

What does opportunity look like in Louisiana?



Television

Strapped Local Stations Look To Web For Cash

James Erik Abels 12.04.08, 5:45 PM ET

Local television stations need some good news. Just this month, the Television Bureau of Advertising announced spot TV advertising would fall this year roughly 7%—despite the lucrative presidential election. Next year looks bleak too: It predicted 7% to 11% declines. Those are big numbers in an industry that's used to clearing roughly \$65 billion in advertising.

While the decline is due in part to a recession, the bigger reason is more systemic. Advertisers have more outlets than ever to choose from. So what are local stations to do? Increasingly, they're turning for salvation in the usual direction: the Internet.

There are reasons for stations' emboldened outlook. Ion Puspurica, who has spent a decade helping build and manage hundreds of local television Web sites, says some 30% of TV stations have managed to increase online revenues to a point where they matter.

"If you get to the point where they can generate 5% or above on their bottom line, then they really pay attention to you," Puspurica says. As general manager of Critical Media's broadcast services group, he is now selling a service to stations that simplifies their ability to post broadcast video feeds on the Internet.

Driven by increased consumer use of online video over the last year and a half, stations are pushing hard to turn it into a moneymaker. "We're getting a lot of pressure from our clients to sell their Web sites, and to sell them uniquely," says Garnett Losak, who's company, Petry Media, sells advertising and builds programming schedules for local stations.

Many local stations not only compete with other stations, but also fight with local newspapers for ad dollars. Every day a station doesn't push more of its resources online is another day a competitor might. With fewer and fewer viewers tuning in to local newscasts, Adam Symson, vice president of interactive for **E.W. Scripps'** television division, which owns 10 stations, says building online audiences is imperative.

Consider ABC affiliate KCRG in Cedar Rapids, Iowa. While it internally tracks an average of seven million unique visitors per month, and streams its noon newscast to an average of 9,000 people per day, the two-year-old site only earned some \$500,000 last year. "It's got to grow. It just absolutely has to grow," says the station's general manager John Phelan, noting there will be no real political ads next year.

He hopes to double revenue in 2009, and for several years thereafter, with a new sales program. He's finalizing a system where his nine sales people will be penalized if they do not meet monthly Web revenue goals. "At this point, you have to try something different," he says.

Giving sales staff incentives to sell the Web remains a huge problem, says Steve Ridge, president of media strategy at television consultancy Frank N. Magid Associates. And there is no consistency on how to approach the issue—whether via separate sales reps or a unified sales force.

But Web sites continue to be a bet on the future for most stations, rather than a quick fix for flagging ad sales. "[Stations] don't realize how much effort, resources and time it takes for that business to develop," says Scott Blumenthal, executive vice president of television at Lin TV. His company, which owns 29 local television stations, is very focused on the Internet. While the company has struggled this year, digital has been a bright spot, growing in the first nine months of the year to \$19.7 million, from \$10.1 million last year.

Those are results other stations are likely looking to emulate. For instance, Robert Forsyth, director of Internet operations at Albritton Communications, says the company has spent the last year rebuilding the technology system underlying its 12 Web

properties, including eight television stations. With 70,000 to 80,000 videos streaming from his sites per month--many of which will soon be in high definition--and 75 to 100 new videos published per day, Forsyth says increasing online ad dollars remains a priority for 2009.

But local advertising consultant Gordon Borrell of Borrell Associates says he's worried some stations have a mismatched expectation for how quickly the Internet can become a significant piece of their business.

His firm surveyed 647 television stations, and many are setting Web budgets for next year based on massive increases in online revenue expectations. In one case, the number is seven times greater than 2008 revenue. Borrell says, "I'm kinda wondering how they're going to do that."