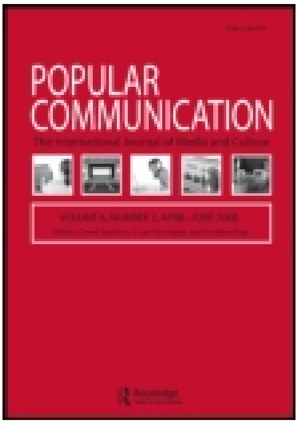

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US Television and the Recession: Impetus for Change?

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In and of itself, the global recession that took hold at the end of the first decade of the 21st century did not have nearly the direct impact on the US television industry that many others experienced, but the industry certainly was not spared either. The recession exacerbated the crisis being delivered by two considerable industrial shifts that predated and were unrelated to the recession: a revision in the valuation of television advertising and uncertainty about future patterns of media use. The recession bore effects by adjusting the broader economic conditions, which led the technological and microeconomic shifts that had been incrementally affecting the industry to introduce more rapid and substantial change than likely had the recession not occurred.

In the near term, the impact of the recession was manifested through changing the conditions of operation for many of the industries that had long paid the bills of the television industry through their advertising expenditures. Consider, for instance, that the automotive industry — whose domestic sector hinged on bankruptcy and required government bailout — has typically been the leading television advertiser. Faced with leaner margins and tighter budgets, advertisers did as they had in most previous recessions and cut back on spending. Simple data about how much the television ad market was up or down are difficult to decipher and somewhat meaningless for trying to assess something like the impact of the recession because television ad spending involves various subcomponents (e.g., national and local broadcast, syndication, cable) that have independent pressures (e.g., local broadcast ad revenue would likely be down in 2009 regardless of the recession because it was not an election year). To provide some sense of the market, consider that the automotive sector was *still* the largest spender despite nearly cutting its ad spending in half (Wayne, 2009), or that compared with spending in third-quarter 2008, total broadcast revenues were down 22.6% for third-quarter 2009 (TVB, 2009). Belt-tightening by major industries thus trickled down to advertiser-supported television, which accounts for nearly the entirety of the US industry. Even more concerning, those in the television industry had good reason to expect that an economic recovery would not return advertising to its previous levels.

The wheels had been falling off the proverbial cart of broadcast television advertising for two decades before the recession hit. The competitive environment began changing in the 1980s with added competitors from cable and new broadcast entities steadily eroding the mass audiences that had long supported the medium's economic norms. However, as audience sizes grew smaller and smaller, a curious thing happened: advertisers paid more and more despite the shrinking audience.[1] A reliance on practices for buying advertising established in the 1960s helped broadcasters maintain an incumbent's advantage, and despite hemorrhaging viewers, advertising revenues had not diminished equivalently. Depending on the strength of the market during the decade leading up to the recession, many had called for a systematic reassessment of the established practices for buying broadcast advertising to adjust the seemingly illogical continued upward trend in rates. As advertisers faced true budget crisis, conditions at last seemed dire enough to bring about the long-called for change.

Short-term advertising losses in times of recession were common and historically have not harmed the long-term trajectory of the television industry. Analysis by Erik Sass (2008) revealed that the television industry weathered the recessions of the early 1970s and 1979–1982 well; advertising revenues slipped minimally during the recessions and rebounded quickly. Today, in assessing something like the effect of the recession on the US television industry, we must distinguish among subcategories of television, as the television industry was really only "broadcasting" in these previous downturns, and now that cable is well-established, broadcasting and cable may have different fates. Sass notes that the recession of 1990–1991 marks the beginning of broadcasting's steady decline in its share of total ad revenue, saying that "just as broadcast TV had grabbed ad share from newspapers, radio and outdoor advertising for decades, the changes surrounding the early 1990s recession saw broadcast lose ad dollars to two newcomers, cable TV and the Internet." A key factor clouding broadcast television's prospects for recovery from the current recession is its established downward slope in viewership that results from a shift from the oligopoly of the network era to the myriad of competitors on cable and broadcast. The crisis introduced by the recession was not about the loss of viewers, which had been developing for some time, but rather that the consequences of the recession for advertisers encouraged them to more radically reconsider their spending. Thus, the recession had the potential to significantly realign norms, perspectives, and practices of the industry.

The recession forced the industry out of continued incremental adjustment and provided the impetus for the scale of change required to address the significant shifts in the competitive environment and audience movement that transpired between 1980 and 2010 (although it remains unclear at this point if that level of change will indeed be realized). As Rino Scanzoni, chief investment officer at GroupM, a major media buying firm, acknowledged, "Anytime you have an economic climate that's challenging, it will spur innovation. When everyone is fat and happy, there is no need to change . . . We're going to start seeing things that we've all been talking about take root, or at least there's some real solid experimentation that could pave the way for it" (Atkinson, 2010).

