School of Journalism

UNIVERSITY OF MISSOURI-COLUMBIA September, 2008

**NEWS STRATEGY**\*

Hire a New Anchor, Get Into Cable, or Do 24-Hour News?

It was 9:35 a.m. and Alice Hartley, KWWX-TV's news director, was having a typically hectic day in the newsroom when Harvey Pervis, the station's general manager, called her to confirm the time of tomorrow afternoon's budget meeting at 3:30 p.m.

Harvey had joked pleasantly on the phone, but Alice was worried because she knew Harvey was going to resist any increases in the station's news budget for the coming year because corporate headquarters was demanding higher profit margins.

Alice knew that Harvey was getting pressure from the station's group management to transfer revenue directly to the bottom line. Top management was also pressuring Harvey to improve the news ratings and to make the station more visible in the community. KWWX, which was located in a three-city DMA ranked between 75 and 80, had been purchased in 1986 in a highly leveraged transaction, and had struggled to service the debt. Harvey had always been very supportive of Alice and of the news department, in which he took great pride. Harvey, even though he had come from sales, had often said that the secret of the station attaining dominance in the market was in doing news better, getting higher news ratings, being more visible in the community, selling out news programs at higher rates, and getting underwriting for community affairs projects.

The general sales manager had also been supportive of Alice, too, and agreed with Harvey about news, especially because of a well-trained, aggressive sales staff that consistently sold out the station's two half-hour newscasts at premium cost-per-points. Alice had an excellent relationship with the general sales manager, who appreciated the station's steadily increasing news ratings and good showing in the demos.

Also, Alice had a relatively good relationship with the station's community affairs director, Mary McKinney. "Relatively good" was the way to describe the relationship because Alice had tried to steer clear of Mary's area as much as possible in the past. Alice liked Mary, but viewed her department as one that sapped news resources, especially equipment, production time, and talent when Mary had a community-affairs project in the works. On the other hand, Mary's projects were creative and effective in serving community needs, and gave KWWX's news anchors excellent visibility in the community. Alice realized she was going to have work more closely with Mary if she was going to accomplish her news department's goals.

KWWX had increased its news shares steadily over the last two years that Alice had been news director at the station. Alice thought the new, streamlined news set, more exciting teases, an attractive, younger female anchorperson, more in-depth stories, intense and earnest young beat reporters who had been able to establish franchise-type viewer recognition in KWWX's audience research in environmental and medical reporting, and increased use of live shots had all contributed to KWWX's ratings success. The station had done especially well with younger and female demos, which were up more than other demos. Harvey agreed that KWWX's news investment had paid off, and he felt the station was on the verge of pulling even with KAAB-TV.

Table 1. News Ratings

Mon-Fri 6:00-6:30pm Mon-Fri 10:00-10:30pm

May '04 May '05 May '04 May '05

KAAB 18/33 \* 16/30 16/33 14/29

KWWX 12/2 14/28 11/26 13/28

KBSB 5/8 4/7 5/8 4/7

\* Rating/Share

KAAB was a CBS affiliate on channel 3 owned by a local family, which had put the station on the air in 1953. The 72-year-old family patriarch still served as the station's president and general manager, and his son was the general sales manager. KAAB’s management was considered by most knowledgeable people in the market to be conservative, out of touch, well connected, somewhat ineffective, and tightfisted with the family's money.

KWWX was an ABC affiliate on channel 5 owned by a group that had five other television stations in markets of comparable size. Although the group carried a high amount of debt, it was financially healthy and had made rating gains in all of its stations since buying them in 1985 and 1986. KWWX was in the smallest of the group's markets, had taken longer to show ratings improvements than the others, and was under more financial pressure than the other stations due to being in a smaller market. The group had been successful in all of its markets in increasing news ratings and in becoming highly visible and involved in its communities. The group's top management was particularly proud of their stations' ability to promote themselves aggressively and effectively.

KBSB-TV was an NBC affiliate on channel 37, and had been owned by a small group that had three other television stations, all in smaller markets. The group also owned seven newspapers in larger and smaller markets, and the group's top management had come from the newspaper side of the business. KBSB had never done well because it was a UHF station, and the group that owned it had never spent much money for talent, equipment, or promotion. However, the station had recently been sold to a wealthy New York show business lawyer who had vowed to spare no expense to make it the number-one station in the market. The new owner had taken over the station two weeks ago and had already fired the station's general manager and news director. The new news director was a man who until recently had been a well-known anchor on CNN, but who now wanted to get off the air and into management. A new general manager had not been hired yet, and until one was, the lawyer/owner was the acting general manager.

KWWX general manager Harvey Pervis, with Alice's knowledge, had been having conversations with Will Boyd, KAAB's main anchor, who was by far the most well-known anchorperson in the market. Boyd had been at KAAB for 18 years and had become an institution in the market. Even though Boyd was in his middle fifties and the station's news ratings had been slipping lately, Harvey felt that Boyd had lost none of his luster or credibility. Harvey had also indicated to Alice that he felt Boyd's declining numbers were more a factor of KWWX's doing a better news job and of the CBS network's declining ratings, rather than Boyd getting worse. Harvey wanted to pair Boyd with KWWX's young female anchor, which he felt would create the much-needed breakthrough: a highly promotable team and the clear differentiation KWWX needed to overtake KAAB. Harvey also felt that a large percentage of Boyd's audience would follow him to KWWX, thus hurting KAAB's ratings and help KWWX's.

