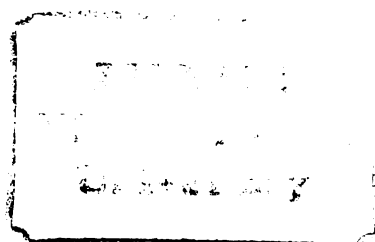


AN ANALYSIS OF THE FOUR RADIO
NETWORKS OF THE AMERICAN
BROADCASTING COMPANY

Thesis for the Degree of M. A.
MICHIGAN STATE UNIVERSITY
EUGENE F. JANKOWSKI
1969



THESIS





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ABSTRACT

AN ANALYSIS OF THE FOUR RADIO NETWORKS OF THE AMERICAN BROADCASTING COMPANY

By

Eugene F. Jankowski

In the fall of 1967, the American Broadcasting System announced that beginning January 1, 1968, its radio network would be divided into four distinct 'weblets'. Henceforth, the individual networks would be called the Information Network, the Contemporary Network, the Entertainment Network and the FM Network.

This paper attempts to analyze and determine the potential for success of this creative venture. It examines five important factors in network broadcasting (stations, programs, clearances, audience size and advertiser acceptance) on a pre and post basis. In other words, it looks at the five factors when there was one ABC Radio Network, and it looks at these factors with regard to the four new networks that were in operation after January 1, 1968.

This paper also examines some of the difficulties encountered by ABC with the Federal Communications Commission when it was decided to establish four networks. Before the networks could become operational it was necessary to obtain

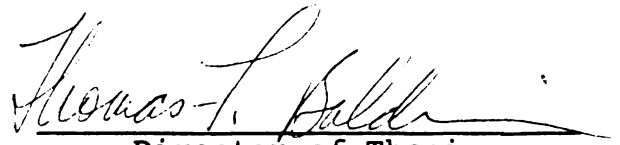
Eugene F. Jankowski

a waiver of a rule that was a result of the Chain Broadcasting Regulations (Section 73:137).

This analysis utilizes existing research from the American Research Bureau, Sindlinger & Co., Radio's All Dimension Audience Research (RADAR) and publications of the Federal Communications Commission, as well as American Broadcasting Company advertiser proposals.

The study shows that, although there were big gains in the number of affiliates under the new concept, ABC lost some very good stations as well as many advertisers, once the four networks were operational. It is the conclusion of the writer that the four networks will not last for any length of time.

Accepted by the faculty of the Department of Television
and Radio, College of Communication Arts, Michigan State
University, in partial fulfillment of the requirements for
the Master of Arts degree.


Director of Thesis

AN ANALYSIS OF THE FOUR RADIO NETWORKS OF
THE AMERICAN BROADCASTING COMPANY

By

Eugene F. Jankowski

A THESIS

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PREFACE

The structure of network radio has undergone a metamorphosis since it first began. When television became a dominant force in broadcasting, network radio was dramatically affected financially as sales of broadcast time went down. Also, the value of affiliation with a network by a local station became less, so important radio stations withdrew from network affiliation. This further decreased network radio's effectiveness. However, the radio networks have managed to survive. As the Barrow Report has pointed out,

It is reasonable to assume that the ingenuity of the radio networks will provide new methods for servicing station affiliates and the radio listening public--and at a profit to themselves.¹

Network radio had to change, and it did. The latest change occurred when the American Broadcasting Company established four separate networks emanating from a common source.

The purpose of this paper then, is to explore the four-network concept, and analyze its potential for success.

Some questions it will seek to answer are: What influence

¹Federal Communications Commission, Network Broadcasting: Report of the Committee on Interstate and Foreign Commerce, Oren Harris, Chairman (Washington, D. C.: Government Printing Office, 1958), p. 606.

will it possibly have on other networks? What strengths can it develop? and What is the advertiser reaction? In an attempt to determine its potential for success, this paper will investigate the various components of the four ABC radio networks: stations, programs, clearance of programs by affiliated stations, audience size, and advertiser acceptance.

These ingredients, or the lack thereof, are what differentiates a successful network from an unsuccessful one. Whether or not ABC's four networks will be successful remains to be seen.

The fact that there are four new networks joining CBS, NBC, and Mutual, making a total of seven networks where there used to be four, becomes important when considering the amount of advertising revenues available for support of all of them. Economic support has always been necessary if a network is to help the three groups whose interests are at stake: the public, the station owner, and the advertiser. David Sarnoff pointed this out in 1938, when he stated that to the public, the network should bring a new world of ideas; to the station owner, the network should provide programs, both commercial and sustaining, of a quality he could not individually afford and with talent not physically available to the station; and to the advertiser, the network should furnish a large circulation spread over a wide area.²

²Federal Communications Commission, Statement by David Sarnoff on Network Broadcasting, November 14, 1938 (Washington, D. C.: Government Printing Office, 1938), p. 10.

If the new ABC networks can meet all these criteria, then they have a reason for being and will probably obtain necessary revenues. Only a deep analysis will be able to answer the question of whether all the values necessary for success are found in ABC's networks.

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CHAPTER I

INTRODUCTION

In the forty-five years since the first radio network broadcast, radio networking has gone through periods of prosperity as well as near poverty. But while there has been a substantial change in the relative importance of national radio networks, there has been no significant change in the number of networks since 1943.¹

In September of 1967, however, in what may have been one of the most dramatic developments in radio network operation, the American Broadcasting Company announced that as of January 1, 1968, the one ABC Radio Network would become four distinct radio networks.²

From that time on the new networks would be referred to as: the American Information Network; the American Contemporary Network; the American Entertainment Network; and the American FM Network.³

¹Federal Communications Commission, Network Broadcasting: Report of the Committee on Interstate and Foreign Commerce, Oren Harris, Chairman (Washington, D. C.: Government Printing Office, 1958), p. 601.

²"ABC Radio Details Program Plans," Broadcasting, September 11, 1967, p. 54.

³Ibid.

The decision to operate four separate networks, all run by the same management, represented the biggest change in networking since the National Broadcasting Company had to divest itself of one of its two radio networks in 1943.⁴

⁴Sidney W. Head, Broadcasting in America (Boston: Houghton Mifflin Company, 1956), p. 141.

CHAPTER II

ORIGIN OF ABC

The first stone in the foundation of what eventually became the American Broadcasting Company was placed in position in December 1923, when the first network broadcast occurred.¹ The program was fed by the RCA Network over Western Union Telegraph wires between WJZ in New York and WGY in Schenectady, New York.² In 1927, seven stations, including WJZ, were designated by NCB as the Blue Network.³ By 1942, 116 stations were affiliated with the Blue Network.⁴ NBC also had another group of stations referred to as the Red Network. The Red was the larger of the two, and accounted for 70% of NBC's total network time sales.⁵

¹Federal Communications Commission, Report on Chain Broadcasting (Washington, D. C.: Government Printing Office, 1941), p. 6.

²Ibid.

³National Broadcasting Company, The Blue Network Today, A memorandum on its first independent year, and its present position in the American system of broadcasting (New York: National Broadcasting Company, 1943), p. 3.

⁴Ibid.

⁵Federal Communications Commission, Report of the Committee Appointed by the Commission to Supervise the Investigation of Chain Broadcasting (Washington, D. C.: Government Printing Office, 1940), p. 14.

Prior to 1939, sales for both the Blue and Red Networks were handled by the same sales staff.⁶ In 1939, when a separate sales department was established, the Blue Network had sales totalling \$8,644,000 and the following year sales were \$10,708,000.

It is this Blue Network that, as will be discussed, eventually became the American Broadcasting System.

Government Investigation

At the same time that sales were going up, a government investigation was taking place concerning the operational procedures followed by the various radio networks and especially NBC. On March 18, 1938, the Federal Communications Commission authorized an investigation "to determine what special regulations applicable to radio stations engaged in chain or other broadcasting are required in the public interest, convenience or necessity."⁷ Between November 14, 1938, and May 19, 1939, hearings were held by the investigation committee, and on June 12, 1940, a report on the findings was issued.⁸ New regulations regarding chain broadcasting were issued May 2, 1941, but these regulations were

⁶"Network Divorce," Business Week, December 13, 1941, p. 59.

⁷Federal Communications Commission, Report on Chain Broadcasting, p. 1.

