SPECIAL REPORT: Who Owns Broadcasting?

IN FOCUS: Cable's Smarter Sell

# CHANNELS

APRIL THE BUSINESS OF COMMUNICATIONS 1989

## GOING UNWIRED!

The rush to unwired networks is wreaking havoc with the rules of TV advertising, challenging stations and threatening reps.

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MICHAEL KAMMERER

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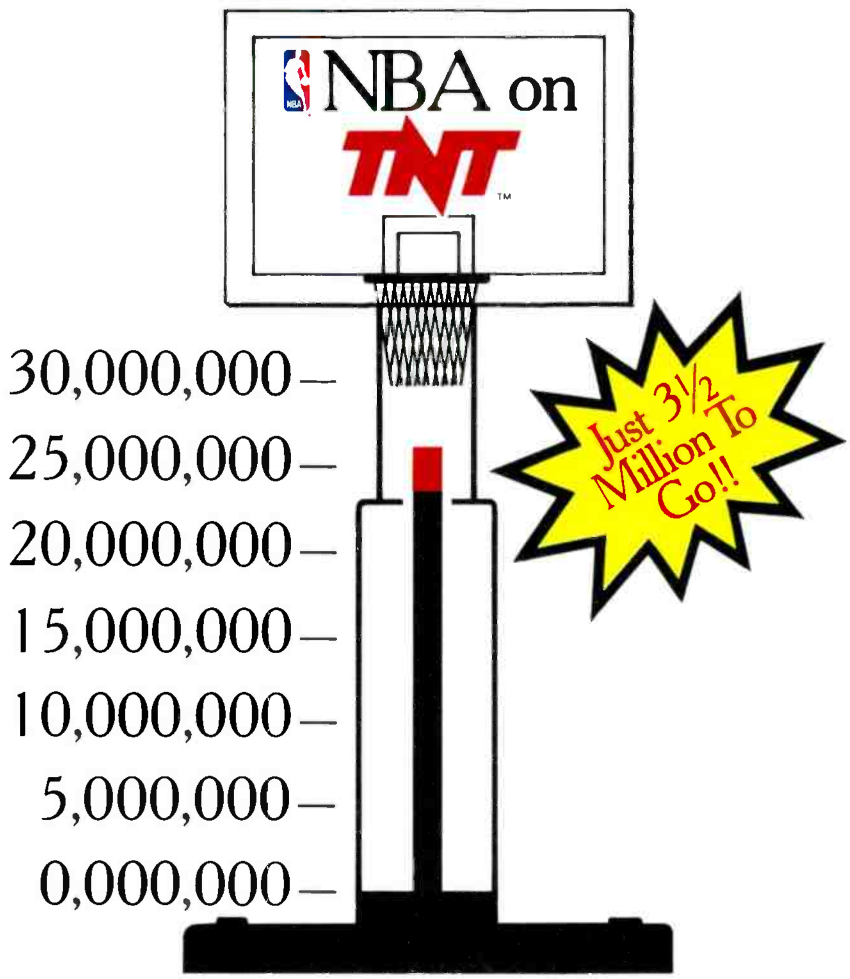
# ...If We All Shoot For The Same Goal.




# Just 3,500,000 More Homes And The NBA Plays On TNT.

In the past month TNT has grown 2,500,000 homes closer to our goal—the 30,000,000 we need by August 1 in order to offer the NBA on Basic Cable this year. That brings us to 26,500,000 in only six months! When you and a few others join the TNT team, next season can be a whole new ballgame for local profits.

We're shooting for a goal that will bring a 75-game NBA regular season and playoff package exclusively to TNT and your local advertisers beginning in November of this year.

Imagine the sales potential of up to four minutes an hour in one of television sports' most successful franchises. Ratings on SuperStation TBS' coverage of the NBA have increased over 50% in the past four years! And the potential is even greater as "America's game" continues to grow in popularity.

Professional sports programming is just one example of TNT's commitment to original and exclusive product that will enhance Basic Cable's value—to build local advertising sales, acquisition, and subscriber retention.

Take your business to a new level of profitability. Get on the TNT team today!

## Keeping The Basic Promise. TNT™

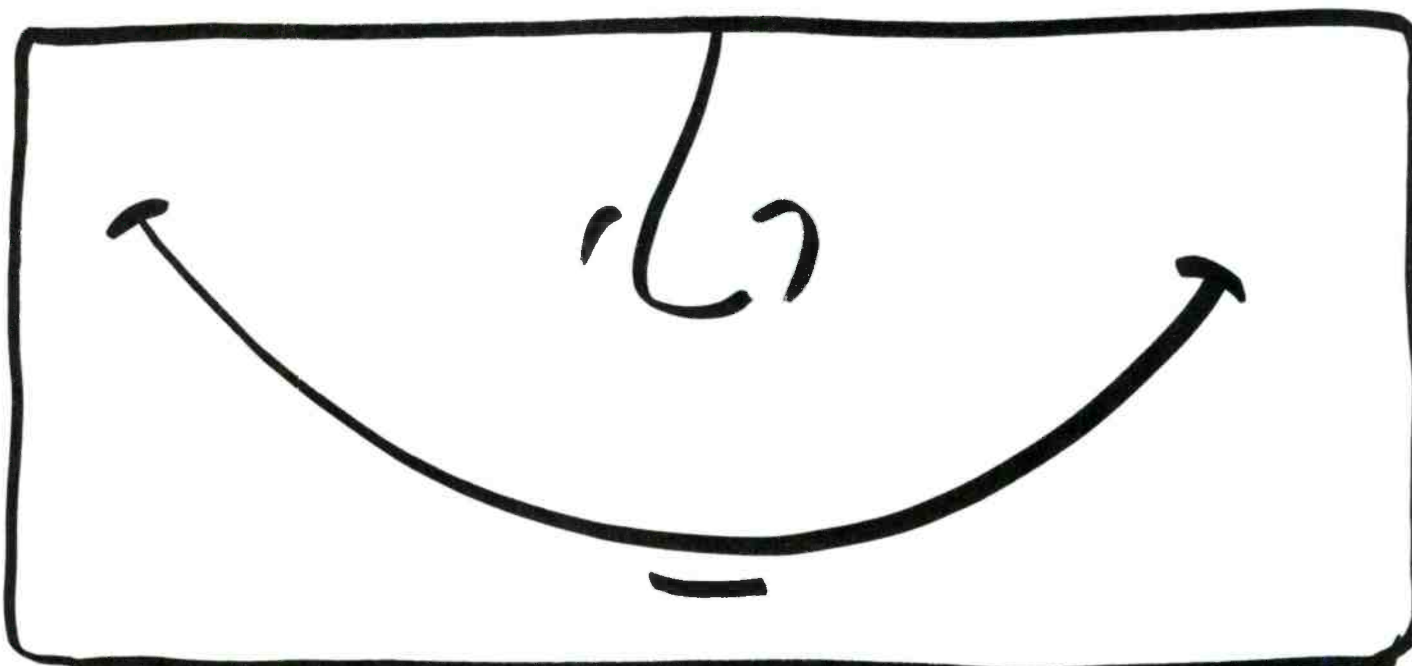
# CHANNELS
THE BUSINESS OF COMMUNICATIONS

VOL. 9, NO. 5 APRIL 1989



Cover photograph: Ruedi Hofmann

# ON APRIL 17TH, WE'LL GET YOU TO DO SOMETHING PEOPLE RARELY DO ON TAX DAY.



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# LETTERS

## Gremlin Credentials

My *Channels* [Programmer's Handbook] arrived and I dove into it last night with my usual zeal. However, I have never heard of Judith Newman, who wrote the article "Caviar Dreams for Couch Potatoes," but she does not understand or know the business. The inaccuracies are beyond belief . . . Without picking the article apart (since we both know that "gremlins" do persist) I found the comments about Noreen Donovan (Masini) totally out of line! Where does Newman come off calling Noreen an "ex-cosmetics buyer"? And alluding to incompetence? Newman is incompetent!

