production but because of price undercutting by another affiliate, an independent, and the cable company, cable was becoming an increasingly attractive advertising alternative.

This problem of undervaluing production is at the heart of the final survey question. Each respondent was asked if the commercial production done at their station could best be described as:

1. an independent, profit-making venture or
2. a sideline service to station clients, offered at discounted rates or free of charge in return for time buys.

If the discounting of rates applied to the station, the respondent was then asked who has the authority to set the commercial production rate.

Of the 42 stations surveyed, 17 (40%) said their commercial production endeavors can best be described as an independent, profit-making venture. Fifteen respondents (36%) said the commercial production done at their station is more of a sideline service to clients offered at discounted rates. Ten of those surveyed (24%) said their

commercial production is best described as a combination of the two. Each of these three responses will now be discussed in greater detail.

When probed about rate discounting, only one of the 17 respondents who described their commercial production as an independent, profit-making venture said that there were no production rate discounts given to clients. Stan Roman, operations manager of WTNH (Hartford-New Haven, market rank #23) noted that although the volume of commercial production work is not great enough to make it a big profit center for the station, it is profitable and "no one's dared so far" to discount the rates.

When probed, other respondents who said commercial production is best described as independent and profitable did provide some insight into discounts given to station clients. These included some of the problems that can arise when the station or its competitors undervalue production with unrestrained discounting.

Jim Blaine, commercial production manager at KGW (Portland, market rank #27), noted that the sales manager has the authority to discount production rates for clients or offer other discounts on airtime, but that production is never given away. He added that other stations in the market do have a problem with undervalued production rates from discounting.

The management philosophy of Gannett is, according to creative services producer Joni Varner, the reason why commercial production is still alive and well at WFMY (Greensboro-Winston-Salem, market rank #48). She added that clients seem to move around from station to station for their commercial work and that lower rates by one of the stations may cut into WFMY's business a little.

Commercial clients in Columbia, South Carolina (market rank #86), have told WLTX production manager Barry Anderson that other stations in the market have discounted their rates and expect him to do the same. Thanks to a "strict" general manager and good quality work, they have been able to hold up their rates. If discounting is done, it is something the account executive will work out.

Doug Peterson, creative services director at WMTV (Madison, market rank #90), noted that although discounting is not at problem at his station, he has seen problems with undervalued production in other markets. He added that deep discounting usually backfires on the station that started giving production away. As for WMTV's commercial production efforts, Peterson said "We're here to make money and facilitate the air buy." If it means the difference between getting a client on the air or losing the account, he and station management will make a consensus decision to discount the rates.

Discounting is, likewise, not a problem for WAFB (Baton Rouge, market rank #93), according to production manager Ronnie Melancon. Melancon noted, however, that this was not always the case. Years ago, production was often given away until someone started keeping records and realized the station was giving away $80,000 worth of business a year. Now the station does around $300,000 worth of production annually.

Doug Fete of KCOY (Santa Barbara-Santa Maria-San Luis Obispo, market rank #112) said the production giveaways by a competing station forced his station to do more discounting and to stress quality more. In today's competitive environment, he added, "You can't just give a rate and expect it to hold." As a result, production rates are negotiated "constantly," and discounts are given to first-time clients and higher-end agency accounts.

Fete added that stations tend to get taken advantage of if they discount the rate too much, too quickly. His advice to anyone discounting production rates is to be careful, be consistent, and have a legitimate reason for discounting. This philosophy and an increase in corporate, not-for-broadcast production is what has kept KCOY's commercial production efforts profitable.

Market competition in Rapid City (market rank #168) has led KEVN production manager Les Hofland to emphasize the importance of educating clients about commercial production.

One of KEVN's competitors frequently gives production away; another doesn't even have set production rates. Although it is difficult for clients to learn they have to pay for production, KEVN never gives production away.

One other interesting comment from those respondents who said their commercial production was more of a profit-center than a sideline service came from Larry Bracher, local sales manager of KVIA in El Paso (market rank #102). His thoughts about discounting: "You get what you pay for and people should charge." This concise view of rate discounting is particularly interesting since it comes from a sales manager--the same person production managers often have to wrangle with over commercial production rates!

Not surprisingly, rate discounting was often a greater problem for those respondents who described their commercial production as more of a sideline service to station clients. Attention will now be turned to the comments of some of the fifteen respondents who fell into this category.

