The Fishmarket Model

There’s a series of commercials running on television right now for a national real estate firm .... Each commercial profiles a person who needs to buy a house, but whose personal schedule is so full that there’s no time to shop. No problem, say the ads, we’ll do the work for you! We’ll serve as your personal shopper to find the kind of house you want, negotiate price and terms, to take care of "closing" for you, and make arrangements with the movers. "Relax. Have some tofu. Go to the gym. Take your family to the beach."

This all seems like good, honest work. Seems the real estate firm is reaching out to help simplify the buyer’s problems. Nice of them.

What a TV viewer could accidentally conclude is that the real estate firm is actually working for the buyer. Wrong. The firm is a commissioned sales agent for the seller. The firm simplifies house buying in order to sell more houses! The more houses, the more commission! So, in these commercials, while the firm seems to represent the buyer, in fact it represents the seller.

To understand the real estate business, the first step is to understand that a real estate broker always represents the seller, not the buyer. Similarly, to understand American commercial broadcasting, we must understand who the seller is, who the buyer is, and what the product is. Chances are, appearances are deceiving you.

Ernie's Fish

Meet Ernie the Fisherman. He has a boat down by the Fulton Fish Market. He earns his living by going out to the fish feeding grounds each night and returning with fish in the early morning. He unloads the catch and puts it in a stall in the Fulton Phish Market. Buyers for grocery stores, restaurants, and other food service operations wander through the Fulton each morning to find the fish they want at terms they can accept.

Ernie looks around and sees that most fish buyers who leave the Fulton are carrying codfish. Aha! Ernie consults his handbook, "The Fisherman's Friend," and finds that codfish are attracted to silver spoons. Next night he loads up with silver spoons and heads out to the fishing grounds.
Uh-oh. Seems there are lots of boats in the vicinity. All fishing for codfish. Well, he might not fill his boat, but it’s worth a try. He fishes all night. In the morning he’s smiling at his stall, offering his small catch of codfish for sale.

Uh-oh, again. Customers tell him that the going price for codfish is $2/pound. Ernie’s sign says $3. Humm... Should he lower his price to $2? Well, he has about 400 pounds of codfish, which would produce $1200 at $3/pound but only $800 at $2/pound. His cost for the night’s work... diesel fuel, boat payment, bait, dock rental, etc.... was $700. Nope, not good. If he were to sell at $2/pound, he’d earn only $100. That’s equivalent to $24,000 per year -- too little for big city life.

How do those other guys do it? Ernie investigates. They have several things going for them. First, their boats are really big, so they can hold tons of fish. Second, they have their own luremakers who make unique and irresistible lures. And third, they have been fishing over the same "proprietary" spots for many years: generations of codfish have grown accustomed to the red-bottom boats. So, they catch more fish at a lower cost than any small operator like Ernie can.

**If Not Codfish, Then What?**

Ernie can’t compete. So he looks around in the market to see what else people are buying. Smelts. Small fish that people fry up like chicken wings. Back to the Fisherman’s Friend for bait. What will attract smelts? Nightcrawlers, not silver spoons. So Ernie buys a big bucket of nightcrawlers and heads out to catch smelts.

Keep in mind that codfish like silver spoons, not nightcrawlers; smelts like nightcrawlers, not silver spoons.

Ernie goes fishing. Fills his boat. Next morning, he sells all the smelts within an hour -- at a tidy profit. Smelts are hot. Ernie starts dreaming of a new Jeep and a winter home in Florida. Until he realizes that two new players have just showed up on the block: Sam’s Smelts and The UnSmeltser. They’ve gotten the word that there’s a market for smelts, and they plan to compete with Ernie for it. Ernie fears he will lose.

Ernie doesn’t see customers clamoring for any other fish. But he notices that he keeps catching little seabass along with the smelts. Humph, too bad nobody’s buying seabass. But Ernie has an idea. What if he gives seabass a new name,
makes a big splashy sign, color-coordinates his market stall, and hires a person to give away samples of fried seabass -- er, North Atlantic Seawings? In other words, can he create a market for seabass? Can he convince buyers that they need seabass, not codfish or smelts?

**Time for Analysis**

Let’s look at who’s selling what to whom … the basic commercial arrangement. Ernie makes or buys bait for his hooks/nets. Specific bait is chosen because it attracts one particular species, not others. Ernie picks the bait that attracts the fish that Ernie thinks he can sell to customers in the morning. If they won’t buy at high enough price, Ernie has to look for a different fish to catch. Uses different bait, of course. If he’s still not doing well, he might think of a way to convince customers to buy a kind of fish that never has been very desirable.

We have these elements:

* Fishmonger (Ernie)
* Bait (the attraction)
* Fish (the catch, or product, to be sold)
* Restaurant guys (the customers)

**So What’s This Have to Do with Broadcasting?**

That’s easy. Think of Ernie the Fishmonger as a broadcast station. The station makes or buys some bait …"programming"…, which it puts on the air. The bait attracts fish …audiences…. The broadcaster hires a company to measure the size/number of fish in the boat. That’s a ratings company such as AC Nielsen. Then, the broadcaster puts the fish in the market stall and sells them… to advertisers!!

So, advertisers are the customers, viewers are the product, and programming is the bait. Programming is not the product, and you are not the customer. You are the product, and access to your time and attention is sold to advertisers.

