

## TELEVISION: CABLE TRANSFORMS THE SCENE IN THE U.S.

By William S. Rubens

better. Nielsen already has made changes based on the report's findings. One hopes that the effects of the changes will be monitored closely to make sure that they truly are system improvements, and not just concessions to those who are shouting the loudest right now. However, the key question remains open — if Nielsen did everything that SRI suggested, would the resulting ratings be good enough to provide the metric on which to base the exchange of television time for billions of dollars?

It's highly unlikely they would. There is ample evidence in the report that the task required of participants is just too demanding. They don't stick with it. They probably can't be induced to, within the structure set by the technology and economics of the present system. The SRI report leads inexorably to the conclusion that what is needed is not patching the present system, but developing a new one.

### Addendum

As this article goes to press, there has been a news report that AGB, which started the move to people meters, has been invited by the networks back to develop a system that will compete with Nielsen's (New York Times, June 16). Allegations that there was an active invitation were quickly denied by network spokesman (NYT, June 19), but there is no doubt that active searches for other ratings systems are underway. AGB, now with the deep pockets of a new owner, Robert Maxwell, is bound to be a major player. Competition can lead to improvements. However, there is also the danger of "fixing" the problems in ways that are not really research improvements. For example, among the virtues of AGB's system cited by unnamed network spokesmen is that AGB "monitors" the performance of its sample more closely by keeping even closer contact with sample members than Nielsen does, and that it does this either to bring its button pushing levels up to snuff or eject the household from the sample. Furthermore, it weights the sample to make up for low levels of button pushing by certain demographic groups. As a result, AGB's system is "more stable." Stability can certainly be attractive to sellers of time, but these ways of achieving it make the possibility of "fixing" the numbers greater than the possibility of fixing the system. The advertisers who pay for the time at a value which is set by the system are staying out of the controversy so far, leaving it to the networks and the advertising agencies to fight out. Advertisers ought to remember that both parties are arguing only about how much of their money they will share.

When I think about television, I think about a viewer watching a program on a television set. The viewer can be at home or away from home, watching alone or with friends and family. Overall program content for this viewer hasn't changed fundamentally, but the structure for delivering programs has been transformed. As a result, the range of choices given viewers has expanded enormously.

### Networks in Eclipse

Even into the eighties the commercial TV networks were the dominant program distributors. In the early seventies, for instance, upwards of 90% of prime-time viewing was of network programs. But in recent years the networks have seen their share erode rapidly, to about 60% in the current season. The audience has gone to independent stations, to a fourth network, to cable (pay and basic) and to other technologies like VCRs. VCR penetration has climbed to 66% of all TV households. Direct broadcasting from satellites to homes (DBS) is in the planning stages by two different consortia but today is not a factor in the US.

Between 1983 and 1989, the number of independent stations doubled, from 197 to 398. Cable systems carry UHF independents — which improves their coverage of local markets. And the programs telecast over independents have become more popular. Fox emerged in 1986 and now, four years later, has 129 affiliate stations in 45 states and offers nine hours of prime-time programming each week. Many "independents" are part of the Fox network. The emergence of Fox has been particularly troublesome to the networks, having syphoned off young viewers, for whom advertisers pay a premium.

### The Impact of Cable

Today in the US, in contrast to Europe, it's cable which has transformed the television scene. There are about 20 cable networks measured by Nielsen. Since 1984, overall cable penetration has increased 20% (from 50% to 60%) of all households, and cable networks are reaching a higher proportion of cable homes than ever before. With the exception of HBO (a pay cable network which does not compete for advertising dollars), WTBS (a "super station"), ESPN (a sports network which does well in the fall during football season) and USA (which carries mostly network reruns and made-for-cable movies and wrestling), the cable networks still get very small ratings. But the ratings are certain to increase, because

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cable's economic base is so strong. Network advertising revenue is about \$9 billion a year. Cable subscribers pay \$14 billion to get cable into their homes, and cable advertising adds over \$1 billion more. Thus cable's financial base is sufficient for it to compete with the networks for all kinds of programming — which will likely bring audience along further.

### Competition

There has been a dramatic increase in the number of channels available in the average household. In 1985 the average US household had access to 19 channels; in 1988 it had 28, and the number of channels an average household views has stabilized at about 12. All television has become more competitive. Cable networks and systems are competing with traditional television for audience, programming, distribution and advertising dollars. We almost never see a first run movie over network television. Cable is also competing with networks for major league sports rights. It provides an alternate outlet to program producers for rerun syndication. And cable networks are now beginning to compete with the traditional networks for original programming.

Faced with a declining audience base, what's the future for traditional television? Developing programs for a television network is enormously risky business. Program failure is the rule. Almost 8 out of 10 new programs fail, in the sense of not returning for a second season. Only five of the new programs that started at the beginning of this past season are scheduled to return in the fall, and most of them are marginal. There were two hits in the second season, and neither of them came out of the traditional development mode. If the networks continue to invest heavily in new program development, they will remain the major players for years to come. But if they pull back into a shell and play it safe, and rely on low cost programs, their decline will accelerate.

### The Future of Regulation

Regulation will continue to shape the competitive environment. During their halcyon days — when they were perceived to be all-powerful, dominating the airways — the commercial networks were subjected to strong regulatory restrictions. In the sixties, their entertainment activities were sharply curtailed: They could finance development of new programs, but they could not have a financial interest in programs produced by any outside party even though they had put up the seed money. They could not participate in domestic syndication. They could not own cable systems. And their hours of telecast were limited. These restrictions ordained their decline. In the future, too, the regulatory environment will be critical. In particular, how will financial interest syndication be handled? And what cable ownership restrictions will apply?

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## TELEVISION: DBS TRANSFORMS THE SCENE IN EUROPE

By **Barrie Gunter**

Ambitious plans for more television services via satellite and cable systems are being unveiled in Europe, giving rise to increasingly intense competition to persuade viewers to pay for wider multi-channel choices. Satellite television especially is becoming an ever more serious business. Across Europe, from the Mediterranean countries in the south to Scandinavia in the north, from the UK in the west to the liberated eastern bloc countries in the east, additional television channels relayed from space direct to the home (direct broadcast satellite television) are proliferating. By the end of 1990 there will be more than 50 DBS services covering Europe.

In the main, satellite television means additional entertainment channels for general audiences. But already it is doing more — for example, providing for programs aimed at ethnic minorities scattered across a number of countries and general educational programming. On one 16-channel satellite, one service (Channel E) is being broadcast across Europe with a range of educational programs.

Despite difficulties in establishing the concept of a truly pan-European television service, one contender, Super Channel, still survives under new ownership, and is available in 21 million homes connected to cable in 18 countries. International niche markets are also being developed. Three organizations are now competing in offering financial news services to Europe: the European Business Channel from Zurich; European Business Today from Clark Television in London; and, in a joint venture with the Financial Times, CNN of the USA is launching CNN World Business Tonight.

### Satellite TV Competition in the UK

The main thrust of direct broadcasting satellite television is to persuade consumers to pay for multi-channel choice. The most intense competition is in the UK where Rupert Murdoch's Sky Television is ranged against British Satellite Broadcasting (BSB), the official UK-licensed service. Between them the two competing groups — using different technology and a different programming philosophy — have committed around \$3.5 billion to establishing satellite television in the UK. It's a considerable gamble, given the reasonably high quality of traditional British broadcasting, and competition from the video tape sector. The limited evidence from the UK so far suggests, however, that there's a market for satellite television and that consumers are prepared to pay around \$15 a month for a dedicated film channel. Since Sky Television went on air in February 1989, more than 700,000