Teresa Ross of WSB's (Atlanta, market rank #12) retail services department said they have to do a lot of discounting because the sales department "wants the best of both worlds." The salespeople can propose a discounted rate, but it has to be approved by Ross or the director of retail sales. Ross also stressed the importance of keeping accurate records on the amount of production work given away and at the time this telephone survey was made, she was

working on a monthly report on how much business was being given away.

At KMGH in Denver (market rank #19) rate discounting is not a problem: it is a tool for getting clients on the air who have no other production source or who otherwise might not have been able to afford television advertising. The problem, according to Steve Fitzrandolph, is with clients not understanding the cost of commercial production: "They sit at home and watch network TV, see effective, well-done spots and want the same for $700 when what they saw probably cost 100- to 200-thousand dollars!"

The discounting done at KMGH is designed specifically as a service to clients who buy airtime on the station. Fitzrandolph noted that there are two rate cards, with one rate for "anyone who walks in off the street" and a 50% discount for production done by and aired on the station.

Randy White, production manager at WKRN in Nashville (market rank #32), also discounts rates to bring in more commmercial production business. Although he added that clients sometimes take advantage of the station, the same clients bring return business to the station even when they are charged more for their production the next time. WKRN is also taking another approach in its commercial production by doing free, ready-to-air, speculative spots specifically targeted at a particular client. White noted that the station enjoys a 95% success rate of spec spots being aired.

Rate discounting is seen as a problem for WNWO in Toledo (market rank #64). According to marketing director Burt DeVoe, commercial production in the entire market is undervalued, with clients getting much more of a dollar value than they realize at a nominal cost. He added that there is a real need for all the stations in the market to charge what the production is actually worth.

WNWO is now actively pursuing corporate-type production work (recruitment, training, and sales presentations) from a variety of businesses, schools, hospitals, etc. The goal is to bring in new clients that are not necessarily on-air clients and, therefore, do not expect to get production for free.

At Spokane's KREM (market rank #77), rate discounting used to be a real problem. However, according to operations manager Scott Blair, clients are now paying closer to the actual rate card production charge than they have in the past five years. Rather than giving production rate discounts as incentives to clients, the station now gives more air inventory to clients. When rate discounting is done, it is at the discretion of the production manager.

Norm Legg, production manager at WTWO in Terre Haute (market rank #125), believes the main problem with giving away and underpricing production is its negative impact on client perception of the entire production operation. Too much discounting can stigmatize the station as a "low-

budget, cut-rate facility." Despite this pitfall, the salespeople generally think the station isn't giving away enough. The production manager and the salesperson have the authority to deviate from the rate card to offer client discounts.

The problem of clients not understanding what commercial production is really worth was also cited by Dan Stevenson, production manager at KFYR (Minot-Bismark-Dickinson, market rank #148). Because clients don't know what production should have cost them, they feel they can easily change or update existing spots without any charge.

At KDRV in Medford, Oregon (market rank #152), incentives often come in the form of bonus inventory rather than production discounts. The sales manager and production manager Kingsly Kelley have the authority to deviate from the rate card. It is interesting to note that, according to Kelley, the amount of production given away is taken out of the sales department's billings at the end of each month.

Joe Brennan, production manager at KQTV in St. Joseph, Missouri (market rank #189) said the practice of giving discounted production rates to clients began five to six years ago at KQTV. The sales managers have the authority to deviate from the rate card for clients who, according to Brennan, have "become spoiled" by the low rates. He added: "It would be nice to start regaining some of that revenue."

Additional information regarding rate discounting can also be gleaned from some of the ten respondents who said their station's commercial production efforts fell somewhere in between the profit-making and sideline service categories.

KCCI (Des Moines. market rank #66) production manager Doug Cretsinger prefers the term "incentives" over "discounts" and charges as close to the rate card rate as possible. The rate is negotiated between him and the sales manager. Cretsinger added that his station is making up revenue by doing more corporate video production work.

The need for educating clients about the commercial production process was mentioned by Glen Turner, production manager at KVBC in Las Vegas (market rank #94). Discounting was a real problem at the station until they started making a "conscious effort" to educate clients. Now, they try very hard not to give anything away and actively involve clients in every step of the production process so they know what's going on. The final authority to deviate from the rate card rests with the general sales manager, but Turner negotiates the rate with him.

