CHAPTER 7

Cable Marketing and Promotion

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This chapter focuses on the cable television industry, although many of the strategies and tactics are equally applicable to direct-to-home satellite (DBS). Indeed, they are applicable to all systems delivering multichannel television. Still, the word cable communicates quite well the idea of multichannel service, at least in the minds of viewers, advertisers, regulators, and investors.

THE OLD AND THE NEW

As of the turn of the century, the cable industry was solidly established with more than 90% of all U.S. television households subscribing to nearly 10,000 systems. Most systems had completed (or were in the process of installing) advanced digital converter boxes, generally with digital video recording capability (DVRs to their users). Cable network viewership continues to increase at the expense of traditional broadcast networks and their affiliates, with nearly 200 channels collectively attracting more than half the total viewing audience. Since 2000, for example, the cable networks’ combined audience share in prime time has been greater than the combined share of the four biggest broadcast networks. And cable’s share continues to grow. Cable advertising revenue has also increased as advertisers acknowledge the impact of the medium. Heavy competition from DBS and telephone companies has been a powerful dynamic forcing much of the cable industry to substantially increase its marketing and promotional efforts.
Expansion and Concentration

Government regulation supposedly aimed at restricting cable business practices actually opened the door to new opportunities for cable growth and profitability in the 1990s. Industry concentration multiplied as companies like Time Warner and Viacom expanded their network offerings and multiple system operators (MSOs) merged, sold off, and swapped systems to achieve greater regional concentration and operational efficiency. Advances in fiber optics, digital compression and transmission, and other innovations fueled cable economic expansion and gave cable a greater proportion of the viewing audience.

Nonetheless, with over 200 national cable networks and pay-per-view services competing for system carriage and new services being offered all the time, launching new channels has become more challenging than ever, and launches on basic tiers are almost impossible. With the large MSOs controlling primary access to the audience, no network can survive without substantial MSO commitment or, more commonly, an MSO ownership position (equity). Therefore, operating cable program networks independent of conglomerate ownership grows less and less viable.

Nationally, close to 100 percent of all homes are passed by cable so operators no longer need to be preoccupied with initial cable construction. Their emphasis now is on upgrading existing systems and installing advanced digital boxes to allow the creation of broadband networks. Broadband networks (combining fiber optics and digital delivery) are able to deliver digital television, video-on-demand programming (VOD), music, DVR, voice and telephony, and high-speed modem service, along with traditional cable service (basic, premium, and pay-per-view).

Promotion’s Role

Marketing is the engine behind cable’s growth and its ability to adapt in this era of extraordinary change. Cable focuses on strategically manipulating the “4Ps” of marketing: pricing, product (programming), placement (distribution), and promotion. Promotion, the topic of interest, comes in six types:

- network and national trade sales promotion and advertising
- system acquisition and retention advertising
- new product marketing
- direct sales
- public relations
- program tune-in

Of these six, tune-in promotion gets a heavy emphasis at both the network and systems levels. Indeed, a much greater financial commitment has enabled
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7.1 A frame from Discovery Channel's tune-in promo for Lost Beasts. Used with permission.

cable on-air spots from the larger networks to become equal and in many cases superior in production quality and innovation to traditional broadcast promos. For example, the frame from a promo for Lost Beasts in 7.1 illustrates Discovery Channel's eye-catching letter-box format (subsequent frames supply the day and time messages).

CONSUMER MARKETING BY CABLE SYSTEMS

Most local cable systems are owned by MSOs that control dozens of systems, even hundreds, from a central headquarters. To achieve economies of scale in purchasing and production, marketing materials from central or regional offices often minimize local identification. For example, many promotional materials for Comcast-owned systems show the parent corporation's name and an 800 number but do not identify the local system. Other MSOs take a more bottom-up approach to their marketing. In general, companies like Time Warner and Cox Communications handle their cable marketing in a decentralized fashion with local systems taking responsibility for their own marketing efforts. Still, even these parent companies provide local systems with corporate image campaigns and customized cross-channel, tune-in promotion as well as major promotion campaigns for new services like high-speed modems and VoIP (Voice Over Internet Protocol, or Internet telephone service). They also distribute anti-satellite messages for their systems to air that the systems usually tag locally.
Cable system operators’ marketing goals include acquiring and retaining subscribers (by keeping them satisfied), rolling out new services, and establishing a brand image. To accomplish these goals system operators undertake seven tasks: They must persuade nonsubscribers to take service, encourage upgrades, reduce churn (turnover among subscribers), build brand image, manage subscriber perceptions, introduce new services, and encourage viewing of cable-only channels.

**Acquiring Subscribers and Upgrades**

Given the high percentage of homes passed and rate of subscribership, attracting new subscribers is not the marketing focus it once was. Nevertheless, paid television, radio, newspaper, magazine, and outdoor advertising are used to reach potential subscribers. Personal selling by representatives going door-to-door is used to launch a system in some newly-constructed residential areas (new builds) and for marketing new product tiers and advanced telecommunications services such as digital TV, Internet access, and phone service. Direct mail and telemarketing also are useful for remarketing basic service — reselling to households that chose not to subscribe during previous marketing efforts — and for gaining upgrades to expanded basic and premium channel packages. The primary tactic here is bundling, packaging offers of digital channels or high-speed Internet access and phone service at an appealing package price.

By the early 2000s, cable operators had developed cross-marketing programs with long-distance telephone services that offered discounts to subscribers in selected markets. Such cooperative ventures give the long-distance companies the opportunity to maintain or gain market share. For example, leading operators Comcast and Cox have had partnerships with Sprint, the number three long-distance company. At times, Comcast subscribers who took Sprint’s long-distance service got a discount on a premium movie channel package or their basic or basic-plus cable bills. Cox customers have been offered reductions in their overall monthly cable bills equal to 10 percent of their long-distance bill.

Cable’s main competition today comes from the satellite services, Direct TV and DISH Network. These DBS services have the advantage of national distribution, and by combining national and local marketing and advertising, they have successfully lured away millions of cable subscribers. Consequently, many MSOs moved away from mass-market advertising on television, radio, and newspapers to a targeted approach.

