Media Management Review
Media Management Review

Edited by
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Media Management Review is dedicated to the hard-working professionals who make up the AEJMC Management and Economics Division and the BEA Management and Sales Division.

We hope that this publication becomes an important resource that expands our knowledge of the complexities of media management.
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Preface

*Media Management Review* fills a void in the growing field of media management. More and more, colleges and universities are teaching media management courses, mostly in response to students' needs and requests.

In this flourishing field, there were no refereed periodicals in which media management scholars could regularly get published and that provided information on the latest media management theories and practices. This volume was designed to solve these problems.

*Media Management Review* is designed for working professionals. Therefore, its style is not scholarly in tone. If the articles are based on research, the research is deemphasized and the results are written in an understandable and applicable style—applicability being the main focus of this volume. The *Harvard Business Review* served as our model not only for applicability, but also usefulness, readability, and being on the cutting edge of ideas.

We believe we have partially achieved our goal with this volume. There are chapters about television and newspapers, legal issues and mergers, and sexual harassment that any organization will find useful in policy making. There is a case study accompanied by comments from four experts in the field and a research brief that summarizes some interesting and relevant research.

The idea for this volume was born in a Broadcast Education Association (BEA) meeting of the management and sales division. Later that same year, I presented our concept at a meeting of the Association for Education in Journalism and Mass Communication (AEJMC) to the management and economics division, whose members enthusiastically endorsed the idea of *Media Management Review*.

I coordinated an effort to get nominations for editorial board members and editors from these two associations. Top nominees for the editorial board and editor were put on a ballot and sent to the same group as before. I was elected editor, and many of the most distinguished and respected scholars in the field were elected to serve on the editorial board—the list of board members could serve as a "Who's Who" of the top scholars in the field of media management in academia. One member of the board left her university to become a media manager, which emphasizes the board's strength and credibility.
I recruited several top scholars and media industry leaders to serve as advisors giving the publication overall guidance, purpose, and focus. A call-for-papers brochure was sent out to all BEA and AEJMC members and to the deans of business schools across the country. All submitted papers were reviewed by at least two members of the Editorial Board. Those selected for publication by the reviewers were included in Media Management Review, with the editor making the final decision.

Acknowledgments

The first bouquet thrown in any tribute to people who made Media Management Review happen must be tossed to the contributing authors. Many contributors made extensive changes in their articles, but none complained or argued. Most editors would die for such cooperative and intelligent authors.

I would like to thank my editorial board; without their help, this publication would not have gotten off the ground. Their reviews were finished on deadline, and all reviews were thorough, intelligent, and kept to a high standard for inclusion in the publication.

I would also like to thank Lawrence Erlbaum Associates for agreeing to publish Media Management Review; without their help, the review would not exist. Praise must also be handed out to our editor Kathleen M. O’Malley, who expertly guided us through the complex formatting and production problems.

Finally, this publication is less mine than it is Tom Weir’s, my assistant. For the last 3 months of editing, formatting, and organizing the publication, I was in the hospital. It was Tom who did all the work. Thanks, Tom.
Chapter 1

Case Study: The Helicopter Wars

Prepared by Charles Warner
University of Missouri

This unusual case study is included in this first chapter of the Media Management Review because it deals with a current issue in broadcast that has significant management implications. As in all good case studies, there is a lot more going on than is read in print. The case consists of a single newspaper story that appeared in The Kansas City Star on August 22, 1993, concerning the decision of a local television station to put up a news helicopter. The article is a fairly straightforward and objective report of events, both past and present. We invite you to probe more deeply into what is not specifically stated here. There are tremendous implications for the station and the market, as well as a good many details that led to the decision that deserve to be considered. At the end of the case, there are comments by some leading professionals concerning the wisdom of putting up the helicopter, but the opinion that really counts is yours. As you read, ask yourself: Was this a good management decision or not?

HELICOPTER WARS

"'Agreement' Can't Keep Copters Away From K.C."

