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Alternative Sources Gain Significance

Planners May Have to Pay More Attention to Data Previously Considered Expendable

By Mark Dominiak

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There is an old farming adage about separating the wheat from the chaff. It goes back to biblical times and means to distinguish the valuable from the worthless.

As planners, we constantly sift through large quantities of information looking for the valuable grains that can lead to innovative planning strategy or tactical impact in the marketplace. Much chaff is disregarded in our searches.

But is the chaff always worthless? Sometimes that's a question worth asking.

Case in point: How many times have you invested time picking through Nielsen penetration numbers to see how cable networks were doing or to see how quickly digital video recorders were infiltrating American homes? If you're a planner, you've likely done this sometime in the recent past.

During that exercise, did you perhaps note what used to be a smallish number measured by Nielsen and expressed in the column labeled "ADS"? That number represents what Nielsen's glossary terms alternative delivery sources, or technologies included in the alternate delivery sources, including satellite (C-band), DBS (KU-band), SMATV (master antennae) and MMDS (includes multichannel, multipoint and multipoint distribution service).

Funny thing is, as planners we have seen that number expressed consistently over the years and really haven't given it much thought. It's been chaff that we've sifted through en route to the info we really were after. The fact that one in five homes now receives its television signal via alternate delivery source suggests maybe we should be paying a little more attention. A 10-year track of Nielsen's ADS penetration data shows that the level of noncable ADS delivering TV signals to American homes at the beginning of 2005 was about 18.4 percent, almost triple 1996's 6.2 percent level.

And according to a report issued by the Television Bureau of Advertising last week, ADS penetration has climbed to 20.5 percent as of May. The TVB report goes on to cite decreasing levels of wired cable penetration, which you can get a sense of in the chart on this page.

While one in five may not seem all that impressive, consider this: TVB notes that Springfield, Mo., tops the list at a whopping 51.2 percent of subscription television customers. That makes it the first market to fill the majority of its television signal needs via ADS. But not only midrange markets have big penetration numbers. Among top 50 markets, Los Angeles stands at 32 percent, Dallas at 40 percent, Denver at 32 percent, Houston at 29 percent, St. Louis at 35 percent, Indianapolis, Minneapolis, Phoenix and Portland at 26 percent and Washington at 22 percent.

Burgeoning ADS numbers are being driven by basically two players: EchoStar's DISH Network and DirecTV. As of May, DirecTV reported 14.4 million customers across its network. DISH Network weighs in with around 11 million subscribers and 22 million viewers, having added 6.3 million new net customers in the past four years. DISH Network has also recently absorbed Cablevision's defunct high-definition Voom brand to augment its offering.

So ADS numbers are trending up in a positive way. Is that enough to merit increased consideration as a media plan option? It's a good start, and there are a number of additional reasons why planners should be giving ADS a deeper look. Chief among them:

- Value of the ADS subscriber as a consumer target
- Segmentation options
- Ability to engage consumers via interactive platforms

Demographically, subscribers of ADS providers tend to reflect attributes important to many advertisers. DISH Network, for example, sports 84 percent subscriber home ownership versus a 65 percent U.S. average. That's a respectable 129 index. Married subscribers also show a 129 index, with presence of children indexing at 124 and \$40K+ annual household income indexing at 118. And as should be expected, DISH subscribers are heavier purchasers of electronic devices, at a 118 index.

Geographically, ADS users are not what you'd expect. For years the assumption was that satellite users were predominantly residents of C and D counties. That is no longer the case. As exemplified by DISH Network, more than 90 percent of subscribers come from the top 100 DMAs. This top 100 penetration success is apparent in the top 50 markets noted above and paints a more suburban rather than rural picture of the satellite subscriber.

Considering the penetration, demographic and geographic threads, one could make a psychographic assumption. Namely, ADS subscribers seem to be savvy about technology and passionate about entertainment.

Whether they subscribed because they were disenfranchised with a local cable provider or because they were intrigued by the technology, the fact is they have subscribed to the service. If they have it, they can use it, regardless of whether they subscribed for the breadth of networks offered or for the NFL Sunday ticket package.

Segmentation Options

Both DirecTV and DISH Network offer great breadth in channel offerings. DirecTV provides selection across 225 channels of sports, movies, family entertainment, music, pay-per-view, local and international programming. DISH Network offers more than 100 premium networks.