The key to targeting for cable is database marketing — using an enhanced, in-house database to reach potential customers through direct mail and telemarketing. System operators are supplementing their own database enhancement efforts with the PRIZM cluster system. It identifies blocks in their subscriber areas by
demographics and permits tailored direct-mail appeals to residents' likely viewing interests. This reduces costs and increases response rates. To a large extent, precision targeting is driven by the roll-out of digital television and advanced telecommunications services in existing service areas. Cable's digital technology returns enormous amounts of viewing data of value to system marketing and to advertisers and agencies. Time Warner Cable of New York City rolled out its DTV (Digital Television) system upgrade (a lineup of many new cable channels plus high-speed Internet and digital phone service) using database-driven direct mail and telemarketing. Figure 7.2 illustrates one of its highly-targeted new resident mailers.

For marketing purposes, nonsubscribers are commonly divided into two groups: former subscribers (formers) and those who have never subscribed (nevers). Formers often are easy to convince to re-subscribe when they have moved to a new location, and many, in fact, will telephone the cable company to subscribe without prompting.

Former pays are basic subscribers who downgraded (meaning they canceled one or more pay channels). Cable system direct mail and telemarketing can be effective at persuading them once again to upgrade, perhaps to a different pay channel. The offer made to former pays typically is at a discounted trial rate or for a multi-pay channel package.

Nevers, those people who have not previously subscribed to cable television, also can be divided into two groups. The first consists of young people just starting their own households. Their parents probably had cable, or they may have had cable in a college setting, and they are ready to subscribe if they can afford the monthly payments. In fact, young people typically view cable service as an indispensable utility like power, telephone, and gas services. The second group consists of those people who, for a variety of reasons, have consistently refused cable service. Although this group is shrinking in number, some people still refuse cable because the off-air broadcasts in their area are reasonably plentiful and signal reception is of good quality. Others, especially those in rural areas, may have purchased satellite dishes before their communities were wired for cable. And still others may look unfavorably on television in general or simply are unable to afford cable service. Even the most skillful marketers will find these consumers' objections difficult to overcome. Special offers that include a free trial period as illustrated in 7.3 can be effective with a small percentage of nevers but are most useful in luring formers to upgrade.

Marketing plans that target just one subgroup of formers, nevers, or downgraders (for upgrades) have a greater likelihood of success than broad, multipurpose advertising. Cable operators should be cautious, however, not to overmarket by persuading consumers to subscribe to more than they can afford or really want. Overmarketing usually results in unwanted churn, which is discussed next.
Welcome Home!

Settle in with a special offer from TIME WARNER CABLE.

What makes a home a home?
The best in entertainment, information and communication!

DTV-Digital Television
The ultimate in home entertainment with access to 50 channels and Cable got Free HD without contract.
For up to $39.95 a month.

High-Speed Online
The connection that’s faster than DSL and up to 10X faster than dial-up, with no long-term contracts to tie you down.
As low as $29.95 a month for six months.

Digital Phone
Unlimited calling throughout the U.S., free roaming and 30 minutes for one flat monthly rate – no special equipment needed.
For as low as $39.95 a month.

Connection to the community FREE!
Just call 718-670-6633 Move In Offer.

7.2 Welcome Home print ad. Courtesy Time Warner Cable.
Subscriber Retention and Churn

These days, subscriber retention and upgrades are more of a priority for cable operators than subscriber acquisition. Of particular concern to system operators is the outward migration of their subscribers: Research shows that more than one-third of DBS subscribers switched to DBS from cable. And these lost subscribers usually sign up for the highly-profitable premium services like pay-per-view movies: About two-thirds of DBS subscribers purchase pay-per-view movies, compared to less than 10 percent of cable subscribers generally. Promotional appeals from competing national DBS services and some local phone companies resonate with cable subscribers long frustrated by their lack of choice, poor service, or the high price of a cable provider. Currently, about 20 percent of multichannel subscribers take DBS services, and projections point to continued subscriber growth for the satellite services.

To minimize migration and reduce churn, successful cable marketers customize their promotional materials, provide convenience, and encourage channel sampling. Customization of print, broadcast, cross-channel promotion, and specialty advertising materials with the name of the local system helps to establish an image. Having a recognized image is essential to building loyalty. Distributing channel lineup cards makes a digital system more useful to subscribers and encourages sampling of cable-only channels. Lineup cards not only help subscribers recognize the value of their cable service, they also provide welcome convenience when accessing 250 to 300 channels.

Cable-only program guides are another convenience element that enables subscribers to maximize their use of cable service. Guides may be printed or electronic, generic or customized, and however they appear, they increase the efficiency of cable use. Printed guides, such as TV Guide, typically provide channel-by-channel listings of programs, feature stories, and photographs. Guides also may contain local advertising for businesses in the community, providing a small revenue stream. Generic guides list the programs of only the most widely-distributed cable networks (such as ESPN, CNN, Discovery Channel, TBS), while customized guides are tailored for a single cable system listing all or most of the channels that system offers. Nonetheless, because of the high cost, fewer and fewer systems mail small program guides to all subscribers each month without charge, and less than a handful — such as Disney and A&E — offer elaborate magazine guides for a monthly charge.

Larger systems usually have electronic guides, but as the number of channels has grown, the slow scroll on such services as the TV Guide Channel has become increasingly cumbersome for subscribers to use. Preview channels and built-in digital program guides are useful in assisting subscribers to learn about new premium channels and VOD offerings. The most advanced guide services are built into the cable box. They provide information about programs at the touch of a
remote-control button: An "info" request shows a program's running time, elapsed time, and show synopsis. Various buttons control pay-per-view (PPV) purchases along with an increasing number of new interactive features. Typically, the "last" button activates DVR functions.

Building Brand Image

Initially, most major MSOs made some effort to brand their systems in order to develop positive images in subscribers' minds. Some were notably more successful than others. Changes in the marketplace during the 1990s — negative subscriber attitudes, government pressure, and emerging competition — convinced operators that traditional efforts to build name recognition and reduce churn needed to evolve. The old methods morphed into full-scale branding campaigns that trumpeted the dramatic increase in numbers of channels and claimed improved customer service, meanwhile carrying a strong anti-satellite thrust.