—THE KANSAS CITY STAR, August 22, 1993, by Barry Garron

News wars on Kansas City TV are going sky high. When WDAF announced 10 days ago that it's going to cover news and traffic with a helicopter, it became a call to arms at competing stations.

Adding to the fire was a suggestion last week by the general manager of WDAF, supported by others, that news helicopters had been kept out of Kansas City by a tacit agreement among the TV stations not to engage in that form of competition. Lease expenses are estimated to be at least a quarter of a million dollars a year.

"There are those who have told me that there were back-room deals done in Kansas City that prevented this service from taking place," said Edward J. Piette, who has led WDAF since October 1991. "I believe that to be the truth."
The general managers of KCTV and KMBC deny such an agreement.

"I find that to be a little ludicrous," KMBC's Dino Dinovitz said of the alleged agreement. Dinovitz declined to disclose his plans for aerial news coverage, but representatives of two helicopter leasing firms said they were bargaining with the ABC station.

Independent station KSHB has no plans for a helicopter, said Mark Olinger, news director.

"I don't want one," Olinger said. "They're very expensive. I've lost two friends now in helicopter crashes. I think you can cover the news in Kansas City pretty darn well without one." KCTV, however, is meeting WDAF's challenge. The CBS affiliate began running promotional spots about its own helicopter last week despite not having signed a lease for one.

"We're not going to let anybody—whether it's WDAF or any other station—out-equip us," said John Rose, adding that the station will have its own helicopter by the end of the month.

Piette's contention that an agreement had existed is supported by employees of aviation companies, including the man who will fly WDAF's helicopter.

"The skinny on the street all the way from camera people at the TV stations to higher-ups was that, 'If you don't do one, I won't do one.' And I don't want the expense if you don't;"' said Johnny Rowlands, who operates Airborne Traffic Network. "There's no other reason for one not to be here."

Lee Sixta of Air Associates Inc. added: "We've been working on this for six years. Of course, the three TV stations, the word on the street was they all had a silent pact ... The word on the street was that none of them would get a helicopter and they kind of had a pact. That was always the word I had. I don't know whether it's the truth."

Piette comes from St. Louis, where the stations competed with helicopters because they recognized their value in news coverage.

"I was surprised and amazed that a helicopter service didn't exist from a journalistic standpoint when I arrived," said Piette, who managed KSDK immediately before coming here.

News directors say helicopters are necessary in cities such as Denver, which is surrounded by mountains, and Los Angeles, where the metropolitan area sprawls for large distances. They also agree that some stories, including brushfires, sinking ships, missing persons and the massive flooding this summer, are best covered from the air.

Including traffic, Piette said, there are enough such stories in Kansas City to justify the routine use of a helicopter in news coverage.

Don North, KCTV news director, also said the regular use of helicopters will improve TV news.

"A lot of what television does well is video," he said. "There is no question that we can get certain types of stories covered better from the air."
1. Case Study: Helicopter Wars

Others are skeptical. Dinovitz said leasing a helicopter is “ridiculous” because the cost does not justify the benefit. “I’m not saying it is a bad tool,” he said. “It has its purpose when necessary but are we talking marketing or are we talking news coverage? I think, in WDAF’s case, specifically, you’re talking about marketing primarily.”

In Milwaukee, a market similar in size to Kansas City, two television stations used helicopters in the early 1980s but stopped after a few years.

“They’re good and they’re useful and they’re very expensive,” said Jill Geisler, news director of WITI, the CBS affiliate in Milwaukee.

“When we had ours, it became a wonderful aerial camera platform and a very expensive taxi service.”

“It was great fun while we had it, but we really couldn’t justify it in the budget,” she said.

The last time the station used the helicopter before the lease ended was to drop plastic Easter eggs over a camp for developmentally disabled adults.

“Somehow, it seemed like a fitting demise for the helicopter,” Geisler said.