⁸Ibid.

challenged in court by the networks.⁹

Mutual Suit

The study originated because the Mutual Broadcasting System brought suit against NBC, charging that NBC and RCA engaged in an unlawful conspiracy and were restricting Mutual from being able to compete fairly in network radio operation. Mutual implied that, in cities where there were not enough stations to allow Mutual to have a full time affiliate, the exclusive contracts that NBC had with its affiliates were instruments in restraint of trade.¹⁰

The Justice Department, led by Thurman Arnold, Assistant Attorney General in the Anti-Trust Division, fought the networks when they challenged the new regulations. The Justice Department wanted (1) NBC to sell one of its networks; (2) NBC and CBS to rid themselves of stations they owned in markets where there was limited competition; (3) the limit on affiliation contracts to be two years and not five or ten as then existed; (4) no exclusive contracts between stations and a network, nor contracts that granted the network unlimited option time.¹¹

⁹Walter B. Emery, Broadcasting and Government: Responsibilities and Regulations (E. Lansing, Michigan: Michigan State University Press, 1961), p. 229.

¹⁰"Mutual Hits NBC," Business Week, January 17, 1942, p. 50.

¹¹"Arnold versus Nets," Business Week, January 10, 1942, p. 44.

On May 10, 1943, two years after the regulations were originally issued, the Supreme Court issued its historic decision; and the networks could do nothing else except comply with the new regulations.¹²

With the exception of one instance, no changes have been made to the Chain Broadcasting Rules since April 12, 1944.¹³

Blue Network Sold

To comply with the Government ruling, NBC sold the Blue Network in August, 1943, for \$8,000,000. At the time there were 159 stations affiliated with the Blue.¹⁴ The network was purchased by Edward J. Noble, Chairman of Life-savers Corporation, owner of radio station WMCA in New York and former Assistant Secretary of Commerce.¹⁵ When Noble bought the network, he also received three radio stations, WJZ in New York, KGO in San Francisco, and WENR in Chicago.¹⁶

On January 1, 1945, after Noble, for \$10,000, bought the rights to the name "American" from the American Network, Inc. (the American Network had been an independent FM

¹²National Broadcasting Company v. U. S., 319 U. S. 190, 216-217 (May 10, 1943).

¹³Emery, Broadcasting and Government, p. 229.

¹⁴"Blue Bought by Ed Noble," Newsweek, August 9, 1943, p. 82.

¹⁵"Noble Buys," Business Week, August 7, 1943, p. 78.

¹⁶Ibid.

network founded in 1941¹⁷), the Blue Network officially became the American Broadcasting Company.¹⁸

Waiver Request: Section 73:137

Before the American Broadcasting Company could begin operating as four networks, it had to contact the Federal Communications Commission.

Because of the Chain Broadcasting decision of 1943, ABC had to receive from the FCC a ruling that section 73:137 of the Rules is inapplicable to the four-network concept.

Section 73:137

Section 73:137 of the Federal Communications Commission's Rules provides:

73:137 Dual Network Operation

No license shall be issued to a standard broadcast station affiliated with a network organization which maintains more than one network: provided, that this section shall not be applicable if such networks are not operated simultaneously, or if there is no substantial overlap in the territory served by the group of stations comprising each such network.¹⁹

¹⁷Federal Communications Commission, Report on Chain Broadcasting, p. 3.

¹⁸"Name for Blue," Business Week, September 30, 1944, p. 93.

¹⁹Federal Communications Commission, Rules and Regulations, Section 73:137 (Washington, D. C.: Government Printing Office).

This rule was enacted specifically to deal with NBC's "Red" and "Blue" networks ²⁰

Waiver Granted

On the basis that the ABC four-network proposal "merited encouragement as a new and imaginative approach to networking in the radically changed field of radio broadcasting," the FCC granted a waiver to Section 73:137 for one year.²¹

Four Networks

The request for a waiver of the FCC rules was made on November 6, 1967, was approved December 28, 1967, and the four networks began operation January 1, 1968.

Each of the new networks has its own program philosophy.

The CONTEMPORARY NETWORK is comprised of pop music stations playing mainly the young contemporary top tunes of the country.²²

²⁰Federal Communications Commission, In the Matter of Proposals of American Broadcasting Companies, Inc. to Establish Four New Specialized "American Radio Networks, Memorandum Opinion," Order issued to ABC in response to request for waiver to Section 73:137, December 29, 1967, p. 5.

²¹Ibid., p. 9.

²²Ketchum, McCleod and Grove, "The ABC Radio Network, an Overall View of the New Concept," New York, February 1968. (Mimeographed.)

The INFORMATION NETWORK is for stations that combine middle-of-the-road music with serious news and talk programs.

The ENTERTAINMENT NETWORK is also after stations that play middle-of-the-road music. The main difference between the Information and Entertainment stations would be in the kind and time of network program carried in the local market. Further discussion of these programs will be found in the section on programming.

The FM NETWORK is comprised of FM stations regardless of the type of local programs.

Under the single network arrangement, ABC claimed that it sent programs to its nationwide affiliates for "only approximately 8-1/2 minutes an hour during an average broadcast day."²³ Networks, however, pay the American Telephone and Telegraph Company line charges on a full-hour basis. Therefore, ABC was paying charges for 51-1/2 minutes of virtually unused time.

The four network concept would allow ABC to feed a different network each fifteen minutes. Three networks would cease their operations at 7:00 p.m. E.S.T., and the fourth network would continue news feeds until 11:00 p.m. E.S.T.²⁴ Importantly, ABC emphasized that each network would have distinctly different program services, "each fed separately,

²³FCC, ABC Four Networks, p. 4.

²⁴Ibid., p. 2.

consecutively, non-simultaneously on one line."

ABC also emphasized, and the commission pointed out, that with only one exception, the "Breakfast Club" program, none of the affiliated stations would carry ABC programs opposite each other. Because they wouldn't, ABC would avoid going against Section 73:137 of the Rules.

In the case of the "Breakfast Club," a program 55 minutes in length, ABC promised to make several changes. The program was shortened to 50 minutes and split into two twenty-five minute parts.²⁵ This would enable the station to carry local or network news both on the hour and half-hour. It would also minimize any overlap of programming with another ABC outlet in the same market.

Waiver Request Granted

The FCC granted the requested waiver to the limited "extent necessary to permit simultaneous broadcast on not more than ten minutes of different ABC programs by different ABC affiliates located in the same market in connection with . . . the Breakfast Club program. . . ." ²⁶

In this manner the only simultaneous broadcasting by more than one ABC network would be those ten minutes of time when the "Breakfast Club" was carried by another ABC network.

²⁵Ibid., p. 3.

²⁶Ibid., p. 9.

The "Breakfast Club" program was the one program that created the overlapping problem. It was one of the major reasons a waiver was necessary.

In its analysis of ABC's request, the FCC made some observations about network radio that, in the final analysis, explained why ABC obtained its waiver of Section 73:137. The FCC acknowledged that there have been drastic and fundamental changes in radio broadcasting since 1941.

Of most significance is the fact that the networks no longer dominate the radio field economically and as program sources as they once did, and as they continue to do in television. Nor do they have the same bargaining position with respect to their affiliates. These changes have come about due to the fact that the individual radio stations, primarily because of changed radio listening habits resulting from the impact of TV, have become increasingly locally oriented with specialized formats.

Despite the fundamental change in circumstances, however, we believe radio networks can continue to make a significant contribution to the public interest, by providing programming, such as national and international news and public affairs material, which individual stations cannot readily provide for themselves. In these circumstances, we think it of more than usual importance to encourage to the extent possible innovations and experimentation in the operation of both individual radio stations and radio networks. That is not at all to say that we will countenance any or all departures from basic regulatory concepts and policies in the name of such innovation. Rather we believe that we are called upon, in passing upon new or experimental proposals in this field, to give special emphasis to our statutory duty to generally encourage the larger and more effective use of radio in the public interest; and not reject such proposals based upon any rigid or technical adherence to regulations or policies.²⁷

²⁷Ibid., pp. 4-5.

Waiver for One Year

ABC received the waiver of Section 73:137 on a one year trial basis. In this way (the FCC), would "be able to review the matter, including the various policy questions involved, after we have had an opportunity to closely observe and review its actual operation."²⁸

ABC also promised to follow certain operational procedures.

- 1) There would be no joint rates or selling any of the four networks in combination.
- 2) Each affiliate would take a relatively small amount of ABC programming, none of which would be the same or programmed at the same time in the same market.²⁹

Once ABC obtained its waiver, the four networks could legally be offered to advertisers for sale. Only time would tell whether advertisers would readily accept the new concept, or if they would be conservative and wait for more meaningful information regarding new affiliates, audience measurements, and program acceptance.

²⁸Ibid., p. 9.

²⁹Ibid., p. 7.