The video rental business also competes with cable. In one clever campaign (see 7.4), Time Warner positioned itself by pointing out advantages of on-demand movies over video rentals. The top item is part of a magazine ad, the middle part of a bill stuffer, and the bottom the front of a postcard.

Brand-building has emerged as an essential strategy for retaining subscribers by increasing satisfaction and loyalty. In cable, brand-building programs articulate an image based on the communication of one or more messages about market leadership, customer service, reliability, and new technologies. Nowadays, brand-image efforts have become full-blown multimedia campaigns that may include a name change, logo development or facelift, new creative message and slogan, print and broadcast advertising, outdoor billboards, direct mail, coupons, and joint promotions: big budget, but big impact.

Cox Communications, formerly known as Cox Cable, unfolded several brand-image campaigns in recent years. Cox currently focuses on strengthening customer relationships and leveraging its strong company image across new product launches, such as Internet connections. TV spots that run on cable channels promote Cox as a leader in technology, customer service, and reliability with the slogan "Expect the best."

Image marketing by MSOs aims to foster loyalty among customers. Comcast's efforts include television and direct response advertising, coupons in statement stuffers, joint promotions, and a frequent-buyer continuity program. Subscribers receive coupons good for discounts at such chains as Red Lobster, Holiday Inn, and Circuit City. The frequent-buyer plan rewards subscribers, based on the amount of programming they buy, with points good for the purchase of airline mileage and phone card minutes. The underlying strategy is to add value to Comcast service.
"I hate parking at the video store... Now I just park on the sofa."

time for an easier way to enjoy movies at home

Sick of video store hassles? Movies On Demand with iCONTROL™ from Time Warner Cable gives you the power to select great movies at home instantly with the simple touch of a button on your digital remote control. It’s perfect for spontaneous, stress-free entertainment.

"No late return fees, no video store hassles. Just movie fun, right at home. I love it."

time for Movies On Demand with iCONTROL™

"Going to the video store with kids is such a hassle, I’m the one who feels like crying."

time for a better way to enjoy movies at home

7.4 Movies-On-Demand print ads. Courtesy Time Warner Cable.
Sponsorships are also a key part of cable operators' brand-building efforts. For instance, Comcast sponsored *The Cable Guy*, starring Jim Carrey, despite the film's negative take on the cable industry. Comcast was the title sponsor of the film's Hollywood premiere and showed the opening-night party live on its systems. Comcast also hosted local premieres in 45 markets, gaining positive associations with its name, especially among Carrey fans.

**Managing Subscriber Perceptions**

Another key task for the cable industry and its operators is to manage consumer perceptions and address negative perceptions already held by subscribers. Because several previous attempts were unsuccessful in improving cable's national image, the industry's main trade association, National Cable Television Association (NCTA), took on the task in the 1990s by developing a marketing effort called "The Future is on Cable" that stressed an on-time service guarantee. Major system operators got on the bandwagon and tailored supplementary promotion of their own. Time Warner of New York, for example, created a gently humorous campaign with the tagline "We just might surprise you" to exploit the ingrained cynicism of New Yorkers. Ads depicted locals barely reacting to dramatic world occurrences but being astonished by the timely delivery of cable service. Cox Communications ran a straightforward six-month campaign with the tagline "First in reliability, service, and technology."

Because consumers are highly rate sensitive, most system operators attempt to strategically market and time rate hikes to avoid tarnishing their developing — but still vulnerable — brand images. MSO tactics for cushioning rate increases include creating packets of news releases, Q&A sheets, letters to franchise authorities, and point-of-purchase brochures, sending the packets to local systems months in advance of the actual rate increases. Another tactic is to use notification letters to compare cost and product advantages of cable service over DBS. Still another way to soften the impact of rate hikes is to provide discounts on premium services and to bundle the increases in expanded basic prices with new products.

**Marketing New Services**

Offering cable modem service that provides high-speed Internet access to subscribers, and rolling out telephone services presents operators with interesting new marketing challenges in building awareness and then competitive positioning. Time Warner's Road Runner is, perhaps, the best-known Internet access service, and its roll-out illustrates the typical stages in marketing new cable products.
Initially, promotion for Road Runner included simple education and awareness ads, promotional spots and infomercials, and strategically placed demonstration kiosks. To build a customer base quickly, Road Runner then offered cable operators two integrated marketing campaigns. Both themes positioned Road Runner competitively against other access providers and exploited customer frustration with slow service and long download times. The “It’s a Crime to Waste Time” campaign included TV, radio, and print advertising. The “You Don’t Have to Take It Anymore” effort launched with an outdoor teaser campaign followed by cable TV, radio, print, and such collateral materials as the doorhanger in 7.5.

Next, Road Runner created topical spots about its features to be inserted into local system avails (unsold commercial positions on networks and local channels). In addition, website promotion targeted computer users with up-to-the-minute information about the service. In the competitive world of high-speed modem services, both interface design and websites are crucial tools in marketing and promotional strategy. Finally, going beyond traditional promotional tactics, Time Warner wired every school in its high-speed markets and provided each with a free computer to help educate the next generation of high-speed Internet users.

**PROGRAM PROMOTION**

Cable systems and networks promote both their own and each other’s programs. **Tune-in promotion** by cable networks is self-promotion using promos that encourage viewers of a cable channel to stay tuned or come back later for a particular
program. Cross-channel promotion refers to scheduling promos for cable-only channels in unsold or dedicated spots on other channels. Time-Warner-owned networks, for example, cross-promote their own programs on other-owned networks: Promos for TBS, Headline News, and CNN regularly appear on TNT and vice versa (see logos for these Time Warner networks in 7.6). This practice has two advantages: It enhances subscribers’ perceptions of the value of cable service, a vital element of retention, and it also boosts the ratings of the promoted cable networks, making them more desirable as carriers of spot advertising. Time Warner's cable systems also promote non-owned programs as well, specifically those new digital networks and programs that, if promoted, are likely to attract the most viewing.