COMMENTS ON “HELICOPTER WARS”
CASE FROM THE INDUSTRY

Neil E. Derrough, President and General Manager, KNSD, San Diego, California

It seems that the first question that needs to be answered regards the questions that should have been asked by the general manager.

Is the market big enough to support regular use of a helicopter?
Can the station afford it?
Can the station sustain it?
Does the strategy have full management support?
Market geography—is it vast?
Is the helicopter use a news or marketing strategy?
Is the strategy likely to substantially improve the news ratings?
If another station follows the WDAF strategy, is the advantage lost?

If the helicopter use is felt to be both a news and marketing strategy, the station could be locked into a long-term, expensive process. It is unlikely that adding regular helicopter use will dramatically increase the station’s news ratings. However, if a news organization is positioned as a dominant news player in the market, a helicopter can solidify that position. If a station is hard charging, with a well-financed and aggressive news organization, a helicopter can help enhance that position.
After pointing out some of the advantages of regular helicopter use, I must advance a word of caution. Regular helicopter use is a costly venture. To be a competitive advantage, the helicopter use should be part of the station’s regular news presentation. Ample promotion of the helicopter should be part of the station’s promotion strategy. If this helicopter strategy is eliminated for any reason, there is the potential for viewer resentment.

Most news organizations use aerial coverage on a limited basis. When a story justifies it, most stations provide some kind of aerial coverage. This competitive advantage at this point is essentially nullified. However, if the regular helicopter user’s have properly promoted their superiority in this area, ongoing helicopter use should be to their advantage.

Because helicopter use cannot be exclusive to a station, promotional devices can be employed to blunt the advantage that the regular user’s desire. This technique has been used to discourage stations striving to create an advantage. There are cases where a helicopter strategy may be right for a station. However, in most cases, I do not feel the expense justifies regular helicopter use.

If WDAF-TV was in that group of stations that can correctly feel positive about the strategy after answering the questions I raise, then they did the right thing. However, my instincts tell me they were not in that group.

To summarize, if a station is to use a helicopter on a regular basis, it must be part of a well thought-out strategy that fits the station positioning. It must be supported by the senior levels of the station ownership. The market revenue must offer economic rewards for employing the strategy. The market geography should be vast enough to justify the helicopter as a necessary news tool.

It is the old story of newsrooms being “bottomless pits.” Where do you stop adding on the expense? Any justification of the helicopter strategy that is not economically driven to get a return on the investment is not smart management. To add on the costs that a helicopter will produce, it must be done for the right reasons and should produce results that can be clearly substantiated.

John Kueneke, Senior Vice President,
Pucitzer Broadcasting, St. Louis, Missouri

Before moving back to St. Louis, I was general manager of KCRA in Sacramento—a station with a high profile in the use of helicopters. Because of the huge geographic area we covered (San Francisco to Lake Tahoe, Red Bluff to Fresno), a helicopter was a valuable tool in covering breaking news situations. We used the helicopter extensively for forest fires in the fall, flooding in the spring, and, of course, an occasional earthquake. The chopper was the highest profile news-gathering tool the station used, and our
helicopter pilot at the time, Dan Shively, was one of the market’s most recognizable on-air people. KCRA owned the helicopter and used it primarily for breaking news. However, although we owned the chopper, we still were never able to justify using it on a daily basis to cover morning traffic.

In St. Louis, all stations lease helicopters from Helicopters, Inc.; in return for a minimum quarterly commitment of air time, each station’s helicopter is painted with their logo and channel number. Again, we use the chopper primarily for breaking news coverage. It was invaluable during the 1993 and 1994 floods. Not only did the chopper deliver the best pictures of the flooding, but at times it was the only way to bring back live pictures. Our pilot, Allen Barklage, and reporter Jean Jackson were able to capture live both a levee break and the subsequent loss of a farm house. Again, as in Sacramento, we are unable to justify the cost of flying the chopper for traffic coverage. However, we have arranged an innovative trade agreement with Metro Traffic for morning traffic service. Allen Barklage, flying our helicopter, services our station’s needs as well as those of a number of radio stations.

