

New local TV direct-to-consumer model offers new revenue — with a reverence for journalism ethics

September 2020



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Can local television stations use their news credibility to sell products?

Yep. Local television stations can if they exercise journalism ethics and production finesse.

Preface

This paper was commissioned by the Cox Media Group to better understand the conditions and establish best practices to be utilized in mechanizing local broadcast news for Active Service Journalism. The authors had access to proprietary research conducted by two major television research/consulting firms and survey material from well-established journalism organizations.

Above all else, the job of television is to provide information (and entertainment)—information both civic and service. But that job is more difficult than ever because of the diverse and expanding universe of competing platforms and competing media companies. One historic strength of television has been its research and reporting of consumer information, a strength that is accentuated—and made all the more important—by the rapid growth of streaming and the rapid decline of traditional retail stores. Today, e-commerce makes up nearly 15% of the \$5 trillion U.S. consumer retail market. That fact is a benefit to modern media companies that integrate broadcast with web, but that fact is also a disadvantage and drain on traditional revenue as traditional brick-and-mortar retail declines.

How should local television stations respond to the shifting revenue challenges? This 'white paper' suggests two complimentary pathways. Protect existing revenue streams by nurturing the loyalty of consumers to the television ecosystem. Virtually all consumers have faith in television most of the time. The credibility of local stations is—according to the Nieman Lab—undeniable. The second way to respond to the shifting revenue challenges is to add new revenue streams.

Chapter One

The Study

We researched local newscast inserts with a commercial message and were asked to look at a segment titled **Local Steals and Deals** produced by Knocking Inc., offering local broadcasters daily 'service journalism' that tells a story and sells a product. Some news traditionalists will understandably groan at this. But in fact, since the beginning of time -1953- local stations have been bartering their credibility with sponsored inserts.

Television news professionals -like news directors- will want to get out ahead of this trend so as to manage it when stations adopt it.

The time is right -maybe even critical- for local stations to grab onto an expanded view of 'service journalism.' Local advertising took a hit with the pandemic shut-down and is only now slowly recovering. (A medium market AE claims her commissions will be down \$19,000 this year. A small market AE estimates his income will be off \$10,000, at least.)

In addition to the economic slow-down, there is a buying turn-around as consumers shop more from home and less from brick-and-mortar venues. Advertisers always want shoppers to change their habits. Well, the pandemic and new TV platforms are changing buying habits that could benefit local stations.

Online sales are booming. U.S. Postal Service, UPS and Amazon delivery trucks bring new commerce to our roadways. Package delivery drones fly precious packages to our homes even faster. Grocery stores are spending less to advertise cantaloupes and frozen chicken strips and more on the shopper option to order on-line and wait for the doorbell to ring.

While shopping habits are fast changing, the distribution of television is changing, too. Once only broadcast technology, now tv comes by cable, satellite and -most importantly- internet streaming. The Local Steals and Deals segment can play everywhere.

Knocking, Inc. COO Brian Meehan calls it 'Actionable Service Journalism.'

Service journalism is not a new term, but this is an expansion of the concept. Television has been making newscasts out of information that serves the viewer -rather than just 'news-of-the-day'- for three decades or more.

Now Meehan claims, *"Knocking's Local Steals and Deals is helping local stations to generate new revenue, businesses and entrepreneurs to realize their marketplace, consumers to have access to new & fairly priced products, and communities across the country to thrive with this new service journalism mix."*

“Local broadcast television, arguably, was the most vital component of the economic expansion that occurred in the U.S. after the Second World War,” Meehan claims. “The post-WW II American Consumer Culture and its demand for goods and services was driven by what new media/digital professionals now call The Killer App. Local broadcast news video fosters consumer demand for goods and services.”

In his view, actionable service journalism provides the viewer/consumer a valuable choice as well as a solution. However, choice overload can be a real cognitive impairment that results in Shopping/Choice paralysis. *“Isn’t it a disservice to bring awareness to a need without offering a choice solution? Who rings the dinner bell and doesn’t serve dinner? Study after study has found that when people have too many options, they get overwhelmed with analysis paralysis.”*

→ <https://www.weebly.com/inspiration/paradox-of-choice-and-analysis-paralysis-limit-options-increase-sales/>

“Broadcasters should be asking ‘what is my entitlement’ to this one trillion dollar (and growing) online shopping business,” Knocking’s Meehan says. “Entitlement of just one percent would be 10 billion dollars—just shy of all retrans revenue! One medium size group owner—recently operationalized by Knocking—generated millions of dollars this summer alone, and did it in the slowest retail weeks of the year.”