**Changing System Promotion**

*Cable marketers generally agree that 20–25 percent of local system spots should be devoted to system promotion. The term system promotion includes tune-in as well as ads showcasing improved customer service, system upgrades, anti-satellite messages, repair and maintenance service, and local public service. And with increasing channel capacity, the inventory available for promotional spots increases.*

Going beyond traditional cross-channel promotion of just program airtimes, cable operators have adopted marketing practices that draw viewers to their specific program lineups. Comcast implemented one of the more aggressive efforts with daily spots promoting “What’s on Comcast Tonight” that aired nationally on all the thousands of Comcast systems. The spots promoted two different shows each day and ran on the eight highest-rated basic networks (such as USA, ESPN, TBS, TNT, A&E, ABC Family, Lifetime, Discovery) from mid-afternoon to about 10 p.m. The promos were oriented toward program genres and featured, for example, sports one day and movies the next.
Effectively promoting dozens of cable channels is a logistically complex task, requiring adequate budgets and dedicated promotion staff or outside suppliers. Insertion capability is having the technical equipment necessary for placing local spots in the positions intended for them on the major basic-cable networks. Then a system can cover up a cable network’s own promos and other filler with locally-originated promos (or commercial advertising messages). Systems with insertion capability also can take network promos from the satellite feed and run them after adding local identification and tags.

7.7 Two frames of promo for VH1. Used with permission.
for day, time, and channel information, making them as slick as anything broadcasters do.

More and more of the nearly 10,000 cable systems now have insertion equipment, but the newer problem is that systems cover up different times on different channels. Until recently, little accountability existed. Although most local cable systems insert cross-promotional spots in unsold local time, that arrangement is haphazard, and the networks then do not know when, where, or how much cross-promotion they are getting. Intriguing on-air promos for VH1, such as illustrated by two frames in 7.7, are appealing cross-promotional messages, but tracking their use around the country has been iffy. Digital technology, however, is resolving this problem because it allows viewing decisions to be tracked in great detail. The data about who-is-watching-what then become valuable tools for both consumer marketing (to target tune-in spots) and advertising sales (to help advertisers and agencies evaluate where to place their buys).

SALES PROMOTION BY CABLE SYSTEMS

Most cable networks are of the basic, ad-carrying variety, as opposed to such monthly subscription services as HBO and Showtime and PPV channels, none of which carry advertising at this time. Local cable systems must compete with radio, television, and newspapers for precious local and national spot advertising dollars.

Operators typically handle the sale of advertising in one of four ways. Some of the largest systems employ a regional or national sales representative firm (a rep) to sell their spot time. Many systems instead have their own sales staffs to sell time. Some, mostly in middle-sized markets, use a local advertising agency (a turnkey arrangement) to sell their time in the local market. In addition to having a professional sales team, interconnects have emerged as key to growth in national advertising. An interconnect is a cable connection or microwave/satellite relay among systems (two or many more) in one geographic area to simultaneously distribute the same commercial signals. Having this technology allows cable systems to sell ads on a multi-system or marketwide basis and requires negotiation of just a single contract. Hence, the audiences of the collection of systems might be equal to or greater than that of a local broadcast station, and thus the commercial time is much more salable to advertisers than before interconnects came along.

Interconnects now exist in hundreds of cable markets across the United States and represent systems that reach subscriber audiences numbering from the tens-of-thousands in smaller markets to millions in the largest markets. In one market, interconnect ad sales are often handled cooperatively or by a dominant
system or an MSO in the market. Such centralization has been highly effective in shifting ad budgets away from print and radio and toward cable.

The Materials

Regardless of how cable systems sell their local advertising time, professionally produced sales materials are needed to convince advertisers to buy time. In persuading advertisers to buy time, cable operators use the same kinds of geographic coverage maps, displays of demographics for the system’s subscriber base, lists of audience ratings and demographics for (cable) networks, and colorful information on key programs as illustrated for stations in Chapter 4.

In some cases, the MSO supplies branded promotional information to the system, sales rep, or interconnect, which inserts locally relevant audience information and then prepares the final printed materials and video presentations to use in sales calls. Without such MSO services, local systems must generate such materials themselves.

Tie-Ins, Events, and Co-Branding

Among the most popular marketing practices that help local operators sell advertising are promotional tie-ins, event promotions, and co-branding efforts — variations on the same tools used to promote to cable viewers. These marketing tactics leverage the success of cable networks on behalf of their affiliates.

System operators exploit network programming to target specific ad client categories with promotional tie-ins — contractual links between two companies for the purposes of promoting both. For example, Adlink, the Los Angeles interconnect, worked with the Food Network to create a series called “Food Bites” to capture the interest of a major food advertiser. Food Bites is a short vignette series offering food preparation tips such as how to make vegetables attractive to kids. The idea is that an advertiser becomes the exclusive sponsor of such a mini-series inserted between longer programs. Similarly, CNBC produced a series on tax tips that can be sponsored by local financial advertisers. The New York Interconnect, for example, sold tie-ins to Chase Manhattan Bank. In a joint branding effort that began in 2005, NBC joined forces with Mazda to promote its new fall schedule; the cars both starred in some shows and were prizes in the network’s sweepstakes.

Operators and interconnects have increased their event promotion (extra promotion for special occasions) to sell ad time. In one case, Comcast Cable of Philadelphia boosted its sales on Nickelodeon by partnering with the network to create “Nick at Nite at the 76ers,” a promotion designed to draw families to a professional basketball game and turn the spotlight on such Nick characters
as Ren and Stimpy. Comcast also participates in mall promotions with Nick’s animated characters and has seen sales of its cable ad time to children’s advertisers climb steadily.

Another benefit of mall promotions and special events to system operators is the opportunity to generate advertising revenue beyond the airtime sold while also increasing live community presence. Some events allow operators to extend the credit they receive from carrying a marquee attraction. Affiliates associated with the MTV Music Awards, for example, generated $3.5 million in extra revenue through a localized merchandising program. And E! Entertainment Television provided affiliates with Hollywood Party-in-a-Bag kits, enabling them to tie into its coverage of major award ceremonies.