KCRA’s financial commitment to its helicopter was high, yet appropriate for the market. By realistically assessing the need for helicopter time, any major market station should be able to match their usage with a cost-effective lease to provide that necessary “big story” coverage. I was surprised no station in Kansas City had regularly used a chopper before WDAF.

Susan Eastman, University of Indiana

WDAF’s general manager foolishly sacrificed the long-term budget to get a short-term ratings advantage—an advantage, moreover, that will probably be wiped out in a few days or weeks by the acquisition of helicopters by competitor KCTV and perhaps KMBC.

It is undoubtedly true that helicopters significantly improve news coverage in mountainous cities and huge, spread-out cities where getting around by car is nearly impossible because of enormous distances and impenetrable traffic. But Kansas City is flat and relatively small, and traffic usually moves smoothly. Helicopters also provide stupendous shots of natural disasters like mud slides and wildfires—events common to Los Angeles, but not Kansas City. However, Kansas City does have one potential situation for which helicopter shots would be ideal: floods along the Mississippi River and its tributaries. Yet, an annual cost upward of $250,000 is hardly justified by such an infrequent need.

In an era of handy car phones, distance and traffic jams no longer imperil “getting the story in” by deadline, and microwave trucks can beam TV pictures from nearly anyplace. Helicopters uniquely provide panoramic pictures that may be beautiful, but are rarely essential to high-quality news coverage. Perhaps WDAF should look into a blimp!
Barry L. Sherman, College of Journalism and Mass Communication, University of Georgia, Athens

It seems to me that WDAF’s decision to lease a helicopter is justified on both journalistic and competitive grounds. On the journalistic side, events of recent years have changed the “flyover” mentality common to TV news—the perception that the only events worthy of coverage emanate from New York, Los Angeles, and a handful of other major markets. From the flooding of the Mississippi to the terrorist bombing in Oklahoma City, significant events in broadcast journalism are as likely to happen in smaller markets like Kansas City as in the traditional “hard news” markets of the industrialized east and far west. Having a helicopter on hand enhances a local station’s ability to gather and report news, and to make that news available to its network and other national and international news outlets, including CNN.

Mr. Piette’s decision to lease a chopper is more than defensible on competitive grounds. As Vernon Stone’s research for the Radio-Television News Directors Association (RTNDA) has consistently pointed out, local news is the most important profit center to many television stations, especially network affiliates. In the current climate of ownership changes and “affiliate roulette,” enhancing the local news product is critical to sustaining viewership and to promoting station awareness and identity. Today’s viewers have an increasing number of options for news—from regional cable news to online computer services. As the first (or sole) operator of a helicopter, WDAF can gain an important competitive edge in its marketplace.

Moreover, to consider Kansas City (ranked 28th) as a “small market” defies contemporary demographic and marketing trends. Advertisers now spend more than $100 million annually on television advertising in this area. The market has moved up one Area of Dominant Influence (ADI) position in recent years—an indicator of market growth and potential. Moreover, the character of the city makes it especially attractive to advertisers, with the proportion of lower income households far below those of many markets above it in ADI rank. Should the helicopter add one or two points to the station’s ratings, additional advertising revenues should more than offset the operational costs of the venture.

Finally, the “gentleman’s agreement” between the three affiliates not to lease a chopper smacks of the kind of collusive and anticompetitive behavior that marked the television business in an earlier age. Television stations are no longer a “license to print money,” and the price-fixing and other backdoor deals designed to protect the “cash cow” have outlived their usefulness. In addition, such schema are ethically questionable and morally indefensible among organizations purportedly committed to freedom of expression and to exposing malfeasance in local business and government.

