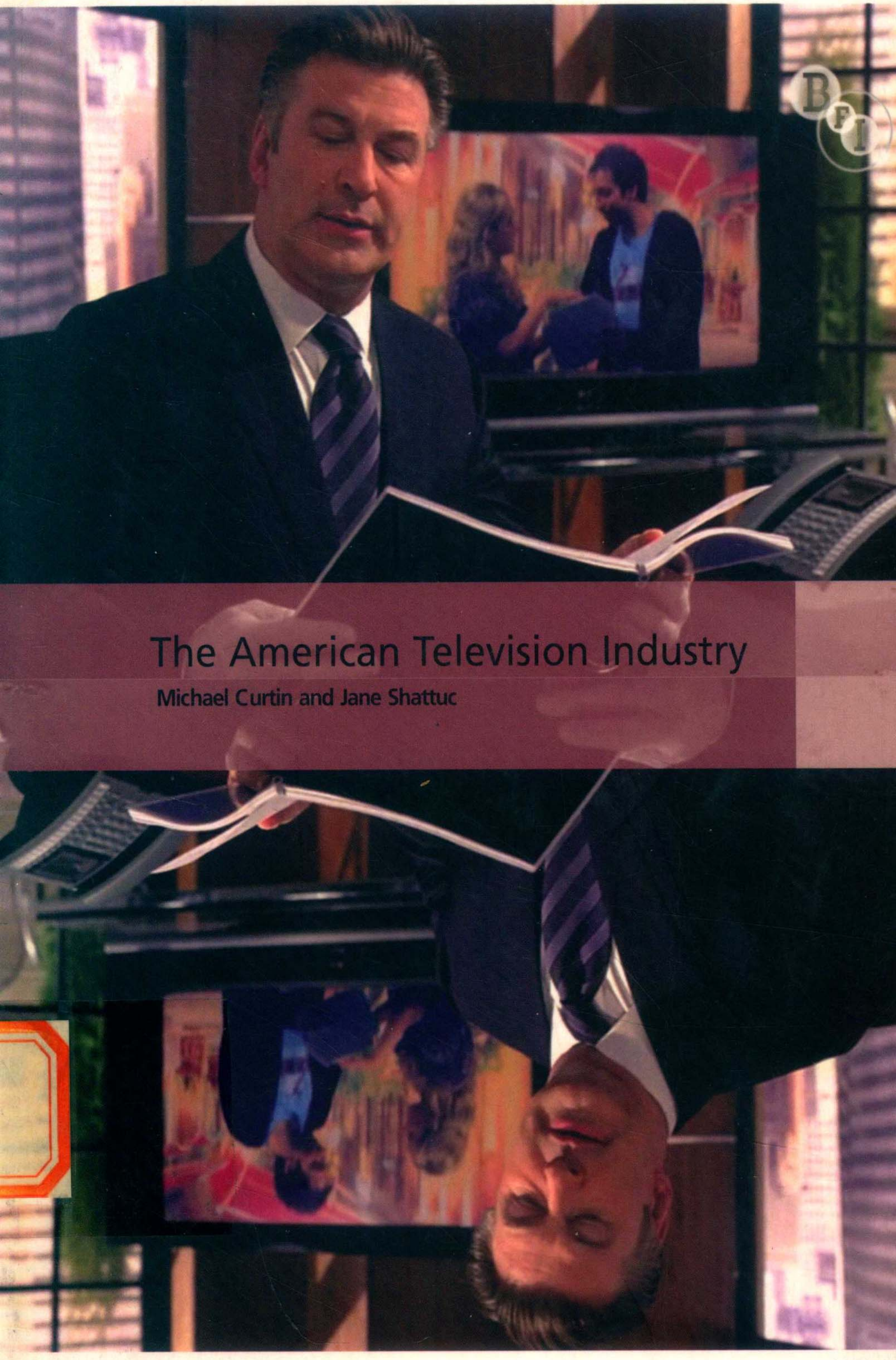

The American Television Industry

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Introduction

Media analysts commonly argue that the future of the American television industry is uncertain, given the growing competition from flashy new rivals, such as YouTube, Halo and iPhone. Yet reports of television's demise are often exaggerated, for it not only remains the pre-eminent communication medium in the United States, it continues to reside at the very centre of everyday life. In the month of May 2008, Americans spent an average of 127 hours viewing television, a six-hour increase over the preceding year. By comparison, they averaged only twenty-six hours on the Internet (Nielsen Company 2008).