CHAPTER III

STATIONS

Importance of Major Stations

The quality and quantity of a station audience is, obviously, very closely related to a network's audience. In network radio, the whole can only be equal to the sum of its parts. A network needs "Major" stations to obtain large audiences.¹ Major stations alone, however, do not necessarily help a network gain large audiences. If the station does not clear the network programs, the network cannot take advantage of the audience to that station. Poor stations, likewise, even if they clear all the network programs, cannot add much to the networks total national audience. A network, therefore, is not assured of sizable audiences merely by having good stations. It must also have good clearance performance.

Major Stations Lost

When ABC announced its change in network operation, some of its major stations ceased to be affiliated (see

¹A good station is one that has a big local audience, is well respected in its community, and is noted for its public service.

Table 1 on page 15).

In all, a total of 34 affiliates left ABC as of January 1, 1968.² Importantly, six of these losses were 50,000 watt stations. ABC had sixteen 50,000 watt stations before the change to four networks.³ The four networks now have a total of 11⁴ (these are presented in Table 2 on page 15).

CBS has 22, NBC has 24, and the Mutual Broadcasting System has six 50,000 watt stations.⁵

Number of Affiliates by Network

The three AM networks have the following number of affiliates:⁶

ABC Contemporary	165
ABC Entertainment	203
ABC Information	297

It is also important to note that many of the affiliated stations are "daytime only." The Contemporary Network has 41; the Entertainment, 81; the Information, 83. Of the total 665 AM stations, 205 are daytime only.⁷

²Standard Rate and Data Service, February 10, 1968.

³SRDS, July 10, 1968.

⁴SRDS, August 10, 1968.

⁵SRDS, July 10, 1968.

⁶SRDS, November 10, 1968.

⁷Ibid.

Table 1.--ABC Affiliation Losses

City	Station	Power (watts)
Philadelphia, Pa.	WFIL	5,000
Cleveland, Ohio	WGAR	50,000
Cincinnati, Ohio	WCKY	50,000
Atlanta, Ga.	WGST	5,000
Rochester, N. Y.	WHAM	50,000
Louisville, Ky.	WHAS	50,000
Shreveport, La.	KWKH	50,000
Albany, N. Y.	WPTR	50,000

Table 2.--ABC 50,000 Watt Affiliates

City	Station	ABC Network
New York, N. Y.	WABC	Contemporary
Chicago, Ill.	WLS	Contemporary
Long Beach, Calif.	KDAY	Daytime--Entertainment
Mobile, Ala.	WMOO	Daytime--Entertainment
Waterloo, Iowa	KXEL	Entertainment
Miami, Fla.	WGBS	Information
Milwaukee, Wisc.	WISN	Daytime--Information
Portland, Ore.	KWJJ	Daytime--Information
San Francisco	KGO	Information
Seattle, Wash.	KOMO	Information
Wheeling, W. Va.	WWVA	Information

Many Stations in Some Markets

With the loss of important stations, as determined by coverage and audience size, it became necessary for ABC to obtain more than one station in some markets to make up for the loss. In Chicago, as of July 1, 1968, the four ABC networks had a total of six affiliates. Three stations were affiliated with the Entertainment Network. The Washington metropolitan area had five stations, as did Dallas, Texas.⁸

Dual Affiliates

As of July 1, 1968, ten stations in the top 266 markets were affiliated with both the Entertainment and Information networks. In markets other than the top 266, fifteen stations were affiliated with the same two networks.

The total number of stations by market follows:⁹

<u>Number of Stations</u>	<u>Number of Markets</u>
4 or more	31
3	38
2	88
1	678

Of the 31 markets that have stations affiliated with all four networks, 18 are in the top fifty population markets¹⁰ (see Table 3).

⁸American Broadcasting Company, "A Presentation to Ogilvy & Mather on Behalf of American Express," September, 1968.

⁹Ibid.

¹⁰Ibid.

Table 3.--Large Markets with Four or More ABC Affiliates

Market	Contempo- rary	Informa- tion	Entertain- ment	FM
New York, N. Y.	WABC	WVNJ, WTHE WKQW, WVIP	WBAB, WJRZ	WABC
Los Angeles-Long Beach, Cal.	KDAY	KABC	KFOY	KABC
Chicago, Ill.	WLS	WKFM-FM	WEAW, WWCA WTAQ	WLS
Philadelphia, Pa.	WHAT	WRCP	WTMR, WKDN	SOAL
Washington, D. C.	WEEL, WLMD	WMAL	WPIK	WMAL
St. Louis, Mo.	KIRL	WIL	WEW	WIL
Pittsburgh, Pa.	KQV	WEED	WMCK	WYDD
Minneapolis-St. Paul, Minn.	KDWB	WMIN	KRSI	KTWN
Atlanta, Ga.	WFOM	WTJH	WQMN	WLTA
Indianapolis, Ind.	WNAP-FM	WIRE	WGEE	WFMS
Buffalo, N. Y.	WYSL	WWOL	WMMJ	WGR
Portland, Ore.	KGAR	KWJJ	KKEY	KLIQ
San Diego, Cal.	KCBQ	KSON	KDEO	KSEA
Providence-Pawtucket- Warwick, R. I.	WARV	WWRI	WXTR	WBRU
New Orleans, La.	WNOE	WWOM	WSMB	WWMT
Sacramento, Cal.	KROY	KHIQ-FM	KPOP	KHIQ
Toledo, Ohio	WOHO	WTOD	WTO	WCWA
Norfolk-Portsmouth, Va.	WCVU	WVEC	WCPK	WVEC

Average Number of Stations per Market

The total number of stations in the top 100 markets in the country also shows that there is almost an average of two and a half stations for each market.¹¹

Market and Station Analysis

	Top 25		Top 50		Top 100	
<u>Network</u>	<u>Mkts</u>	<u>Stations</u>	<u>Mkts</u>	<u>Stations</u>	<u>Mkts</u>	<u>Stations</u>
C+I+E+FM	23	76	50	140	97	259
			Total			
			<u>Mkts</u>	<u>Stations</u>		
			544	835		

As will be seen in the audience section, even though ABC has a large number of stations in the top markets, the audience potential is not as large as the 1967 figures. In 1967 ABC had about 353 stations.¹²

Another important consideration is the location of the stations. With 140 stations out of 835 located in the top 50 markets it obviously means 695 stations are located beyond the major population centers. Forty-six per cent of the population is found in the top 50 markets and they account for 50.7 per cent of all retail sales.¹³

The significance of these figures will be discussed in the conclusion of this paper.

¹¹Ibid.

¹²Sindlinger & Co., Network Total Radio Audience, July, 1967.

¹³"Survey of Buying Power," Sales Management, June 10, 1968.

CHAPTER IV

PROGRAMS

The four networks of the American Broadcasting System have programs that are quite similar to those heard on the 1967 network. Primarily, the programs are news, news analysis, sports reports, and the "Breakfast Club" with Don McNeil.

However, one area of programming that changed substantially was the amount fed to affiliated stations.

Program Schedule 1967

In 1967, the single ABC network program schedule, heard Monday through Friday consisted of the following (see Table 4, page 20) .

In essence, the schedule consisted of five minutes of news at 55 minutes after the hour, and a five-minute program at 25 minutes after the hour. Altogether, this programming amounted approximately to 20 hours each week. When the Saturday and Sunday programs are included, ABC fed a total

Table 4.--1967 ABC Program Schedule*

Time	Program	Length (minutes)
7:55 AM	News	5
8:25 AM	Speaking of Sports	5
8:55 AM	Paul Harvey News	5
9:00 AM	Breakfast Club	55
10:55 AM	News	5
11:55 AM	News	5
12:00 N	Paul Harvey News	15
12:25 PM	ABC Reports	5
12:55 PM	News	5
1:55 PM	News	5
2:25 PM	ABC Reports	5
2:55 PM	News	5
3:55 PM	News	5
4:25 PM	ABC Reports	5
4:55 PM	News	5
5:55 PM	News	5
6:00 PM	Paul Harvey News	5
6:30 PM	Alex Drier	10
6:40 PM	Tom Harmon Sports	10
6:50 PM	Bob Considine News	5
6:55 PM	News	5
7:00 PM	World of News	15
7:15 PM	Chris Schenkel Sports	5
7:55 PM	News	5
8:25 PM	ABC Reports	5
8:55 PM	News	5
9:25 PM	ABC Reports	5
9:55 PM	News	5
10:55 PM	News	5

* Sindlinger & Co., Network Total Radio Audience, July, 1967.

of 24 1/2 hours of commercial programming during the average week.¹

By contrast, the amount of time fed by the four networks during a seven day period, in 1968, was as follows:²

ABC Contemporary	10.5 hours
ABC Entertainment	13.0
ABC Information	26.25
ABC FM	<u>7.0</u>
Total	56.75 hours

This total of 56.75 hours is more than twice the total amount transmitted in 1967.