Personally, I know Noreen to be one of the brightest, quickest and most "gut feeling" TV people I have met. To see "my magazine" slur her doesn't sit well with me. It is an injustice!

Who is Newman? What the hell has she done? I would like to know her credentials for writing this piece in the first place! I really would!!!

**Stanley Moger**
*President, SFM Entertainment*
*New York, N.Y.*

## Just the Facts, Ma'am

In 35 years I have never complained to a magazine about an article that was written about me. I understand that articles are not necessarily written to please the subject of the story.

However, the article titled "Caviar Dreams for Couch Potatoes" is not only filled with inaccuracies, personal and business, but does not present all the facts. The story has [the] feeling of a tabloid like *The Enquirer* or *The Star*, not a trade journal that has on its cover *Programmers Handbook*.

I've been concerned about this article and indicated my concern to the magazine both through myself and Dan Kelly of TeleRep. Judith Newman did not record our conversations like most reporters and did not make copious notes, nor did she seem overly familiar with the TV business.

Although I've provided you with a complete list of inaccuracies, I'd like to highlight the most important ones.

I do not live in a $3 million penthouse, wear a diamond-studded tie clip or own a $30,000 gold Rolex watch. My watch happens to be a Rolex but it is stainless steel and worth a lot less than $30,000 on the open market, but it is priceless to me. The watch was given to me by the employees of TeleRep on our 10th Anniversary.

The article goes on to say that I had a heart attack and angina. Both are not true; I had an angioplasty procedure.

Upon graduating college, Noreen Donovan spent less than six months in the cosmetic-buying office at Bloomingdales. The writer failed to mention [her] five years as a senior media buyer at Admerex.

*The Start of Something Big* was my concept and not Noreen's. Noreen's contribution was a book she found titled "The Browser's Book Of Beginnings." The OPT projects are chosen by committee and Noreen does not vote as a committee member. As a point of information, Noreen was not a supporter of the Emma Project.

One final point, Newman states that "Industry executives see the oddly out of touch Masini mind at work in his latest offering, *Triple Threat*." What evidence does she have? *Triple Threat* beat every game show except for *Wheel of Fortune* and *Jeopardy* in ASI testing.

This article is particularly upsetting because it can cause economic harm. On January 22, TPE [was] at NATPE to sell its programs to stations. Selling programs is a game of psychological perceptions. Stations want to buy winners! That's why stations bought *USA Today* from Grant Tinker and again *Inside Edition* from the King brothers without a pilot, because they were perceived as people who could produce winners. Nobody expects *Channels* to like TPE programs, but I don't think it's unreasonable to want accurate representation.

*Star Search* for instance is a household word used in many movies and TV shows: *Golden Girls*, *ALF*, *Miami Vice*, *D.C. Follies*, *Married To The Mob*, *Tough Guys*, Eddie Murphy's *Golden Child*. So many *Star Search* winners have gone on to stardom, not "cocktail lounge acts for the future."

*Star Search* has launched the careers of Sawyer Brown, the number one new country artist in 1986, and Tiffany, [who has had] two number one songs and currently [has] an album in the top five on the charts. Sinbad co-stars on Cosby's spin-off, *A Different World*. TPE has produced seven shows, all [of which] got on the air.

*Entertainment Tonight*, *Star Search*, *Lifestyles of the Rich and Famous* and *Runaway with the Rich and Famous* are all still on and growing in ratings this year. *Entertainment Tonight* is fourth among all Monday-Friday syndicated first-run programs. Among 110 once-a-week shows, *Star Search* is 11th and *Lifestyles of the Rich and Famous* is 16th.

When *The Start of Something Big* went off the air, it ranked 43 of 94 shows and *You Write The Songs* 37th of 103 shows. Certainly not failures. *Triple Threat*, a new entry this year, is 38th of all 110 first-run, once-a-week programs.

All this data is from the Syndicated Occasional Network rating, (SON), Sept. 4-Dec. 11, 1988. TPE is still a winner, our shows are stronger than ever.

Finally, nothing in the current actual Nielsen audience figures convinces me that the author's conclusion that "extreme" reality shows are the wave of the future is a valid one. I don't believe that we're out of touch if we don't do scandal—if we emphasize substance instead of sleaze—if we don't follow the crowd! "Extreme" reality might provide a quick short-term fix for a failing program schedule, but my reasoned conviction is stronger than ever that our basic all-family program philosophy—yes even one that includes some "escapism"—will continue to produce not only the most popular shows, but certainly the healthiest programming for viewers of all demographic groups for a long time to come.

**Al Masini**
*President, TeleRep*
*New York, N.Y.*

*While we acknowledge several factual errors in the story about Al Masini, and apologize for them,* Channels *stands by its essential thrust. In summary, the story explained that the Masini operations have a record of significant accomplishment, but that of late his programming ventures have struggled to launch new shows.*

*The story did misstate Masini's health situation. The material about Masini's home and jewelry was a playful effort to mimic the style of* Lifestyles of the Rich and Famous, *and it is regrettable if this editorial device caused confusion. The story was incomplete in failing to provide more information about Noreen Donovan's background. And the story's minimizing of the talented people emerging from* Star Search *was unfair.* Channels *apologizes for those problems.*

*But writer Judith Newman took dozens of pages of notes and recorded* *numerous phone interviews. Noreen Donovan did express enthusiasm for the Emma project in her interview with Newman. On-the-record and off-the record comments from industry leaders do support the concern raised about whether Masini is "out of touch." Finally, it is difficult to respond to Masini's concern about "economic harm." It's neither our job as a business magazine to cause economic harm nor economic benefit. And, we're not in the business of either liking or not liking TPE programs, although our criticism pieces may take such positions.—Ed.*

### Banning the Ban

Your January cover story ["Hill Showdown: A Year of Decision"] posits the oft-heard question of whether "President Bush will cling to the Reagan deregulation orthodoxy." While it is concededly accurate that the FCC, under the chairmanship of Reagan-appointee Patrick, has sought to pursue deregulatory policy-making in the areas staked out by your well researched piece, some FCC actions flagrantly betrayed the very principles of deregulation. The Reagan presidency not only saw the elimination of the Fairness Doctrine and a veto of children's television legislation, but it also reversed a decade-old judicial and FCC precedent when it first restricted, then pursuant to a Congressional mandate, banned from the airwaves so called adult radio programming.

The courts are expected to strike down the current all-out ban on "indecent" speech on the radio. The FCC and Congress should then review their questionable stance on the issue. It is time for Congress and the FCC to cease from banning speech from airwaves on the mere grounds that, in Senator Helms' phraseology (who sponsored the all-out ban), certain speech is perceived by some to be "garbage." After all, those offended by certain programs, in the words of one Supreme Court Justice, can always "flick the dial." It is time to reaffirm the Congress' and the FCC's commitment to free speech on the air—by deregulating it.