Although they sometimes devote undivided attention to favourite TV shows, Americans also tune in while they read, eat, wash dishes, socialise or carry on with other household activities. Television offers nightly news, quirky game shows, big-time sporting events and luscious primetime dramas. Almost every American household owns at least one television set and four out of five homes have more than one. Not only is television a ubiquitous presence in the home, it is also widely available in airports, bus stations, schools, hospitals, restaurants, bars and shopping centres. In a country of 300 million people, 282 million watch television in a given month while only 162 million make use of the Internet (Stelter, 'Whichever Screen', 2008). Even among the computer-savvy population, television is the most widely used medium, comprising more than a third of their media diet. If one includes video and DVD viewing, television represents almost half of their total media use.[1]

Part of the reason television is sometimes described as a troubled medium is that few TV shows today can command the vast mass audiences that were typical during television's heyday. Instead, audiences today are far smaller, since they are dispersed among a growing number of channels. Moreover, as Internet usage grows, many believe it is siphoning away TV audiences. Nevertheless, in a fragmented media universe, the major television networks remain the only services that can bring together substantial national audiences on a regular basis. Popular primetime series still attract more than 10 million viewers. The most popular show, *American Idol* (2002–), averages close to 30 million, almost 10 per cent of the total US population. TV also carries a wide range of popular sporting events and championships, among them, the Superbowl football championship that attracts some 90 million viewers. Television is furthermore a leading source of news and it is the most important mediator of major political events, such as elections, debates, inaugurations and military engagements (Learmonth 2006).

A Nielsen Media Research study conducted in May 2006 found that each of the four major broadcast networks attracted between 157 and 179 million unique viewers. That is, more than half the US population watched each of the four major networks during the month compared to 50 million unique visitors to one the Internet's most popular social networking sites, MySpace. As for cable, the most popular channels drew 20 to 30 million unique visitors. Overall, Nielsen found the television channels that attract the most viewers and hold their attention for the longest periods of time are those with strong narrative content (television series) or event-based programming (sports, games, competitions). Consequently, the major networks continue to be most popular, each of them attracting the attention of viewers for an average of 5.6 to 8.2 hours per month (Lowry 2006).

Television in the United States is a resolutely commercial medium. Its fundamental objective is to attract substantial audiences so that it can sell their attention to advertisers seeking to promote their products and services. Each year, TV stations, networks and cable channels produce tens of thousands of hours of original programming that is funded by more than $72 billion worth of advertising (Fulgoni 2008). Entertainment, advertising and consumerism have operated hand in hand since the very earliest years of the medium.

Yet for all its commercial success, television today is undergoing a period of profound change. For decades, audiences tapped television's vast cultural resources by tuning their sets to particular channels. Increasingly, however, they surf the web as well, making online video the fastest-growing service on the Internet. YouTube (owned by Google) is the leader, distributing more than a third of all videos, much of it amateur content, but the most popular YouTube videos often prove to be clips from popular television shows. Furthermore, the most commercially successful video services online are operated by major television companies, for it turns out that advertisers are much more comfortable sponsoring professionally produced web videos ("NBC" 2008). Advertisers have also taken note of the fact that online viewers tend to prefer professional content and that for every hour they devote to Internet video, they still spend 57 hours watching television (Stelter, 'Whichever Screen', 2008). Thus, the American television industry remains the most significant provider of commercially sponsored video despite the emergence of many new technologies and competitors.

The following chapters explain how the industry operates and how it is adapting to changes in American media and society. Chapter 1 describes the origins and development of the largest and most important television companies, which during their early years of operation were closely regulated by the federal government. Over time, criticisms of the network oligopoly encouraged the introduction of satellite and cable technologies during the 1970s and, as the number of available television channels expanded, the original networks were joined by powerful competitors from related media industries. The first chapter describes the corporate strategies that have shaped the industry and it explains the role that government regulation has played as well.