There’s one wrinkle yet to explore: what if the Feds don’t like Ernie’s operation? What if they think he’s wrecking the fishing grounds? We’ll shift to Cooks Forest
in Pennsylvania, where Ernie’s cousin Barney is about to open "Barney’s Burgers."

Barney's Burgers

Barney has been in the burger business all his life. It’s pretty straightforward, actually. Open a burger stand, sell lots of burgers, make lots of money. Of course, if there aren’t any hungry people around, it’s hard to sell burgers. And, if someone like Anna Mae realizes you’re doing a landslide business, she might want to open a "Anna Mae Apple Dumplings" stand right next to you. But that’s the free enterprise system: businesses compete with each other for customer dollars. Winners get rich, and losers close up shop.

One day Barney was surfing the net and found a government site where it was reported that soon Pennsylvania would be opening some of the land in Cook’s Forest for commercial development. The state would still own the land, but contracts would be awarded to people to provide food service, souvenirs, gasoline, and other facilities and services. Barney sent for an information packet.

After he studied the rules, he filled out an application form. In effect, it was a bid to be the exclusive "burger vendor." He had to demonstrate that he had extensive experience in the burger business, that he was financially solid, and that he wasn’t an ex-con. Barney became very interested in this opportunity because he wouldn’t have to face competition all the time. He simply would have to sell good burgers at somewhat high prices ... and make lots of money.

Notice why there’s only one burger business. If the state were to allow all interested businesses to set up shop on park ground, then the natural state of the park would be destroyed. That is, there isn’t enough room for everyone who wants to operate a business. Taken together, they unintentionally would wreck the park.

So the state lets would-be vendors compete for a limited number of spaces to conduct a business. Who wins the spaces? Those who promise to give the best service/product. Because spaces are awarded only for 3-year terms, the state can review a vendor’s performance after 3 years and judge whether a renewal should be granted.

So What Do Burgers Have to do With
Broadcasting?

In the early years of radio, and then of TV, the number of broadcast stations that could operate was severely limited. There was only the AM band, not FM; and there was only the VHF band for TV, not UHF. There were no super-high frequencies for use with satellites. No "web radio," and no "cable radio." No non-broadcast services such as cable television or CDs or videotaped movies.

So Congress passed a law ... Radio Act of 1927 ... saying that licenses for use but not ownership of the airwaves would be issued to those applicants who promise best to serve the "public interest." Said differently, since there isn’t enough room on the broadcast spectrum for all who want to broadcast ... without creating disruptive interference ... licenses will be awarded to those who promise to provide an outstanding service to their communities. In our Barney Burger metaphor, it’s like the government saying that if they open the park to all vendors, the flashing neon and parking lots and deep fryer smoke would ruin the park. So, they award temporary licenses to build and operate a business, based on how well an applicant promises to serve the park and its visitors.

Yeah, But So What?

Imagine an innovation in food service: high-tech food bags, microwave ovens, and cell-phone ordering. Overnight, there’s no need for signs, parking lots or deep fryers. Overnight, there’s no limit to the number of vendors who can set up business in the park, because none of them will hurt anything! What would they sell? Probably everything from fried tofu sticks to Cooks Forest tattoos.

All of broadcasting has been based on the idea that there isn’t room on the air for everyone who wants to broadcast. But over the past 20 years, the number of channels has increased many-fold. Now, there are so many channels for audio, for video, for computers, for telephones, for ... anything, that there’s no basis for picking among them. Let ’em all program a channel. In fact, rather than limiting owners to a maximum of seven AM, seven FM and seven TV stations, why not let them own as many as they want?

That’s exactly what the FCC did recently. ClearChannel now owns WKBN; ClearChannel is the country’s largest radio groups with 1,100+ stations. Cumulus
owns WHOT-FM/WYFM-FM, along with 308 others. Same thing.

The trap in this change is "marketplace forces." Whereas during times of channel scarcity the FCC reviewed whether a station was serving its community, now the FCC assumes that the local commercial market will act as the watchdog. The FCC doesn’t much care whether a station programs to serve the public ... on the thinking that if a station doesn’t program what a community wants or needs, then nobody will watch or listen, and the station will go broke.

The issue still remains: what service will be provided through an unregulated market? "Marketplace forces" in our commercial model tend to shun persons who aren’t commercially active. That means all poor people, most elderly people, and children.

Is There Yet Another Model?

Yep. Three, actually. One is the "HBO/VOD" model. You pay to watch the movies without editing, without interruptions, and without commercials. Money flows from you the consumer to the program distributor and program owner.

Second is the "mixed model." You pay to watch the program, but the program also contains commercials. Program distributors and owners get money from viewers and from advertisers! Heaven!

Third is so-called "public broadcasting," represented by National Public Radio and Public Broadcasting System. From 1967 when Congress created their parent corporation ... Corporation for Public Broadcasting ... public stations didn’t carry advertising. Instead, programs were paid for by grants from foundations and government funds. Public subsidy. Of course, somebody soon had the idea to ask viewers to become members of the station!

But with the advent of education-oriented commercial channels such as A&E, Bravo, and Discovery, and of news-oriented outlets such as MSNBC and CNN, public stations are finding themselves to be in competition for audience and for funding. Hence, the FCC has permitted public stations to air "enhanced underwriting" announcements ... which for all practical purposes are commercials.