**Guy A. Reiss**
*Articles Editor, Columbia-VLA*
*Journal of Law & the Arts*
*New York, N.Y.*

Channels *welcomes reader's comments. Address letters to the editor to* Channels, *19 West 44th Street, Suite 812, New York, N.Y., 10036. Letters may be edited for purposes of clarity or space.*


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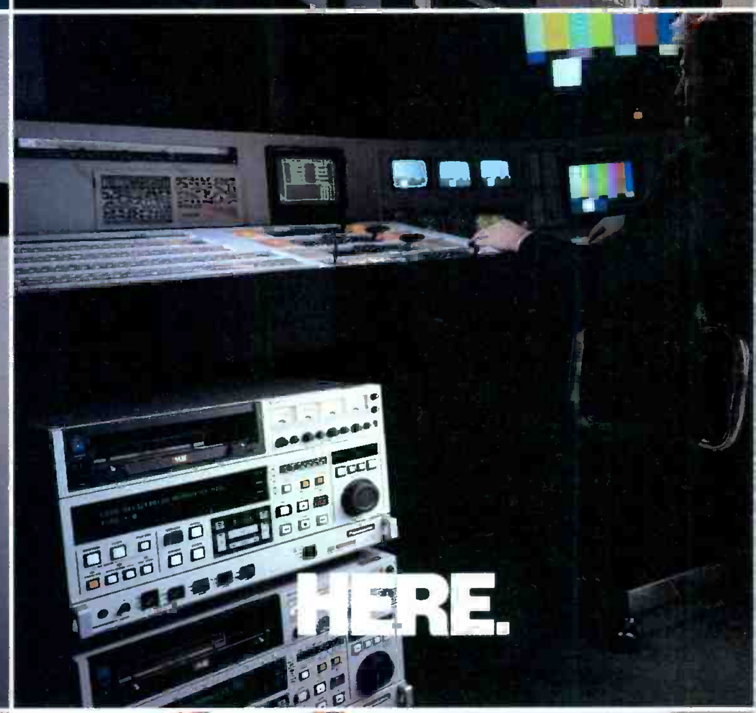
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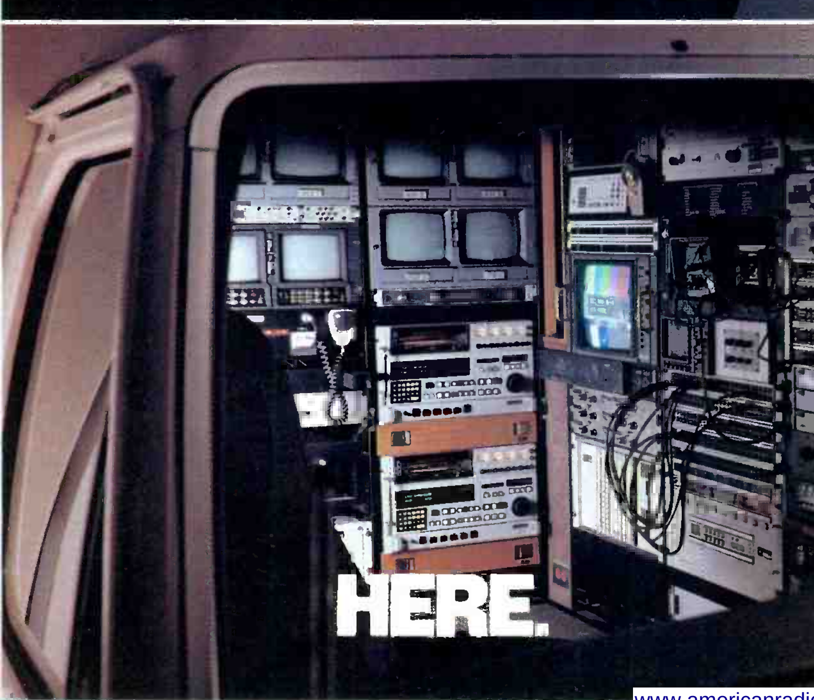
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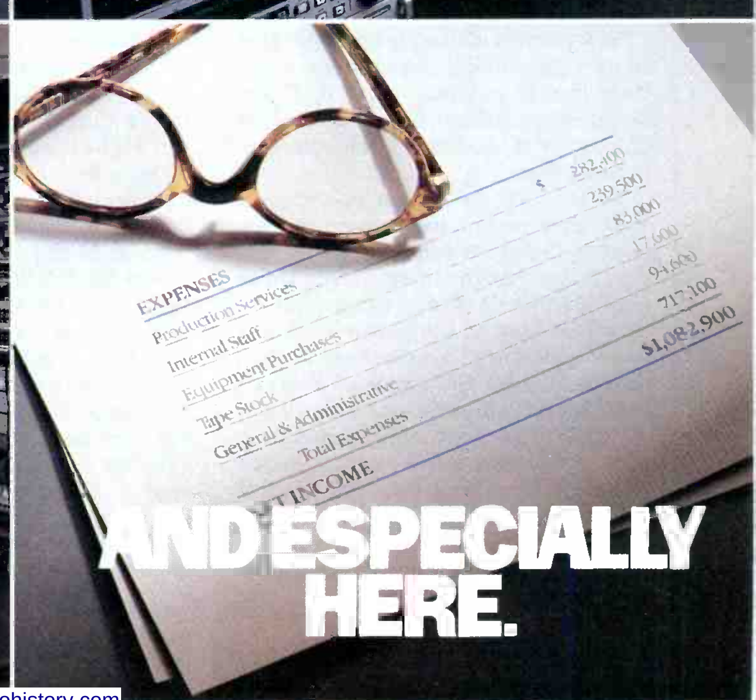
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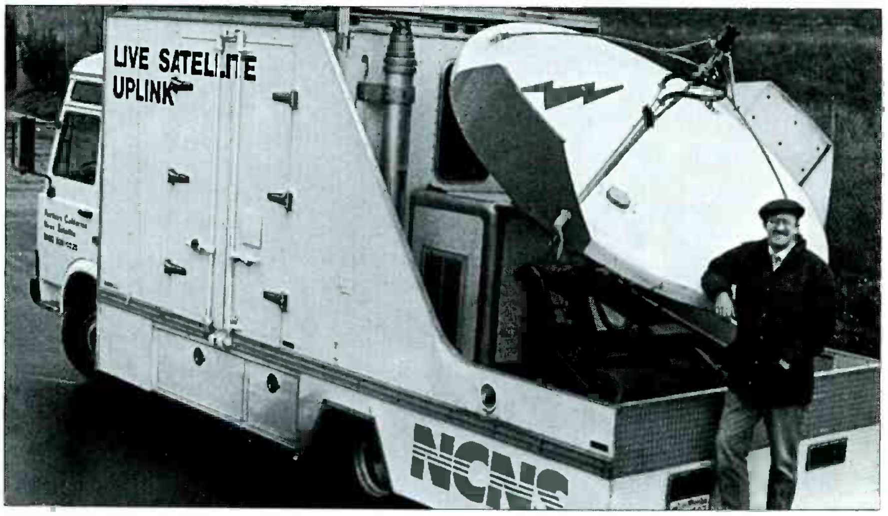
# Television Turns Its Back On The Statehouse

Deregulation and the cost of running news bureaus cited.




**Reporter Mallory with his van: Filling a void in the state capital when TV stations pulled out.**

Covering the state legislature has never been a TV reporter's idea of a dream assignment, but if the current trend continues among TV stations, the workings of state governments may become *the* untold story of the decade. Consider this:

California—whose economy outstrips all but five of the world's nations—has not one full-time television news bureau to cover its government.

New York and Massachusetts each have one. Illinois has three—if intern staffs are included. And in Texas, just three of the state's 100 or so stations maintain bureaus in Austin. In spite of the federal government's increasing shift of authority to states, and notwithstanding the fact that some newspapers are boosting their on-site scrutiny, television is losing interest in the statehouse.