Chapter 2 explains how audiences are measured and advertising is sold. Since the government provides little direct support to the television industry, virtually all of its activities and programming content relies on funding from advertisers. In order to gauge the value of the commercial time that they sell, television services must demonstrate the size and composition of their audiences. Chapter 2 explains how television ratings are gathered and how ratings services have changed over time. It then shows how advertisers use ratings to design their messages and organise their campaigns. Finally, the chapter describes how the television companies market commercial spots to advertisers, and how the two sides negotiate prices for those spots.

Chapter 3 focuses on programming strategies, showing how network executives develop new programmes and promote them to viewers. It also explains how television schedules are worked out and how that may influence the popularity of particular programmes. Primetime programming on the major networks is discussed in detail but the chapter also explains programming strategies for various parts of the day, such as morning and late-night shows. It furthermore describes the programming strategies of cable channels and independent stations. And it shows how programming strategies for mass-appeal television are different from strategies for channels that target niche audiences. It finishes with a discussion of new media providers, such as video downloading and Internet broadband services.

Chapter 4 outlines the studio production process that has prevailed since the 1950s, featuring a highly rationalised mode of manufacture in which creative responsibilities are divided among craft and creative workers, most of whom are unionised. *Law & Order* (1990–2010) and *Frasier* (1993–2004) serve as models of this highly systematised programme production. The chapter further delineates how the networks have varied this system over the years as they responded to economic and technological changes, including corporate conglomeration, labour activism, home video recording and Internet distribution. Programmes such as *24* (2001–9) and *Survivor* (2000–) suggest the ways in which television programmes increasingly seek to incorporate stylistic and content innovations from new media competitors.

Chapter 5 discusses the niche networks made possible by cable technology. Like broadcast programming, early cable channels catered to general audiences, but as the number of services grew, they began to produce programmes apealing to particular audiences or built around specific genres. This chapter shows, for example, how news channels divided into specific services for liberal and conservative viewers, and even into news channels for sports fans or entertainment buffs. Similarly, A&E began as an arts and entertainment channel that would evolve into a platform of services specifically designed to showcase biographical, historical and military documentaries. Because of the smaller audiences, much of this cable programming is produced on far more modest budgets than programming on the broadcast network. The chapter also examines a key exception to this principle: Home Box Office (HBO), home to some of the most lavish productions on television today, such as *The Sopranos* (1999–2007).

Finally, Chapter 6 looks at television's shift from a preponderance of fictional programming to an increasing amount of informational or unscripted fare. Moreover, by the late 1980s news had become so intertwined with TV entertainment that critics coined the term 'infotainment', a category that embraces much of what's produced for television today. The chapter shows how the Public Broadcasting Service (PBS), which established many of the key genres of informational programming, has since the 1980s experienced growing competition from commercial cable channels that produce home-improvement, cooking and history documentaries, as well as popular music shows.

The Conclusion addresses recent developments and future trends in the television industry. It shows that TV companies are adapting to new media and in turn new media are adopting many of the practices that have governed the television industry for decades. Despite this continuity, the Conclusion points to profound transformations now taking place in the American television industry.

Although the authors collaborated at every stage of the writing process, we allocated the primary writing responsibilities as follows. Chapters 1, 2, 3 and the Conclusion were written by Michael Curtin and Chapters 4, 5, and 6 by Jane Shattuc. The authors would like thank colleagues and students at their respective institutions for supporting this venture and for sharing their ideas and insights. We would also like to express our appreciation to television executives, talent and critics for speaking with us about America's leading media industry.

NOTE

1 This figure excludes computer usage at work (Fulgoni 2008).

1

Key Players

Since the 1980s, television in the United States has undergone a dramatic transformation. Before then, American broadcasting was characterised by a network system that aimed to integrate television stations and audiences nationwide. This model was inherited from the radio era and reached its fullest expression during the 1960s and 1970s when three companies dominated the most popular and powerful mass medium in the history of the United States. Since that time, the power of centralised networks has diminished and the number of competitors has grown. Americans now watch hundreds of channels, access thousands of video titles, and increasingly make use of television outside, as well as inside, the home. Despite these changes, the television industry nevertheless remains very centralised with a few firms exercising significant market power. Instead of three networks, six conglomerates now dominate the industry, operating hundreds of channels and services that bring television to audiences throughout the US and around the world. This chapter traces key trends that have shaped the industry throughout its history and describes the operations and strategies of some of the most important players in American television.[1]

