How to Cope with Post-Print Versions after the End of the High-Ratings Era

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Abstract

With the rapid development of new media, the "era of high ratings" has come to an end. Faced with this situation, television advertising operations are confronting a new crisis. This paper explores strategies for addressing the end of the high-rating era, in order to better promote the development of television advertising.

Full Text

How to Respond to the End of the High-Ratings Era

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Abstract

With the rapid development of new media, the "high-ratings era" has come to an end, placing television advertising management in a new crisis. This article explores how to respond to the end of the high-ratings era to better promote the development of television advertising.

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Managing television advertising has become increasingly difficult. Adam Smith, Director of Knowledge Management at ZenithOptimedia, stated, "I am certain that television advertising has reached its peak." A series of issues are affecting television advertising revenue: the continuous development and adoption of new media, the end of the "high-ratings era," the fact that advertising effectiveness does not equal program ratings, declining credibility of television advertising, lack of standardized pricing, chaotic discount execution, and weak media self-regulation. The latest statistics from the Ministry of Information Industry show that national SMS business revenue exceeded 21.7 billion yuan in 2004. Compared with these figures, television growth has been extremely slow, lacking new growth drivers. Specifically, while China's total annual advertising revenue continues to rise, television advertising growth has significantly slowed. Between 1997 and 2001, the average annual growth rate of television advertising revenue dropped to 14.8% (far below the 51.7% average annual growth rate between 1983 and 2001), while newspaper, magazine, and radio advertising revenues grew at average annual rates of 15.6%, 17.2%, and 16.6% respectively. Research also indicates that the effectiveness of each television advertisement today is only 13% of what it was 24 years ago, yet the price has increased sixfold. In light of this, media industry experts believe that television advertising has entered a decline phase, facing the threat of a transparent ceiling. Meanwhile, with the continuous expansion and satellite broadcasting of channels, the actual advertising sales value per channel is decreasing. Currently, television stations rely heavily on advertising for survival, with advertising revenue accounting for 95% of total station revenue—undoubtedly a dangerous proportion.

The current crisis in television advertising management is largely related to the media environment. The blind acceptance of imported foreign marketing theories, combined with the low media self-esteem caused by competition and price wars in the seller's market in recent years, has long created a situation where no one can clearly determine what an advertisement should actually be worth. This is because too many factors affect pricing: media resources, media quality, advertising effectiveness, advertising slots, ad duration, competitive markets, media influence, supply and demand conditions, and so on. These can be summarized into three main factors: task pricing, discount pricing, and point-cost pricing. These three factors constrain television advertising management. From the perspective of most television stations, many prices are nominal but not marketable, creating market chaos.

The problem has been abruptly placed before us, yet regrettably, we seem far from finding a solution. Under the CPRP (Cost Per Rating Point) game rules, the way media buying companies demonstrate their capability is by turning advertising into a "price comparison" rather than a "quality comparison." Advertisers pressure buying companies, which in turn pressure media outlets, ultimately resulting in media buying companies focusing only on how to bargain with television stations to obtain the cheapest prices. As some have said, "Currently, the most influential entity is not the media but the media buyer; media buyers have the power to command the media." At the same time, the point-cost purchasing method completely shifts risk away from companies and advertisers. Task pricing and discount pricing are easy to understand. Point-cost pricing is a purchasing method used by international 4A companies when placing advertisements, which requires television stations to guarantee Gross Rating Points

(GRP). If the GRP is not achieved, the television station must provide additional advertising time until the predetermined GRP value is reached. This purchasing model pursues absolute data values. Currently, many 4A companies have their own theories regarding point-cost execution pricing, giving them tremendous initiative in setting point-cost prices. For example, in Beijing, one rating point costs approximately over 4,000 yuan, and other 4A companies generally follow this figure. However, the situation is absurd in other regions. Taking Shaanxi as an example, the high point-cost is over 1,000 yuan, while the low ones are 400, 300, or even just over 100 yuan. Why is there such a huge gap in point-cost between these two regions? Upon careful consideration, we can see that this media buying method has many problems and may even be said to violate the laws of television advertising marketing.

As is well known, purchasing advertising time based on the point-cost model cannot escape one important indicator—ratings. For a long time, there has been a contradictory phenomenon in the media environment: everyone knows that various factors measure a program and that ratings are not the only standard, yet in practice, ratings are treated as an important indicator of program success and revenue generation. With the increase in channels and the emergence of new media, ratings are being "diluted" day by day. Before the concept of point-cost emerged, television stations sold advertising seconds, and ratings were only a reference; now they sell rating points, so advertising focuses only on "quantity" while completely ignoring "quality." In pursuit of low rating point costs, one can often purchase a higher "total rating point" through a "scattershot" approach across multiple channels, but this practice may deviate from or even run counter to a company's actual communication effectiveness and target audience. The result is not investment savings but a waste of the company's money. In fact, each channel has different operating costs, and channels with different coverage areas cannot compare rating point costs at all. Just as the point-cost values for entertainment and news channels are naturally different, some companies often negotiate them to the same value—smart people playing dumb, as long as it benefits them.