Chapter Two

The Promise from Knocking

The Edward R. Murrow disciples (and the FCC) frown on commercial content disguised as news content. In our conversations, Local Steals and Deals promises some standards to make this kind of service journalism more palatable, honest and straightforward.

- Transparency in the on-air scripting and presenting.
- Research to ensure that the product announcements the anchor introduces represent a real value to the viewer
- Research to ensure that the price is competitive.
- Scripting to acknowledge the sponsorship of the pre-produced product offer.
- Intros and out-tros that honestly indicate the product addresses real consumer issues beyond a price break. (Home security devices—personal safety. Home medical equipment—public health. Electronic gadgets—back-to-school. Oh, sure, there will be beauty creams and Christmas lights, too. But often the products will have a usefulness beyond vanity and fun.)
- No sensationalism of the product’s value or usefulness.
- No on-screen graphics that exaggerate the product or mislead the viewer.

Newspapers, magazines and digital media have been and still are doing 'service journalism' that leads to a product or product line. Local Steals and Deals does the same, but with a revenue angle. And that, for some television watchers, is the rub. Here is some context. New actionable service journalism is an opportunity to fulfill the demand, without the rub.

Chapter Three

The History

Pour me a Falstaff, Mr. Weatherman

Commercial content and news content have been snuggling up close since the local weatherman had a bottle of beer on the weather set with a big sign across the weather map—affixed by magnets so a different commercial product could sponsor the weather tomorrow night. The sports desk was decorated with branding for a local car dealership. And, a little more reserved, the local bank logo hung on the front of the anchorman's news desk. That was news credibility for sale—without much in the way of ethics.

Journalism frowned on those signs and beer bottles. Sponsored segments mostly went away years ago. But more recently, they have come back, though with subtlety. Obviously, the Knocking Inc. trick now is to offer the Local Steals and Deals commercial message, introduced by the anchor known for her/his credibility for reliable news. Will money tarnish the news?

Local Steals and Deals segments need to be influenced by ethics and finesse to be good service journalism. Television journalism codes of ethics abound. But also, those ethics exist with the understanding that, as is lectured in college journalism classes and professional conferences, *"Advertising is the fuel of free enterprise and a free press."*

Chapter Four

Yes, Edward R. Murrow, Ethics by Design

In this expanded definition of 'service journalism,' it is wise to justify the connection between the financial needs of television companies with the ethics of journalism.

If 'advertising is the fuel of free enterprise and a free press,' then how does a local station generate the revenue that supports the news operation that supports the democracy? Supporting local news is more difficult than ever.

The networks are charging affiliates rather than compensating them. Re-trans -manna from Heaven- will not last forever. Competitors are biting local TV advertising in the shorts. Stations and their group owners are scrambling to cut costs without cutting quality news coverage. (Can an MMJ or one-man-band really do the quality of a videographer and reporter team on a day-turn story, much less a complicated issue story? When is a news interview just a quickie 8-second soundbite rather than a profound piece of insight from a long on-camera conversation?)

The iconic "Journalist's Creed" is mounted on the wall of the lobby of the National Press Club in Washington, DC. It reads in part,

- I believe that the public journal is a public trust; that all connected with it are, to the full measure of their responsibility, trustees for the public; that acceptance of a lesser service than the public service is betrayal of this trust.
- I believe that clear thinking and clear statement, accuracy and fairness are fundamental to good journalism.
- I believe that a journalist should write only what he holds in his heart to be true.
- I believe that advertising, news and editorial columns should alike serve the best interests of readers; that a single standard of helpful truth and cleanness should prevail for all; that the supreme test of good journalism is the measure of its public service.

The Radio, Television, Digital News Association Code of Ethics includes a tougher but possibly not an insurmountable standard for this expanded concept of service journalism:

"Commercial endorsements are incompatible with journalism because they compromise credibility."