THE NETWORK ERA

Networking became a prominent part of the American media scene as early as 1926 when one of the leading manufacturers of radio receivers, the Radio Corporation of America (RCA), launched two networks with the aim of promoting sales of its equipment. Prior to that time, radio stations broadcast their signals within specific geographic locales that were defined by the distance that radio waves could travel from a station's transmitter, usually thirty to sixty miles. Most radio stations were local services in part because of technological limitations. Networking changed this by interconnecting a group of transmitters via telephone lines so that a programme produced in Chicago could, for example, be made available to audiences tuned to stations in Cincinnati and Detroit, as well. The National Broadcasting Company (NBC), which was owned by RCA, employed the technology to establish regular programming schedules aimed at a nationwide audience via dozens of local stations that came to be known as affiliates. Networking also afforded new business opportunities, since affiliates not only shared NBC's programming, they also shared a brand identity and they worked together to promote their services to advertisers. Radio networking mirrored the increasing influence of chainstores in the American economy, such as Sears department stores, Rexall drugstores and A&P grocery stores. Indeed, radio industry publications and government documents of the period often used the term 'chain broadcasting' when referring to companies such as NBC.

The concept of radio networking also drew precedents from live theatre. Vaudeville, for example, was enormously popular during the late nineteenth and early twentieth century, offering variety shows featuring performers who travelled around a circuit of theatres organised by booking agencies and theatre alliances. These circuits were established so that managers could rotate fresh talent into their local theatres on a regular basis. Circuits also allowed performers the opportunity to gain wide public exposure and gave them a chance to learn from other performers they encountered along the way. As a result, vaudeville entertainers developed genres and performance styles that could gain acceptance in many different locales, a precedent that radio would follow. Popular vaudeville performers also provided core talent for radio, as many were lured away to the new medium.

Although the radio industry developed many of the practices that would come to be associated with broadcast networking, these practices would not reach full maturity until the mid-1950s when television became America's leading vehicle of entertainment and advertising, and shortly thereafter the leader in news and information as well. Yet the triumph of national networking was not without controversy and periodic reversals. Rural and smalltown residents were often suspicious of the big networks because they arguably posed a threat to local businesses, social groups and cultural norms. Many politicians wanted radio stations to represent their local communities and to take into account local values and attitudes. In fact, localism has been a core principle of American media regulation since the 1920s, aiming to ensure that community voices would not be drowned out by powerful interests from afar (Kirkpatrick 2006). This principle was emblematic of political attitudes embraced by urban liberals as well as rural conservatives, both of them suspicious of large corporations headquartered in big cities. Broadcasting networks like NBC tried to address such concerns by acceding to the local ownership of most stations, while at the same time forging contracts with local affiliates that turned over large portions of their airtime to network programming.

As a result, radio and television stations in the US were licensed and regulated on a local basis, but they were nevertheless dominated from the very beginning by national networks. The three major networks prevailed most powerfully from the mid-1950s to the mid-1980s, when they controlled key elements of television production, distribution and exhibition. Historian Michele Hilmes (2007) refers to this period as the classical network era, when more than 90 per cent of primetime television viewers tuned into NBC and its counterparts, the Columbia Broadcasting System (CBS) and the American Broadcasting Company (ABC). Aiming their programmes at vast national audiences, these three networks earned most of their revenue from the sale of advertising time to providers of consumer goods and services. They were therefore central institutions of an economy that was modelled on the principles of mass production and consumption with television supplying the means to stimulate and manage consumer demand.

During the classical network era television programmes strove for widespread popularity, but just as importantly they sought to avoid giving offence to any particular group, an approach known as least offensive programming (LOP). Critics claimed that this often resulted in bland content, but audiences expressed enthusiasm for the medium, with the vast majority of homes tuning in on a regular basis. Viewers would adjust personal and household schedules to set aside time for favourite programmes, bringing families and friends together around the TV set on a regular basis. This meant that television viewing was a synchronous experience, for shows generally played only once and would therefore gather nationwide audiences at appointed times.