"The bottom line," says NAB's Walter Wurfel, is that as the station business matures, "it is expensive to establish a bureau anywhere." But deregulation also plays a role, say critics. "The weakness of news is no longer a serious vulnerability for stations when their license renewals come up," contends Ben Bagdikian, former dean of the University of California's graduate journalism school.

To be sure, television coverage of state government has never been extensive. For at least the last 15 years, Illinois has had no more than three full-time news bureaus in Springfield, says Tom Massey, the state's legislative press secretary. Massachusetts had none until *after* Gov. Michael Dukakis lost the 1988 presidential race. What coverage there is sometimes comes from public television, which can use it as a vehicle for coaxing dollars out of state officials. In New York, the only full-time operation is *Inside Albany*, the respected weekly public TV program—despite the fact that half or more of the state's assemblymen come from below Westchester County. That leaves voters dependent on campaign ads and newspapers to decide how to vote.

Bob Priddy, chairman of the Radio Television News Directors Association, calls the situation "reprehensible. I don't think we're creating responsible citizens by not educating people as to what's going on in our state governments."

Nevertheless, journalists, academics and government officials say a bad situation is getting worse. "There has been a diminishing of systematic state coverage" by TV, says Bagdikian, who studied state capital news coverage throughout the U.S. a quarter century ago. Indeed, a recent study by Tracy Westen of USC's Annenberg School found that during the California legislature's busiest part of the year in 1987, the highest-rated newscasts in California's four largest markets spent an average of less than one minute per hour on legislative issues.

Steve Mallory, former statehouse reporter for KNBC, has come up with a service that may help California stations. Last summer he launched Northern California News Satellite, which feeds daily news stories from the state capital. So far, he has 13 clients, but even he acknowledges it's far from a perfect solution: "I'm sure it's not the kind of coverage they should be doing, but at least they're getting some."

News directors' eyes have long been known to glaze over at the word "legislature." Instead, they tend to rely heavily on breaking news and features to lure audiences, rarely supporting beats and bureaus that don't supply a steady stream of dramatic stories. Says Priddy, news director of the 75-radio-station Missouri Network, "The feeling is that government news is boring. But," he counters, "it's not. The way people tell it is boring. If what happens in [the state capital of] Jefferson City affects the schools your children are in or the nursing home your parents are in, it's local news."

Still, Priddy's view is shared by a distinct minority of his peers, and so statehouse press corps are shrinking. Last October, for instance, San Francisco's KRON was the last station to close its bureau in Sacramento. Out-of-town stations now rely on stringers or parachuting reporters in for about two weeks a year to cover the governor and legislature. But hit-and-run coverage, says Donna Lucas, a spokeswoman for Gov. George Deukmejian, often lacks contextual understanding of issues. "I think it's sad," she says.

Florida, though, found a way to break through. After the state enacted an ad tax that broadcasters claim cost them $85 million in just six months in 1987, stations led a massive advertising and lobbying effort culminating in the law's repeal. Now TV news covers Tallahassee more closely. "That got their attention," says Patrick Roberts of the Florida Broadcasters Association. "It showed all the broadcasters how the state could affect everyone."

NEAL KOCH

PHOTOGRAPH BY ALLEN QUINN

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PRODUCTIONS

# In the Battle for Viewers at School, Turner Takes On Whittle

One big difference: Turner isn't selling the children.

Whittle Communications made big news in January when it unveiled a plan to bring TV news into America's classrooms. But the idea is old news to Turner Broadcasting Co., which has been supplying CNN's weekly, hour-long Sunday night news recap, *Week in Review*, to some 50 school districts around the country since last fall.

In understated fashion unusual for the otherwise boisterous Atlanta-based company, its News Access service has been in gestation for two years. Now the time has come to make some noise, according to Turner educational services v.p. Gary Rose. "We've managed to get a very modest penetration," he says. "And we're poised now to go for a large circulation in the school market."

In one important way are the news programs of Whittle and Turner similar: Each aims to deliver current events via television to school-age children. But there the resemblance ends.

Whittle, the Knoxville, Tenn.-based communications empire that has scored big with controlled-circulation periodicals, has kicked up a ruckus with its plan to deliver 6.5 million schoolchildren 12 to 17 years old to advertisers. Two minutes of ads will fuel Whittle's daily, 12-minute news show, *Channel One*, which will be delivered to satellite dishes at some 8,000 middle and high schools beginning in 1990. The dishes are only a part of the $50,000 or so in electronic hardware Whittle gives away to participating schools, making for a rollout tab of some $100 million. Critics of the plan, including Action for Children's Television chairman Peggy Charren, object that children, in effect, are being forced to watch commercials, and they are urging educators to resist the tempting video goodies.

News Access has escaped such criticism because, for starters, it doesn't sell its kiddie viewers. Schools that agree to pay an annual fee of several hundred dollars then tape *News in Review* when it airs on CNN (twice each Sunday). By the time school opens the next morning, a 30-plus page study guide, prepared by Atlanta curriculum consultants Teachable Tech, is waiting to be downloaded onto a school computer from an electronic mail service.

Furthermore, the News Access study guide is structured so as to actually discourage watching commercials, or even the entire program. Its discussion questions, related activities and bibliographies are broken down not only by age


*Week in Reviews* Bob Cain and Lynne Russell: Poised for a large circulation in the school market.

(elementary to high school) but by study areas, including the arts, language arts, even math, so that classes often watch only selected stories. "That doesn't mean commercials are bad," says Rowe, "but we assume News Access is a way to deliver news to kids."

Although Rowe concedes that nothing prevents schools from using *Week in Review* without subscribing, such a practice would shortchange the students as well as Turner. "The real value," he says, "is the instructional support that comes with the program."

Sharon Comisar, a social-studies teacher at Anderson Middle School in Omaha, has been involved with News Access from its launch last fall, and all 780 of Anderson's sixth, seventh and eighth graders are exposed each week.

