

Three possible solutions to local vs. national rate dilemma

1 Retail Store Designation. *Many agency men suggest that stations should grant local rates only to merchants who actually "own and operate a local retail store." This is in line with a practice common among leading newspapers. Objections to this suggestion are that many chain stores feature product copy in competition with national accounts; some stores have multiple branches and affiliates; and limiting local rates to this classification alone would cut off certain local advertisers, now given low-rate privileges.*

2 Account Groups. *More popular among reps and station owners seems to be the "account group" concept, such as used by the Storz stations. Under this plan a station specifies certain types or groups of accounts which always take the national rate, and others which always enjoy local rates. Decisions are made on the character of the product, rather than a definition of "local interest." Critics of this type of plan say that the problem is to explain why certain products (such as beer and ale) belong in a "national" group, while others (such as "soft drink bottlers") get local rates.*

3 The Single Rate. *The single rate concept for station operation undoubtedly is increasing in popularity— notably among tv stations. Single rate stations have a sole rate card for all types of business. The big problem, of course, arises when a station switches from a double to a single rate structure and must explain the change to local advertisers. Usually such changes mean a rise in local rates with national rates remaining about the same. Strong stations in many markets have found they can operate profitably under this system. But local conditions prevent many station owners from attempting it.*

rate policies. But there's general agreement that the element of suspicion must be removed from decisions on who gets what rate.

5) Three possible approaches to the rate question are receiving attention these days from responsible station owners — 1) rigid classifications of accounts, 2) retail store designation and 3) the single rate.

6) Though agencies, advertisers, reps, and SRA are all working on the problem, the real responsibility for solution rests with individual station operators. This is both because local conditions must dictate local policies, and because of various legal issues.

What triggered the new explosions over local rates was undoubtedly the action of Tracy, Locke in canceling spots for Maryland Club and Admiration coffees on Oklahoma stations that were found to be giving preferential rates to local coffee brands.

Agencies handling national coffee accounts such as B&B (Maxwell House) and Compton (Chase & Sanborn) moved in fast to examine the Oklahoma situation, and discovered regional and local rate implications which apply to many other products and markets.

Both Compton and B&B have indicated to SPONSOR that they plan to expand, and widen their rate investigations. Meanwhile N. W. Ayer, surveying 150 radio and tv stations in behalf of several clients, uncovered evidence of equivocal local rate structures in at least 30% of stations questioned. Leslie D. Farnath, Ayer's media v.p. (see cut) is reported anxious to help clean up the local rate situation in behalf of all agencies and advertisers.

Behind such agitation for local rate clarification lie two major factors — one known and recognized as a perennial problem of the broadcast media, while the second is an outgrowth of the changing patterns of marketing and distribution.

For many years, distributors, district offices, chains, jobbers, dealer associations, and manufacturers representatives have been beating at the doors of tv and radio stations to get local rates for what is essentially national advertising.

In recent months, perhaps due in part to the recession, this pressure has been getting stronger, tougher, and more tempting to station owners. Last spring for example, Gulf Oil, a heavy user of national spot, switched over

completely to a local buying policy and apparently has succeeded in getting some (though by no means all) of its station list to accept copy at local rates.

In another case reported to SPONSOR a leading cigarette manufacturer has field representatives who sometimes contact stations direct for special advertising drives at local rates. Meantime in certain sections of the country (notably the Southeast) rate tactics almost have wiped out any clear definition of what constitutes a local rate, leading rep firms imply. And, reports SRA, there still are a few brokers or "operators" who buy time at local rates and attempt to job-lot it to national accounts.

But by no means all of the confusion about rate structures can be traced to these standard headaches. Much more significant to such firms as General Foods, P&G and others, is what has been happening in marketing.

- Today many big chains, which qualify for local or retail rates, are pushing their own private brands of coffee, shortenings, desserts, and other products in direct competition with national brands. So national advertisers want to know why private-brand competitors should be given preferential rate treatment.

- In addition, many local businesses, such as department stores, have established branches in suburbs or outlying towns, yet continue to get rates based on a limited trading area.

- Products which once were confined strictly to a local market, such as bread, are now marketed in country-wide and state-wide areas.

- Meanwhile, many national advertisers are developing products for limited or regional distribution. The pinpoint technique of marketing is in general use. Certain industries (rubber, for instance) have companies operating retail stores (like Firestone) which are directly in competition with other rubber companies with different marketing patterns.

All of this tends to confuse and befuddle the reasons and justifications for a "local rate." And say, agencies, advertisers and reps, most stations have not yet worked out any clear-cut rate philosophy.

Last spring in a bold move, widely heralded in the industry, the Storz stations set up a new, clear-cut set of regulations to handle the problem.

(Please turn to page 66)