Co-branded events (double-sponsored) also can be effective in raising an operator’s local profile. For instance, some cable operators have co-branded their systems with the Food Network’s “Cooking Across America” tour. These were one-day tour events that featured well-known chefs offering cooking tips to consumers. System operators sold tickets to the events, offered advertisers sponsorships, and enjoyed the positive publicity that association with the events generated. Other widely-recognized co-branded programs include A&E’s efforts surrounding Biography’s tenth anniversary, History Channel’s plans for its signature program In Search of History, Lifetime’s cause marketing campaigns for breast cancer awareness, and USA’s cause marketing campaigns to “Erase the Hate.” The exposure that operators, advertisers, and networks gain from co-branding extends beyond event signage, cross-channel, and on-air spots. Operators get extensive off-channel promotional exposure from statement stuffers, retail point-of-sale displays, cable office displays, and sweepstakes entry forms, all showing their names and logos well as those of the advertiser.

MARKETING BY CABLE NETWORKS

Cable networks’ marketing expenditures grew dramatically throughout the 1990s and early 2000s. Expanded marketing activity by basic networks reflects the realization that substantial ratings gains are achievable and that competition extends beyond cable-to-cable competition into vying with the broadcast networks. Pay networks spend an even larger percentage of their revenues on marketing to viewers than basic networks because pay channels rely entirely on subscription revenues. HBO continues to be the pace setter, promoting its original movies, series, and mini-series with print, outdoor, transit, and on-air promotions equal to or surpassing the traditional TV networks.

At one time, basic and pay services carried recognizably divergent program content. Increasingly, as the cable audience has grown, basic channels have
diversified into made-for-cable movies, originals series, and variety specials, while pay channels now schedule sports and entertainment series. Therefore, all cable networks share the marketing challenge of competing against each other as well as broadcasters for viewers, against each other for ad dollars, and against each other for cable system affiliates. Additional competitive problems for MSOs and systems come from being available both on satellite as well as terrestrial cable systems.

**Brand Building in Basic Niches**

In a highly competitive programming environment, building a brand image becomes fundamental to the success of all cable networks, and the key to building a cable network’s brand is identifying a viable niche and developing a distinct, positive image based on programming and promotion. Indeed, strategies created to compete effectively against other networks depend on differentiating a network from its competitors. To develop a niche and achieve differentiation, cable networks create sophisticated, integrated brand-building programs.

**Integrated marketing** requires effective interweaving of all marketing efforts, relying on design congruence and reinforcement (as described in Chapter 5). Achieving integration demands consistent communication of a message across an array of promotional vehicles and media over time. The goal is to establish, then reinforce, an image for the network among the already-established channels. A niche is developed by going after an audience defined demographically, psychographically, or behaviorally that remains unserved by the established networks or, more commonly today, by challenging the existing services for their audiences.

The foundation of cable networks’ branding efforts is the creation of distinctive logos or signatures and advertising with identifiable themes or taglines. As explained in Chapter 5, logos are distinctive trademarks that identify a network and are key elements of a network’s signature (sometimes written in a distinctive type style called *wordmarks*). Cable network logos often are acronyms of their full names, such as TNT, QVC, and HBO. Several cable networks, especially relative latecomers, rely on signatures placed inside or underneath their acronyms. The History Channel underscores its “H” logo with “Where the Past Comes Alive,” making apparent the highly-differentiated nature of its content. Some network acronyms take advantage of the recognizability of their parent company’s symbol, such as the ever-present NBC peacock in the CNBC and MSNBC logos. As the result of long-term consistent use, some logos such as CNN and MTV have become instantly recognizable around the world. As suggested by the images in 7.8, MTV has deliberately broken the usual consistency rules by varying the treatment and colors of its logo and, in on-air IDs, altering the animated motion to give its identifier a nontraditional slant that appeals to younger audiences.
One notable characteristic of the digital age is the extension of brand names, especially by the major cable networks. Line extensions are the creation of new networks under an existing brand and logo, and they serve to position branded companies for a future of abundance (as opposed to the relative scarcity of the past). For example, the ESPN brand is one of the strongest among cable networks, and line extensions of the brand now include ESPN2, ESPNU, and ESPNEWS on cable and ESPNET Sports Zone on the Internet. CNN and its sister networks CNNfn, CNN/SI, and CNNI clearly represent this trend. (Some of these brand extensions stuck, and some, however, faded away.)

Over time, logos and taglines should be updated to reflect programming changes. For its first-ever advertising campaign aimed at promoting the USA brand, USA (whose emphasis at launch was more on sports) reworked its logo to better reflect its later programming, first focusing on its “national-ness” with a waving flag and then on originally-produced entertainment programming. Later, the slogan for USA became “The Cure for the Common Show.” The Disney Channel also underwent a makeover. With its switch from premium to basic, more original productions were blended into its programming lineup, and the Disney Channel was positioned as “a place where families feel connected with information and entertainment.”

As described in Chapter 5, many services have adopted campaign themes or taglines and paired them with their logos or signatures in their promotional materials. A tagline is a phrase intended to better define a network’s offerings and clarify its position relative to competitors. For example, the VH1 logo has been paired with “Music First.” The A&E tagline “Time Well Spent” was later combined with “Escape the Ordinary.” In 7.9, a newcomer, the here! Channel, announces...
America's First Gay Cable TV Network

here!
So much more than straight TV

Call your cable or satellite provider to order here!

heretv.com

7.9 here! cable network promotion. Used with permission.
itself as "So much more than straight TV." TNT, initially a network that offered something-for-everybody, has now narrowed its niche to "TNT, We Know Drama." Other networks combine a logo, signature, and tagline. The Discovery Channel's signature and picture of planet Earth are combined with themes like "Entertain Your Brain." The Animal Planet signature and profile of an elephant reaching for planet Earth are linked with the tag "All Animals. All the Time."

Cable networks' integrated marketing now typically extends beyond logos and taglines in advertising. Innovative marketing tactics include in-store merchandising, sport and event sponsorships, program guides, newsletters, network seals of approval, DVDs, CD-ROMs, and websites.