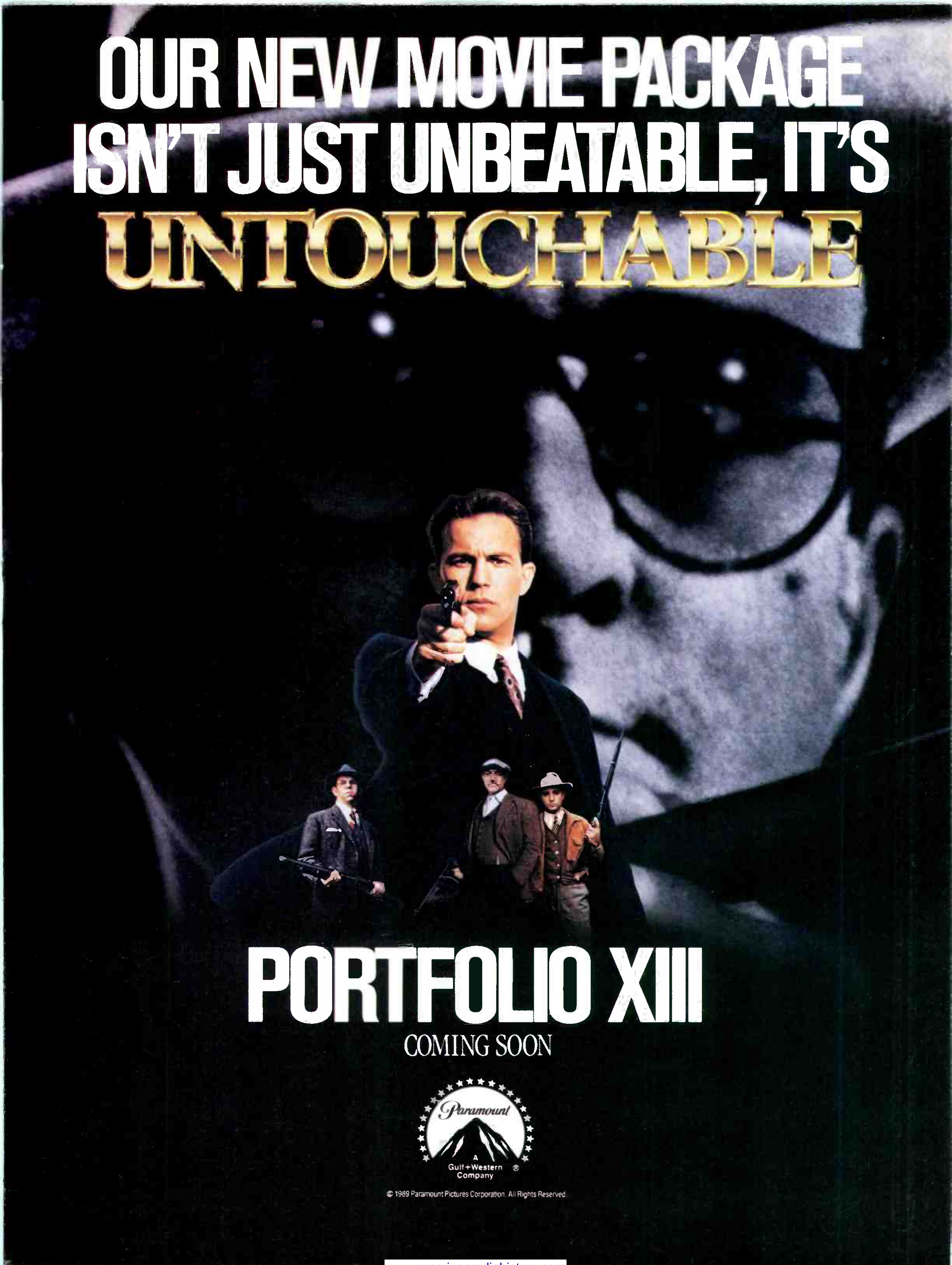
Most like it, says Comisar. "They appreciate the fact that they're not talked down to, yet at the same time it's presented at a level they can understand." Her colleagues, she adds, are satisfied as well. "The guide allows a lot of individualization, which is important, because each teacher's style is different."

To extend its reach, News Access, which was developed jointly by Turner and the National School Boards Association, has recently enlisted Education Systems Corp., a San Diego-based integrated-learning-systems firm, to market the service. The goal for 1989-90 is a thousand schools, up from the current 220.

While comparison between the two programs is inevitable, they aren't mutually exclusive—or are they? Asked whether Whittle would permit News Access to coexist in a school signed up for *Channel One*, a Whittle spokesman said no decision had been reached.

Company chairman Christopher Whittle has argued that the time is right for business to come to the aid of the nation's financially strapped schools, but Rowe insists that, in this case, the high road belongs to Turner. "Our emphasis is on connecting the content of news to the curriculum," he says. "Not selling products to an audience."

FRAZIER MOORE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What's On

A • P • R • I • L

# Taxing Situations

*by Richard Katz*

**APRIL 17:** The last day for companies to make good to the **IRS** arrives, but many TV station owners may be thinking about what President **George Bush**'s proposal to cut the **capital gains tax** could mean on future taxdays. Bush's plan seeks to cap capital gains taxes at 15 percent, down from its current 34 percent, by 1992, but the plan would also include a three-year holding period. "In the long run, you could see a lower turnover of stations," says **Bill Redpath,** an analyst for **Broadcast Investment Analysts.** "Station owners will want to hang on to the stations in order to qualify for the lower capital gains tax rate. There will be a burst of activity after the law goes into effect and then a drop-off in the long run."

. . . . . . . . . .

**APRIL 21-26: MIP-TV** celebrates its quarter-century birthday with the unveiling of a new floor, the fifth, of the Palais de Festivals for the international program market. "We haven't used the fifth floor before," says **Barney Bernhard,** president of the **International Exhibition Organization,** which promotes MIP, "because we didn't know if the market could take people traveling through the whole building. But the clamor for space has been so great the last three years, we finally had to open the top floor." Bernhard expects 7,500 attendees this year, an increase from last year's 6,800. Demand has become so great for the market that 60 companies are currently on the waiting list for an exhibition booth. To help alleviate this backup, Bernhard tries to persuade exhibitors to share their stands. "I call all the people that might be interested in sharing in an effort to let some of the people on the waiting list have a physical presence on the floor. Some companies don't want to share their stands with direct competitors, but others prefer it because they think it draws more people to the stand." Finding a hotel room in Cannes is increasingly becoming a problem, but Bernhard maintains there are enough rooms to go around, just not enough luxury ones. "We can get everyone into Cannes, but most people want to stay in a four-star deluxe hotel and there aren't enough of those."

**APRIL 29-MAY 2:** An estimated 49,000 attendees invade Las Vegas for the 67th annual **National Association of Broadcasters** convention. NAB spokesman **Hank Roeder** describes the event, which will feature over 700 exhibitors and over 400,000 square feet of exhibition space, as "*the* equipment and software show of the world." The theme for this year's show is "On the Air—Proud Tradition, Dramatic Future." It will feature a separate area for what Roeder thinks is "this year's sexiest topic," ATV (advanced TV), which includes the latest developments in HDTV and IDTV. Other convention highlights will be the induction of **Sid Caesar** and **Ernie Kovacs** into the Broadcasting Hall of Fame and the presentation of the distinguished service award to **James Duffy** of **Capital Cities/ABC.**

. . . . . . . . . .

**MAY 7: NBC** airs part one of the **Tour de Trump,** a 900-mile bicycle race that passes through five states, on *Sportsworld*. The race—cosponsored by **Jefferson Pilot Communications,** the TV and radio station owner and TV packager based in Charlotte, N.C., and **Donald Trump**—begins in Albany, N.Y. and ends ten days later at Trump Plaza Hotel & Casino in Atlantic City. The top cycling teams from all over the world, including the U.S.S.R. and Czechoslovakia, will compete for a $250,000 purse, the largest ever for a U.S. race. "At this point," says Steve Brunner, public relations director for the race, "Trump is in it for the publicity, not so much as a business venture. But he does want to make this one of the top five sporting events, on par with the **Indy 500.**" Three and a half hours of the race have also been sold to **ESPN**, and foreign sales are expected. NBC, which also has an interest in t-shirt and poster sales for the race, will air the finish live on May 14. When asked if the race will become an annual event for the three sponsors, an NBC spokesman responded, "It's too big an event to do just one time." ●

## CALENDAR

**April 19-23:** National Broadcast Society, Alpha Epsilon Rho, 47th national convention. Riviera Hotel, Las Vegas. Contact: David Guerra, (501) 569-3254.

**April 20:** Newsmaker luncheon sponsored by the International Radio & Television Society. Waldorf Astoria Hotel, New York City. Contact: Marilyn Ellis, (212) 867-6650.

**April 21-22:** Kentucky Cable Television Association general membership meeting. Drawbridge Inn, Covington, Ky. Contact: Randa Wright, (502) 864-5352.