With all of that breadth, how does a planner target desired consumers with impact? The answer is clustering. DISH Network, for example, offers flexible buying solutions that enable custom targeting solutions. DISH not only provides network cluster options but also has the flexibility to allow planners to customize individual network choices to create clusters that best reflect their target consumer profile.

The breadth extends all the way to Latino and foreign-language programming. DISH Network claims its offering has the largest distribution of Latino programming in the United States, with 15 available networks. On the international front, DISH also claims status as the No. 1 provider of foreign-language programming with dozens of international channels in its diversified subscriber base.

The ability to cluster networks or focus on niches such as Latino or international give planners much more flexibility in their use of ADS providers as a media option than may have been expected. Coupled with attractive demographics and increasing penetration, ADS really starts to look like a viable planning option.

Interactive Platforms

To seal the deal, both major ADS providers have also successfully forged into the brave new world of interactive television, enabling them to go toe to toe with digital cable providers. DISH Network's interactive platform aims to provide viewers with a deeper level of product, service or promotional information about advertiser offerings, while providing advertisers with increased awareness, consumer feedback and hopefully local traffic or direct sales.

DISH Network's ITV platform gives viewers the opportunity to request more information about an ad of interest at the moment it is airing, to reach out to advertisers to request additional information or even to facilitate immediate purchase. DISH Network uses a number of different applications in its ITV platform, all customized to advertiser needs.

Basically, ads are enabled with interactivity via a graphic overlay that viewers can click on using their remote. Static or selectable banners can also be used in this way. What happens afterward can take a number of forms.

Viewers may be sent to another channel entirely where additional messages are airing. Or they may be sent to a virtual channel that functions in much the same manner that an infomercial does in the traditional TV space. The infomercials may be set up to provide useful information such as product specs or price quotes or to facilitate commerce. A DVR interface gives viewers the flexibility to record more info from an advertiser for later viewing.

Capabilities don't stop there. Since subscriber information is known, interactive functions can be enhanced to provide functionality and information pertinent to the locality of the viewer. For example, theatrical releases can use interactive functionality to deliver not only enhanced trailers, cast information or behind-the-scenes info but also theater listings and show times at the multiplex closest to the subscriber. Or auto manufacturers can deliver not only deeper features and benefit information through interactive links but link interested prospects to their nearest local dealer as well.

DISH Network has already worked with Sony Pictures, Mercedes-Benz and Dell using its interactive platforms. While specific performance data is not available, DISH has suggested that subscribers have devoted high viewing levels to interactive ads, and it appears that the clients are pleased enough with the results to continue with the programs.

Benefits of ADS in Plans

Given the background, there are a number of reasons to consider including ADS as a component of media plans. Penetration levels, attractive demographics and targeting flexibility all offer advantages. But perhaps most important is the ability to engage the viewer with interactivity.

Traditional network and cable schedules deliver their messages and then rely on the consumer to take the next step. ADS provider platforms can prompt subscribers to take that next step from their easy chair. One could argue that digital cable does the same thing, and it does—for those subscribers in a locality that pays for digital cable. Every ADS subscriber can be reached by the interactive platform, meaning national coverage skewing to the top 100 DMAs.

Engaging consumers in a deeper dialogue is not only good for brand/consumer relationship, it's also good for advertiser ROI.

Drawbacks Exist

Everything in the ADS arena is not necessarily peaches and cream. There are still a number of observations on the con side of the coin to keep in mind. First, beyond the ability to tailor interactivity for subscriber locality, there doesn't appear to be capability to deliver messages to a specific geography or locality. Buys are made essentially nationally. If your brand has needs in very specific, limited geographies, ADS may not be for you.

Also, it's fair to question whether or not penetration for ADS has capped out. As Comcast and other multiple system operators get their digital offerings nailed down, will those offerings ultimately trump what ADS is now offering? Perhaps. On the other hand, ADS provides benefits now, so what difference does it make? Further, it's unlikely that the phenomenon of cable disenfranchisement is going away soon, meaning ADS providers should be around for a while.

On the other hand, the possibility of ADS providers tripping over themselves as cable operators have done also exists, which was evidenced by the recent snafu surrounding DirecTV and its fees for HD services. The bottom line is consumers will pay what they believe is fair for the value they receive. At present, ADS services have a lot of value to provide. ADS providers just need to be careful in devising pricing strategies to avoid making consumers feel they're being monetized at every turn.

So there's another lesson learned. While separating the wheat from the chaff is an old but valuable exercise, planners should be careful when applying it. As demonstrated by the case of ADS, occasionally what appears to be chaff turns out to be valuable wheat.

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