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ABSTRACT

A study examined the extent to which the availability of cable television service in a household diverted viewers from local television channels. Questions concerning media use were included in three comprehensive market surveys conducted in three diverse areas. Approximately 1,000 telephone interviews were conducted in the three areas. The findings revealed that cable television has made significant inroads into the viewing audiences of local commercial television stations. Not only has the share of the local commercial television audience dropped to less than half of the households among cable subscribers viewing television during prime time, but the demographics of the audiences that have been diverted indicated that they are comprised of those viewers most sought by advertisers. (FL)

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ADVERTISING DIVISION

AN ANALYSIS OF THE IMPACT OF CABLE TELEVISION ON THE AUDIENCES OF LOCAL TELEVISION STATIONS IN THREE MARKETS

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INTRODUCTION

With the rapid growth of cable television and new in-home interactive communications systems, there has been increasing concern and speculation about the potential impact on the traditional mass media. Much of the interest initially has involved the effects of audience fragmentation on network television's position in the mass media market.

As DeFleur and Dennis observed, "By 1979 cable television seemed on the verge of becoming a major medium of communication." (1) Their criterion for determining a major medium is based upon the traditional advertising industry's formula; i.e., "a medium must be able to attract 30 percent of the potential audience for national advertisers to find it economically worthwhile." (2)

Based on such an advertising premise, cable television will almost certainly reach that benchmark in 1981. The most recent Nielsen surveys indicate that cable television at the beginning of 1981 was already in 25 percent of the total households in the United States. Although cable television currently is strongest in the smaller markets, its current thrust is toward establishing itself in the top 50 markets in the country.

In the past six years it has doubled in growth in the larger "A" and "B" sized counties in the nation. And during this past year -- from February 1980 through February 1981 -- cable television has shown a remarkable overall growth rate of 23 percent. More than 5,200 operating cable systems exist today, and considering franchises already granted or applications pending, there will be some 6,100 cable operations in the near future. (3)

However, it appears that it is not network television which will bear the brunt of the incursion of a new medium into the advertising marketplace. Rather it would appear that a more immediate and extensive impact may be felt by local commercial television stations. To the extent that people in households with cable television or other special services would watch a commercial station from a distant market, these viewers still would be watching one of the networks, and thus the major impact on network television would come from such channels as the non-network "super stations" and those offering special programming such as all-sports or all-news. The real loss would be suffered by the local television station or stations since viewers of the cable channels would be those pulled from the local television station's normal viewing audience. In advertising terms, it means the diminution of the audience that the local television station can "sell" to advertisers, thereby negatively affecting the local television station's position in the media marketplace.

In a 1977 survey on the impact of cable television on competing media, Kaplan concluded that cable did have the largest impact on local television stations, followed by radio news and theater attendance. Its least impact was on the print media. (4) In discussing the limitations of his study, Kaplan stated that the amount of change in media use could not be determined and recommended that future research concerning the impact of cable television should address the issue of degree of change in the use of various media.

THE PROBLEM

This program of research was designed to measure the impact of cable television on the audiences of local television stations in three markets. The basic question was: "To what extent does the availability of cable television service in the household divert viewers from the local television channels to other channels?"

HYPOTHESES

The hypotheses tested in this study, stated in the nul form, were:

Ho 1: Availability of cable television service in the household will have no relationship to the likelihood of having a television set in the home turned on.

Ho 2: Availability of cable television service in the household will have no relationship to the channel being watched in the home.

Ho 3: There will be no differences in demographic characteristics of people in households with cable television service as compared to those of people in households without such service.

METHODOLOGY

To test these hypotheses, a series of questions were included in three comprehensive market surveys conducted during January 1981 in three diverse markets. Two of the markets are located in the Southwest -- one having a dominant central city and the other being primarily rural/agricultural. The third market is located in the Upper Midwest and is predominantly industrial in nature.

All three markets have three local television stations. The penetration of cable television service in the three markets ranged from a low of 44.0% to 68.7% at the time of the surveys. (See Table 1)

Table 1. A Comparison of the Three Markets.

	Combined Markets	Market A	Market B	Market C
Total Households	213,000	40,000	33,000	140,000
Households:				
With Cable Service	54.4%	68.7%	57.5%	44.0%
Without Cable Service	45.6%	32.2%	42.5%	56.0%
Number of Interviews	1,101	300	301	500

As shown in Table 1, 1,100 interviews were conducted in the combined markets. All interviewing was conducted by centralized WATS telephone banks, with continuous supervision and monitoring. The sample in each market was computer-generated, using a random-digit procedure, to insure the inclusion of unlisted numbers and new listings.