Program Schedule 1968

As stated earlier, the programming in 1968 is quite similar to that of 1967. News, news analysis, and sports reports are found on all the networks. Don McNeil's "Breakfast Club" is carried by the Entertainment Network only. The complete 1968 schedule is found in Table 5.

There is a difference in 1968, however, between the style of the various news programs. Those heard on the Contemporary Network, for example, seem to be faster paced than those on the Information Network.³ The apparent reason

¹Sindlinger & Co., Network Total Radio Audience, July, 1967.

²RADAR, March, 1968.

³News Programs, WABC and WVNJ, September 10, 1968.

Table 5.--1968 Four Network ABC Program Schedule.

CONTEMPORARY NETWORK SCHEDULE

<u>Mon - Fri</u>	<u>Saturday</u>	<u>Sunday</u>
6:55 AM - 10:55 PM	7:55 AM - 10:55 PM	11:55 AM - 7:55 PM
16/5-minute news programs.	16/5-minute news programs.	9/5-minute news programs.
2/3 $\frac{1}{2}$ -minute sports programs.	2/3 $\frac{1}{2}$ -minute sports programs.	4/3 $\frac{1}{2}$ -minute "reports."
6/3 $\frac{1}{2}$ -minute "reports."	6/3 $\frac{1}{2}$ -minute "reports."	

Two additional 25-minute programs are pre-fed for Sunday night broadcast.

- 1) Howard Cosell - "Speaking of Everything"--a guest/interview show featuring topical personalities.
- 2) "On Location"--a news show featuring on-the-spot interviews in Washington.

ENTERTAINMENT NETWORK SCHEDULE

<u>Mon - Fri</u>	<u>Saturday</u>	<u>Sunday</u>
7:30 AM - 9:30 PM	7:30 AM - 9:30 PM	8:00 AM - 9:00 PM
13/5-minute news programs.	14/5-minute news programs.	14/5-minute news programs.
50 minutes - Don McNeil's "Breakfast Club."	1/15-minute program with P. Harvey.	
1/5-minute commentary with Paul Harvey.		
1/15-minute commentary with Paul Harvey.		
1/5-minute commentary with Joseph C. Harsch.		

continued

Table 5--continued

<u>INFORMATION NETWORK SCHEDULE</u>		
<u>Mon - Fri</u>	<u>Saturday</u>	<u>Sunday</u>
7:00 AM - 10:00 PM	7:00 AM - 10:00 PM	8:00 AM - 10:00 PM
11/10-min. news programs.	14/10-min. news programs.	11/10-min. news programs.
3/5-minute news programs.	1/15-min. news "Around the World."	3/5-minute news programs.
2/15-minute news "Around the World."	12/3 $\frac{1}{2}$ -minute news "Around the World."	1/9 $\frac{1}{2}$ -minute news "Around the World."
1/9 $\frac{1}{2}$ -minute news "Around the World."		10/3 $\frac{1}{2}$ -minute feature.
1/9 $\frac{1}{2}$ -minute "Tom Harmon Sports."		
1/3 $\frac{1}{2}$ -minute Sports program.		
8/3 $\frac{1}{2}$ -minute feature programs.		
1/9 $\frac{1}{2}$ -minute Alex Drier News program.		

<u>FM NETWORK SCHEDULE</u>		
11:15 AM - 11:15 PM	11:15 AM - 11:15 PM	11:15 AM - 11:15 PM
12/5-minute news programs.	12/5-minute news programs.	12/5-minute news programs.

for these differences is to have the news "sound" fit the programming "sound" of the station most likely to affiliate with that particular network.

Another difference between news programs of 1968 and 1967 is the length of some of the broadcasts. The hourly news programs heard over the facilities of the Information Network are ten minutes long. This is twice as long as the news heard on the Contemporary and Entertainment networks, or the ABC Network of 1967. Long network programs can cause problems when seeking new stations.⁴ Most local stations, if they have any degree of financial success, are reluctant to give any network ten minutes of time on the hour when the same time period, carrying locally originated news programs, can usually be sold at a rate that is higher than the one the network is willing to pay, if the network pays anything at all.

It therefore follows that the length of the programs have a distinct bearing on the kinds of stations that ABC will get to carry the services of the various networks. The more successful a station is without the network, the less likely it is that the station will affiliate with any network. It is entirely possible that, with few exceptions, the four ABC networks could wind up with stations that are poorly rated--programwise, audiencewise, and dollarwise--in

⁴C. V. S. Knox and Gerald Maulsby, private interviews with CBS Affiliate Relations people, New York City, July and November, 1968.

their local markets. A deeper analysis of the ABC affiliated stations is found in the "stations" section of this report.

CHAPTER V

CLEARANCE

One of the most important elements in any successful network operation is the clearance performance. A network may have some of the finest programs, and stations that have large local audiences, but unless the stations clear the network programs, the programs obviously will not be heard.

In 1967, the one common source for analyzing clearance percentage among networks was Sindlinger. On the basis of stations carrying programs against stations affiliated, ABC's one network had a clearance percentage of 77 per cent.

In 1968, based on RADAR, the first radio network audience measurement since 1964, the same kind of analysis shows the following for seven days:

ABC CONTEMPORARY	88%
ABC Information	71
ABC Entertainment	83
ABC FM	84

Clearance Analysis

The breakdown, by days and by network, shows different clearance patterns (see Table 6).

Table 6.--ABC Clearances by Network

Network ABC	Number of Network Affiliates at Time of RADAR 1968 Study	Average Number of Stations Clearing Program	Per cent
<u>Contemporary</u>	112		
Mon-Fri		99	88
Saturday		101	90
Sunday		100	89
7-Day		99	88
<u>Entertainment</u>	166		
Mon-Fri		138	83
Saturday		143	86
Sunday		133	80
7-Day		138	83
<u>Information</u>	239		
Mon-Fri		166	69
Saturday		182	76
Sunday		176	74
7-Day		170	71
<u>FM</u>	138		
Mon-Fri		117	85
Saturday		114	83
Sunday		117	85
7-Day		116	84

Source: RADAR, Spring, 1968.

Actual clearance of a program over a local station's facilities, however, is still only part of the information necessary to an advertiser. When considering the use of network radio on a percentage cleared basis, each station has a value of "one." As a result a station in New York City has the same weight as a station in Fargo, North Dakota.

Besides the percentage of stations clearing the broadcast, it is also necessary to know which stations, in which markets, are clearing. Unfortunately, complete clearance report information is connected with a station's affiliation agreement with the network. How and when and what a station clears is considered confidential by the network. There have been reports, however, that the Federal Communications Commission may make it mandatory that all affiliation agreements be made public.¹

¹Broadcasting, November 18, 1968, p. 49.

CHAPTER VI

AUDIENCE SIZE

One of the indications of a network's value is audience. The basic reasons for buying any network is its ability to reach a large audience of people that an advertiser is desirous of persuading.

Since most national advertisers also obtain most of their product sales from the largest cities in the country, one examination of ABC's new concept is to see what the audience was to major market stations affiliated with the network before the new concept was put into effect, and what it was afterwards.

Audience Measurements

The size of the audience that listens to network stations is measured by two different surveys. These surveys are:

- 1) ARB--American Research Bureau--local market.
- 2) RADAR--Radio's All Dimension Audience Research--national audience.

Two sets of audience numbers are used in selling network radio:

- 1) Potential listeners--those people who listen to the network affiliated stations, local programs, and may hear the network program if they clear; and
- 2) Actual listeners--those people who listen to specific network programs cleared by affiliated stations.

American Research Bureau

Table 7 shows what happened to the total ABC potential audience in major markets when stations formerly affiliated with ABC did not affiliate with the new ABC network concept. ARB reports are released twice a year in most markets, so October/November reports are the most current for a January 1, 1968 period. Using the same October/November reports and applying affiliation changes in various markets, the figures show that the total potential listening audience is smaller for the three networks.