While it is too early to know for certain, most expect that the national broadcast sector will not rebound quickly following the recession. A realignment of advertising dollars will eventually be apparent onscreen, but many questions remain about whether those dollars will move out of television, from broadcast to cable, or stay in broadcast, but in different day parts. These may seem like uninteresting economic details to cultural critics, but any substantial and long-term adjustment in funding will lead to substantial and long-term programming changes that reflect changes in spending (e.g., less scripted programming, stripped content in primetime).

[1] See discussion in Lotz (2007).

The crisis in advertising valuations is not the only source of future uncertainty for the US television industry, however. Although some of the problem with ad rates related to changes in how viewers watch, such as their migration to cable, the industry also stands at the cusp of what has the potential to be a much bigger disruption in distribution as new delivery technologies and shifting desires of viewers threaten to disaggregate any kind of network system. Uncertainty about how we will watch in the future paired with acceptance that it will be substantially different from past norms lead to some of the most considerable concern about the future vitality of established television businesses.

All sectors of the existing television industry fear the disaggregation new technologies and distribution systems allow. Content providers (broadcast networks *and* cable channels) are threatened by the loss of the "network" as the dominant viewer experience, that is, the network or channel as a provider of a linear schedule of programming pushed to viewers. For this sector of the industry, disaggregation occurs when viewers move out of the traditional network audience and begin to seek shows in other contexts. The threat of this disaggregation then depends on whether the content providers can monetize that audience member seeking content in a different way (by buying DVDs or shows, viewing online, or through video-on-demand) in a manner equivalent to their previous value. (Disaggregation worries television service providers as well, in this case as cable subscribers "cut the cord" and find their video needs online, but this is a longer story.)

In the current recession, the broadcast and cable industries are crucially differentiated by how they are positioned to reconfigure their industries in relation to still emergent distribution technologies, changing behaviors with screen media, and the new and reconfigured economic models that they bring. Many give the advantage to cable with its opportunities for more specialized advertising address, packaged revenue from internet delivery, and connections among cable content and delivery corporations, but bold moves by broadcasters could reinvigorate this segment of the industry as well. Forecasts are a dime a dozen at this point as many long standard economic certainties for the television industry have evidenced adjustments that would have been most surprising outside of the recessionary crisis. For example, the past year has shown broadcasters to be capable of demanding significant retransmission fees from cable providers and introducing programming fees that amount to reverse compensation from affiliates. Both revenue sources suggest a significant alteration in the broadcast economic model that too will have consequences for programming once practices stabilize.

In decades to come we may look back and wonder what might have been had global economies remained strong at what seemed a critical moment in new technological adoption for the television industry. Although long in coming, industries based on broadcast airwaves and buried cable lines that pushed content to viewers were facing challenges to nearly every aspect of their businesses from the increasing feasibility of making content available for viewers to access at will via the internet. The technology had arrived by the time the economy turned; however, adoption was slow in coming, both because it provided a radical change in the viewers' experience and because the entrenched industry interests did what they could to slow change. The arrival of the recession did nothing to clarify the user picture, but provided the industry with an impetus to revisit dominant practices. Handwringing about an uncertain future captures the concerns of those with economic interests unsure of which horse to back, and these economic reconfigurations will undoubtedly yield substantial cultural adjustments in how and what is viewed, in what audiences are served, and why. However, video entertainment is not fading from popular import; reports of viewership note expanded traditional viewing during recessionary periods, as has been the case in this one as well.

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But Wait, There's More!: Advertising, the Recession, and the Future of Commercial Culture

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One sign of any prominent cultural and social trend is advertising's appropriation of it. This is especially true for something as enormous as the global recession. Ads for Trojan condoms punned, "We put forth our own stimulus package: the Trojan pleasure pack. Because we believe we should ride out these hard times together." The Mars company promoted a "Chocolate Relief Act" contest to win free candy. The "Hyundai Assurance Program" promised that new purchasers who lost their job (within a limited time frame, of course) could return their Hyundai. LG advertised its phones in China with "In ancient China, it took a hero with a magic weapon to win a war. In today's difficult time, to win the war of the world economic crisis, this phone will do magic for its owner." We see the success of infomercials for products such as the Snuggie with their "But Wait, There's More!" add-ons, and fast food companies such as Taco Bell have actually increased ad spending during the recession, touting cheap meals as recession busters (for discussions of the above, see Hall, 2009; Levy, 2009; Newman, 2010; "Nothing to," 2009). References to thriftiness and bad economic times in advertising are not new; the Great Depression of the 1930s also affected marketing appeals, when ads would threaten financial ruin as the consequence of not using brands. In those ads, people were fired for bad breath, dirty underwear, and offensive B.O. (Marchand, 1985).

The Depression is also illustrative for our current context in more fundamental ways. Similar to the recent crisis, not only did the world face serious economic hardship in the