Cable/Satellite TV

Over the past 10 years, cable TV has increased significantly in prominence as an advertising medium, both in perception and in revenue generation. But does perception equal reality? There are several key points that must be addressed in any conversation with a client or prospect that is currently using or considering cable advertising.

It's easy to see why advertisers find cable so compelling. With a penetration rate of over 61% for wired cable and more than 28% for direct broadcast satellite, according to Nielsen Media Research, your clients and prospects probably have one of these two providers in their own home, which makes it a comfort zone for them. Further, cable programming has become much more mainstream in the past few years. With a number of critically-acclaimed series that have attracted millions of devoted viewers, the perception that cable TV is the same as broadcast TV is also on the rise.

Cable positions itself as offering the geographic targeting of newspaper and direct mail, the pricing and demographic targeting of Radio, and the visual impact of television. Cable's single greatest strength is the wishful thinking of its advertising customers. They want to believe that they can buy the impact of broadcast television at rates that are below those of Radio. Unfortunately (for them) they are wrong.

Still, it's always dangerous to tell someone they are wrong ... even if it's true. At the same time, wishful-thinking advertisers must address these perceptions. They need to know that cable's increases in viewers come nowhere close to matching their increases in revenues. They need to know that cable's top-rated programs offer ratings that are no greater than those of top-rated Radio programs in their markets, and in many cases the ratings are lower. They need to know that they can buy astoundingly powerful Radio production for less than they will pay for mediocre-to-awful video production. They need to know that most of cable's prime inventory is snatched up by national advertisers and that the inexpensive rates their local cable system is offering them are for broad rotators that will deliver neither reach nor frequency. Finally, they need to understand that the DVRs being offered by the local cable system and satellite providers to their subscribers are significantly undermining the value of the commercial inventory they are selling to their advertising customers -- a phenomenon that is going to get much worse in the months and years to come.

Advantages

Reach: Cable TV now reaches some 89% of U.S. television households. *(Cabletelevision Advertising Bureau, 2009)*

Targeted: Cable networks are targeted to specific demographics and clusters of people.

Affluent Audience: Data from a variety of sources indicate that pay cable homes are considerably younger and more affluent than non-cable households. *(Cabletelevision Advertising Bureau, 2009)*

Cost: Low CPMs.

Programming Diversity: Cable channels are willing to take chances on the types of trendy programs that broadcast networks typically will not consider.

Appointment TV: One-third of Cable watchers set aside time to watch specific cable programs, showing that cable is becoming appointment TV. *(CAB & Knowledge Networks, 2009)*

Disadvantages

Small Audiences: You can't have large audiences for any given channel or program when there are dozens, even hundreds of channels from which to choose. Individual cable channels rarely pull in the big ratings.

Production Costs: The American Association of Advertising Agencies (AAAA) says that the production costs for a network TV commercial averages over $400,000. Producing quality commercials significantly impacts ad budgets.

Commercial Quality: A certain percentage of cable commercials done on a local scale tend to be poorly produced, creating a poor image for cable TV advertising.

Ad Clutter: Commercial clutter is very high on some cable channels.

Income: Consumers with annual household incomes under $30,000 are the most devoted television viewers (including both network and cable channels). For example, daily time spent in front of the TV decreases as household income levels rise: Under $30,000, 5 hours 20 minutes; $30,000-$49,999, 4 Hours 43 minutes; $50,000-$99,999, 4 hours 20 minutes; $100,000 or More, 3 hours 40 minutes. *(Media Dynamics, Inc.'s Intermedia Dimensions,)*

Plus Radio

Excellent Reach: Radio reaches 92% of all Americans 12 years and older every week, based on 2009 Arbitron studies. Cable TV reaches 70% of adults ages 18-49 and 73% ages 25-54 on a weekly basis, according to TV Dimensions 2008. And branding requires reach. Can you think of a single advertiser who has used cable to create a brand?

Larger Audiences: Radio has fewer channels in most markets than the number of Cable or Satellite TV channels available to subscribers. Fragmentation of audience across dozens, or even hundreds of channels, means an average Radio station can reach more people than an average cable channel.

Quality Production: Quality Radio production costs a fraction of what quality TV production costs. Advertisers buying inexpensive Cable TV commercials are unlikely to invest hundreds of thousands of dollars in TV commercial production. Inexpensive commercials create a poor image for the advertiser. This is especially true when the spots airs near a quality network commercial.

Reduced Clutter: Advertisers have expressed concern over the number of commercials per hour on Radio, yet Cable TV airs on average twice as many commercials per hour. Commercials are more powerful when limited as they are on the Radio.

Power of Persuasion: Adding Radio to a TV campaign can increase a consumer's brand preference in relation to purchase intent.*(Radio Ad Lab (RAL),)*

Communication: Effectively communicates a message that can be received, remembered and played back by consumers. *(Radio Ad Lab (RAL),)*