**April 21-26:** 25th annual MIP-TV, Marches des International Programmes des Television, International television program market. Palais des Festivals, Cannes, France. Contact: Barney Bernhard, (212) 750-8899.

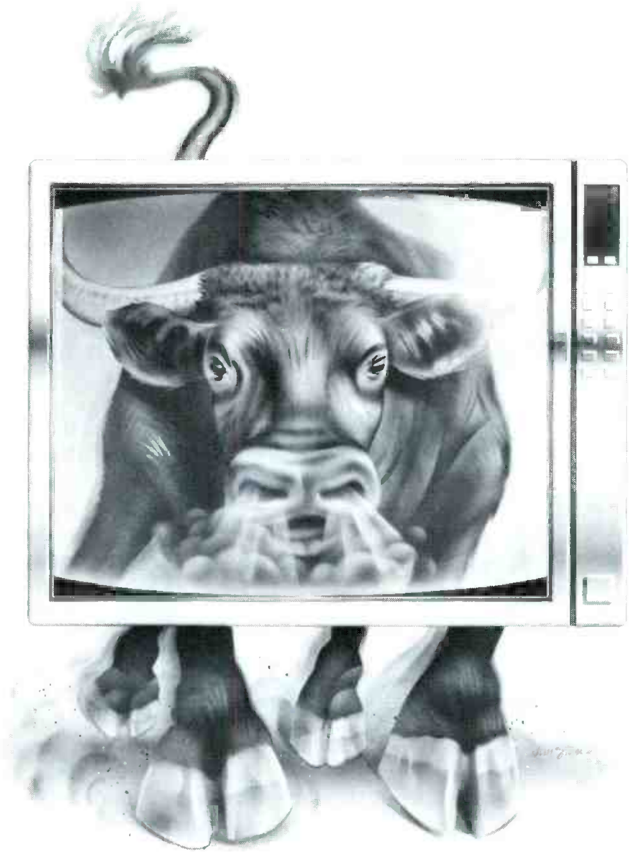
**April 27-29:** 34th Broadcast Education Association annual convention. Las Vegas Convention Center, Las Vegas. Contact: Louisa Nielsen, (202) 429-5355.

**April 28-29:** Texas Associated Press Broadcasters annual convention and awards banquet. Marriott, Austin, Texas. Contact: Diana Jensen, (214) 220-2022.

**May 2:** Broadcast Pioneers annual breakfast, during National Association of Broadcasters Convention. Las Vegas Hilton, Las Vegas. Contact: Hank Roeder, (202) 775-3637.

**May 11:** Presentation of National Media Owl Awards by Research Foundation for outstanding programs that address issues related to aging. First Chicago Center, Chicago. Contact: Joyce Bolinger, (312) 427-5446.

**May 11-15:** American Women in Radio and Television 38th convention. Waldorf Astoria Hotel, New York City. Contact: Leslie Neel, (202) 429-5102.



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# Praying for Rain

*by Steven Beschloss*

The Weather Channel's contests prompt viewers to watch even when it's sunny.

MTV it isn't. No Whitesnake, no Beastie Boys, no shots of middle-aged rockers in leopard-spotted tights. Yet marketers at The Weather Channel, a 24-hour cable network, have shown the same enthusiasm for souped-up contests and on-air promotions as their music-video rivals.

Last summer, a "Beach Party Barbecue" contest winner and ten friends were treated to four days of sand, sun, volleyball and hotdogs in Cocoa Beach, Fla., courtesy of Holiday Inn, Oscar Mayer and The Weather Channel. This summer, viewers will be urged to "Take the Plunge" in a Nestea copromotion that will be advertised in more than 8,000 stores and 45 million Sunday supplements. Three grand-prize winners will get vacations in Hawaii, Florida or the Pacific Northwest.

Over the last year, the network's 30 on-air anchors have hawked a contest awarding a trans-Atlantic cruise on the QE2, a week in London and a flight back on the Concorde in a copromotion with Colombian coffee growers; they touted a USA Getaway, a copromotion with Michelin Tire dealers, in which an Arkansas woman won a month's use of a motor home and traveled cross country with her parents; and they've handed away silver serving sets, turkey dinners for 20 and ceramic canisters stuffed with coffee. TWC invites cable operators, advertising clients and others to their giveaway celebrations.

The reason for all the razzle-dazzle is simple: How many different ways can you tell people how hot or cold or wet it is outside? How long can you expect your audience to stick around once they know? And how do you bring them back once they've switched the channel?

Executives at The Weather Channel hold few illusions that theirs is a product that viewers will tune in with the same devotion they show for *Cosby* or *Newhart*. They are more concerned with how they can get their 38 million households to flip back for a few minutes before *Cosby* or after it's over. Hurricanes and blizzards have a way of boosting the duration and the level of

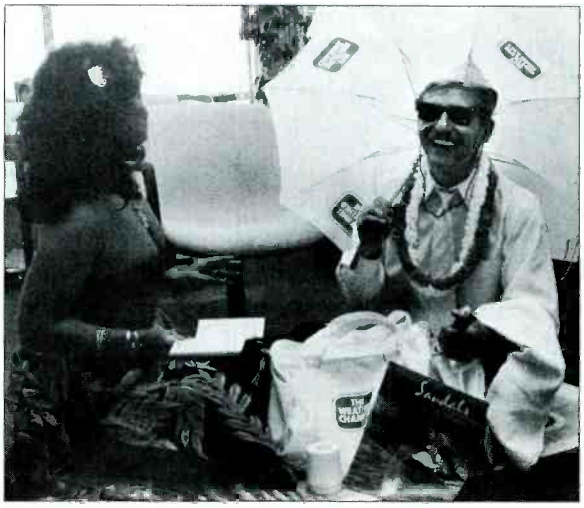

viewership, but they are not the kind of events that The Weather Channel can count on.

In fact, the folks at the Atlanta-based Weather Channel rely heavily on accidental viewing. In the new TV environment, viewers stumble onto TWC while clicking through the channels to escape an ad or find a better show. If TWC's Mike Lerner had his way, he would pass out a remote-control "zapper" to every household in America. "I hate to say we live on incidental viewership," says Lerner, TWC's v.p. of marketing. "But it is true we would benefit if everyone were to have a remote control."

Much of what the channel does—in scheduling, selling advertising, marketing—is influenced by grazing, the channel-flipping that generates so much consternation among TV programmers and advertising executives. A round-up of national and regional weather is concentrated in the three minutes before and after the hour and the half hour—the time when TV viewers are most likely to graze, according to minute-by-minute TWC research. "By doing that, we might elongate the amount of time people are watching," says Doug Pulick, TWC's director of research in New York. "We are trying to take advantage of all the zapping in prime-time [away] from the networks."

The sales staff urges advertisers to run all-day rotations to boost the prospect of getting their spots seen. Pulick compares TWC to format radio, noting that radio media buyers best understand TWC's scheduling idiosyncrasies. "The service is built for convenience," he says. "If you don't catch it now, no big deal. You can catch it again [later]."

