RESHAPING SPOT TELEVISION AS A NATIONAL ADVERTISING MEDIUM

MEDIA DYNAMICS, INC.

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EXECUTIVE SUMMARY

- Despite the fact that sales potentials for many of their products vary geographically, national advertisers remain fixated on national media, notably network TV.

- So far, efforts by spot TV advocates to sell such advertisers on positioning spot as their "basic" medium, supported by a network overlay, have not succeeded.

- One reason is the lack of city-by-city sales analysis at many national marketers. Few have developed any models to guide them in determining the return-on-investment of local market GRP add-ons, or what approaches to take.

- Spot sellers need to correct this situation by embarking on a sustained program to show advertisers how sales are affected by various approaches to market weight tailoring.

- Spot selling practices also need to become more business-like and less informal—in other words, more like those employed by the networks. This calls for firm but sensible audience guarantees, dramatically improved research and the acceptance of accountability.

- Spot's tedious paperwork "morass" can be alieviated by adopting network sales methods that focus on total schedule delivery, not show-by-show details. Other refinements (such as an aggressive use of the "unwired network" approach, with its national reporting framework and independent auditing) could also address this problem.

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I. SHOWING ADVERTISERS HOW TO EXPLOIT SPOT TV'S GEOGRAPHIC TARGETING CAPABILITIES

For decades spot TV advocates have visited advertisers and agencies, showing them presentations that noted how TV network buys are unable to adjust their media weight to key areas of geographic or local sales potential. No argument there; everyone who has seen these presentations concedes this point. Yet thus far, spot TV has made virtually no converts in its efforts to reverse traditional advertiser thinking, which positions network TV as the linchpin of national ad campaigns and uses spot to fill in with added weight in a limited number of "key" markets. The idea of starting with spot to tailor media exposures on a market-by-market basis, then using network TV as a secondary "umbrella" add-on, has gained absolutely no traction.

How can this be?

There are many reasons for the typical national advertiser's fixation on network TV (which now includes the broadcast networks, syndication and cable) as its "basic" medium. Contrary to what spot sellers seem to believe, targeting consumer "eyeballs" is only one consideration for advertisers. Of at least equal concern, and in many cases the primary factor, is the "look of the buy" in terms of its merchandisability and its image shaping capabilities. Many advertisers need to show their sales and distribution organizations, as well as Wall Street analysts and other influentials, that they are supporting their products or their brand names by prestigious buys in major network shows like *American Idol*, *CSI*, and so forth, or in special events like the Olympics and golf tournaments. Often, these buys are linked to important promotional activities, such as top sales prospects being invited to the advertiser's golf tournament, the Olympics or a taping of *The Tonight Show*.

What does spot TV have that can compare to this? How many national advertisers would tout upcoming local buys in Peoria or Harford, employing hometown newscasts of stations X, Y, and Z, rather than the major ABC, CBS, Fox or NBC entries that their competitors are using? Not many.

Since the quality of its programming cannot compare with what is available on network TV, and because its variable local orientation does not present a uniform or cohesive picture, spot is left with geographic or market-by-market consumer targeting as its primary sales advantage. But there is little doubt that the sales of products and individual brands do, indeed, vary from one city to another, so why isn't spot the main component of most media schedules?

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Spot sellers face two key problems. First, when an advertiser allocates 50-65% of his media budget to network TV, with another 20-25% going to magazines/Internet buys, this doesn't leave much for spot. Worse, studies by scanner panel research, which purports to track the incremental sales effects of spot TV overlays on national TV umbrella campaigns, often show meager results. In other words, once 5,000 network GRPs are placed in a market, even if more should have been allocated, based on the market's true sales potential, ad awareness and purchase intent base that generates a sales response has never the less been generated. Adding another 1,000 spot GRPs is not going to produce anything close to a 20% sales boost, due to the diminishing return effect, which holds that as more and more of any medium is used, return-on-investment (ROI) diminishes progressively. Indeed, scanner studies often find that such heavy-ups fail to move the needle at all, and if they do, any additional gains fall short of generating an acceptable return on the dollars invested in spot.