The popularity of the medium and the growing demand for television advertising fostered consistent growth throughout the network era. This encouraged television companies to extend their core business from national distribution (networking) towards a more robust investment in programme production and local exhibition (station ownership), a process known as vertical integration.[2] Such expansion was largely limited to the broadcasting industry, for networks rarely sought to extend their reach into related media such as publishing, movies or amusement parks. Instead, they tended to pursue medium-specific strategies in part because of government regulations and in part because the television industry was growing so consistently that it encouraged the networks to internalise profits from related sectors of the TV industry rather than expand into other media where network executives had less expertise. The industry also sought opportunities overseas, becoming the world's largest exporter of television shows, but this remained an ancillary enterprise, for the core strategy of each company centred on its US advertisers and audiences.

A brief history of the Columbia Broadcasting System provides a useful example of how the major American networks developed over time. Founded in 1927 by a talent agent as a showcase for vaudeville theatre performers, CBS didn't begin to turn a profit until it came under the leadership of William Paley, the son of a cigar manufacturer and an early enthusiast of radio advertising. The company's main competitor was NBC, which ran two networks, one that tended towards popular programming while the other favoured upscale cultural and informational fare. Owned by RCA, the leading US radio manufacturer, NBC used its networks to promote the sale of radios and to keep politicians and opinion leaders happy with what was quickly becoming America's favourite pastime. NBC also solicited the support of commercial sponsors, but that was only part of a larger picture, for the network's strategies largely revolved around the sale of radio receivers and equipment. CBS, by comparison, relied primarily on sponsorship revenue from advertisers and therefore paid careful attention to the popularity of its programming. Paley displayed a knack for attracting fresh talent, cultivating sponsors and promoting public-service programming that also had popular appeal, such as news.

After World War II, CBS and NBC both became pioneering forces in the development of television and they carried over business practices, programme genres and popular performers from radio to the new medium. Yet television also required a significant amount of innovation as the cost of television production and operations was roughly ten times greater than radio. As a result, CBS and its competitors all spent much of the 1950s experimenting with programming and advertising formats. Most notably, the conditions of production shifted dramatically during the 1950s. When the decade began, more than 90 per cent of the evening schedule was telecast live from New York City, but by 1960 the proportion reversed with the vast majority of shows recorded on telefilm in Hollywood studios for later transmission across the national network. CBS was a leading innovator of telefilm working in conjunction with one of its comedy stars, Lucille Ball. Telefilm not only provided production flexibility, it also helped to contain costs. Perhaps most importantly, however, the recorded programmes could be used for retransmission (summer reruns) or sold to local stations and overseas broadcasters after their network run, a practice known as syndication (Schatz 1993 and Kompare 2004).

Control over programming development and decision-making also changed significantly during the 1950s. Initially, advertising agencies, working in conjunction with programme sponsors, made most of the creative decisions associated with television production. Sponsors funded the shows and agencies managed most aspects of production. Networks provided them with airtime, but due to the tremendous costs of TV production, networks played a relatively minor role in the creative end of the business, preferring to emphasise their role as a distributor. Yet as the industry grew more prosperous, networks took a growing interest in programme production and syndication. They eventually snatched creative control from the agencies and restricted sponsors to the pur-

Lucille Ball and Desi Arnaz pioneered the production of telefilm recordings of their show, *I Love Lucy*, which was syndicated to stations throughout the world

chase of commercial minutes, effectively shutting them out of the production business. Networks then built partnerships with Hollywood studios and became producers in their own right. Just as importantly, networks took an ownership interest in each show, allowing them to earn additional revenue by distributing 'off-network' reruns to stations in the US and overseas. CBS assembled an impressive syndication catalogue filled with durable ratings performers such as *I Love Lucy* (1951–61), *The Beverly Hillbillies* (1962–71) and *The Andy Griffith Show* (1960–8). If network programming seemed bland because it was aimed at a mass primetime audience and sought to avoid giving offence, then telefilm programming exacerbated this tendency, since it strove for validity in many different scheduling contexts: on a wide variety of stations and at different times of the day. Consequently, syndication became a very important and profitable aspect of the television business in the United States.