Harvey Pervis said he would leave the final decision to Alice about whether or not to hire Will Boyd, who was interested in moving only for a large salary increase and a six-year contract. Boyd had said he absolutely would not move for less than a 50% increase over his current salary at KAAB ($200,000), which would mean he would be making $300,000, more than double what his female co-anchor at KWWX was making ($125,000).

Alice was quite concerned about having Will Boyd in her newsroom. Boyd had a reputation of being difficult to deal with, especially for women. He had a reputation for being a sexist and was rumored to have made made passes at a women in the newsroom. Also, Alice knew she would have trouble with the female anchor over Boyd's higher salary. However, Harvey believed that even though Boyd was quite "macho," as Harvey put it, Boyd did have excellent news sources to whom he could help KWWX's intelligent, aggressive young reporters gain access. Furthermore, Harvey seemed to be looking for a big breakthrough that could catapult the station past KAAB and put KWWX on a par with the group's other stations, which were all number-one in news in their respective markets.

Alice knew that she had to produce excellent, compelling reasons for not hiring Will Boyd if she wanted to continue to have Harvey's trust and support. Furthermore, she wanted to ask for an additional $80,000 in next year's budget in order to be the first station in the market to do 24-hour news (brief news inserts every hour, taped and updated only when necessary). Up to now she had felt confident of getting an increase because she had worked with the general sales manager to project that the new news inventory and sponsorship opportunities would generate approximately $155,000 in additional revenue.

On another front, Alice felt strongly that the station should enter into a partnership with the local cable system to do a local news channel. She had talked with the general manager of the cable system, which had 85% penetration in their 280,000-home market. The cable system general manager was quite interested and wanted to begin discussions on how a joint venture would work. KWWX had established a good relationship during previous retransmission consent negotiations – instead of cash, it had received commercial inventory to promote itself on several cable channels. Alice felt the cable system was now ready to do a regional news channel. Harvey's initial reaction had been, "We can't afford to program a news channel." The cable system carried KWWX on channel 6 instead of channel 5 because of technical problems (shadowing).

Alice estimated that it would cost about $150,000 additional to do the cable channel, and that it wouldn't bring in enough revenue to cover expenses in the first year, but would break even the second year, according to the sales department's conservative estimates. Sales projected the shortfall would be about $50,000 in the first year.

Alice was afraid that if KWWX didn't act quickly, the cable general manager would work out a cooperative agreement for a regional news channel with another station. Alice felt strongly that KWWX had to do something in cable because she felt that cable had contributed to the declining news shares in the market. She also wanted to make a preemptive strike against the new owner of KBSB, whose news director had come from CNN and was more than likely thinking of doing news on local cable.

Furthermore, Alice believed the station should change its promotion approach and call themselves "ABC 5" instead of Channel 5 (she had never liked the "NewsCenter Five" appellation the previous promotion manager had used for the last ten years).

Alice called her two most trusted team members into her office: the assignment editor, Bill Jackson, and Shelly Swann, the executive producer. She also asked the new promotion manager, Jane Dershowitz, who had been with the station six months, and Mary McKinney, the community affairs director, to join them.

Bill Jackson had been at the station 10 years and was extremely competent and energetic on the desk. Alice also knew that Bill was as well, if not better, connected than Will Boyd was. Bill was also extremely well connected at the two other television stations in the market – he knew everyone. Alice had often said that Bill Jackson could get more people in to see more people than anyone in the state, and she felt that he had been a major contributor to the station's success with its beat reporters: environment, medical, politics, etc. Bill was creative and came up with marvelous ideas for arresting, high-impact, issue-oriented stories.

Shelly Swann had been with the station for only two years, but she had proven to be one of the best producers Alice had ever encountered. Shelly was particularly adept at writing – especially at writing teases and bumps. J

Jane Dershowitz was a brilliant, innovative 26-year old promotion manager who had interned in promotion at MTV and was nicknamed "Dershowhiz" because of her dazzling production and editing skills. Alice and Jane had talked about changing the station's on-air news promotion look and using the slogan "KWWX. Where News Comes First." Alice felt that Jane could handle a new news marketing approach exceptionally well.

Alice began the meeting by saying, "Here's the situation: I've got a meeting at 3:30 p.m. tomorrow with Harvey to discuss next year's budget and hiring Will Boyd. I want to sell Harvey on both the cable deal and 24-hour news, and we've got to come with something to make the station more visible.”

AUTHOR'S NOTE

While the incidents in this case are not factual, they do represent a composite of actual events and operating situations. This case was prepared to use as a teaching tool.

ASSIGNMENT

1. What are you going to recommend about hiring Will Boyd?
2. Are you going to recommend going ahead with the cable news channel?
3. Are you going to recommend going ahead with 24-hour news?
4. How can the news department and the community affairs department work together to do something that is beneficial for both of them?
5. How do all of these questions fit into an overall, integrated marketing approach?

\* This case was prepared by Charles Warner