Because people have a tendency to listen to more than one radio station, it is not proper to add the audiences of the Information, Entertainment and Contemporary networks together. However, if it could be assumed that the audiences were comprised of completely different listeners, the total for the three networks is 580,000 adults that are reached as a result of listening to 70 different stations located in 51 different cities. This compares with 611,000 adults that

Table 7.--ABC Audiences by Network

ADULTS REACHED PER AVERAGE QUARTER-HOUR
ABC NETWORK AFFILIATES
MONDAY-SUNDAY 6 AM-12 MID.
52 ARB--MEASURED METROPOLITAN AREAS
OCT/NOV 1967

ADULTS 18 YEARS & OLDER

	Information	Entertainment	Contemporary	ABC (Prior to 1/1/68)
New York		<u>WJRZ</u> 25,000	<u>WABC</u> 110,000	<u>WABC</u> 110,000
Los Angeles	<u>KABC</u> 33,000	<u>KDAY</u> not reported		<u>KABC</u> 33,000
Chicago		<u>WWCA</u> not reported	<u>WLS</u> 57,000	<u>WLS</u> 57,000
Philadelphia		<u>WKDN</u> not reported		<u>WFIL</u> 30,000
Detroit	<u>WEXL</u> 25,000	<u>WXYZ</u> 16,000		<u>WXYZ</u> 16,000
Boston		<u>WRYT</u> 5,000		<u>WRYT</u> 5,000
San Francisco	<u>KGO</u> 20,000	<u>KSAY</u> 2,000		<u>KGO</u> 20,000
Washington	<u>WMAL</u> 36,000	<u>WPIK</u> 3,000		<u>WMAL</u> 36,000

continued

Table 7--continued

	Information	Entertainment	Contemporary	ABC (Prior to 1/1/68)
Pittsburgh			<u>KQV</u> 25,000	<u>KQV</u> 25,000
St. Louis	<u>WIL</u> 2,000	<u>WEW</u> 3,000	<u>KIPL</u> not reported	<u>WIL</u> 2,000
Cleveland				<u>WGAR</u> 21,000
Baltimore		<u>WISZ</u> 2,000		<u>WWIN</u> 4,000
Houston	<u>KODA</u> 4,000			<u>KODA</u> 4,000
Minneapolis- St. Paul	<u>WMIN</u> 4,000	<u>KRSI</u> not reported	<u>KDWB</u> 4,000	<u>KRSI</u> not reported
Dallas		<u>WFAA/WBAP</u> 4,000		<u>WFAA/WBAP</u> 4,000
Milwaukee	<u>WISN</u> 25,000			<u>WSIN</u> 25,000
Cincinnati				<u>WCKY</u> 13,000
Buffalo		<u>WMMJ</u> 1,000		<u>WMMJ</u> 1,000
Seattle-Everett- Tacoma	<u>KOMO</u> 19,000	<u>KTAC</u> not reported		<u>KOMO</u> 19,000
Atlanta		<u>WOMN</u> not reported		<u>WGST</u> 6,000
Kansas City		<u>KCCV</u> 2,000		<u>KUDL</u> 2,000

continued

Table 7--continued

	Information	Entertainment	Contemporary	ABC (Prior to 1/1/68)
San Diego	<u>KSON</u> 4,000		<u>KCBQ</u> 4,000	<u>KSON</u> 4,000
Miami	<u>WGBS</u> 8,000			<u>WGBS</u> 8,000
Denver	<u>KBTR</u> 3,000	<u>KQXI</u> not reported		<u>KBTR</u> 3,000
New Orleans		<u>WSMB</u> 15,000		<u>WSMB</u> 15,000
Indianapolis		<u>WGEE</u> 4,000		<u>WGEE</u> 4,000
Portland, Ore.	<u>KWJJ</u> 6,000	<u>KKEY</u> 2,000	<u>KGAR</u> 1t	<u>KWJJ</u> 6,000
Tampa- St. Petersburg	<u>WSUN</u> 9,000	<u>WSUN</u> 9,000		<u>WSUN</u> 9,000
Phoenix	<u>KOY</u> 7,000	<u>KBUZ</u> 3,000		<u>KOY</u> 7,000
Hartford		<u>WRYM</u> 3,000		<u>WRCH</u> 12,000
Columbus, Ohio		<u>WTVN</u> 18,000		<u>WTVN</u> 18,000
San Antonio				<u>KBAT</u> 2,000
Providence- Pawtucket	<u>WWRI</u> not reported	<u>WXTR</u> 5,000		<u>WXTR</u> 5,000
Rochester				<u>WHAM</u> 17,000
				continued

Table 7--continued

	Information	Entertainment	Contemporary	ABC (Prior to 1/1/68)
Dayton				no affiliate
Louisville	<u>WXVW</u> 1,000	<u>WHEL</u> not reported	<u>WKEE</u> not reported	<u>WHAS</u> 7,000
Memphis				<u>WMQM</u> 1,000
Sacramento				<u>KRAK</u> 5,000
Birmingham	<u>WYDE</u> 5,000	<u>WCRT</u> not reported		<u>WYDE</u> 5,000
New Haven				<u>WATR</u> 2,000
Albany-Schenectady- Troy		<u>WABY</u> not reported	<u>WEEE</u> 2,000	<u>WPTR</u> 8,000
Toledo	<u>WTTO</u> 1,000	<u>WTTO</u> 1,000	<u>WOHO</u> 2,000	<u>WCWA</u> 5,000
Akron				<u>WGAR</u> 1,000
Fort Worth		<u>WFAA/WBAP</u> 3,000		<u>WFAA/WBAP</u> 3,000
Syracuse		<u>WFBL</u> 4,000		<u>WFBL</u> 4,000
Oklahoma City	<u>KTOK</u> 10,000			<u>KTOK</u> 10,000
Salt Lake City	<u>KALL</u> 5,000			<u>KALL</u> 5,000
				continued

Table 7--continued

	Information	Entertainment	Contemporary	ABC (Prior to 1/1/68)
Omaha-Council Bluffs	<u>KBON</u> 2,000	<u>KBON</u> 2,000		<u>KBON</u> 2,000
Nashville	<u>WSIX</u> 7,000		<u>WMAK</u> 2,000	<u>WSIX</u> 7,000
Fresno	<u>KARM</u> 3,000	<u>KARM</u> 3,000		<u>KARM</u> 3,000
Charlotte		<u>WCGC</u> not reported		<u>WMAK</u> not reported
Des Moines	<u>KSO</u> not reported			<u>KSO</u> not reported
	239,000 (25 markets)	135,000 (34 markets)	206,000 (11 markets)	611,000 (51 markets)

Source: American Research Bureau Radio Audience Reports, October/November, 1967.

listened to 51 different stations in as many cities in 1967. It is obvious, therefore, that even though ABC has more stations, the audience, as of January 1st, to the additional stations is not as sizable as the audience was to those stations that dropped ABC as a result of the change in concept (see Stations).

Increased Audience

Nevertheless, as time goes by, ABC has continued to add stations and with more stations, the audience has gone up. According to the April-May, 1968, ARB study, based on the top 61 markets, ABC's networks had 97 stations and an audience average of 648,000 adults.

Stations Ranked First, Second, Third

Based on the same survey, the rankings of the ABC stations give an indication of the relative strength in the top markets. These data are presented in Table 8.

Of the 97 stations representing ABC outlets in the top 61 markets, only 18 are ranked first, second, or third in their markets. Both CBS and NBC have 30 or more stations ranked among the top three. According to ARB (October/November 1967), prior to January 1, 1968, ABC had 22 markets where its stations were first, second or third.

Table 8.--Rank of Affiliates in Major Markets

Network	Number of Markets 1st, 2nd, 3rd	Ranked 4th of below	Audience too small to report
ABC Information	10	15	11
ABC Entertainment	5	20	23
ABC Contemporary	3	7	3
CBS	33	18	7
NBC	30	28	3

Source: American Research Bureau, April-May, 1968--Total week, 6 AM-12 Midnight.

RADAR

Radio's All Dimension Audience Research study has both potential and actual audience measurements. According to RADAR, there were some differences between the potential and actual audience for the ABC Radio network. At the time the study was done, 353 stations were affiliated with the one network. The actual audience to the cleared programs was about 75% of the potential audience to the network stations. Table 9 presents these data.

Number of Affiliates to Networks

Under the one network concept when this study was done (March 1967), ABC had 353 stations. When the four-network concept was offered, ABC had 289 AM affiliates.¹

By January 1, 1968, there were 408 stations affiliated with ABC.

By July 1, 1968, 612 stations were affiliated with ABC's four networks (see Table 10).

When RADAR first came out (March 1967) the Potential Reach of ABC's one network was 40,398,000. The estimated seven-day reach as of June 30, 1968, was 45,000,000 people.

¹American Broadcasting Company, "A Report to the Colgate-Palmolive Company, Inc." and "A Report on ABC's Four Networks" (unpublished reports, New York City, 1968).