In the final analysis, WDAF’s strategy must pass two tests: one internal and one external. Inside the station, the considerable cost of leasing, main-
taining, and staffing the helicopter must undergo a valid cost–benefit analysis. Do the additional ratings and revenue gains offset (and help amortize) the substantial cost of the service? This is a question the general manager must weigh with the controller. Externally, does the public perceive the chopper to be an important additional source of news, weather, and traffic information, or, like a space-age set and three-dimensional weather graphics, is it little more than additional window dressing on the news? Addressing this question requires a serious study of the next few ratings books, and perhaps a series of interview and focus groups among viewers in the region.
This chapter reviews a study that examined how newspaper circulation responds to changes in the local economy. For example, what happens to circulation when family incomes in a community increase or when the number of poor persons grows? Circulation was measured as household penetration, or the percentage of occupied households in a county that receive the local daily newspaper. Household penetration is critical to a newspaper’s success. It influences the total circulation that generates 25% of a paper’s revenue, and it determines a newspaper’s market dominance, attractiveness to advertisers, ad rates, and ad revenue.

The study analyzed 187 multicounty markets in 40 states in which a newspaper dominated its home county. In every market, the home county and one neighboring county were analyzed. The four measures of newspaper penetration were: (a) presence of the weekday edition in the home county, (b) presence of weekday edition in neighboring county, (c) presence of the Sunday edition in the home county, and (d) presence of Sunday edition in neighboring county. (Eighty percent of the dailies had a Sunday edition.) The four penetration measures were obtained for the U.S. Census years of 1980 and 1990.

The four newspaper penetration measures were compared with 32 economic, social, and media variables in the 187 pairs of home and neighboring counties for 1980 and 1990. The 32 variables included the following:

- Most central to the study were five economic measures of: household income, families below the poverty level, home value, rent, and unemployment.
- Nine sociological variables were: population density, population, households, Caucasians, persons native to state, age, home ownership, high school educated, and college educated.
- Newspaper variables other than penetration were: chain ownership, Sunday edition, morning edition, total daily circulation, total Sunday circulation, subscription cost, advertising rate, and wire services.
Ten media competition variables were: cable penetration, basic cable charge, radio stations, television stations, and county penetration of six national magazines.

Statistical analysis determined whether newspaper penetration was related to the five local economic measures and to sociological and mass media variables. The analysis compared the percentage change in newspaper penetration from 1980 to 1990 with the percentage change in other variables.

FINDINGS

Changes in the 187 markets between 1980–1990 mirrored national trends. Chain ownership of dailies grew, as did morning and Sunday publications. Weekday circulation dropped while Sunday circulation expanded. Magazine circulation slumped even more than weekday newspaper circulation. Cable penetration and the number of television and radio stations all grew.

One purpose of the study was to examine the impact on newspapers of Reagan/Bush economics of the 1980s and the financial losses of the middle class. Columnist Kevin Phillips reported that during 1977–1990, incomes in the top 1% of families increased 45%, whereas incomes in the top 10% increased 20%. Family incomes in the ninth and eighth deciles increased only 6% and 3%, respectively, whereas families in the seventh decile enjoyed a 0% growth; families in the first through sixth deciles saw incomes drop from 3% to 11%.

How were such economic changes related to newspaper penetration? Two types of economic measures in this study—media characteristics and community demographics—provided some clues. Circulation penetration was unrelated to media economic variables such as newspaper ad rates, newspaper subscription prices, and local cable charges. But penetration was also unrelated to community economic variables. When the four penetration measures were contrasted with the five community economic variables, only 1 of 20 comparisons was significant. Rent charges were negatively associated with local weekday penetration. Thus, when rent charges increased rapidly, per-capita purchases of weekday editions of newspapers decreased in the home county.

Newspaper penetration was unrelated to the other economic variables of family income, home value, unemployment, and poverty level. These are important indicators of local economic health. If a factory moves out of a community, poverty levels and unemployment increase and household income and home values fall. In addition, the community’s retail base deteriorates, cutting into a newspaper’s major revenue source of advertising. But, according to these findings, a local economic slump does not harm circulation and the circulation side of revenue.