Ken Flannery, operations manager at KDHL (Duluth-Superior, market rank #123) noted that, for clients who hate the idea of paying for production, the time buy package is upped in price to cover the production costs. Clients realize the billing is being handled this way but still

prefer it because there is "something psychological" about only having to pay one bill.

Discounting is often a fight between sales and production at KGWN (Cheyenne-Scottsbluff-Sterling, market rank #186). Production manager Gary Mosier believes stations should either "go after it (commercial production business) and get the equipment to do it right, or get out of it and let the big boys do it."

The fact remains, however, that the "big boys" are not the only ones engaged in commercial production. Television stations in markets of all sizes are providing a valuable commercial production service to clients of all sizes. It is up to management at each of those stations to closely evaluate their strengths and weaknesses in the face of new economic realities. Table 4 summarizes the highlights of this evaluation of commercial production at network affiliated television stations.

Table 4: Summary of Results

Stations Responding	(54/55)	98%
Stations that Do Not Produce Commercials	(3/54)	5.5%
Stations that Occasionally Produce Commercials	(6/54)	11%
Stations with Separate Commercial Production Entities	(3/54)	5.5%
Stations that Regularly Produce Commercials	(42/54)	78%

Table 4 (cont.): Summary of Results

Quantity of In-house Commercial Production			
--amount of production has:	increased	(32/42)	76%
	decreased	(4/42)	10%
	remained steady	(5/42)	12%
	unsure	(1/42)	2%
--average number of commercials produced per month:	fewer than 10	(3/42)	7%
	between 10 and 20	(11/42)	25%
	between 20 and 30	(13/42)	31%
	more than 30	(15/42)	36%
Variety of Commercial-related Production			
--retail group stations produced commercials for most often:	car dealerships	(34 mentions)	
--stations that do value-added commercial production:			
	yes	(23/42)	55%
	no	(19/42)	45%
note: increase cited by 56.5% of "yes" respondents			
--stations that produce sales presentations:			
	yes	(34/42)	81%
	no	(8/42)	19%
note: increase cited by 47% of "yes" respondents			
--type of sales presentation most often produced:			
tape selling production capabilities		(13 mentions)	

Table 4 (cont.): Summary of Results

Personnel Engaged in Commercial Production		
--department staffed at: correct level	(27/42)	64%
understaffed	(15/42)	36%
overstaffed	(0/42)	0%
Facilities Devoted to Commercial Production		
--separate commercial production facilities:		
yes	(16/42)	38%
no	(26/42)	62%
--production equipment:		
meets and exceeds current demand	(8/42)	19%
sufficiently meets current demand	(17/42)	40%
needs upgrade to meet current demand	(17/42)	40%
note: equipment most needed -- better digital video effects	(6 mentions)	
Competition for Commercial Production Business		
other television stations	(30/42)	71%
production houses	(8/42)	19%
no competition	(4/42)	10%
Commercial Production Viewed As...		
--an independent, profit-making venture	(17/42)	40%
--a sideline service to station clients offered at discounted rates or free	(15/42)	36%
--a combination of the two	(10/42)	24%

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

Although there are many variables that determine the quantity and quality of commercial production done at individual stations, there seem to be two areas most responsible for shaping a station's production situation: internal competition and external competition.

Before discussing these, however, it is important to note the role market size seems to play in the overall commercial production picture. It would be both an overgeneralization and oversimplification to say that stations in large markets do relatively little commercial production, while stations in medium and smaller markets produce an abundance of commercials. Although there is some truth to this, commercial production is much more a factor of internal competition--competition for production time with in-house news and promotion efforts, and external competition--competition from other production entities within the market.

Another misconception with regard to market size is that the larger market stations have more state-of-the-art equipment than stations in smaller markets. This assumption was promptly dismissed when the production manager at a station in the 93rd market said he could use another ADO (a top-notch digital video effects system).

Those stations surveyed in the nation's three largest markets--New York, Los Angeles, and Chicago--did not engage in local commercial production. However, beyond this point, it becomes increasingly difficult to correlate market size with the presence or absence of commercial production efforts. Those stations surveyed that engaged in commercial production only on occasion ranged in market size from number seven (Detroit) to number 161 (Utica, New York). Again, external competition from production houses and internal competition due to a greater emphasis on news and station promotion were the reasons given for the lesser emphasis on commercial production.

