

Cable

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DETERMINING FUNDS, DECIDING THE BUYS

Over the years, we have read about varying recommendations on funding levels for cable television. The usual figure quoted is 5% of an advertiser's network television budget. On the other hand, someone recently recommended a complete reversal in budget allocation from an agency's proposal of 95% spot tv/5% cable to 95% cable/5% spot. We were not surprised to hear his ideas were rejected by the client.

We are all familiar with the basic arguments for and against cable. Pros include helping to compensate for network tv under-delivery in cable homes (occurring to varying extents based on demographics, flight dates and daypart mixes), lower CPM's than network television and targeted programming against tough-to-reach demos. Cons include low ratings, inferior programming on certain networks and coverage differences by ADI.

In light of these considerations, we asked ourselves how could we best determine: 1) appropriate cable funding and 2) how do we best select cable networks. The following methodology is our answer.

Step I. Examine product usage data in SMRB or MRI to see how the category or brand usage/purchase behavior patterns skew by pay, basic and non-cable homes. We believe pay and basic homes must be analyzed separately, since we have seen broad category/brand skews between the two. In one of our analyses, the purchase patterns for basic and non-cable homes indexed at about 100, while pay homes indexed a 115.

Step II. Have the planned or purchased network television schedule rated out to determine the GRP delivery (household or target) in these three types of households. What emerged in our analysis is that basic homes indexed at a 104, pay homes a 91 and non-cable a 104.

Step III. Add GRP's from any other national medium you may be using to the network GRP's, by pay, basic and non-cable homes (obviously if you don't think you should add GRP's from a non-tv medium, you can leave this step out entirely). Upon completion, re-index the GRP's to determine the ultimate all-media GRP situation. Generally speaking, if you're using upscale print, this step will help flatten out the GRP delivery in pay homes since pay homes are upscale and their members tend to read more than those in basic-only or non-cable homes.

In our analysis this step brought pay homes to a 95 index (from 91), basic homes stayed at a 104 index, while the non-cable homes GRP's decreased slightly to a 102 index (from 104). You should now have a final, national comparison between where your media weight is falling vs. where you may want it to fall assuming a spend-behind business philosophy. We then realized our plan was 20% short of the "optimum" GRP delivery vs. the brand's skew (115 usage index in pay homes vs. a 95 media delivery index in pay homes).

Step IV. To correct this, the Nielsen Cable Activity Report must be analyzed next. All ad-supported networks should be analyzed to determine which of them, if any, over-deliver in pay homes. Not any basic network will do, since most over-deliver in basic and under-deliver in pay. This step may much take some time because the individual pay/basic ratings must be broken out manually. You should use the CAR report closest to your planned flight dates since the outcome will differ from quarter to quarter.

Step V. You will now know which basic networks you could use. It is then a simple matter to cost them out (at different budget levels) to determine for x dollars spent on Y network, the return is Z% more GRP's in pay homes than basic homes. You will then have an idea of which networks to purchase, and you will be able to calculate how much cable money to spend to reach + 15% GRP goal in pay homes.

You must of course temper the results of your analysis with the real world. The networks which over-deliver in pay may not make sense against the specified target (i.e., MTV against men 35 +). Efficiencies or availabilities may also preclude you from selecting one or more of the "desired" cable networks.

In conclusion, it is only through much analysis that correct funding and proper cable network selection can be understood.