The phenomenon of "too many monks and too little porridge" in television media, coupled with the overlooked cost of media time and the strength of the buyer's market, forces many television stations to agree to make-good practices for survival. However, the purchasing decision is made by the client, and the purchasing risk should logically be borne by the client, not transferred to the media by requiring rating guarantees. Advertising time is a special "product" that easily "expires"; the irreversibility of time and the uniqueness of advertising resources mean that advertising clients must pay opportunity costs for the advertising they purchase. Television stations cannot be responsible for time resources after purchase and naturally cannot guarantee ratings. Meanwhile, ratings are a lagging indicator. Large numbers of Chinese television viewers fluctuate based on the quality of TV dramas or rapidly concentrate due to media hot events, and these factors influence rating fluctuations. In other words, there are too many force majeure factors every day, and program rating changes are entirely normal.

What makes matters worse is the ambiguity of whether the term “ratings” modifies “program” or “advertisement.” Currently, many media buying companies and advertising clients define the purchased data as “advertising ratings.” Logically, program production units only focus on making good programs; it is not their fault if viewers switch channels during advertising time. However, media buying companies and advertisers only care about how many ratings the advertising slot has, completely ignoring program quality. The calculation method of advertising ratings makes television stations bear all responsibility and risk, which only leads to an increasingly deteriorating media ecology and ultimately harms everyone. According to a Taiwanese media report evaluation, the gap between program ratings and advertising ratings is 30%, meaning that generally 30% fewer people watch advertisements than watch programs. If pricing is based on advertising ratings, television stations earn 30% less revenue. While this certainly protects advertising clients, it is indeed a form of undervaluation for television stations. The 苛求 (harsh demands) of media buying companies and advertisers on media are evident.

In fact, CPRP can only serve as one consideration in media investment and must never become the sole criterion. Using the point-cost indicator in China requires respect for data and scientific objectivity only under the following four conditions: the same advertising discount, the same length of advertising version, the same coverage channel or different slots on the same channel, and the assumption that the same total rating points bring the same reach and frequency. Only then can channels or time slots be compared and selected in a more cost-saving manner. For example, in the same region, viewers can watch dozens of channels, such as CCTV, provincial media, and municipal media. If all are evaluated using point-cost, undoubtedly local channels will be the cheapest. However, cases where CCTV and satellite TV have played a significant role in investment are too numerous to count. It is not that the data is wrong, but that it is used incorrectly. The essence of rating point cost is ratings-based, ignoring coverage range.

The current reality of Chinese television media development is that different media have different coverage areas (national/provincial/regional), and the value of each 1% rating varies completely due to different coverage areas, with differences of hundreds or even thousands of times. According to data disclosed in CCTV-Sofres’s 2004 *China Television Market Report*, television ratings are declining year by year. The current situation is that no matter how good a TV drama is, it cannot achieve very high ratings, which inevitably creates the impression that point-cost prices are very high. If traditional communication strategies are used, companies must spend much more money and effort than before. Therefore, in such a complex media environment, how can we simply equate a ratings figure with advertising effectiveness? Is media selling only a quantified commodity to be sold by weight?

Just as we can no longer use “beauty” as the sole criterion to measure girls, we can no longer use ratings alone to measure whether a program is good or bad. Reviewing the current television advertising management environment, the two most prominent issues are the call for "rating quality" and the discussion of the rationality of "point-cost." Rating quality research can accurately provide audience evaluation studies of program quality, enhancing the accuracy of ratings. Many scholars have now proposed media quality theory, emphasizing that we should conduct qualitative assessments of program quality and audience appreciation indices from the perspective of "rating quality," hoping to objectively and fairly glimpse the full picture of programs. Research on "rating quality" started early in the UK, US, and other countries, with survey items including program quality, appreciation level (satisfaction), and program strengths and weaknesses. Ratings are not the sole criterion for determining program success or failure, and television stations and businesses should not use ratings as the main basis for operational strategies. At the same time, advertisers should pay attention to the substantive effects of target markets and should not overly rely on ratings to determine advertising or placement ratios. Imagine if we judge solely by the ratings figure—when the figure is used to its limit, we will be controlled by the number and lose much judgment and standards.

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Note: Figure translations are in progress. See original paper for figures.