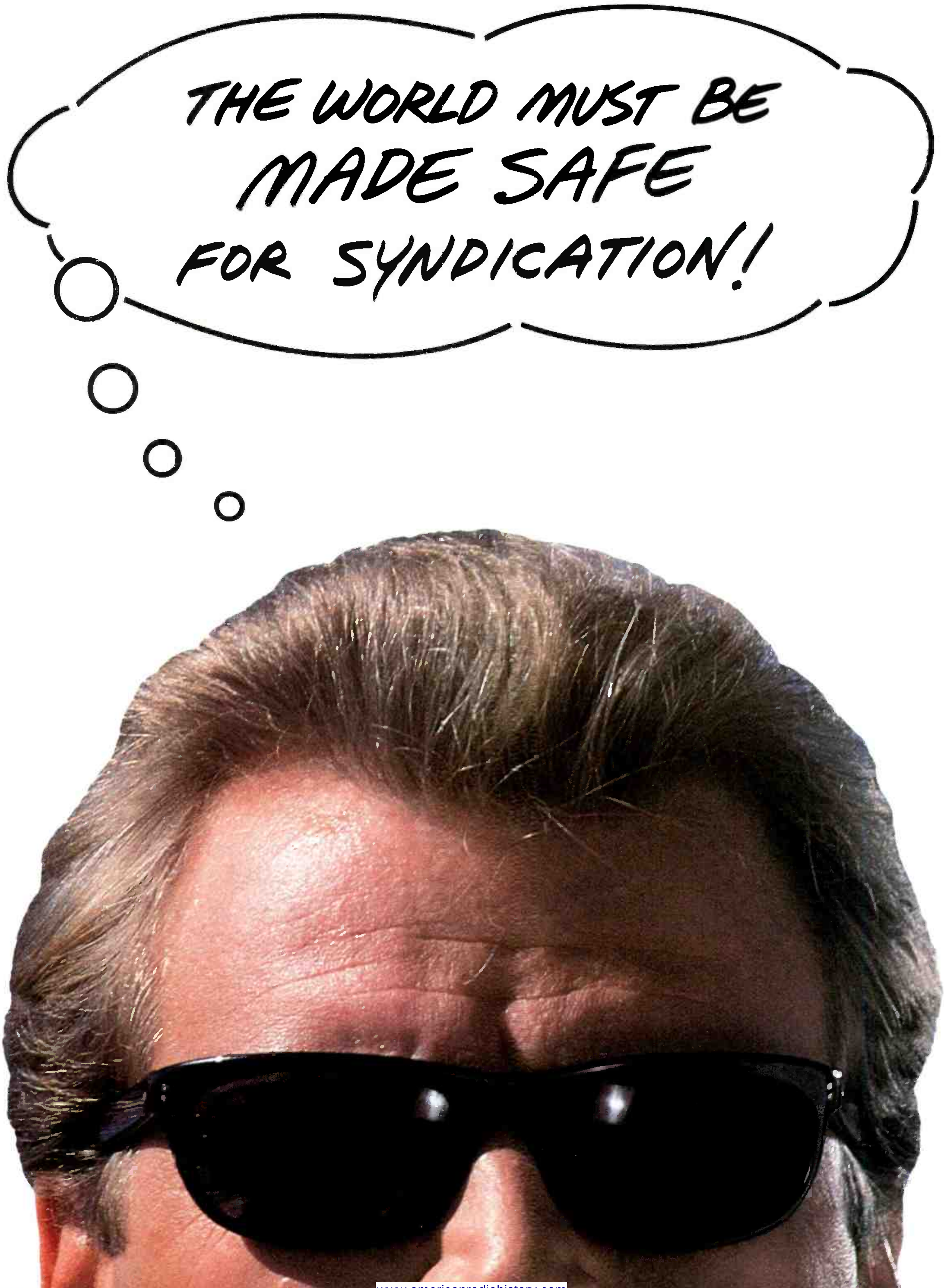
The sales pitch has been particularly attractive to advertisers targeting business travelers and vacationers, and to those whose products have an obvious weather connection—snow tires, cold remedies, suntan lotion. But implicit in the format's "convenience" is a problem in building viewer loyalty—and earning the confidence of media buyers accustomed to targeting specific programs and demographics.



**A Weather Channel contest winner gets primed to go to Jamaica.**

"How many people are actually watching? I don't know," says William Sherman, supervisor and vice president of national broadcast for ad agency McCann-Erickson. "The person who's going to look at The Weather Channel is going to do so for a few minutes. Even with a 24-hour rotation, it's possible a person will never see the spot."

"They have a very dif-


THE WORLD MUST BE
MADE SAFE
FOR SYNDICATION!

ficult sell to agencies," adds Bill Croasdale, a senior vice president and director of network programming at Backer Spielvogel Bates. "I think there's a reluctance to 'buy weather' on television. There's a feeling that if you want weather, you are going to click on the radio rather than the TV."

Overcoming those doubts and defining its niche in a way that makes sense to advertisers has been an ongoing challenge for the channel. That's where sales promotions come in. Sponsored segments increase the on-air presence of an advertiser by affixing its logo to a particular segment, such as the "Michelin Driver's Report," thereby making a Weather Channel buy more attractive. And prize-filled contests lure viewers to the channel for more than simply tomorrow's forecast.

**The Shur Grip Cable Chain snow forecast: a billboarded bonus for advertisers.**

Contests can increase exposure for both TWC and its advertisers. For the two month sweepstakes with Nestea this summer, for example, the channel agreed to air 1,500 spots promoting the contest, with Nestea prominently mentioned. In return, The Weather Channel is advertised in retail stores and newspaper inserts (or, with other promotions, in airports, hotels and more unusual locales). In a recent copromotion with Citrus Hill, which sponsors a school-days weather forecast, the network was featured on one panel of the Procter & Gamble division's orange-juice carton.

Last fall, Stouffer's Hotels and Resorts joined with TWC for a Thanksgiving family reunion. The winner, a Baltimore woman, was allowed to invite 20 family members and friends to a turkey dinner. The prize included four nights lodging at a Stouffer's hotel near her home (long-distance visitors were flown in free of charge). Stouffer's got free on-air advertising for its support, and the channel was promoted on display cards in Stouffer's hotels. "Our bread-and-butter customer is the frequent business traveler," says Robert Nance, director of advertising and promotion for Stouffer's. "[TWC] is constantly talking about specific locations using maps. People who watch are interested in geography, and [the channel] gets to business travelers."

Advertisers haven't always been so enthusiastic. When The Weather Channel launched in mid-1982, neither of the founding partners—former *Good Morning America* weatherman John Coleman and Norfolk, Va.-based Landmark Communications Inc.—knew what a tough job they had ahead of them. The original assumption was that TWC could succeed on ad revenue alone. But by the end of 1983, after growing to 10 million subscribers from its original 3 million, the channel had lost over $10 million (it would eventually bleed more than $20 million before reaching profitability in '86). Ad dollars just weren't there. "It was difficult to sell spots without numbers," says Mike Lerner. "We couldn't get rated until we had 13 million homes." An unhappy Coleman left the network after Landmark exercised its option to buy out his 20 percent stake.

In hindsight, launching the service didn't make perfect business sense. "If we knew the risks on the economic side, we probably wouldn't have done it," says John O. Wynne, TWC chairman and Landmark Communications president. Landmark, a privately held company with operating revenues reported to be about $300 million, also owns two television stations and publishes newspapers.

In 1984, with rumors still circulating that the channel might fold, TWC concentrated its marketing efforts on convincing operators that the channel was worth paying for. "We were deep in the hole at that time and we needed other injections of revenues," says TWC president Michael Eckert. By September that year TWC passed the 13 million mark. It was clear by then that operators would stick with the service and adjust their contracts, giving the channel a stab at profitability.

Gradually the network's marketing focus switched from operators to subscribers, with advertisements showing up in *People* magazine and newspaper TV supplements. As more operators bought the service, the marketing staff began to look for ways to increase viewer loyalty and strengthen the service's value to advertisers.

"The sales force was out knocking on doors, creating concepts to entice advertisers to 'take a flyer,' " says BSB's Croasdale. "That's what got agencies and advertisers interested."