CBS avidly pursued expansion in the exhibition end of the business as well. Although the Federal Communications Commission (FCC) initially restricted each network to the ownership of only five stations, CBS and its competitors secured licences in the biggest markets, including New York, Philadelphia, Chicago and Los Angeles. Over time, as the population in the US shifted and as FCC regulation allowed the ownership of more stations, CBS would manoeuvre to ensure control over stations in the very largest and most lucrative local markets. The reasoning behind this strategy was that the network itself was only modestly profitable, since it incurred the costs of programme production, which was not only expensive but also risky. On the other hand, its owned and operated stations generated fabulous profit because they produced little more than local news and talk shows, taking most of their programming from the network. They therefore ran few risks and incurred few expenses, yet regularly generated strong advertising sales revenues. Big-city stations were also important because their audiences played a major role in national audience ratings and it was therefore important for the networks to control scheduling and promotion of their programmes in these major markets.

By the mid-1960s, CBS was unquestionably the most successful television network with a string of primetime hits, a strong syndication catalogue and a group of very profitable local stations in the very largest TV markets. It had systematically created a vertically integrated television enterprise that controlled every aspect of the creation, marketing and exhibition of TV entertainment and information. CBS and its network competitors built a truly mass medium that would endure for close to three decades.

This network system came under fire during the 1980s, however, as many viewers shifted their attention to new forms of cable, satellite and video programming. Some analysts claim this signalled the end of broadcasting and the transition to a post-network era. Yet it is important to recognise that the three major networks are still very much with us, albeit in new configurations, and that the concept of networking is still quite prevalent in US media, albeit with traces of the old and the new alongside each other. That is, media companies still employ technology to interconnect media operations. While earlier networks linked together broadcast transmitters, today they connect broadcasting, cable, satellite and wi-fi technologies to bring together geographically dispersed exhibition devices, everything from plasma TVs to mobile phones to laptop computers. Television companies also continue to emphasise the importance of national advertising and the aggregation of large numbers of viewers, even if those viewers are not necessarily tuned to the same show at the same time.

If network television sought to build a flow of programmes that would attract audiences for an entire evening of programming, television today aims to facilitate the flow of viewers' attention across networks of content. Television today operates through conglomeration, cross-promotion, flexible marketing and multiple technologies. Increasingly important are the programmes around which these strategies are organised. Whereas during the classical network era the big three television companies could manage audience access to programming through their centralised control of transmission technology, today networks must compete with a growing number of television services using a variety of delivery techniques. Instead of a networked broadcasting model, television today is a leading component of a media matrix that is comprised of broadcast services (push technologies) as well as a large and growing number of media services available via the Internet and other telecommunication technologies. The latter are often referred to as pull technologies, since viewers actively seek out programmes to download from the web or view online, or they watch shows on their mobile phones or rent them from video providers, both online and in local shops. Viewers are no longer restricted to three channel options, so networks now must rely ever more crucially on the attractions of their software. Today they need to produce shows that audiences will actively pursue among the thousands of viewing options available to them at any time. This has profoundly changed the television business, but the major networks still remain an enduring presence and new competitors emulate many of the practices of their larger counterparts. This is not the end of network television but rather its reinvention in the matrix era using many of the same principles and relationships that governed the industry's early development.

NEW COMPETITORS AND NEW TECHNOLOGIES

Technology is commonly seen as the most important factor in bringing about the decline of the classical network system. According to this view, cable, cassette and satellite technologies transformed American media, society and culture. That is, new technologies *caused* social and economic change. Such notions of 'technological determination' are fairly widespread in popular news accounts and criticism, but they can be enriched by pointing to a host of other factors that prompted the development of these new technologies. This alternative perspective turns technological determination on its head, showing instead how the complex interactions of individuals, institutions and social interests shaped the development of communication technologies, which in turn influenced society. Socio-cultural determination in the realm of television might best be appreciated by recalling the development of another technology, space travel.

Many commentators have suggested that the invention of rocketry pushed society into the space age. Yet rockets were first developed in ancient China and were adapted to modern uses by the Nazi war machine during World War II. After the war, the major superpowers competed ferociously in a space race for military and scientific supremacy as part of the Cold War. Rocket technology certainly would not have developed as quickly as it did during the twentieth century if not for massive investments made by governments and corporations, each with their own agendas. Moreover, popular fantasies of space travel helped to fuel support for rocket research as President Kennedy invoked the mythology of America's frontier to describe the challenges that lay ahead in outer space. In a 1961 speech, the President explicitly challenged Americans to put astronauts on the moon before the end of the decade, a feat that captured the imagination of people around the world. Thus, individuals, institutions and political interests shaped the conditions under which rocket technology emerged and established the terms by which it would be popularly imagined and socially deployed. Material, scientific and engineering factors certainly played a role as well, but these too were shaped by socio-cultural forces.