At the opposite end of the spectrum are those stations that spawned separate production entities. It is interesting to note that at all three of the stations where this had occurred--WCVB in Boston, WCPX in Orlando, and KSL in Salt Lake City--commercial production for station clients was only a small percentage of their overall business. The fact that these production units are heavily involved in the making of corporate industrial videos shows a progressive attitude toward expanding the existing production revenue base. The management at these stations realized early on that shrinking ad dollars called for an agressive approach to preserving and expanding station revenue.

Of course, not all stations have the ability to create separate production arms. The majority of stations surveyed

do commercial production on a regular basis and are, in fact, seeing an increase in the amount of commercial production being done. The main reason for this increase was the need to bring in more local sales revenue in light of downturns in national advertising sales. Stations surveyed commonly produced more than thirty commercials a month for a wide variety of clients. Car dealerships were by far the most frequently mentioned retail group when survey respondents were asked for whom they most often produced commercials.

It is important to note at this point that the term "commercial production" no longer applies only to the traditional thirty-second advertisement. Increasingly, a station's commercial production effort also includes value-added marketing tools such as advertiser-supported vignettes and local programming, and sales marketing presentations. These commercially sponsored vignettes ranged in subject matter from gardening and home improvement tips to crime prevention; vignettes focusing on health issues were the most prevalent. Stations also frequently produce marketing presentations to enhance the local sales efforts; the presentations cited most often were those aimed at educating clients about the station's commercial production capabilites.

The wide variety of these value-added efforts is not as important as the fact that they are on the increase. It is

this plethora of production projects that leads to internal competition with news and promotion departments for access to production facilities. This internal competition was a common thread among many of the stations surveyed. Basically, stations are doing more work with the same number of personnel and existing equipment.

In the area of personnel, stations in smaller markets tended to have a larger percentage of employees involved in the commercial production process. This is not surprising considering that larger market stations generally have a higher percentage of employees in their news department.

What is surprising is that, in many instances, stations engaging in regular commercial production did not have personnel specifically devoted to that production. Directors, producers, salespeople, continuity directors, production managers, ad agencies and even the client were often called upon to write commercial copy. Consistency, quality, and even crediblity would probably be greatly enhanced if there was one person through which commercial creation could be channeled.

All of the managers surveyed believed the production department at their station was either staffed at the correct level or understaffed. Although the majority of managers felt they were staffed at the correct level, several made conditional comments about their current staffing level. Because of seasonal fluctuations, many

leaned more toward being understaffed; they added, however, that slower times make it difficult to justify hiring another person. Overall increases in the workload also have many production departments riding on the edge of being understaffed.

Besides personnel constraints, the other primary factor that creates internal competition is limitations with regard to the station's production capabilities. The majority of the stations surveyed that regularly engage in commercial production do not have separate production facilities. In other words, one control room has to handle all news, promotion, public service, and commercial production. Because news operates within set time frames, all other production must be worked in around those times.

This in-house crunch was a fact of life cited by numerous survey respondents. Six to eight hours of production time per day is often fragmented into two hour segments--a scant amount of time for involved production. It is this fragmentation of available production time that seems to be a common source of frustration for many of those surveyed. The fact that production houses can devote longer, uninterrupted blocks of time to commercial clients puts stations at a distinct disadvantage.

An off-line editing suite could help eliminate this disadvantage and could, in the long run, pay for itself through the ability to bring in more production business and

revenue. There is somewhat of a catch-22 for stations trying to justify investment in an off-line suite: should management look at the existing level of commercial production business to see if the expense is justified, or should management project how production business could grow as a result of a facilities upgrade? Increases in the amount of commercial production being done would indicate that off-line edit suites are becoming a necessity rather than a luxury.

As for other equipment considerations, the majority of respondents were equally divided between equipment meeting their current production needs and needing upgrades to meet those needs. Better digital video effects systems were at the top of more production managers' wish lists than any other item. Upgrades in graphics capabilities, switchers, editing systems, and field and studio cameras were also needed by many of those surveyed.

For those stations that need equipment upgrades, it is important to look beyond what a piece of equipment can do and look instead at how it can best be used. A state-of-the-art production switcher purchased by a station that does mostly news production is not necessarily a sound investment. More importantly, upgrades mean little if the people that operate the equipment are not given the proper training to get the most out of it.