Comedy Central has utilized an integrated marketing program with the particular goal of distinguishing the network from competitors that also target the 18- to 49-year-old male audience. Adapted from its affiliate campaign "Save World Sanity," the consumer effort included spot cable buys in 11 markets, and print and radio ads for image and tune-in messages. Among the more imaginative aspects of the campaign were a series of stunts in six suburban markets by "Jackson," the central character of the campaign. He visited these markets in a Comedy Central customized 1972 Chevrolet El Camino, and (supposedly) went on a three-market "wild posting" spree applying posters to blank walls in such places as urban construction sites.

Many other examples of the creativity and sophistication of cable network branding efforts exist. Lifetime sponsors a woman Indy race car driver, and its website is designed to support the network's brand with content that includes practical information on women's health, parenting, sports, and fitness. The Discovery Channel owns a chain of retail stores (including the former Nature Company outlets), where such merchandise as dinosaur fossil kits and telescopes are sold. The stores' environments and merchandise support interest in Discovery programming, while the channel's programs create interest in the merchandise. The Discovery Channel also heightened its profile when it partnered with Coca-Cola in a pavilion at the 1996 Summer Olympics in Atlanta.

MTV has its MTV Video and Movie Awards and theatrical motion pictures based on its programming. The Sci-Fi Channel markets such image-consistent merchandise as computer trivia games and images of key characters in its signature programs, in part through boutiques in Spencer Gifts stores. Nickelodeon publishes Nickelodeon Magazine, with a circulation of 500,000-plus. And product licensing agreements with Mattel further extend the Nickelodeon brand into viewers' lives.

**Brand Building by Pay Services**

Brand-building campaigns for pay services differ somewhat from those developed by basic networks, but not significantly. Logos, signatures, and taglines anchor
the brand identities if consistently used in widespread promotion. But, because pay services are not dependent on advertisers for revenues, much of the product merchandising and co-branding activity characterizing basic networks is unnecessary for pay channels.

HBO has built widespread recognition of its logo with taglines like, “It’s not TV. It’s HBO.” This theme, capitalizing on the network’s award-winning original programming, was shrewdly designed to set HBO apart as a programmer by emphasizing that the network adds value to the viewing experience. In addition, to maintain its competitive edge, HBO airs prestige branding spots (ones that demonstrate an industry leader’s achievements) to provide an umbrella over its high-budgeted advertising campaigns for individual movies, mini-series, and series. HBO’s prestige spots usually recap major awards or feature great moments from movies, series, and specials that it has carried or will carry. Even run-of-the-mill series promotion from HBO is usually eye-catching (see the gold nugget in 7.10 distributed widely to promote the new season of Deadwood).
In an on-going effort to emerge from HBO's shadow, Showtime has employed cutting-edge brand marketing to re-brand itself in support of its edgier programming fare. Its recently redesigned logo emphasizes the letters Sho by placing them inside a spotlight, because SHO is how Showtime appears in program guides across the country. The theme for the campaign, “No limits,” has appeal for television enthusiasts looking for programming that pushes the boundaries of traditional television. The ads were scheduled on broadcast and cable networks, on radio, and in consumer magazines and trade publications as well as extensively on Showtime's own air. Posters, direct mail, and telemarketing also supported the campaign.

PPV has evolved well beyond the days when subscribers had to be taught a complex ordering process in order to view a handful of movies at specific times. With the evolution of digital technology, VOD has begun gradually replacing the old PPV with an increasing array of movies and program offerings, some for pay, and a lot more for free (FVOD). In recent years, the traditional suppliers of PPV programming to cable, Viewers Choice and Request, merged to become ON DEMAND thus giving up any significant marketing identity partnered to the older names.

In the meantime, DBS has also been able to offer many more choices, some with exclusivity such as “Season Pass” sports, which helped them achieve a much higher buy rate. Such exclusive offerings partly account for satellite’s ability to lure away substantial numbers of cable subscribers. Both cable and DBS feature movie trailers, schedules, and descriptions on preview channels, and many cable systems have dedicated a channel to VOD ordering, start times, and cost information. Depending on the resources of the local system, local newspaper, radio, and television ads may be used to promote the daily schedule or special events.

Boosting Ratings

Basic and pay cable networks all encourage viewers to watch their programs through daily tune-in advertising on the air, and print ads in program guides. Cable networks have adopted most of the strategies of their broadcast counterparts, including network IDs, on-screen billboarding of upcoming programs during program breaks, and pop-up snipes for upcoming shows, as previously illustrated for Oh! Oxygen in 5.11 and Bravo in 5.12. They also utilize high-quality 30- and 60-second topical promos (specifcics) for episodes of stripped series, for guests on daily talk programs, and for specials, as well as generic spots to reinforce their identities and viewing of long-running popular programs. To direct viewers to their shows more effectively, pay networks and some basic networks supply consumers with program guides listing only their programs. For example, HBO distributes statement stuffer-sized guides for HBO and Cinemax. When permitted, cable networks also purchase advertising time on the national broadcast networks to reach as wide an audience as possible in an effort to bolster ratings. However, the big net-
Promoting to Advertisers and Affiliates

Because all basic cable networks (except C-SPAN) are advertiser supported, selling a network to advertisers has always been an essential marketing activity, but it becomes even more crucial when newer networks relinquish per-month subscriber revenues as a condition of MSO carriage. The promotional tactics most commonly used by networks for reaching advertisers are trade advertising and personal selling, both used by broadcast networks, and multimedia package and bundling deals, an option for owners of several cable networks. Advertising in industry publications like Advertising Age and Ad Week is one way to reach advertisers and such agency decision-makers as media planners and buyers.

However, the most important point of contact for any cable network is the sales pitch. As the major cable networks have matured, often extending into several branded networks, they have revamped their approaches to advertising sales. Multimedia sales presentations that communicate demographic and programming information about several networks are becoming the norm, just as they are for major movie distributors and television program syndicators.

