CRAIN'S
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# Cable operators connect ratings to more ad dollars

*Gaining a greater share of local audience, but revenues a far cry from broadcast TV*

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STAR POWER: Cable operators trotted out casts of hit series, like *Battlestar Galactica*, at a gala event.

Last month, when HBO walked away from the Emmys with 32 awards--three more than the combined take of the six broadcast networks--the message of the evening rang out loud: Cable is taking over.

With critically acclaimed shows like *The Sopranos*, and ratings winners like MTV's *The Newlyweds*, the tide of viewership is continuing to shift away from broadcast. Now, local cable operators are looking to capitalize on that momentum to get a bigger share of the local advertising market.

**Party favors**

Last Thursday night, stars of cable shows, from the Sci Fi Channel's *Battlestar Galactica* to FX's *Rescue Me*, appeared at the first-ever gala event sponsored by New York Interconnect to send another message, this one to advertisers and media buyers: Spend your local ad dollars on cable, not broadcast television.

"We wanted to create a package that puts these shows top of mind with advertisers," says Ed Renicker, general manager of New York Interconnect, an ad sales partnership between Cablevision and Comcast. "With so much original content on cable, it seemed that the timing was right."

There's a lot at stake. New York, the largest TV market in the nation, is rich. Local TV stations will pull in nearly $1.7 billion in advertising this year, according to BIA Financial. For cable operators, increasing their share of local ad dollars is their only way to increase revenues without raising subscriber fees.

Cable operators are already seeing results from a year of strong ratings. They expect their share of local ad dollars in 2004 to surpass 20%, double what it was five years ago.

"Our progress is coming at the expense of broadcast," says Larry Fischer, president of Time Warner Cable media sales. "The buyers are following the eyeballs."

**Cable's small slice**

Even so, local broadcasters have a commanding revenue lead, satellite is chipping away at cable's audience, and buyers complain that cable ads still reach only a tiny slice of the viewership.

The estimated $340 million that the local cable operators will take in this year in New York barely beats the $320 million in ad revenues that WNBC-TV alone billed last year, according to TNS Media Intelligence/CMR.

"Cable may be cheaper on the cost per spot, but when you do the cost-per-thousand, cable is a lot more expensive," says Lew Leone, general manager of WCBS-TV.

**Fast growth**

The limitations of buying local cable advertising haven't put a damper on its growth. Nationwide, cable's local ad sales are projected this year to rise by 15%, to $5.3 billion, according to the Cabletelevision Advertising Bureau, outpacing the 8% projected growth in national cable advertising and the 11% growth in local broadcast advertising, according to the Television Bureau of Advertising.

New York Interconnect, which reaches 3.6 million cable subscribers, is forecasting 20% growth in billings this year over last. Time Warner Cable, with 1.5 million subscribers, is projecting low double-digit growth this year, according to Mr. Fischer. Meanwhile, ad sales for local broadcast TV stations are expected to be up only about 8% this year over last, according to BIA Financial.

"There are a lot of reasons to buy cable beyond what the cost-per-thousand is," says Sue Johenning, director of local broadcast at media buying agency Initiative. She explains that cable viewers tend to be highly engaged with the shows they watch, and that cable is far better than broadcast at targeting a particular demographic.

Media buyers and advertisers agree that spot-buying for cable--the industry term for local advertising, as opposed to ads that run nationally--has come a long way. Both Time Warner's sales division and New York Interconnect have come up with sophisticated ways to bundle channels and allow buyers to place ads on different shows while dealing with just one sales department.

Cable operators have been helped by the introduction in the spring of local people meters, which automatically register which channels viewers watch. The people meters have shown generally higher ratings for cable shows in the New York area, confirming a nationwide trend. Over the last year, for the first time, national ratings figures have been showing cable beating broadcast in prime time.

**Sleeping giants awake**

Local broadcast stations, which have seen their audience share erode along with that of the broadcast networks, lately have been waking up to the fact that cable is taking their business.

"Each local station in New York now has a staff that monitors our ads to see who's advertising with us," says Steve Berman, general manager of Time Warner Cable media sales in New York. "They realize that they need those advertisers in order to grow."

Some of those advertisers, which include car dealerships and local banks, now advertise only on cable. But the bigger advertisers realize more and more that they need both cable and broadcast to reach the audience that they want.

"The majority of the mix is still broadcast," says David Ianucci, account director at Zimmerman Partners Advertising, which handles regional advertising for Nissan automobiles. "But cable is becoming a bigger player every year."