The functional word here is 'endorsement.' If scripted with honesty, transparency and the intent to serve the best interests of viewers, does presenting a commercial message introduced by a news anchor constitute endorsement? For some local stations, that could, admittedly, be a stretch.

Chapter Five

Journalism Ethics with a Heavy Dose of Industry Regulation

Sponsorship Identification

When we queried Local Steals and Deals about FTC and FCC guidelines and best practices, Knocking Inc. pledged its commitment to protect the license of local stations, and to respect the mandates of the Communications Act and FCC rules.

"Our interests are 100% aligned with our broadcast partners because we both recognize whom we serve. Content is not King, The Viewer is King," Meehan said.

Local Steals and Deals subscribes to responsible citizenship. According to Meehan, *"That means that our productions will comply with the letter and the spirit of applicable law and regulation, including the Communications Act and FCC sponsorship identification rules. Our announcements will use the words sponsored, paid for or furnished by and always disclose the true identity of the sponsor."*Knocking also seems to be very aware of the negative impression left with the public when paid-for product placement became the subject of public controversy.

To meet all concerns about deception, each Local Steals and Deals piece contains the announcement that *"the segment you are about to see has been paid for, sponsored by or is furnished by Knocking Inc."* This is accomplished by a visual announcement in line with the opening announcement of the spokesperson.

Children's Advertising

Knocking also appears to be keenly aware of the public's sensitivity to advertising to children. To meet any such concerns, as a matter of policy and good citizenship, Knocking does not produce any Steals and Deals directed to children under the age of 12.

Endorsements

Knocking Inc. is determined to follow best practices for compliance with Federal Trade Commission guidelines on endorsements and testimonials. FTC regulations apply to conversational banter in a talk show as well as endorsements by guests and by station personalities. Unlike FCC rules, FTC guidelines also apply to station internet sites, blogs and other internet activities of station staff and Knocking Inc.'s endorsement and testimonial policy applies to its internet and social media activities as well. Knocking Inc's strategic focus on compliance and integrity is reflected in their business policies:

- **Consumer Testimonials of Typical Experience:** Any segment that features a consumer who characterizes his or her product experience as "typical" will be based on results a typical consumer can expect to achieve and will never use descriptions of "usual results" with a simple disclaimer.
- **Disclosure of Material Connections:** Any "material connection" (e.g. payments or free products) between the endorsers and the advertiser will be disclosed. Any instance where a program host or announcer, or the post of a blogger about a product where cash or in-kind consideration is received to review the product will be considered an endorsement requiring a disclosure of the material connection. Knocking Inc. will never offer its segments as a video news release.
- **Sponsored Research Connections:** References to research conducted by a research organization that was sponsored by the advertiser will disclose the connection between the advertiser and the research organization.

- Other Appearances: Talk Shows & Social Media: Knocking will always disclose the relationship between an advertiser and anyone who makes and endorsement in any Steals and Deals advertisement or any other related ads, media appearances or in social media. Endorsements must reflect the honest opinions, findings, beliefs, or experience of the endorser and may not convey anything that would be deceptive if made directly by the advertiser or in a scripted advertisement.
- Extended Flights - Duty of Continued Validity: Host, guest, expert, or celebrity statements will only be used where the advertiser and Steals and Deals has good reason to believe that the celebrity or endorser continues to subscribe to the views presented. In connection with any extended flight of an ad, Knocking Inc. will review the endorsement with the endorser on a periodic basis to assure that his or her views have not changed. Also, should there be any change or alteration in the product, Knocking, Inc. will reconfirm that the endorser's views have not changed and that they are based on actual experience with the product or service.
- Actual Expertise: To be presented in a Steals and Deals episode, any statement of an expert must be supported by the actual exercise of their expertise in evaluating product features or characteristics relevant to their area of expertise and include an actual examination or testing of the product or service.

Chapter Six

Legacy Constraints Make Obituaries

Just because local television is seeking new revenue streams is no excuse for trashing good journalism. But an expanded definition of 'service journalism' can define and enforce best practices in ethics.