CNN's laptop sales presentation (familiarly known as The Powerpoint) incorporates full-motion video to present CNN's whole portfolio of network offerings such as CNN, Headline News, CNN International, CNN Airport, and other offshoots such as CNN/SI. Sales staff can tailor a presentation by moving with a mouse between their offerings and other sections such as lifestyle and features and sponsorships. Comedy Central has used a novel technique, an interactive trivia quiz on demographic details of the network, which plays up the strengths of the network's programming and audience. For each correct answer, a piece of the Comedy Central logo, which appears to cover a naked couple, falls away. The disk has been sent to media buyers and planners and also is used in sales presentations.

Bundling advertising opportunities is an effective, product-based strategy for boosting advertising sales. Cable brands with multiple networks (such as MTV, ESPN, Discovery, Nickelodeon, and CNN) can offer advertisers package deals for buys across their networks. This strategy can be extended into cross-platform multimedia buys by including the networks' websites, magazines, and co-branded sponsorships. Cable networks also can offer attractive multimedia packages by partnering with other media such as network radio, major market newspapers, national magazines, and syndicated television. All this is aggressively supported by cable's national sales promotion organization, Cable Advertising Bureau (CAB), which tirelessly promotes cable as an advertising medium and sponsors an annual national conference to showcase industry progress for advertisers and agencies.

Trade advertising is also designed to interest cable operators in affiliating with a cable network. It runs in such publications as Multichannel News and CableFax.
(which is now more e-mail than fax). The Hallmark Channel has run an ongoing series of trade ads featuring a theme ("Where success stories come to life") that is a variation of its overall consumer branding theme ("Where great stories come to life"). The ad in 7.11 illustrates addressing potential affiliates using this theme.

7.11 Trade ad targeting cable operators by Hallmark Channel. Used with permission.
Many cable networks that have been around for years continually try to increase the number of cable systems carrying them, because more affiliates means a larger audience which leads to stronger advertising sales. The networks use a combination of such incentives as reduced subscriber fees for a period of time, more avails for local sales, and/or periodic big-budget national campaigns that differentiate the channel and support local tune-in promotion. Without offers of equity or packaging with co-owned channels, the stand-alone networks must offer lavish economic incentives to operators as well as generate audience demand to get picked up by the major systems.

**NETWORK LAUNCH STRATEGIES**

Similarly, new networks must offer systems different content and economic value. The strategies employed to launch basic and pay cable services altered over time. Once, new pay networks concentrated primarily on audience promotion tactics to increase viewing, and basic networks focused on trade promotion, convincing cable operators to provide carriage for new channels. Today, most service launches employ elements of both audience and trade strategies to sell operators on carriage and spur viewer interest in and requests for the channel.

**Growing the Pay Audience**

Few truly new premium network launches have been attempted in the past decade. In fact, the number of premium channels has declined somewhat. Instead, existing premium services such as HBO, Showtime, and Encore have multiplexed their programming for digital systems and DBS services (HBO creating HBO Plus and HBO Signature, for example). When new premium networks are launched, they are usually part of an MSO-hyped digital-only package that is used to motivate subscribers to upgrade. Discounts and multi-pay channel packages routinely are offered to stimulate acceptance of the premium channel.

**Capturing Basic Affiliates**

Basic network launches became more challenging as the number of new channel concepts grew from a few dozen to hundreds, and competition for carriage continues to be intense. Before and during launch time, acquiring cable affiliates is by far the greatest marketing priority. *Without affiliate systems providing a significant number of cable subscribers to reach, a network is in no position to attract advertisers.* The carriage challenge is especially great for the few remaining independent networks not owned by such leading MSOs as Comcast and Time Warner, or such
entertainment conglomerates as Disney and Viacom, or represented in affiliate sales by companies with muscle like FOX and Discovery. Nonetheless, even well-known brand names, logos, and generous incentives for affiliates can carry a network only so far. To generate interest in a new channel, the essentials are high-quality programming with finely targeted appeal, supported by a strong affiliate sales organization, supported by big-budget consumer promotion and powerful trade marketing.

The most fundamental marketing tool for any new network is the product itself. The programming must be brandable (differentiated) and compelling to viewers. System operators must perceive that subscriber interest exists. For many newer networks, such as Home & Garden Television (HGTV), Outdoor Life, and Animal Planet, brandability means having lots of original programming. Fox's FX did not gain traction until it began to offer such distinctive original series as Nip/Tuck, which it seasons with occasional original movies and off-network reruns and sports. For the NFL Sports Network, brandability means highlights and entire rebroadcasts of classic and recent sporting events. In the ever-expanding universe of cable networks, the channel's niche must be apparent to viewers and nonviewers, including advertisers and operators.

**Pull and Push in Launch**

To pull a new network onto cable systems, networks advertise in both consumer magazines and the trade press to increase viewership and thus distribution. “I Want My MTV,” was pure pull. M2, a line extension of the MTV brand, uses advertising on MTV to spur viewer requests to cable operators to pick up the new channel. MTV Espanol uses appeals to Hispanic viewers. Nick at Nite's TV Land has targeted consumers with cross-promotions on Nickelodeon and other MTV networks' sister channels. Since its launch, The History Channel has consistently advertised to viewers on its sister channel A&E and other cable networks. Nonetheless, forcing distribution on cable systems by means of consumer advertising, as with the classic “I Want My MTV,” is impossible now for less well-known brands.

Network push efforts during launch target potential affiliates with trade advertising, strong affiliate sales, partnerships with MSOs, and equity offerings (ownership shares). Affiliate incentives such as upfront carriage fees, discounts or waivers of the subscriber fee, and expanded local ads are now used more aggressively than ever.

ZDTV exemplified a struggling independent network dedicated to programming about computers, created by publisher Ziff-Davis. After a long fight to survive, it was sold and re-named TECH TV. The new owners used taglines like “Your Computer Channel,” teased readers with references to “Wireheads. Geeks. Techies. Jillionaires.,” and promotional ads invited inquiries from potential affiliates. It didn’t work. Now in still another identity change and with new owners,
the channel has been renamed G4 and re-programmed around video gaming. And it continues to struggle.