Interviewing was conducted during the evening, Tuesday through Friday, from 5:30 p.m. to 9:30 p.m. (84.5% of the interviews) and on Saturday from 10:00 a.m. to 9:30 p.m. (15.5% of the interviews). Only adults, 18 years of age or older, were interviewed and only one interview was completed per household.

RESULTS

A television set was turned on in a total of 58.2% of all households at the time of the interview, ranging from 50.2% in the Upper Midwest market to 69.3% in the urban Southwest market. (See Table 2)

Table 2. Households Using Television.

Question: "Is a television set in your home turned on now?"

	Combined Markets	Market A	Market B	Market C
Yes, TV Set On	58.2%	69.3%	60.5%	50.2%
No, TV Set Not On	41.8%	30.7%	39.5%	49.8%

For the combined markets, and in two of the three individual markets, a television set was significantly more likely to be turned on in households with cable television service than in households without cable television service. (See Table 3)

Table 3. Television in Use in Households with Cable Television Service vs. Households without Cable Television Service.

	Households With Cable	Households Without Cable
Combined Markets:		
TV Set On	65.3%	49.8%
TV Set Not On	34.7%	50.1%
$X^2 = 26.55$, $p < 0.01$		
Market A:		
TV Set On	71.8%	63.8%
TV Set Not On	28.2%	36.2%
$X^2 = 1.81$, N.S.		
Market B:		
TV Set On	67.6%	50.8%
TV Set Not On	32.4%	49.2%
$X^2 = 8.18$, $p < 0.01$		
Market C:		
TV Set On	57.3%	44.6%
TV Set Not On	42.7%	55.4%
$X^2 = 8.32$, $p < 0.01$		

Thus, the first hypothesis is rejected. In households with cable television service, a television set is significantly more likely to be turned on during prime time than in households without such service.

As would be expected, people in households with cable televison service are significantly less likely to have the set tuned to a local television channel. (This measure was included only in the urban Southwest market and the Upper Midwest market, because the rural Southwest market falls into several different television areas of dominant influence.)

In fact, availability of cable television service cuts the audience for the local television stations by more than half. (See Table 4)

Table 4. Channels Tuned to in Households with Cable Television Service vs. Households without Cable Television Service..

Question: "Which channel is the television set now tuned to?" (Asked of respondents in households with a television set turned on.)

	Households With Cable	Households Without Cable
Combined Markets:		
Local Channel	48.2%	90.8%
Non-Local Channel	51.8%	9.2%
$X^2 = 88.37$, $p < 0.01$		
Market A:		
Local Channel	44.6%	91.7%
Non-Local Channel	55.4%	8.3%
$X^2 = 42.98$, $p < 0.01$		
Market C:		
Local Channel	52.4%	90.4%
Non-Local Channel	47.6%	9.6%
$X^2 = 44.87$, $p < 0.01$		

The net impact on share of market for the local television channels is summarized in Table 5.

Table 5. Share of Audience for Local Television Channels.

	Total Households	Households Using TV
Combined Markets:		
Local Channels	37.5%	65.4%
Non-Local Channels	19.9%	34.6%
Cable TV Households:		
Local Channels	31.0%	48.2%
Non-Local Channels	33.0%	51.8%
Non-Cable TV Households:		
Local Channels	44.9%	90.8%
Non-Local Channels	4.5%	9.2%

In households without cable television service, the local television stations share about half of all households and nearly all of the households using television. However, in households *with* cable television service, the share for the local television stations drops to about a third of all households and less than half of the households using television.

Thus, the second hypothesis is rejected, in that households with cable television service are significantly less likely to be watching a local television channel than are households without cable television service.

Cable television households are significantly more likely than households without cable television service to have the following characteristics -- home owner, married, education beyond high school, and household income of more than \$20,000. Age of respondent does not distinguish between households with cable television service and those without cable television scrivce. (See Table 6)

Table 6. Demographic Characteristics of Households with Cable Television Service vs. Households without Cable Television Service.

