

FCC Releases Study Alleging Discriminatory Advertising Practices

By Peter Gutmann

The Commission has released a report which charges the broadcast advertising industry with policies that discriminate against minority-owned and minority-formatted radio stations.

The study was prepared by the Civil Rights Forum on Communications Policy, a Washington, D.C. based national non-profit public interest organization, under a Commission grant to investigate barriers to market entry and competition by minorities. The study was undoubtedly fueled by outrage over the disclosure last year of a rep firm memo intended to coach sales people on strategies to pitch time on general market stations, and which contained an infamous admonition to seek "prospects, not suspects."

The study identified two primary types of discrimination: "no Urban/Spanish dictates" (the practice by advertisers and/or ad agencies of prohibiting the placement of ads on stations that have an urban or Spanish format) and "minority discounts" (the practice of buying time by paying minority-formatted stations less than the rates paid to general market stations with comparable audience sizes). The study attributes both problems to racial and ethnic stereotyping that belie actual market studies. It considers these practices to be matters of public concern in that they undermine marketplace competition and thus impair the ability of broadcasters to serve minority audiences.

The study found a disparity by comparing the "power ratios" (that is, market share of revenues compared to audience) of general format stations to those which were either minority-formatted or minority-owned. As an example, among the top-rated stations in the Washington, D.C. market, the country, oldies, news/sports and AC stations have far greater power ratios than the two urban stations, and of the three stations catering to minority listeners, the one owned by CBS far out-performed its minority-owned competition.

An attempt to quantify the causes of this disparity was hindered by an extremely poor response rate to questionnaires and by the unavailability of private financial data. Instead, the study collects a significant amount of anecdotal evidence which suggests the following factors:

- the stereotyping of racial and ethnic minorities as inappropriate consumers of certain upscale products or services; as an example, the report cites a luxury car dealers' association whose demographic profile for a media buy specified an educational level of at least college graduate and a household income of at least \$75,000, thus automatically disqualifying minority stations, although the vast majority of owners of that type of car did not fit such a profile.
- targeting campaigns toward pursuing average listener income, regardless of data about consumption patterns; as an example, the study notes that, despite lower income, Hispanics consume more groceries than non-Hispanics due to larger household size and a tendency to eat at home.
- fostering a product or company "image" equating upscale lifestyles with white consumers; the study cites fears of retailers that they will scare away white shoppers if their store is perceived as catering to minorities and that an influx of minority customers would increase security problems.

The study conceded that other, more benign, factors may also shape media buying decisions. These include industry consolidation, owner size, station coverage and consumer responsiveness to advertising on various station formats.

Advertisers and their agencies bear nearly the full brunt of these findings. Even so, the report does suggest that broadcasters and their national sales representatives may contribute to the problem by including as part of their competitive pitch the discouragement of advertising on minority-formatted stations and the belief that minorities can be reached as effectively through the general media as through targeted media. The report further suggests that some broadcasters may rely upon distorted data generated by audience research services whose methodologies are not approved by the Media Ratings Council.

The study touches only briefly upon television, due to the far smaller number of minority-owned TV stations and their airing of general-market programming (indeed, several such stations are 24-hour home shopping affiliates).

The study concludes with several recommendations, some of which, despite jurisdictional and enforcement problems, may have an ultimate impact upon the broadcast industry:

- further research to quantify the relationship between advertising practices and disparities in advertising performance of minority-formatted and minority-owned stations;
- the adoption of a joint policy statement by the FCC and the Federal Trade Commission to address acceptable advertising practices;
- the issuance of an executive order to prohibit federal agencies from contracting with advertising agencies that fail to comply with an FCC/FTC policy statement;
- the adoption of a code of conduct by the advertising and broadcast industries. Such a code might require buying decisions to be based upon market research rather than flawed stereotypical assumptions and could prohibit "no Urban/Spanish dictates" and "minority discounts." Broadcasters could be required to prominently disclose whether the market research they use in conjunction with sales promotions has been prepared by a service accredited by the Media Ratings Council, and any use of non-accredited services might have to be justified to the FCC.

The study has already attracted substantial attention. Even if no further action is taken, the study should serve to sensitize advertisers, agencies and broadcasters to the issues that are being raised and discussed.

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