Table 9.--Average Quarter-Hour Potential Audience vs.
Average Quarter-Hour Actual Audience

Network Potential 7 Days, 6 AM-12 Mid.	Network Actual Total Weekly Comm. Sched.	% Actual of Potential
<u>Persons 12 and Over</u>		
1,974,000	1,494,000	75.7
<u>Persons 18 and Over</u>		
1,646,000	1,263,000	76.7

Source: RADAR--Spring 1967.

Table 10.--ABC Radio Network's Record of Affiliation

	Nov. 13, 1967	Jan. 1, 1968	April 1, 1968	July 1, 1968
Contemporary	51	76	110	142
Information	163	200	245	277
Entertainment	75	132	165	193
3 AM Networks	289	408	520	612

Source: ABC--Report on 4 Radio Networks--October, 1968.

Considering the number of new affiliates, as well as the audience delivery, it may be concluded that an 89 per cent increase in stations has brought a 12 per cent increase in potential audience. Again, it is important to remember the difference between actual and potential.

However, the estimated audience levels, based on March 1967, had little importance when the March 1968 RADAR figures were released. At that point the need for guesswork was eliminated. For the first time it was possible to see what a nationally syndicated survey indicated what the audience to each of the ABC networks was supposed to be (see Table 11).

Once again, even though possible duplication does not allow the mere addition of inter-network numbers, one can receive an approximation of the relative total reach of ABC's four networks by combining the figures. In this case the 44,646,000 people figure is slightly less than the estimate based on the previous year's study. Taking into consideration the fact that some of the audience is reached by more than one network, it is a fair assumption that the actual audience is smaller than the sum of the four networks. It is known, also, that some of the ABC stations are affiliated with more than one network (see Stations).

Estimated Audience--September 1968

RADAR 1968 also made estimated audience levels based on stations that would be affiliated with the various networks by September, 1968. Table 12 illustrates these estimated ABC cumes.

Table 11.--Potential Audience and Stations, Seven Day Weekly
Cume--March 1968

Network	Number of Stations	Cumulative Audience
ABC Contemporary	112	17,315,000
ABC Entertainment	166	7,519,000
ABC Information	239	14,795,000
ABC FM	138	5,017,000

Source: .RADAR 1968.

Table 12.--Potential Audience and Stations, Seven Day Weekly
Cume--September 1968

Network	Number of Stations	Cumulative Audience
ABC Contemporary	154	21,602,000
ABC Entertainment	204	9,285,000
ABC Information	290	18,540,000
ABC FM	168	5,388,000

These figures add up to 54,815,000 adults. An indication of the value of ABC's increased number of stations (655 vs 816) comes by comparing the September potentials with the March figures. The additional audience represents an increase of about 20%.

But here again it is important to remember that these are potential audience figures and are a result of the listening done to a local station affiliated with ABC from 6:00 A.M.-12 Midnight. When network program clearances are applied, audience levels drop. ABC's clearance performance varies by network (see Clearance).

Top 20 Largest Programs

RADAR 1968 lists the audiences to the various network programs, taking into consideration the specific clearance performance. None of the twenty programs with the largest audiences are ABC programs (see Table 13 on the following page).

Table 13.--Top 20 Sponsored Network Radio Programs

Rank	Program	Network	Adult Listeners
1.	Morning Report (M-F, 8:30-8:35 AM)	CBS	3,108,000
2.	Morning Report (Sat, 8:30-8:35 AM)	CBS	2,955,000
3.	News (M-F, 10:00-10:10 AM)	CBS	2,906,000
4.	News (Sat. 11:00-11:05 AM)	CBS	2,834,000
5.	First Line Report (M-F, 6:30-6:35 AM)	CBS	2,756,000
6.	Drees on Sports (Sat. 11:10-11:15 AM)	CBS	2,635,000
7.	Arthur Godfrey (M-F, 9:10-9:15 AM)	CBS	2,590,000
8.	Sports Central USA (Sat. 8:15-8:20 AM)	CBS	2,546,000
9.	News (Sat. 12:00-12:05 PM)	CBS	2,546,000
10.	Vietnam Diary (Sat. 11:05-11:10 AM)	CBS	2,516,000
11.	News on Hour (M-F, 10:00-10:05 AM)	NBC	2,500,000
12.	Monitor News (Sat. 11:00-11:05 AM)	NBC	2,486,000
13.	News (Sat. 10:00-10:05 AM)	CBS	2,484,000
14.	Monitor News (Sat. 10:00-10:05 AM)	NBC	2,479,000
15.	Drees on Sports (Sat. 12:05-12:10 PM)	CBS	2,468,000
16.	News (M-F, 9:00-9:10 AM)	CBS	2,467,000
17.	News (M-F, 11:00-11:10 AM)	CBS	2,459,000
18.	News (M-F, 5:00-5:10 PM)	CBS	2,432,000
19.	Dear Abby, (M-F, 10:30-10:35 AM)	CBS	2,365,000
20.	Monitor (Sat. 10:05-10:15 AM)	NBC	2,346,000
Number Programs in Top 20		CBS--16	
		NBC-- 4	

Source: RADAR, Spring, 1968.

CHAPTER VII

ADVERTISER ACCEPTANCE

The commercial success or failure of broadcasting in America is completely dependent on the sale of commercial time to advertisers. A program may be a critical success; but if it is not purchased by advertisers, it will, in all likelihood, be canceled.

Therefore, one indication of the success of the new ABC network concept is to see how many advertisers are buying time.

1967 vs. 1968 Advertisers

During the first six months of 1967, the single ABC Radio Network received advertising revenues from 73 different advertisers.¹ Of these, 23 were exclusive to ABC. The others also purchased time on one or more other networks.

By contrast, during the first six months of 1968, 41 advertisers bought time on the four networks and ten of these were exclusive.² These data are presented in Tables 14 and 15.

¹Broadcast Advertiser Reports, Inc., January-June, 1967.

²Broadcast Advertiser Reports, Inc., January-June, 1968.

Table 14.--Number of Network Radio Advertisers January-June
1967 vs. January-June 1968

Network	Year	Total Advertisers	Exclusive Advertisers
ABC	1967	73	23
	1968	41	10
CBS	1967	93	35
	1968	95	32
NBC	1967	85	37
	1968	90	32

Source: Broadcast Advertising Reports, Weekly booklets
January-June 1967 and 1968.

Table 15.--ABC Advertisers January-June 1967 vs. January-
June 1968

ABC Advertisers--January-June	1967 vs. 1968**	
AP Parts	X	
Alcan Aluminum Ltd.	X	
American Dairy Association	X	
American Express Co.	X	O
AFL-CIO	X	O
American Home Products*	X	O
American Motors Corp.	X	
American Sportsman Quarterly	X	
American Telephone & Telegraph	X	X
American Tobacco Co.	X	X
Amway Corp.	X	X
Armstrong Cork Co.	X	
Assemblies of God	X	
Ball Brothers Co.	X	X
Bankers Life & Casualty Co.	X	X
Benrus Watch Co.	X	O
Block Drug Co.	X	O
Borden Co.	X	O
Borg Warner	X	

continued

Table 15--continued

ABC Advertisers--January-June	1967 vs. 1968**	
Bristol Myers*	X	X
California Federal Savings & Loan Assn.	X	
California Prune Advisory Board	X	
Campbell Soup Co.	X	X
Canandagua Industries Co.	X	
Chrysler Corp.	X	X
Church and Dwight	X	
Colgate Palmolive Co.*	X	X
Cowles Communications, Inc.	X	O
Del Monte		X
Deltona Corp.	X	
Eastman Kodak Co.	X	X
Eversharp Inc.	X	X
Florida Citrus Commission	X	
Florists Telegraph Delivery Assn.	X	X
Ford Motor Co.	X	X
General Foods Corp.	X	
General Mills, Inc.	X	O
General Motors*	X	X
Goodyear Tire & Rubber Co.	X	
W. R. Grace Co.	X	O
Billy Graham Evangelical Assn.	X	
W. J. Haggerty & Sons Ltd.	X	X
Hastings Mfg. Co.	X	
Highland Church of Christ	X	
In-Sink-Erator Mfg. Co.	X	O
Jeffrey Morten Labs.	X	
Kellogg Co.	X	
Kentucky Fried Chicken		X
I. B. Kleinert Rubber Co.	X	
Knox Gelatine, Inc.	X	
Kraft Foods	X	X
P. Lorillard		X
Magla Products		X
Mernan Co.		X
Mem Co.		X
Milas Lab.		X
Benjamin Moon		X
Morton International		X
National Biscuit Co.		X
Pepsico, Inc.	X	X
Pet Inc.	X	O
Chas. Pfizer	X	O
Philadelphia & Reading Corp.	X	X

continued

Table 15--continued

ABC Advertisers--January-June	1967 vs. 1968**	
Pillsbury		X
Quality Courts Motels, Inc.	X	
Readers Digest Assn., Inc.	X	X
Rexall, Inc.		X
R. J. Reynolds Tobacco Co.*	X	X
Sinclair Oil Corp.	X	O
Smith Kline & French		X
State Farm Insurance Co.	X	O
Sterling Drug Inc.	X	X
Sucrest Corp.	X	
Turtle Wax Inc.	X	X
United Air Lines		X
Wallace & Tiernan, Inc.	X	
Western Industries, Inc.	X	
William Wrigley Jr. Co.	X	O
Wynn Oil Co.	X	O

*Multi-product advertisers.