More efficient scheduling of personnel can also help ensure that equipment is not sitting idle and help ease the in-house crunch. Production managers should also step back and take a close look at what it is costing the station to farm out certain production elements. It might be wise, for example, to consider investing in a better graphics system if work is constantly having to be farmed out to an outside production source.

In short, thinking in the long-term rather than the short-term can help a station build a stronger base from which to pursue commercial production efforts and eliminate some of the frustrations of internal competition.

Matters of personnel and equipment are within the stations' control; unfortunately, the same cannot be said of external competition within the marketplace. The two greatest sources of competition from commercial production business are other television stations (independents to a lesser degree than other network affiliates) and production houses. For the most part, production houses were seen as less of a direct competitor because they generally served a higher end clientele.

It is interesting to note that internal competition factors came into play once again when survey respondents cited reasons for doing less commercial production than their competitors. Those stations that did more commercial work generally had more personnel and better equipment

devoted to commercial production, while the stations that did less were devoting more efforts to in-house promotion, news, and community affairs.

Another reason cited by those who did less commercial production was their competitors' practice of offering flat or discounted production rates. It is this aspect of competition for commercial production business that, in many markets, has created a downward spiral for production revenues.

The basic scenario is this: because of increasing competition for local ad dollars, an account executive may offer a client reduced production rates as part of the overall sales package in order to get the buy. The client gets a commercial produced at a discounted rate or even free of charge and is blissfully unaware of the actual cost involved. Admittedly, the very words "television production" can strike fear into the hearts of many advertising clients, especially those new to the medium. However, this fear and ignorance about production is only perpetuated when costs are swept under the rug.

Account executives will argue that getting the buy is what is most important and, since their commissions are at stake, who can blame them? Too often this rationale is used as a crutch for closing the sale. On the other side of the issue are production managers who will argue that giving away production creates a vicious cycle that can ultimately

undervalue production throughout the entire market.

Fortunately, many of the production managers surveyed do have a say when it comes to deviating from the rate card and also keep close track of how much production is given away. Some production managers are also embarking on a mission to educate clients (and sales staffs) about commercial production costs. Clients are, after all, business people and most business people do not expect to get something for nothing.

The widespread fear of commercial production cost cannot be ignored. Although little has been written about the cost of local commercial production, there is a "fear of the unknown" factor at work when it comes to production costs. It is encouraging to note that the sales marketing tool most commonly produced by the stations surveyed were those that helped to educate clients about the production process and its cost. More stations should consider producing such a presentation to aid the local sales effort.

In today's ever-expanding television universe, the ability to cultivate a broader ad revenue base is a necessity. A station's ability to offer quality commercial production at a reasonable price plays a critical, yet often overlooked, role in building that client base. Local sales staffs at stations across the country are in fierce competition for a shrinking piece of the advertising pie. Those salespeople that educate themselves and their clients

about the production process, and who use production as a selling tool rather than a crutch, will lay the groundwork for mutually beneficial station-client relationships.

The increase in the amount of value-added sales projects is another indication that stations are working harder for local ad revenue. Advertisers are realizing that in an increasingly sophisticated (not to mention cluttered!) marketplace they have to do more to reach their target audience. Stations are realizing that with commitment and creativity, they can offer advertisers unique selling vehicles that go beyond the traditional thirty-second commercial announcement.

This commitment translates into people and equipment devoted to the station's commercial production efforts. The dilemma lies in the fact that it is difficult to justify committing capital to, say, an off-line editing suite, or hiring another writer/producer if the sales department is not making its budget. At some point, management has to decide if enhancing the station's commerical production capabilities will bring in more business, thereby helping the sales department reach its goals.

The bottom line is that management should look beyond the bottom line when determining whether or not to invest in the station's commercial production capabilities. A new edit suite won't pay for itself overnight, but the market factors that brought about the need for that edit suite

didn't happen overnight either. Most of those involved in station management realize that the television industry is no longer immune to the economic realities of increased competition. When advertisers are forced to tighten their belts, it is only a matter of time before a smaller flow of advertising dollars trickles down to the station level.