To be fair, spot TV doesn't really stand a chance in such studies, due to its positioning as the add-on medium. If the roles were reversed and spot became the "base buy," with network GRPs looked at as more incremental, the latter would suffer the pitfalls of the diminishing return effect. Unfortunately for spot, many national advertisers are aware of the scanner studies that question the ROI of supplemental city-by-city GRP support, and few are willing to consider the alternative option of making spot the base buy and network the add-on.

The second problem that spot sellers face is the fact that national advertisers often fail to study the way their sales vary from market-to-market, nor do they have anything close to a practical model for evaluating such fluctuations and the probable response to GRP weight levels. A number of elements are at play here. One is that many advertisers do not have hard data on exactly where they sell their products, leaving this up to their distribution arms to worry about. Often, all that is available is warehouse or regional shipment data, but even when more precise information is at hand, few have bothered to examine it or run cause-and-effect tallies to correlate sales with media weight and other variables. Also, many advertisers are wedded to the "big picture" or "think national" approach, a tendency that is compounded by the rapid turnover in brand managers at many of these companies. To be sure, there are exceptions to the rule; however, brand managers often switch from one product to another at 2-year or shorter intervals, giving them barely enough time to bone up on a brand's nationwide situation before moving on to another assignment. In such cases, who is going to study market-by-market product class and brand sales variations, formulate a radical departure in media weighting practices and sell it to the organization? Who has the time?

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There is no point blaming the agencies for the failure of so many brands to realistically evaluate market-by-market variables. For the most part, the agencies lack the resources to devote to such matters and, with so few clients expressing concern about using spot TV more creatively to target consumers, what is their motivation?

If spot TV advocates wish to encourage national advertisers to consider their form of television as a core element in their media plans, they need to find a way to show how ROI can be affected by varying media weight in key markets. This is not an easy subject to tackle, nor is there any promise of a quick fix or some magical, one-shot study that endorses the use of spot in all situations. Rather, an ongoing program needs to be funded by spot sellers and station owners that identifies the key variables and provides benchmarks or "rules of thumb" to guide advertisers.

How could such an effort be orchestrated? Assuming that a serious long term campaign is to be waged, an entity such as the Television Bureau of Advertising (TVB) is probably the best suited to helm the project. To begin with, an adequately funded task force should be set up to work with scanner panel research companies to organize a program that would explore the ROI of various mixes of network plus spot TV, as they relate to sales.

In order to be credible, these investigations should involve a wide cross-section of national product categories and brands that now use both network and spot. The research should also explore all logical ramifications, not just those presumed to favor spot. Some of the questions that need to be addressed include:

1. Is it better to add spot weight to network in markets where the product category is strong, but the brand isn't, or the opposite (high category development indices vs. high brand development indices)? Or should both the CDIs and BDIs be high for best results?
2. Which are the best markets to use spot? Where a brand's sales momentum is surging, flat or lagging?
3. What types of products benefit the most and the least from spot add-ons? Are results better for smaller brands or market leaders? What about new products versus established brands?
4. How are a national brand's sales affected if spot is used as the "basic" media component, with GRP weight varying by market based on CDIs or BDIs, or both, and network GRPs overlaid upon the spot buy? How do results differ (at comparable media budget levels) if the current network base with a spot overlay is used instead?

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The last area of investigation (#4) is where the real payout might come, provided that the research is designed to seek the truth, and not just blatantly promote increased use of spot TV. By varying the mix of network and spot to evaluate the overall impact of allocating GRPs in accordance with local sales potentials, such a study could cause national advertisers to reconsider their cavalier approach to this aspect of media planning. It should be noted, however, that there is no guarantee that positive results will always develop for spot TV. While it seems logical that a media mix that skews more of its local ad weight towards consumers who are more likely to buy will produce a national sales increment, there are bound to be exceptions. In addition to research design issues, the effectiveness of a brand's ads as well as other factors can render such research problematic.

