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## MARKETPLACE

SHOW: Marketplace (6:30 PM ET) - SYND

October 31, 2001 Wednesday

LENGTH: 469 words

HEADLINE: Annenberg School of Communication's Martin Kaplan discusses media advertising for 2002

ANCHORS: DAVID BRANCACCIO

BODY:

DAVID BRANCACCIO, anchor:

One magazine publisher told me the other day that this is the worst time for his business in 20 years. Advertising, sluggish coming out of the summer, dropped precipitously amid the uncertainties of terrorism. Analysts say prospects for online advertising, magazines and newspapers look bleak well into the new year. Broadcasters are not immune. Viacom owner CBS said its profits are being hurt by this downturn; ditto Disney. But in 2002, help may ride in to save the day for one segment of the media industry. That is, local commercial TV and radio stations. Martin Kaplan is associate dean at the University of Southern California's Annenberg School of Communication. Mr. MARTIN KAPLAN (Associate Dean, University of Southern California, Annenberg School of Communication): Play the "William Tell Overture," because 2002 is an election year and that means probably more than \$1 billion of revenue for local stations.

BRANCACCIO: The candidates buy a lot of ads at campaign season.

Mr. KAPLAN: Yes, they have to, because something quaintly called free media almost doesn't exist anymore. It used to be that a candidate would have a strategy for free media, which is to say to get news coverage, and paid media, which was their ad budget. These days, most television local stations don't have the luxury of hiring reporters to cover politics. They believe, by and large, that politics is ratings poison, so a campaign is forced to depend almost entirely on paid media. Last cycle, 2000, over \$1 billion dollars was spent on paid media. So presumably we're looking well over \$1 billion dollars of revenue, a windfall for stations.

BRANCACCIO: Not if the forces of campaign finance reform can stop this, though.

Mr. KAPLAN: Well, the forces of campaign finance reform are as dead as the ghouls of Halloween, I'm afraid. Last time people tried to get campaign finance reform was just 20 minutes in the world we lived in before September 11th, but now it's regarded as somehow unpatriotic.

BRANCACCIO: Now I remember back in journalism school, I thought TV stations were supposed to sell their ad time at cheap rates to candidates.

Mr. KAPLAN: Yes, there was something called the lowest unit charge and you can learn about that in school. But that's about the only place you can see it operating. In fact, one ...(unintelligible) of the 2000 race showed that something like 65 percent more than the lowest unit cost was being charged. And, in fact, because issue advertising, which is paid not by candidates but by unregulated soft money, independent groups, are not even covered by the lowest unit costs. They can be sold at double and triple the rates of the lowest charge.

BRANCACCIO: The law of supply and demand.

Mr. KAPLAN: Yes. The question is, though, who is making a demand on the part of democracy? One of the interesting things we're about to learn in the new climate is is there an appetite for a news, real news, about politics? If local news outlets believe that there is an appetite for it, I bet they'd put on as much political coverage as they would of cats up a tree and anthrax scares.

BRANCACCIO: Marty Kaplan is also director of the Norman Lear Center at USC.

Coming up on Marketplace, inside a Halloween kind of town.

CASH PETERS (Commentator): Mortals coming through again. This time, they're armed.

Unidentified Man: Are we going to be on the radio?

PETERS: Not if I can help it.

BRANCACCIO: Yeah, that guy.

LOAD-DATE: November 1, 2001