In the expanded television universe of the nineties, advertisers have a greater variety of media outlets and a higher expectation of results. A value-added marketing effort has to replace short-term thinking if a station is going to stay competitive. Those stations that keep an eye on the future will be better equipped to handle the challenges of today. This evaluation of commercial production at stations around the country will, hopefully, prompt station management to think more about the future of their own commercial production efforts.

The following recommendations provide a starting point from which to improve a station's competitive positioning with regard to commercial production:

1. educate the sales staff about the station's production capabilities and the costs involved--they are production's liaison with the advertising client;

2. produce a sales presentation tape showing the types of production the station is capable of at varying price levels--a tool to help educate and ease the fears of commercial clients;

3. research the going rates at other production source in the markets--advertising agencies and production houses are less likely to offer the kinds of discounts television stations give in return for time buys;

4. set a rate card and establish a firm policy for handling any deviations from that rate card--under what circumstances will discounting be allowed and who has the authority to approve it;

5. keep records of all deviations from the rate card--too often stations are not aware of how much business is being given away;

6. evaluate the personnel and equipment devoted to the station's commercial production effort--are revenue-enhancing opportunities often missed due to lack of personnel, equipment, or time;

7. if the answer to the above question is "yes," examine the economic feasibilty of creating a separate commercial production arm of the station.

The survey results also pointed to areas that require further consideration. One such area is the impact of unions on a station's ability to compete with non-union production providers for commercial production business. The negative effect of unions on cost effectiveness was mentioned by two survey respondents as a reason for not engaging in commercial production.

Whether or not a station is group owned also seems to play a role in the level of commitment to commercial production. In some cases, corporate "philosophies" either leaned toward getting out of the commercial production business altogether or wholeheartedly committed resources to the station's commercial production efforts. As mentioned earlier, KAIT in Jonesboro, Arkansas (market rank #176), despite being the smallest station in its group, enjoys state-of-the-art facilities thanks to group ownership. It would be interesting to look further into the relationship between group ownership and commitment to commercial production.

It would also be beneficial for stations to know more about what local advertising clients think of them. Are the stations really meeting their clients needs? Are efforts to educate clients about the production process successful? Why does a client choose one production source over another? Gathering this type of information from the clients perspective could help local sales staffs refine their marketing efforts.

The competition and economic realities of this decade are such that no station can afford to conduct business as it did in the days of double-digit ad increases and 90% viewing levels. An evaluation of local sales and commercial production efforts at individual stations is the only way to determine whether or not that station is poised and ready to

meet the challenges that lie ahead. Station management must evaluate their own commercial production efforts in areas similar to those examined in this study.

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APPENDIX:

TELEPHONE SURVEY

TELEPHONE SURVEY INTRODUCTION

This is Anne de Vega calling from Indianapolis, Indiana. I'm conducting a survey on commercial production done at television stations for my masters degree in communications from the University of Tennessee. I got your name from the Broadcasting Yearbook, and I'd like to ask you a few questions. It should only take about fifteen minutes and I'd be happy to send you the results of the survey if you'd like. May I continue?

1. Is commercial production for local clients done in-house at your television station?

_____ YES
_____ NO

A. To the best of your knowledge, was commercial production ever done at your station?

_____ YES
_____ NO

B. Why do you think commercial production ceased (or was never done) at your station? *** IF COMPETITION MENTIONED, PROBE FOR SPECIFIC SOURCES OF COMPETITION ***

C. Does your department produce local programming (ie., special medical vignettes) specifically for commercial sponsorship?

_____ YES
_____ NO

PLEASE GIVE AN EXAMPLE OF THIS TYPE OF PRODUCTION:

D. Does your department produce marketing sales presentations to aid your account executives in their local sales effort?

_____ YES
_____ NO

PLEASE GIVE AN EXAMPLE OF THIS TYPE OF PRODUCTION:

E. Do you foresee the need to do commercial production at your station in the future?

*** THANK AND TERMINATE ***

2. Is this commercial production the responsibility of your department?

_____ YES
_____ NO *** ASK WHO TO TALK TO, TERMINATE, AND CALL NEW CONTACT ***

3. Is commercial production done on a regular basis at your station or only on occasion?

_____ REGULARLY
_____ OCCASIONALLY

A. Under what circumstances do you do commercial production at your station?

B. Who is responsible for doing this production when the need arises?

C. What are (his/her/their) regular job responsibilities?

4. In an average month, which of the following best describes the number of commercials produced at your station?

_____ LESS THAN 5 A MONTH
_____ BETWEEN 5 AND 10 A MONTH
_____ BETWEEN 10 AND 15 A MONTH
_____ MORE THAN 15 A MONTH

5. Please list a few of the retail groups that you most often produce commercials for.

6. Does your department also produce local programming (ie., special medical vignettes) designed specifically for commercial sponsorship?

