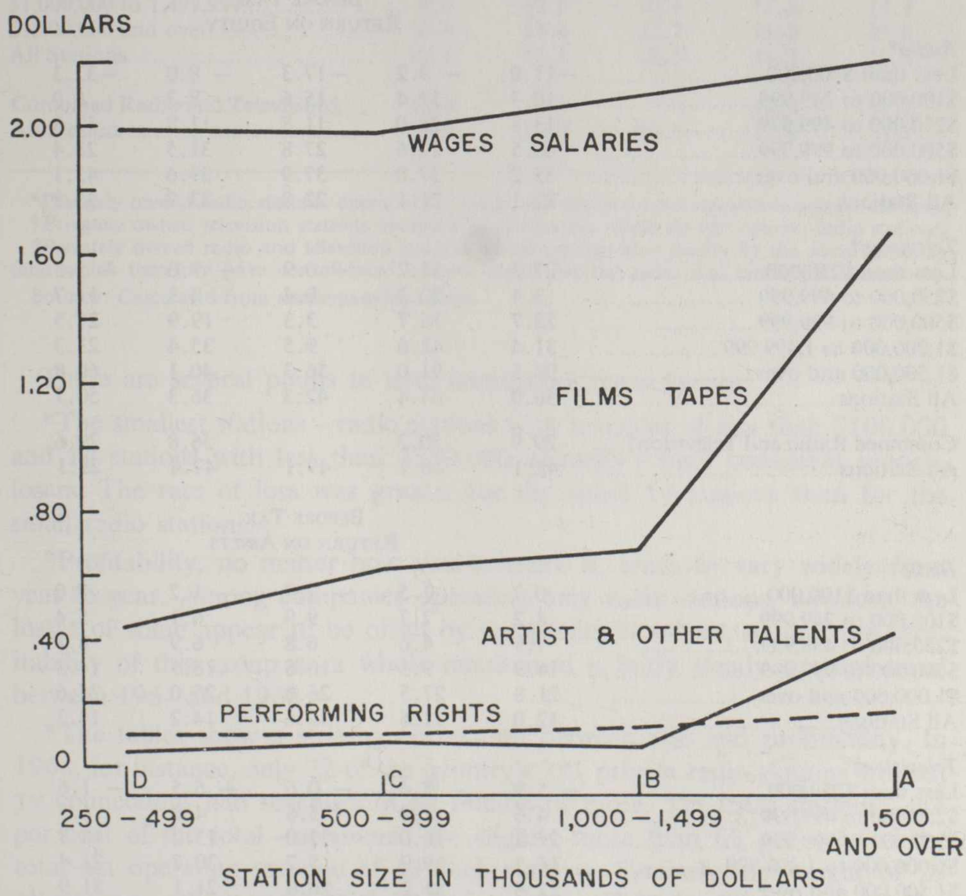
Chart 4 is drawn from Table 18, and it reveals an interesting phenomenon. Programming costs – including salaries, films, tape, talent fees, and performing rights, climb slowly or not at all as the size of the audience increases – *until* you get to the largest revenue category. Then they climb steeply. The biggest TV stations, in other words, spend far more on "quality" than the smaller ones do. This may be associated with the fact that many of the smaller TV stations are the only ones in their market. The stations with the largest revenues are operating in metropolitan markets, where competition exists and where quality programming becomes a competitive factor.

The "quality curve" does *not* mean, though, that small stations are more profitable than large ones. Although large TV stations spend relatively more on "quality," this factor is more than offset by various economies of scale. Productivity per employee is much higher for stations in the biggest revenue category than for smaller TV stations, for instance.

Chart 4. AVERAGE COSTS PER VIEWER FOR SELECTED COMPONENTS BY REVENUE GROUP



Source: D.B.S., 56-204.