Even if the research is conducted and begins to produce definitive evidence in favor of local market GRP tailoring, it is vital that such information be transmitted to the real decision makers by people who speak their language. Clearly, spot TV will have to reach out to engage experts who understand how advertisers and agency account managers think, so the findings are conveyed in marketing-relevant terms. While agency media departments need to be covered, it is crucial that client marketing and brand management be sold on the concept. Few of these executives will be inclined to attend what is to them a media "numbers" pitch; but telling them how a different media mix can improve sales, especially for brands in their general category, will grab their attention.

As we noted earlier, a program such as the one described above would position spot TV sellers as "partners" with national advertisers, in a long ranging effort to improve the utilization of local TV as an important targeting tool, in conjunction with national television and other media buys. While a few advertisers who have not invested heavily in spot will become converts early on in the process, it's more likely that others will begin to test different mixes of network and spot, rather than jumping on the spot bandwagon. Still, if TV station groups and sales reps initiate such an effort now, and sustain it for a reasonable period, say 5 years, they are building a framework not only to improve spot TV's reputation in a typical advertiser's media mix, but also to create a hedge against the next recessionary period, when advertisers must, once again, decide which promotional options are really vital to them and which ones to trim from their media budgets.

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II. MAKING SPOT TV USER-FRIENDLY

With the exception of clients whose distribution and sales positions are highly regional in nature, spot television has few advocates at the agencies. Unlike network TV, spot is a labor-intensive, unglamorous media "chore," which eats into agency profit margins and is frowned upon by many account managers. Furthermore, spot is plagued by mediocre audience surveys, slow reaction time, tedious post-buy policing and bad selling practices, all of which need to be corrected.

1. Improving Spot TV's Audience Surveys

While small markets continue to be measured by dubious household diary studies, mid-sized and major markets are monitored by a variety of electronic measurements, depending, of course, on the stations' willingness to support such costlier systems. Since stations are generally reluctant to pay for sufficiently large samples, the ratings for individual telecasts in virtually all markets are inherently unstable, to a far greater degree than their national network counterparts. As a result, predicting future ratings for spot TV buys is, in large part, a guessing game.

Further compounding spot's problems, its audience studies cannot begin to compete with those used by the TV networks—including syndicators and cable as well as the broadcast networks—in the depth and utility of their findings. While a typical spot seller is limited to primitive age/sex breakdowns, the networks can provide income, race, occupation or other breakdowns, and the agencies have access to similar information from Nielsen. Network TV buys can also now distinguish between commercial and program content ratings, and a wide array of product use, brand purchase, mindset, viewer attentiveness and ad recall/impact metrics are also in place from other sources for media planners and buyers, as well as the TV networks, to utilize. Spot TV offers nothing like this degree of sophistication in its research.

It can be argued that national findings on detailed demographics, product usage, attentiveness or ad impact can be assumed to apply locally when the same programs are aired, but it is asking a lot for harried spot buyers, grinding out market purchases involving upwards of 500 stations, and their sales reps to attempt such refinements. And what about locally originated program fare, which often takes the form of newscasts, home-grown talk shows and sports features? How does one translate national audience or qualitative profiles into credible local equivalents for such programming?

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The obvious solution, at least for TV stations in the larger, metered markets, is to embark on a campaign to improve the quality of their audience surveys. In addition to accepting the cost of larger samples, the stations should encourage the rating company to routinely incorporate additional demographics into its regular database in carefully planned stages. Commercial ratings, as defined by current network practice, should become spot TV's audience "currency." Furthermore, an attempt should be made to investigate the feasibility of periodic qualitative research such as viewer attentiveness and/or ad recall, if not for network shows, then for major local programs like the news. And finally, the possibility of applying product use and other "qualitative" indicators obtained by national survey companies such as MRI, to local markets via a computerized model should be evaluated. It is theoretically possible for an ABC affiliate to project "qualitative ratings" for all of the national network shows it airs by marrying national MRI indices with local market ratings, to produce such projections on a show-by-show basis. Similar data could replicate projections for other broadcast network affiliates in the same market as well as syndicated programs and even cable channels.