_____ YES
_____ NO

PLEASE GIVE AN EXAMPLE OF THIS TYPE OF PRODUCTION:

7. Does your department also produce marketing sales presentations to aid your account executives in their local sales efforts?

_____ YES
_____ NO

PLEASE GIVE AN EXAMPLE OF THIS TYPE OF PRODUCTION:

*** NOW I'D LIKE TO ASK A FEW QUESTIONS ABOUT PERSONNEL AT YOUR STATION ***

8. How many people are employed at your television station?

9. How many employees work in your department?

10. Of this number, how many work only on commercial productions?

11. Please list some of the job titles within your department.

12. Which of the following statements best describes the current staffing situation of your department?

_____ MY DEPARTMENT IS OVERSTAFFED... NOT ENOUGH WORK TO JUSTIFY THE NUMBER OF EMPLOYEES.

_____ MY DEPARTMENT IS STAFFED AT THE CORRECT LEVEL...ENOUGH EMPLOYEES TO REASONABLY DO THE WORK THAT NEEDS TO BE DONE.

_____ MY DEPARTMENT IS UNDERSTAFFED...TOO MUCH WORK, TOO FEW PEOPLE.

What area of personnel are you most lacking in?

*** NOW I'D LIKE TO ASK A FEW QUESTIONS ABOUT YOUR STATION'S PRODUCTION FACILITIES ***

14. Does your station have a separate facility devoted solely to commercial production?

_____ YES
_____ NO

What equipment does this facility include?

If your production facility must also accomodate local news production, how much time is available per day for commercial production?

15. Which of the following best describes your station's current situation with regard to production equipment?

_____ WE HAVE STATE-OF-THE-ART EQUIPMENT THAT MEETS AND EXCEED ARE CURRENT NEEDS.
_____ OUR EQUIPMENT SUFFICIENTLY MEETS OUR CURRENT NEEDS.
_____ WE NEED EQUIPMENT UPGRADES TO MEET OUR CURRENT NEEDS.

16. Are any elements of your commercial productions farmed out to businesses outside of your station?

17. In your market, what are your major sources of competition for commercial production?

18. Of these which would you consider your <u>greatest</u> source of competition?

19. Are any of the cable franchises in your market involved in commercial production?

20. Which of the following best describes the commercial production done at your station?

_____ COMMERCIAL PRODUCTION HERE IS AN INDEPENDENT, PROFIT-MAKING VENTURE.
_____ COMMERCIAL PRODUCTION HERE IS A SIDE-LINE SERVICE TO STATION CLIENTS, OFFERED AT DISCOUNTED RATES OR FREE OF CHARGE IN RETURN FOR TIME BUYS.

Who has the authority to deviate from your station's standard rate card commercial production rates?

21. Do you have any additional comments you'd like to make with regard to commercial production at your station?

22. Would you like a summary of the results of this study?

_____ YES
_____ NO

*** THANK YOU FOR YOUR TIME AND INFORMATION, I APPRECIATE YOUR HELP. ***

TERMINATE.

VITA

Margaret Anne (Anne) de Vega, a native of East Tennessee, came to the University of Tennessee from nearby Oak Ridge. She majored in Spanish and received the Bachelor of Arts degree with highest honors. Ms. de Vega then enrolled in the Master's program in the College of Communications. A practicum through the Department of Broadcasting led to her first job at Knoxville's ABC affiliate, WATE-TV.

For most of her three years at WATE, Ms. de Vega produced commercials for station advertising clients and a variety of special projects. She then accepted a writer/producer position in the promotion department of WISH-TV, the CBS affiliate in Indianapolis, Indiana. News image, series and topical promotion were her primary responsibilities at WISH.

After graduation, Ms. de Vega will begin a new job as a promotion writer/producer at WCCO-TV, the CBS-owned station in Minneapolis, Minnesota.