

Spot Radio Long Plagued By Local Rate Problems

The national first class advertiser gave the home-town boy a break. He started something — national vs. retail ad rates. He was in the newspaper media as a form of favoritism toward the local merchant who naturally didn't have an advertising budget to compare with corporate giants at national level. When radio came on the scene it was quickly adopted by stations — understandably so — since many stations began as newspaper subsidiaries.

By the mid '40's about 76% of all radio stations had two rates — national and local. Some even had a third rate card for regional advertisers. Local rates then (and still do) averaged about 50% less than rates paid by national advertisers. Some local or "retail" rates go as high as 75% less. What this amounts to can be seen in the fact there are several times as many regional radio advertising accounts as national, and about 60 times as many local advertisers as national and regional together.

It was only a question of time until some national advertisers figured a way to "beat the game." Local dealer set-ups, dealer co-op funds, dealer associations, franchise dealers, wholesalers, chains, jobbers, manufacturer's representatives and every other national connection at local level were used to buy time to advertise national brands at retail dealer ad rates. Among the

most flagrant violators of what might be termed an ethical code were the beer accounts, automotives, drug chains, oil companies. Those who went to the trouble of having their agencies travel timebuyers to set up local deals found they were getting about twice as much air time for the same money as were their less aggressive competitors. The latter came to view spot radio more as a field for sharp operators and bargain hunters than as a legitimate medium. Reps tried to argue that national accounts paying national rates got best of avails, but, as goes the cliché, money talks.

In the major markets, especially with net-affiliates and big prestige stations, the double rate is not so common. Time is time, and the local pays the same as the national account. But in smaller markets, especially throughout the Southeast, double or triple rate is the rule rather than the exception. One rep who surveyed his stations with question, "What is local rate situation in your market?" received many replies of "Rough," "Simply terrible." In order to compete with other stations in their market for local business, even enemies of a double-rate system are forced to participate.

Storz Stations have set up rules, which, if adopted universally, will safeguard the system for all clients.

or regional accounts rates ranging up to as high as 75% less than national advertisers pay have been many. National accounts and their agencies were quick to grasp the meaning of such a system. Send out timebuyers and make a deal direct, use local distributors and dealers, co-op funds and any other means to circumvent the national rate by buying direct. Beers, automotives, drug chains and oil companies went off to make their deals as "local" or "retail" accounts and save an average of 50%. Their less enterprising — but more ethical competitors — were often chagrined to learn of such differentials and lost interest in spot radio advertising. Their view of a competitor company paying half as much as they paid for the same air time was understandably dim.

Under the Storz plan just adopted, here are the accounts that will get national or local rates:

- **Will pay national rate:** (1) Ale, beer, and wine. (2) Automotive dealer associations and/or regional or zone offices of automotive manufacturers. (3) Any distributor or wholesaler of a national product or appliance. (4) Food brokers, drug jobbers and other product brokers. (5) Manufacturer's representatives. (6) Petroleum prod-

ucts. (7) Publishers. (8) Transportation companies and facilities operating generally in interstate commerce.

- **Will pay local rates:** (1) Soft drink franchised bottlers. (2) Finance companies. (3) Banks. (4) Retail clothing and grocery chain stores, etc., when advertising said stores. (When only the retailer's store is advertised, the copy restrictions mentioned earlier in Sections 1 and 2 are waived.)

Todd Storz sees that conforming to this policy will have immediate and far-reaching effects. "It will mean," he says, "that in some instances the national representative will be selling our stations at the local rate. It will also mean that our local salesmen will sometimes be selling at the national rate.

"We believe," Storz continues, "that our present definition will warrant refinement after some experience has been achieved in operating under these ground rules. But, even under this policy, any account can quickly ascertain whether they will be entitled to the local or national rate. Our stations will not deviate from this policy."

How are the advertisers going to take it? What will be the feelings of those accounts which have been maneuvering to get national advertising at the "retail" price?

Storz says, "While we realize that this move may cost us considerable billing in the immediate future, we are hopeful that in the long term our stations will benefit by this firm rate policy. Radio deserves better treatment than to be sold on a barter basis." The Storz Stations are: WDGY, Minneapolis-St. Paul; WHB, Kansas City; WQAM, Miami (John Blair Co. represented), and WTIK, New Orleans (Adam Young represented).

A new confidence in spot

Adam Young is also free to admit that national advertisers who have been taking advantage of local rate loopholes will shortly face some hard decisions. But he also feels that the new confidence of all advertisers in spot radio once inequities have been eliminated will be beneficial to the industry. In fact, it is Young's hope that his other stations will follow suit as well as stations of other reps.

If the policy were to be adopted generally by those stations that now have local and national rates, then here is what could be expected:

- No longer would the local radio station be in a position of seeming to favor either its national representative or its local salesman. The confusion