Obviously, interfacing data from national surveys with local market ratings is a complicated matter, requiring a good deal of thought, consultation with agencies and the cooperation of the research services, so one can't just rush in and do it. However, the possibilities should be explored. It may seem fanciful today, but it is not hard to foresee a time in the not too distant future where spot buyers and sellers guarantee total schedule commercial GRP deliveries based not just on demographics, but also product use or "engagement" metrics.

2. Improving Selling Practices: An "Unwired" Approach To Reducing The Paperwork Burden

When a TV network sells time, it tells an advertiser exactly which telecast his spot will appear in (the exact pod is determined later) for each show. Except in unusual circumstances such as the death of a national figure or an earthquake disaster, which the network is obliged to cover commercial-free, the advertiser's commercials run in the telecasts specified on its schedule. There are no sudden, unannounced preemptions to accommodate other advertisers; there is no issue of fair or unfair spot rotations and there are no "fixed position" premiums for the advertiser to pay in exchange for knowing exactly when his spots will air.

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Unfortunately, spot buys rarely offer a comparable degree of certainty. In most cases, the buyer is "promised" a "fair" rotation across various telecasts of a Monday-Friday show or, more broadly, a daypart's worth of programs. But stations often overbook sales, with the result that they may unilaterally pre-empt one advertiser's spots to insert those of another, whose buyer was willing to pay a higher rate. As a result, the national advertiser, who may have cetain marketing reasons for wanting audience attainment in specific weekly periods, might find that spots amounting to 10%, 20% or even 30% of his anticipated GRP delivery never ran. "Not to worry," says the rep, weeks after the fact when the shortfall is discovered, "we'll make it good, later." Obviously, advertisers and their agencies chafe at such practices, which blacken spot TV's reputation.

The stations' "slight of hand" approach to audience guarantees is another nail in spot's coffin. Unlike network TV, where total schedule GRPs are firmly guaranteed and there are mechanisms for timely adjustments, including make-goods, spot buys are negotiated with far less formality, the seller is deliberately vague about possible shortfalls and the onus is on the buyer to guess the rating outcome. Even in metered markets, the tendency is to wait for more detailed "sweeps" reporting, rather than relying on topline weekly ratings, so when shortfalls occur, they are often not known until a spot flight—often lasting only 3-6 weeks—is long over. When the buyer notes the GRP shortfall and contacts the seller, the refrain is the same, and the reply is something like, "OK, we'll try to fix you up with some make-goods, maybe next quarter."

This approach stands in sharp contrast to a typical network operation, where the sales department continually tracks the performance of all of its spot packages, and frequently initiates some form of make-good adjustment in conjunction with the buyer, as the schedule unfolds. In network buys, once a deal is made with the buyer, the network assumes the primary responsibility, , and is prepared to respond to problems that develop if its ratings for certain shows tank. In spot, however, it's "buyer beware," and stations see themselves as "nice guys" who, if asked, are willing to "help out" a buyer with bonus spots.

While stations may be able to operate in this manner with less sophisticated local advertisers and novice national accounts, the sloppy approach we have just described is a huge detriment in wooing savvy national advertisers and their agencies, who are accustomed to more business-like dealings with the TV networks.

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The obvious solution is for stations to sell national advertisers more specific schedules, with a guaranteed given number of placements per week in five-day-a-week shows, even if the particular rotation is decided upon later. In other words, once a buy has been made, the advertiser cannot be pre-empted, nor can the week-to-week sequence of GRP delivery be abruptly curtailed.

As far as audience guarantees are concerned, stations should stop waffling or citing nonsensical excuses such as "error margins" in the local market rating studies. Instead, they should guarantee total flight GRP delivery, not for individual shows, but for the collective ad schedule. In this regard, they would emulate network TV practices and benefit from any overdeliveries that occur, as well as being responsible for shortfalls.

There are a number of ways that stations could ease the post-buy servicing and policing function that make spot such a tedious chore for agencies. One is to be far more proactive in the "unwired national" arena.

As we have noted, a typical spot buy for a national advertiser is an incremental local supplement within the context of a national network "umbrella" campaign. The idea is to add GRPs to varying degrees in key markets, either to boost their media weight in line with heightened sales potentials, or to compensate for underdelivery by national networks in such areas. As a rule, specific target group GRP goals are developed for each spot market (or clusters of markets) based on anticipated network performance.