**X Advertisers buying ABC network 1967, 1968.

O Advertisers that bought ABC in 1967, but are buying NBC or CBS in 1968.

Fifteen of the advertisers that used ABC during the first six months of 1967 did not use any of ABC during the same period in 1968, but did place time on one of the other networks.

Also, according to reports from the Leading National Advertisers, Inc. in 1968, the ABC four networks had the smallest share of the advertising revenues invested in network radio.

LNA ESTIMATES FOR SIX MONTHS
January-June 1968

ABC	\$ 5,146,000
CBS	10,468,700
NBC	<u>10,746,200</u>
	\$26,361,300

The five million dollars spent on ABC is about 25 per cent of the total network investment.

According to the Broadcast Advertising Reports (BAR) for estimated time and talent charged on the top 25 national advertisers, the ABC networks were in third position behind CBS and NBC (see Table 16 on the following page).

Rates

Another barometer of a successful broadcasting operation is its rate structure. As operating costs go up, a commercial broadcasting station or network is expected to raise its rates. Supply and demand also are very closely related, so when much time is unsold, rates are lower than when there is a lack of commercial availabilities. Also,

Table 16.--Top 25 Network Radio Advertising Expenditures, First Half of 1968

Parent Company	3-Network			CBS
	Total	ABC	NBC	
1. General Motors	2,268,300	696,500	702,200	869,600
2. Sterling Drug	1,255,200	534,400	514,300	206,500
3. Ford Motor	1,189,500	294,200	452,400	442,900
4. Colgate Palmolive	1,170,500	412,200	206,700	551,600
5. R. J. Reynolds Tob.	1,140,300	96,400	505,200	538,700
6. P. Lorillard	1,031,400	608,000	---	423,400
7. State Farm Insurance	839,900	---	605,100	234,800
8. Plough	711,600	---	342,900	368,700
9. Bristol Myers	661,200	300,800	162,200	198,200
10. Chrysler	626,700	41,800	421,100	163,800
11. American Home Prod.	511,300	---	130,400	380,000
12. Kellogg	478,100	---	136,700	341,400
13. Campbell Soup	456,500	69,100	159,600	227,800
14. American Express	422,500	---	278,600	143,900
15. E. I. du Pont	418,400	---	288,700	129,700
16. Warner Lambert	352,900	---	192,300	160,600
17. Sinclair Oil	337,500	---	189,800	147,700
18. Abbott Lab.	323,200	---	94,600	228,600
19. National Biscuit	308,100	97,300	43,600	167,200
20. Chas. Pfizer & Co.	274,900	---	104,300	170,600
21. Cowles Communications, Inc.	265,500	---	---	265,500
22. Liggett & Myers	261,900	---	169,300	92,600
23. Borden	256,300	---	124,600	131,700
24. Morton International	251,100	55,400	53,000	142,700
25. Eversharp	231,200	231,200	---	---
	16,044,000	3,437,300	5,877,600	6,729,100

rates are obviously lower when the audience estimate is small.

According to Standard Rate and Data Service for 1967, a one time cost for a 60 second commercial broadcast between 9 AM and 4:30 PM on the ABC Network was \$1250.³

By contrast, there is a record of some advertisers being offered commercials on the Information, Entertainment and FM networks at a cost of \$885 per 60 second commercial.⁴

The same advertiser was offered a combination of the information and contemporary networks at a cost of \$1277 per 60 second announcement.⁵

The information, Entertainment, FM combination is about 25% of the open rate established in SRDS and the Contemporary-Information combination is about 33% of the published rate for a 26 week rate.⁶

(According to SRDS the following rates apply for a 26 week consecutive order. Contemporary--\$2375; Information--\$1425; Entertainment--\$1188; FM--\$618. Rates are based on 100% coverage of total United States Retail Sales. Rates are adjusted to coverage of less than 100% of total United States Retail Sales.)

³Standard Rate and Data Service, July 10, 1967.

⁴ABC Presentation to Ogilvy and Mather for American Express.

⁵Ibid.

⁶Standard Rate and Data Service, July 10, 1968.

Since the rates are adjusted for coverage of retail sales, it may safely be assumed that the networks' coverage of the United States, either alone or combined, is less than complete.

(It should be noted at this time, that the rates of \$885 and \$1277, quoted in the American Express proposal, may or may not be a violation of the waiver to Section 73:137 of the rules. The waiver states that ABC avoid group sales, combined rates of inter-network discounts.⁷ This writer does not believe enough information is contained in the proposal to make it possible to draw any conclusions. It is entirely possible that although the American Express presentation contains a proposal for using more than one network and quotes only one price, it does not mean this is a combined rate as understood by the FCC in their waiver. The quoted figure could merely be the simple addition of two proper network rates, rather than a figure arrived at by discounting a multi-network purchase.)

No Separate Network Sales Information

It is difficult to obtain separate dollar sales figures for each network. The only public dollar information on network radio sales comes from the Federal Communications Commission. This is a figure reflecting all of network

⁷FCC, Waiver Memorandum, p. 9.

radio's total sales and net profit or loss. The FCC does not reveal individual network figures. There are no public sales figures published by individual networks. Occasionally, estimated figures do appear in some trade magazines that are an approximation, based on known clients plus Standard Rate and Data Service.

One such publication claims that the American Broadcasting Company's radio network lost three million dollars in 1967.⁸ Also, based on current sales for 1968, it is estimated that the four ABC radio networks will lose 7 million dollars.⁹

⁸Gallagher Report, October 29, 1968.

⁹Gallagher Report, November 5, 1968.

CHAPTER VIII

CONCLUSION

In the main body of this paper, discussion was given to the various ingredients necessary for making a successful network operation.

Programs, stations, clearance, audience size, and advertiser acceptance have been examined and these are the conclusions reached regarding the strength or weakness of each part.

Four-Network Idea

The four-network concept initiated by the American Broadcasting Company, in theory, was a good idea.

As a single network, ABC was paying the American Telephone and Telegraph Company for time charges for lines, more than 80% of which were being wasted. The thought of utilizing each consecutive 15 minute portion of an hour to feed a different network is original. ABC was paying the American Telephone and Telegraph Company for the utilization of a full 60 minutes each hour, even though the network only fed about eight and a half minutes of programming an hour during an average broadcast day. However, as with many great

ideas, some of the minor details necessary for perfection may not be practical. Evidently such is the case with the ABC network concept. Strengths have developed, or are developing, but, at the same time, so have some weaknesses in important areas.

Loss of Stations

ABC has lost some important stations. When a network loses 50,000 watt stations, it is very difficult to make up for the loss. Locally, another station with less power may have the same or larger audience. However, the 50,000 watt station's signal extends far beyond the town or city and into the local area. At night it may reach other areas of the country and, thus, reach people who would not ordinarily hear a network station in their own community. So, while wattage alone is not an indication of a station's success, it is difficult for a network to be successful without at least several affiliates possessing 50,000 watts. In the case of ABC, the 50,000 watt station delivered good audiences in their markets.

Furthermore, the location of stations is very important. David Sarnoff pointed out the importance of certain stations during the chain broadcasting investigation.

It is quite conceivable, as you know, that any network that would lose even a dozen important stations, while it may list 100 or 125 stations or more on its network, all it would have to do would be to lose a dozen, or

possibly less of the more important stations and it would cease to be, in fact, a competitive network.¹

The leaders of the old Blue Network realized this when they were adding affiliates when the Blue was still part of NBC. They stated that coverage must be concentrated, "in money markets where population and purchasing power are peaked."²

Out of 835 stations affiliated with ABC, only 140, or about 17%, are in the Top Fifty markets. This is the area that accounts for 50.7% of all retail sales. Also, because of daytime only stations with low ratings, the quality of the stations that are affiliated in the top markets, is not high.