Local broadcasters face growing risks to their dominance in the distribution of news content. They look down the street at the local newspaper and see a shell of what was once the bulwark of American democracy. (Not to be too dramatic here.). Local newspapers were late and awkward adopting the internet platform; they originally saw it as fitting into the mailroom for the mail clerk to play with between letter sorting. Now while local newspapers often still provide good journalism -with revenue and readership off disastrously- local broadcasters are more critical to a community and the democracy than ever before.

If a new revenue stream -like this Local Steals and Deals and other commercial inserts- can be managed with honesty and integrity, then our communities and their issues might be well served. Viewers have an intimate intellectual and emotional relationship with their local television stations. They should be allowed to trust an expanded style of service journalism done right —done ethically. And local television journalists should figure out how to make it happen.

About the Writers



Kent S. Collins managed news stories and newsrooms for more than 50 years. During his career he has served duty as reporter, producer, anchor, newsroom manager and consultant.

"I've come to accept journalism as my religion," Collins says. *"The mission of journalism mimics lessons of the world's great religions - truth, honesty, service to your fellow man, respect for all peoples and all creatures."* Collins first television newsroom was KOMU-TV at the Missouri School of Journalism, where he received his bachelor's degree in 1970. (*"KOMU-TV was my first and will be my last,"* he says.) He has twice served as news director of KOMU-TV since joining the faculty in 1984. Collins has worked in or studied in more than 80 television newsrooms from Beijing, China to Los Angeles, California to Sofia, Bulgaria to Nairobi, Kenya.

Today, Collins coaches television journalists and consults television station owners in the U.S. and overseas. He serves as an expert witness in civil suits involving the media. Collins has served as a co-researcher and editor of an innovative project with the Missouri School of Law, which investigated the effectiveness of judges, prosecutors and police responding to domestic violence. And he manages the Journalism School's aggressive 'recruiting season' that places students in their first jobs in some of America's finest television and digital newsrooms.

About the Writers



Gregg Skall is a veteran telecom lawyer who advises broadcasters and telecommunications companies in their FCC regulatory matters and their business dealings. Gregg has also represented real estate developers in the acquisition of competitive broadband and local exchange (CLEC) telecommunications services for new residential and commercial developments. He also works with telecommunications equipment manufacturers to obtain FCC approvals and to assure regulatory compliance. Gregg assists companies in need of appropriate spectrum support for emerging telecommunications products and has been recognized by the National Journal as a leading radio spectrum lobbyist in Washington. Gregg also has orchestrated scores of broadcast property transactions involving assets worth many millions of dollars. He has organized coalitions of broadcasters to obtain major policy changes before the FCC.

Gregg has served on the U.S. Department of State Advisory Committee on International Communications & Information Policy, and on the Pike and Fischer Communications Regulation Advisory Board from its formation until its merger with Bloomberg BNA. He has chaired the Regulated Industries Committee of the Federal Bar Association and co-chair of the Federal Communications Bar Association, Professional Responsibility Committee.

Gregg is a recognized writer and frequent speaker on topics of FCC administrative process, mass media and telecommunications regulation, and has taught Telecommunications Law and Policy at The George Washington University in Washington, D.C. He is communications counsel to the California and Missouri state broadcasters' associations and writes columns for these and several other state broadcasting association newsletters. Gregg frequently lectures on the broadcasting regulations, including the political broadcasting campaign rules and has represented broadcaster associations before the Federal Election Commission. Gregg is a frequent author on broadcasting and the law. He has published in several broadcasting journals, in Radio & Television Business Report and in AllAccess, where his column "FCC Uncensored" is a regular feature. He also writes FCC columns for Radio-Guide – <https://www.mydigitalpublication.com/publication/?m=11602&i=669449&p=12> and AllAccess – <https://www.allaccess.com/fcc-uncensored>.

Gregg has been listed for multiple years in the Washington Post editions of Legal Leaders of Washington, in Top Rated Lawyers of Washington DC and in Super Lawyers for Washington D.C. and has been rated by Martindale-Hubbel AV Preeminent, a peer rating for the highest level of professional excellence and ethical standards.

Gregg serves as pro bono legal counsel to the National Capital Lyme Disease Association, a non-profit devoted to serving and advocating for victims of tick-borne diseases. He delivered the keynote address at the launch of the he Tick-Borne Disease Working Group, established by Congress in 2016 as part of the 21st Century Cures Act.