	Households With Cable	Households Without Cable
Own Home	79.0%	73.1%
Rent Home	21.0%	26.9%
$X^2 = 5.18$, $p < 0.05$		
Married	71.1%	62.2%
Not Married	28.9%	37.8%
$X^2 = 9.90$, $p < 0.01$		
High School or Less	53.5%	64.4%
Beyond High School	46.5%	35.6%
$X^2 = 9.55$, $p < 0.01$		
Under \$20,000 Income	58.9%	67.0%
\$20,000 or Higher Income	41.5%	33.0%
$X^2 = 7.31$, $p < 0.01$		
Under 35 Years of Age	41.9%	37.6%
35 Years of Age and Older	58.1%	62.4%
$X^2 = 3.23$, N.S.		

Thus, the third hypothesis also is rejected. People living in households with cable television service clearly are more "up-scale" than are those living in households without cable television service.

SUMMARY AND CONCLUSIONS

Based on the survey of the three markets included in this study, cable television has made significant inroads into the viewing audiences of local commercial television stations. Not only has the share of the local commercial television station audiences dropped to less than half of the households viewing television in prime time among cable television households, but the demographics of the audiences that have been diverted indicate they are comprised of those up-scale, choice viewers sought by most advertisers.

Demographically, cable television households are more likely to include home owners, people with higher levels of education, married people, and people with higher household incomes. They also appear to be somewhat younger, although this difference was not statistically significant.

As indicated from recent Nielsen studies, the current growth rate of cable television, after several years of moderate activity, is on a rapid up-swing. While in the past, cable television's main impact was in the smaller "C" and "D" counties, today, and in the future, its thrust will be of equal intensity into the major markets as well.

The battle for the advertising dollar between cable television and local television stations has been, to date, in the skirmishing stage. But 1981 should see the development of a major battle for the advertisers' dollar. Broadcasting magazine estimates that in 1980, cable television attracted some $35 million in advertising revenue. Projections indicate that this figure will double in 1981 and reach about $350 million in 1985. (5) Admittedly, $350 million is not an overwhelming amount when considered against the more than $50 billion spent annually on advertising in the United States. However, it is the rate and thrust of the growth, rather than absolute dollars, that is indicative of the future challenge cable television is likely to offer competing media -- both for the time and attention of the audience and for advertising dollars.

It is obvious that cable television operators have moved beyond the stage of merely solving introductory, political, and technical problems. Now they are ready to reap the results of millions of dollars of seed and development capital. The formation of the fledgling Cable Television Advertising Bureau (CTVB) is just one indication of the cable operators' marshalling their forces to move after a bigger share of the advertising pie. The appointment of Robert Alter, the highly successful and former executive vice president of ~~the~~ Radio Advertising Bureau, to head the new CTVB is more than just coincidence. (6)

With numerous channel selections and technology making it possible to provide ever greater program selectivity, cable television can offer unique advertising packages for the marketer of certain products and services.

While currently local commercial television appears to be the immediate "advertising dollar victim," a remote adversary could well be the specialized magazine. It is not being too futuristic to view cable television as the electronic analog of the print medium's specialized magazine. The opportunity to provide discreet channels for highly specialized programming provides some dazzling advertising oppportunities for the cable television operators. By having direct and unique access to high dollar audiences with particular interests, it becomes possible for advertisers to come ever closer to that media buying paradigm -- zero waste circulation. For example, the major Dallas/Fort Worth market (both cities are on the verge of getting cable television) has the highest pleasure horse population per capita in the United States. A channel beamed at this audience could offer marketers of equestrian products, care, training, tack, riding apparel, and ancilliary products a prime audience not isolated at the local level by any other medium. The same programming concept, of course, could be adapted to travel, arts and crafts, sports, finance, and other hobby and avocation areas ad infinitum.

Looking hungerly at the advertising dollars that are beginning to funnel into cable television operations is the pay cable television industry which to date boasts of <u>not</u> having commercials interrupt its entertainment -- primarily, movies. However, the first explorations have already taken place into the feasibility of moving advertising dollars into pay-TV. At a recent Association of National Advertisers meeting, an executive of a television audience measuring service, Arbitron, predicted that pay-television would not remain commercial-free much longer. He concluded that the operators of pay-television will have to seek sources of revenue other than subscriber fees if they are to flourish. Initial Arbitron studies, he reported, indicate that if given the choice, audiences of pay-television would accept commercials before and after the featured films rather than pay higher charges for the service. (7)

Just as there was a re-grouping and readjustment when commerical television reached the magic number of 30 percent of the national audience, so it appears that advertisers, advertising agencies, and the mass media will have to study anew, and address the issues of the 1980s, focusing around the medium of cable television and related transmitting systems, e.g. pay-television, satellite television, video cassette and disc home recorders, and interactive in-home information centers.

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