To demonstrate how an unwired approach would ease the agencies' paperwork problem and provide GRP weight where and when it is needed, let's set up a hypothetical example.

A national advertiser plans a six-week, 40-market spot buy, involving early and late fringe, with one group of markets slated for 55 GRPs per week, another for 45 GRPs and the third, 30 GRPs. Overall, the markets cover 60% of U.S. homes.

Say that a number of reps, wearing their "unwired" hats, are asked to bid on orchestrating the entire spot buy for the agency. For reach attainment purposes, it is ordained that at least three stations must be used per market, which means that the "winning" rep will have to buy time on stations it does not handle, probably through other representative organizations.

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The various reps bid on the business. Each guarantees a specific all-market average CPM, plus a market-by-market GRP guarantee (with a sensible plus or minus leeway per market). Any underdelivery will be rectified by make-goods in the entire 40-market lineup, and will be provided on or after the midpoint of the flight.

In order to ensure timeliness and consistency, audience delivery is to be determined through special tabulations from Nielsen's national meter panel. Nielsen is given access to an independent auditing firm's copies of the stations' logs, identifying the spots that have actually aired, and inputs these into its database tallying system, producing a national gross audience projection for the buy, to date. If the equivalent of 96 national GRPs was the target for the first four weeks, but only 80 GRPs were attained, the agency would push the rep handling the unwired deal to add spots in the last few weeks or face the consequences. On the other hand, if Nielsen reported an overdelivery, showing 115 national GRPs attained thus far against a promised 96, the rep might reduce the number of spots airing in weeks five and six in key markets of its own, so as not to exceed the agreed upon goal. In this event, such spots could be sold profitably to other advertisers by the stations, without affecting the status of the unwired deal.

The final accounting would present the buyer with a single turnkey-style report that documents the national delivery of the spot schedule, plus a city-by-city local market GRP tally and, of course, an addendum with the actual stations and the spots each aired. If the agreed upon CPMs and GRP goals were attained, at least three stations were utilized per city, and all of the spots ran in early or late fringe, there is nothing more for the buyer to do. The tiresome, station-by-station CPM rating and scheduling rehash that typifies current spot buys is eliminated.

Since the rep who won the unwired assignment has to devote considerable effort to orchestrating and managing the buy, ensuring its delivery, negotiating with stations and other reps, paying for Nielsen's services, etc., it should be able to charge the stations an added fee for its services. The stations, in turn, would agree to the conditions imposed, including the provision of suitable (and timely) make-goods, if needed.

While the unwired idea would be a radical departure for national spot TV sales, and put the rep companies into an unfamiliar entrepreneurial relationship with competitors and their stations, it would solve one of spot's major problems. Agencies would no longer drag their feet or in various ways discourage (or minimize) the use of spot

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because of the administrative burden it entails. Moreover, by being network-like in their sales and packaging, spot reps would suddenly be involved in the media planning function, giving them a leg up when it comes to promoting their form of TV as an important media option. Finally, spot buys would tie in with their network counterparts in terms of audience guarantees, quick response mechanisms and strategic relevance.

Even if stations and sales reps are reluctant to push the envelope with the unwired concept—which would come as no surprise to us—other avenues to ease the agencies' paperwork burden should be considered. They could at least borrow a component of independent unwired networks and create a setup whereby independent auditors tally station affidavits and note significant discrepancies, such as spots airing in the wrong dayparts, multiple spotting in the same telecasts, etc.? The same auditors could input data from station affidavits showing what spots ran into Nielsen's local market rating database to generate station-by-station GRP goal versus delivery assessments, again, saving the buyers considerable effort and allowing them to focus on real problem areas.

Such a program would require added costs for the stations or their reps, but these would be offset by reduced time and effort spent on the selling side, dealing with buyers who wish to nitpick every rotation and individual show rating shortfalls. Also important is the image upgrade for spot television. After all, it's the seller's responsibility to demonstrate that it delivered what was promised.

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