**Incentives for Carriage**

Partnerships with MSOs and equity offerings continue to be used by cable networks to gain carriage by affiliates. In fact, as illustrated in Chapter 1, a sizeable percentage of cable networks are owned, at least in part, by Time Warner and Comcast. When launching the Fox News Channel, owner Rupert Murdoch offered TCI, a former giant among MSOs, the option of buying 20 percent of Fox News as an inducement to carry the channel. One supposes that the option, growing more valuable with the channel’s success, passed subsequently to AT&T and then to Comcast as the TCI’s ownership changed hands.

In addition, the use of such affiliate incentives as upfront carriage fees has escalated substantially. The turning point was when News Corp. launched Fox News Channel to compete against CNN and MSNBC. News Corp. began paying cable operators $10 for each subscriber they delivered to Fox! It is now extremely difficult for a new network to gain widespread carriage on cable systems without offering generous incentives.

**REMARKETING**

**Remarketing** is the reselling of basic or pay services to subscribers. Networks usually promote the unique nature of their programming using a theme line that is a USP, as already described. Another approach is to promote the special nature of specific programs, as when Sci-Fi or HBO calls some content “exclusive” or “original.”

The pay networks and local operators want to persuade households to subscribe to the digital platform and take one or more pay channels (becoming a one-pay or multi-pay subscriber). Called **upgrading** when households already take the basic service package, both the networks and operators have an incentive to market pay channels extensively because the monthly revenue from pay subscribers gets split between the local system and network. The six pay network logos shown in 7.12 commonly sponsor telephone sales campaigns offering package deals; for example, “two pays for the price of one” (for a limited time) for HBO and Cinemax or Showtime and The Movie Channel, or a Starz/Encore package, in standard television, digital, or high definition.

The major basic and pay networks also supply large amounts of free camera-ready advertising to their affiliates for insertion in local newspapers and magazines, enclosures in monthly bills (bill stuffers), and inclusion in plastic bags left on the doorsteps of nonsubscriber homes (door hangers). In addition, they supply
customized direct mailers and "last chance" postcards targeting nonsubscribers to large cable systems. Small systems receive noncustomized materials. HBO and Showtime also supply cable operators with point-of-purchase displays (signs for the operators' lobbies) for free or a low charge. Generic advertising slicks (camera-ready pictures and copy) for print media and billboards leave space for tagging with the local system's name and telephone number. Many small, ready-for-distribution pamphlets and threefolds for statement stuffers, however, promote a network without leaving space for local system customization, thus they do nothing to brand the operators as the suppliers of this "network programming." Nowadays, most cable networks also supply generic and some topical TV and radio spots for local system insertion, as well as spots for cooperative advertising or tradeouts with broadcast stations.

As operators try to interest subscribers in paying for new channels, they rely mostly on digital marketing upgrades of basic and premium services. Time Warner Cable, for example, markets several different packages, at several price points, combining new channels with existing services.
DBS MARKETING

The main DBS services in the United States, DirecTV and DISH, are serious — even threatening — competitors to cable system operators. Initially, these satellite services attracted primarily rural households where cable service was not available, but research now shows that DBS has lured away millions of former and existing cable subscribers, especially the highly desirable multi-pay channel subscribers. The marketing situation for DBS services differs from that of cable system operators who are essentially local entities. Because DBS service is available nationally, promotional efforts to attract subscribers can be centralized and nationwide.

Most visible today are the network television spots and print ads that point up cable's weaknesses in order to convince consumers to move to satellite service. DirecTV and DISH have big budget advertising campaigns to create consumer awareness and interest, and they use three message strategies. In their advertising materials, they tout their crystal-clear digital video and audio, enormous selections of programming, and special sports and movie packages. DirecTV has been especially aggressive at positioning itself as superior to cable. Since its purchase by News Corp., DirecTV has also speeded up its transition into such new technologies as interactive TV (ITV), thus creating new product advantages over cable.

As with cable, incentives in the form of discounts, allowances for PPV movies, and free programming packages are offered to consumers who subscribe to services within a given time period or take premium program packages. Because the dishes and set-top receivers are sold through consumer electronic retailers such as Radio Shack, in-store demonstrations can also be used to interest consumers. DirecTV has also employed standard public relations techniques, such as sponsoring local events and charities, to create a positive public image.

Some cable operators have responded to the DBS threat with anti-DBS commercials that draw consumers' attention to major weaknesses of DBS — hidden costs, weather-interrupted service — and in many markets, the absence of local broadcast stations. In some places, subscribers cannot receive local television stations unless they switch out of DBS to a regular antenna. In another tactic, cable spots depict DBS as too complicated for consumers to install and offering merely the same programming as cable.

CABLE MARKETING IN THE COMING DECADE

The cable industry has successfully addressed many of the marketing demands of the past decade. Now the digital age allows for the further proliferation of channels and advanced telecommunication services, technological convergence of television
and the computer, and the new dynamic of electronic (e-)commerce. With advances in on-demand, interactivity, and video Wi-Fi, the industry is moving ever closer to a time when the consumer will be able to watch whatever they want to watch whenever they want to watch it and wherever they want to watch it. These changes, plus the ongoing threat of big-budget competition from phone companies and others, will continue to challenge the industry’s marketing prowess and elevate the importance of promotion.

As the marketplace and competitive landscape change, cable marketing and promotion have grown in scope, sophistication, and importance. Cable promotes itself within the industry at the annual NCTA conference and the CTAM (Cable and Telecommunications Association for Marketing), CAB gatherings, and at PROMAX (Promotion and Marketing Executives in the Media). At NCTA, bevies of star appearances, merchandise giveaways, and extravagant multiscreen video promotions are aimed at maintaining momentum for the established networks, creating an irresistible buzz for new ones, or promoting new technology.

Defining and differentiating the cable industry’s mass of programming and service choices will preoccupy cable marketers as the decade progresses. And as information society consumers become more sophisticated, greater use of the Internet, beginning with the application of websites as promotional vehicles for separate cable channels and local system operators, will provide new opportunities to interact with subscribers and prospects. E-commerce also has a huge, as yet unrealized, potential for promotional and merchandising innovation. Whether for use as promotional tools or as products to be marketed, new technologies will place fresh demands on cable marketers.

SELECTED READINGS AND WEBSITES

CableFax Magazine. Biannual. Potomac, MD: Access Intelligence Cable Group, 1989 to date.

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