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TV Ratings Are Down But Revenues Are Up

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In the new age of on-demand TV, same-day ratings for networks are down across the board. Those drops aren't necessarily being reflected in the earnings reports of the companies that own these networks, reports the Wall Street Journal.

That said, that dropping ratings are a problem at these networks also has been reported by the Journal, with reporter Joe Flint noting that the power of off-network programming is lessening on cable networks, and that could mean a subsequent drop in price for that programming.

Nascent subscription video on demand (SVOD) and over the top (OTT) providers are both the cause and the solution to that problem, with many viewers opting instead to watch shows online and on demand instead of being forced to watch what's on any given network at any given time. That phenomenon is pushing linear network ratings down, but a very competitive SVOD market means more buyers and that's forcing programming prices up.

While companies have managed to make their books look good ahead of earnings reports, many media companies - and most notably Viacom and Time Warner Inc. - have induced massive layoffs to cover their revenue shortfalls. Eliminating head count masks the troubles on the books in the short term, but

won't solve the problem of people defecting from linear viewing to on-demand in the long term.

For example, in the first quarter, ratings for Viacom-owned networks "MTV and Nickelodeon fell 31% year over year in total day viewing, while Comedy Central dropped 27%," according to global investment bank Jefferies.

Meanwhile, Viacom's domestic advertising revenue only fell 5% in the first quarter, the company reported. The Journal attributed the difference to progress on the digital front, an area that Nielsen doesn't measure, making it hard to parse out if that's actually from where the dollars are flowing.

Other networks saw similar drops, with NBC down 34% compared to last year when the network aired the Winter Olympics from Sochi, Russia, and 15% when Olympics ratings are factored out.

Turner Broadcasting's overall ad revenues were up 4% in Q1, helped by the March Madness college basketball tournament. TNT was down 17% but TBS inched up 2% and CNN climbed 11%, reported Jefferies.

AMC Networks, with huge hit The Walking Dead, was one of the few media companies to be up significantly, reporting a 25% gain in advertising revenues to $260 million for the quarter.

With the first quarter behind them, media companies now face the year's true test: the upfronts, the presentations for which conclude next week with the broadcast networks. Already observers are bearish: Madison Avenue expects the broadcast networks to be down 10% and cable to fall 5%.

Read More: The Wall Street Journal

Brief Take: Media conglomerates may have been able to fend off Wall Street wolves this quarter, but that won't always be the case if they don't adjust their business models and quick.