One must therefore wonder: Did rocketry change society during the twentieth century? Or did various groups align themselves behind the 'invention' of space technologies in pursuit of their own diverse interests? Socio-cultural determination directs our attention to powerful actors and institutional imperatives as well as flights of popular imagination and technological genius. It resists explanations that suggest technology itself acts as an autonomous, singular and determining influence on society.[3]

Similarly, new media technologies played an important role in the transformation of television during the 1970s and 1980s, but the technologies were developed and deployed by various social actors with complicated and often conflicting ambitions. For example, cable-television technology was enthusiastically promoted by the Nixon administration in large part because President Nixon and many conservatives resented what they perceived as the power of the major networks to shape public opinion. Nor were they alone in expressing such concerns, many groups on the opposite end of the political spectrum also questioned the influence of the major networks, including antiwar, environmental and women's organisations. All of them pressed the FCC to relax restrictions on cable technology in hopes that cable would open up hundreds of new television channels. Proponents of cable waxed enthusiastic about the diversity of perspectives that cable might offer. In books, magazines and speeches from the period one can find heady speculation about the vast array of opportunities that would open up on the new cable frontier, much of it comparable to the optimistic conjecture during the early days of the Internet (Streeter 1987). Such speculation should not be seen as empty chatter; it should rather be understood as one of the ways in which various interests align themselves behind particular agendas that shape the development of a new technology.

Another group seeking alternatives to the network oligopoly during the 1970s comprised advertisers, many of them frustrated with the limited number of commercial minutes available for sale. These limitations consistently drove up the cost of television ad spots and helped to generate fabulous profits for the major television companies. This inspired resentment but also envy, especially among companies seeking to expand their role in the TV business. Movie studios (e.g., Paramount), newspaper companies (e.g., Chicago Tribune) and publishers (e.g., Time-Life) had expressed interest in television from the very earliest days of the medium and now they sought to break up the network oligopoly and contend for their share of the industry. Studios wanted to increase the number of buyers for their movies and television programmes. Independent stations like the Tribune's WGN wanted to expand their geographical reach. Stations with weak signal strength – those using Ultra High Frequency (UHF) technology – wanted to improve and expand the quality of their transmissions. And publishers like Time-Life wanted to build new services for national niche audiences (e.g., Home Box Office).

Although cable technology had been available since the 1950s, it wasn't until the 1970s that the activities of these various interests converged behind an agenda to facilitate the growth of cable. Quite interestingly, cable would also benefit from the space programme, as the government spun off commercial satellite operations that assisted with the interconnection of cable services during the 1970s and in the ensuing decade provided direct-to-home broadcasting satellites (DBS). Rather than cable and satellite technology causing changes in TV and society, we can see that social actors, political interests and industry players shaped the development of these technologies, spurring their deployment during the 1970s and engendering new competitors for the major networks.

Socio-cultural determination also helps to explain the introduction of video cassettes, which allowed consumers to circumvent the programming schedules of the broadcast networks. German companies were the first to develop audio tape recording technology during World War II and in the following decade, video tape recorders were first sold to networks and local TV stations to help facilitate production and distribution of programmes. In the 1960s networks started using them for sports programming as well, allowing instant replay of key

Table 1.1 Adoption of New Technologies by Percentage of Total Households

	Multiset	Cable	DBS	VCR	DVD	Digital TV	PCs
1970	32.2	6.7					
1975	41.4	12.6					
1980	50.1	19.9		1.1			0.0
1985	56.8	42.8		20.9			14.0
1990	65.3	56.4		68.6			22.0
1995	70.9	63.4	>2.0	81.0			36.0
2000	75.6	68.0	9.2	85.1	13.0	>1.0	58.0
2005	79.0	67.5	20.3	90.2	81.0	15.0	73.0

Source: Nielsen Media Research (TVB Online) 2008.