Opportunity to Reach Different Listeners

On the other hand, there is something to be said for sheer number of stations. With 835 stations affiliated with the various networks, some markets have, as shown, more than one ABC affiliate. Since most people seldom listen to more than one radio station, ABC offers an opportunity to reach more different listeners if an advertiser should buy more than one of the ABC Networks. This approach, however, gives credence to the FCC belief that "while ABC characterizes its

¹Federal Communications Commission, Principles and Practices of Network Radio Broadcasting, Testimony of David Sarnoff (Washington, D. C.: Government Printing Office, 1939), p. 29.

²Blue Network Today, p. 9.

proposed radio networking concept as four new specialized networks, what will take place, in practical effect, is the provision of four distinct network services from one network source."³

ABC is supposed to sell, and advertisers should look upon the various ABC networks, as distinctly different operations. If they did, then the fact that ABC has more than one affiliate in any given market would be minimized. It would be just as easy to buy one ABC network and combine it with NBC or CBS, and still obtain advertising on two different stations.

It is also possible that some of the new stations joined ABC because ABC guaranteed the station a certain amount of revenue.⁴ If that is the case, then the large number of stations affiliated with ABC may be costing the network a substantial amount of money in station payments.

Affiliate Relations Staff Necessary

Since affiliated stations are run by human beings, it becomes necessary to maintain periodic contact for good business reasons; to hear complaints, to pass compliments, and to inform about changes in programs, advertisers, etc.

³FCC, Waiver Memorandum, p. 2.

⁴Gerald Maulsby, private interview at CBS, New York City, November, 1968.

Each network has a staff of affiliate relations people who maintain this liaison and even, when necessary, try to obtain new affiliates. As a network grows from 300 to 900 affiliates, more demands are made on these people. For a network to maintain peak efficiency in this area it either has to add more people, have the current staff make more calls, or spend less time with current affiliates. In this area, all stations have the same value regardless of their audience size. It costs just as much to travel 500 miles to visit a big station as it does to visit a small one. Therefore, if 900 stations were maintained in the same manner as 300 stations, it would cost three times as much.

Cost cutting in affiliate relations merely brings inefficiency of operation. A highly effective relationship with affiliates means high costs.

Audience

The audience to ABC's four networks, according to ARB for the important major markets, went down when the new concept was first introduced. This has caused some advertiser apathy.⁵ RADAR, however, shows that the potential audience to the ABC networks has increased between 1967 and 1968. Unfortunately, the increase appears to come from the addition of stations in the smaller markets in the country,

⁵Ketcham, McCloud and Grove, ABC Outline, February, 1968.

not because of any important additions in the major markets. Moreover, even though the RADAR study shows a growth trend for ABC, none of the individual ABC programs are in the Top 20 audience attractions. And most advertisers buy large audiences.

Advertiser Acceptance

As a result of a lack of important stations in most major markets, clearance problems with some of the networks and a peculiar attitude against getting involved with new ideas until they are proved to be workable, the advertiser acceptance of ABC has been poor. It was shown where only slightly more than half the advertisers that purchased time on ABC in 1967 returned in 1968 during the comparable period of time. One agency has stated in a memorandum that the concept was good, but "more time was needed before a judgment could be made on its merit."⁶

Programs and Clearance

The programming incorporated by the various ABC networks is both an asset and a detriment. Since many stations do not like long interruptions of their local programs, the shorter amount of option time for three of the four networks

⁶Ibid.

may be considered an asset. The clearance performance has not been diminished. It is also interesting to note that the network with the greatest amount of time, the Information Network (26-1/4 hours) also has the poorest clearance (71%).

Added Costs

The biggest detriment that comes from the new programming structure is cost. Even though there is less average time per network, the total amount fed by ABC (56-3/4 hours) is more than double that of the old single ABC Radio Network. More time means more manpower and usually additional facilities. With these ingredients programming costs for the four networks have probably risen.

ABC Losses

Trade papers have estimated ABC's losses in 1968 to approach seven million dollars. Thus, at a time when station operation is going up, programming costs are going up, and overall network operation is going up, sales have been going down.

In the United States, while broadcasting is operated in the public interest, it is still necessary to obtain the financial support of advertisers or sponsors. Otherwise, there will be no programming. Unless ABC receives more advertiser support there will be no ABC Radio Network or

Networks. The support will not come unless improvements are made in affiliates and clearances. It appears that improvements will not come fast enough, and advertisers will not be found fast enough, to save the four-network concept.

What May Happen?

Some people at ABC feel that the turning point financially is "around the corner."⁷ If enough decision-makers at ABC feel that way, they may decide to continue the four-network concept in 1969.

Another alternative would be to revert to having one single network. Unfortunately, for ABC this puts the network in worse shape than it was prior to instituting the four-network concept. First ABC would have to eliminate all of the extra stations in markets where they have more than one affiliate. Also, ABC would still be without the 50,000-watt stations and other top stations the network lost when it went to four networks. It is always possible, in time, to obtain some of those stations that defected; but again, time can cost money in lost sales.

News Service

Still another possibility for ABC would be to change its philosophy of operation from an advertiser-oriented

⁷"ABC Radio Sees Profits on Way," Variety, October 30, 1968, p. 42.

network (needs the support of advertisers to exist) to a station-oriented network (station support) by selling a program service to stations instead of programs to advertisers.

United Press International (UPI) and Radio Press International (RPI) are two news bureaus that are now doing this. ABC has already established the contacts, and has the communication lines already set. In this method of operation, stations buy news or other items that may be inserted into the stations' locally produced programs. The station can then have "live" national or international reports without maintaining a large staff of people. The network concept of furnishing programs that a local station cannot afford to produce still exists. The high cost of production is averaged out among the subscribing stations.

In addition, some programs in their entirety (e.g., five minute news analysis, 10 minutes of sports, etc.) may be fed to the station with time available for insertion of local commercials.

No Visible Effect on Other Networks

The four-network concept has little visible effect upon the programs of competing networks. The one major area, however, where it seems to have had a very noticeable effect is in station affiliation. Both CBS and the Mutual Broadcasting System have lost stations to ABC. Mutual has lost 24

and CBS has lost two. On the other hand, CBS has also obtained some good stations from ABC. Notably, these include KWKH, Shreveport, Louisiana; and WHAS, Louisville, Kentucky (both 50,000-watt stations), as well as the number one audience stations in Fargo, North Dakota and Burlington, Vermont. Mutual gained nothing of value. Because of all the stations lost to ABC, however, Mutual Broadcasting petitioned the FCC to rescind the waiver it granted to ABC in December, 1967.⁸

The four-network concept has also had some effect on local station programs. In the case of those stations that dropped ABC, it meant that the hours that used to be network option time would now be programmed locally. Since this amounted to about ten minutes each hour, this would not be too difficult a task. The stations, however, might suffer slightly because of a lack of national and international news coverage. This could be obtained from the wire services. However, the prestige of a nationally-known correspondent would be lost. How important an element that is varies by individual station.

At the beginning of this study it was stated that five areas would be examined to see if the four network concept would succeed. These areas were: stations, programs, clearance, audience size, and advertiser acceptance. The only

⁸Federal Communications Commission, Petition for Rescission of Waiver and for Other Relief, filed by Mutual Broadcasting System, October 30, 1968.

area where there are definite positive values is in programming. There have not been big gains in major market stations, audience size has not shown major growth, there has been no big improvement in clearance performance, advertisers have defected and sales are down.

After due consideration and examination it is more than an educated guess to conclude that the four-network concept of the American Broadcasting Company, while a noteworthy broadcasting endeavor, is going to be a failure.

ABC Should Be Praised

Nevertheless, the action taken by ABC in attempting something different in the way of network broadcasting should be praised. Radio has had a substantial number of problems, not the least of which has been television. As a result of television impact on the broadcast networks, less attention was paid to the radio networks. Programming suffered, and station affiliation was affected. For example, in 1946, 80.6% of all stations were affiliated with a radio network.¹⁰ In 1968, about 39% of all stations were network affiliates.¹¹

While ABC's effort appears to be a failure, some good results can still come from it. It has drawn attention to the fact that network radio in 1968 is not the force it was

¹⁰FCC, Network Broadcasting: Report of the Committee on Interstate and Foreign Commerce, p. 601.

¹¹SRDS.

in 1946, and because it is not, because all of radio has changed, perhaps it is time for the Federal Communications Commission to take a fresh look at the Chain Broadcasting Regulations of 1941. Some changes may be necessary to allow for further developments of network radio, so that the networks might better serve the "public interest, convenience and necessity."

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