Lerner acknowledges that he continues to battle with the question: Who really needs a weather channel? "We have competition from everybody, from everywhere: from radio, TV, newspapers and your own looking up in the sky. The weather's everywhere . . . . You can't change people's habits overnight."

But such worries go down more easily these days. The channel is carried on more than 3,600 cable systems nationwide, with nearly 38 million subscribers, and has experienced three years of profitability. Paul Kagan Associates estimates an operating profit of $8 million on net revenues of $27.9 million for 1988 and projects a boost to $10 million on net revenues of $32.3 million for this year. Subscriber fees will generate about 56 percent of the total revenues. TWC devotes about $1 million a year to its promotions.

With an average 94,000 households tuning in between 6 A.M. and noon (the daypart with the biggest audience for the service), TWC's viewership remains tiny by most standards. The channel has aired several hour-long, weather related documentaries to draw in viewers (attracting 289,000 in one case), but it takes a major weather event, such as last fall's Hurricane Gilbert, to really boost viewership. During Gilbert, average viewership peaked at 521,000 households.

Yet TWC executives have no illusions of competing head-to-head with the program fare of other cable or broadcast networks. "We know what we are—a niche," says researcher Pulick. "And we are just trying to fill that niche." ●

*Steven Beschloss is a New York-based freelance writer.*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# Man the Lifeboats

*by Michael Couzens*

New services will merge the many streams of people-meter data into raging rivers.

Not much remains of the second full network season that saw advertisers' plans being made and accounts being squared with reliance on data that stream from people meters. Dreading the switch at first, ratings users at the networks, the advertisers and the agencies now brim with a confidence born of the smooth transition. Many of them recognize, however, that grafting in the people meter for network audience measurement only was almost trivial. The real data shock is expected as new syndicated services cascade into the market over the next few years.

The new services that are likely to make the heads of audience-research users spin are hybrids of various existing streams of data. Arbitron Ratings Co., for example, for the past year has been selling a hybrid called BrandTraQ to marketing people who work on heavily advertised, major brands. BrandTraQ combines—at one desktop micro computer—reports from commercial monitoring in 16 cities (done by Arbitron subsidiary Broadcast Advertisers' Reports) with Arbitron's metered television ratings from those markets. Next year, these BrandTraQ and BAR reports will be dovetailed with a national product-usage report taken from Arbitron's planned national ScanAmerica people-meter and product-scanner panel. The combination would allow a user to see exactly when his commercials ran, how many people saw them and whether product usage changed accordingly.

Similarly, on the drawing board at The Dun & Bradstreet Corp. are ways to cross-reference ratings data from Dun's Nielsen Media Research division with marketing data from Nielsen Marketing Research *and* with detailed ZIP code demographics on file at Donnelley Marketing Information Services, another subsidiary. That hat trick is being developed by Joe Philport, who oversaw the roll out of the AGB people meter and who is now senior vice president for information services and technology at A.C. Nielsen Co. in Northbrook, Ill. "There is nothing distinctive about people meters, as far as an information overload problem," Philport says. What's new, he says, is that the "many isolated data [gathering] points, like the sweeps, now are giving way to continuous measurement."

People-meter data are powerfully different because they are recorded perpetually and are quickly retrievable in electronic form. What remains to be seen is whether those streams can be merged into a vast new watercourse without drowning the user.

"You have a set of information customers used to a certain-size input," says James E. Fletcher, professor of journalism and mass communications at the University of Georgia. "If you suddenly get more, the least expensive way to handle it is to ignore it."

Nielsen's Joe Philport, left, is merging data to satisfy the needs of users like DDB Needham's Kevin Killion, right.

However, similar fears about the initial rush of people-meter data proved largely unfounded. Far from being intimidated by this data, buyers of television have embraced its powers to allocate ad budgets more precisely.

"Target [audiences] are getting tighter and tighter," says John Sisk, senior vice president and director of negotiation for advertising agency J. Walter Thompson. "Before, there wasn't anything called a 'guaranteed audience' [in television]. Now the whole business is guaranteed. It's magazines!"

There is, however, still unrealized potential within the first wave of people-meter data. Kevin C. Killion, vice president and director of media research for DDB Needham Worldwide in Chicago, acknowledges the new power in people-meter data, but for media planning, he claims that electronically gathered demographics have made almost no difference in how planners make plans. They "will never" look at a single weekly people-meter report, he says. "They need summary data. People had hoped for more customized research from the people meters, such as long-term cumulative audience. But it hasn't come about yet."

Killion's speeches to professional gatherings on "data shock" highlight the poor use that's made of existing services. "Instead of asking [the research companies] for a lot of new things, let's get more access to the things we have already," he proclaimed at an Advertising Research Foundation conference on electronic media and research technologies late last year. But the research companies are leaning in the opposite direction, building new product lines and merging existing data streams into new services. Says professor Fletcher: "By combining products, the companies increase the customer base for market studies. It's a cheap way to do single-source." ●

*Michael Couzens is a San Francisco writer and attorney.*


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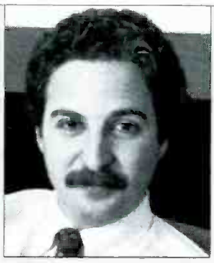

*by Merrill Brown*

# On the Air with Downey

There might be more sedate, thoughtful moments to consider tabloid television than standing before a raucous audience during an appearance on *The Morton Downey Jr. Show*. But there's nothing like appearing on Downey and having him stick his face in yours to remind one of the impact of these shows on today's TV audiences. That's the experience I had recently when I agreed to go on a Downey program taped in Houston at the National Association of Television Programming Executives' annual shindig.

I started thinking about Downey and his impact on people from the moment I was invited to appear. When the Downey producer first described the setting, I was, of course, a little apprehensive. Then when I asked for advice from friends, family, associates and public relations acquaintances, terror set in. Not a single one recommended accepting and most were appalled that I'd even consider it. Most of those find Downey either disgraceful or obnoxious and most said that an editor from a respectable magazine didn't belong in that forum. If that weren't enough, I had no guarantees of who else would appear or precisely what direction the show would take, a violation of the television-appearance code, which says always know what you're in for. But the people inviting me were gracious and the opportunity to be part of the debate about where TV is headed in front of a NATPE audience and thousands of viewers was tempting. I wasn't going to let conventional wisdom stand in the way. Besides, what better way to learn more about a widely discussed television program than to appear on it?

> Being invited on Morton Downey's show forces a confrontation with difficult choices. Considering the request is only the first.

I had watched Downey when New York's WWOR carried it at 9 P.M. When it was moved to 11:30 P.M. I was rarely enticed, not with *Nightline*, sports wrap-ups and the like available. But when I watched, Downey angered me, entertained me and provoked me. His politics don't bother me. His rudeness does.

So, I showed up at the studio prepared for most anything. I knew from the moment those of us going on the program gathered, however, that this would hardly be a tame chit-chat. I was right. On the air, a Houston disc-jockey duo went into the audience and asked women about male organ size and oral sex. A San Diego radio talk-show host asked couples about exciting love-making locales. One couple rose and began passionately going at it right there. A Chicago station executive at one point said that his community's standards wouldn't let him carry this episode. Downey sang and strutted around with a country rock band. A Houston media critic and affiliate news director waited in the front row with me for our turn. The young, wildly enthusiastic audience loved every minute. Several thousand had tried to get tickets.

When my turn came at the podium, Downey asked me what people I knew back in New York thought about the program. I said they didn't like it much. He asked me about NATPE and I said reality, tabloid-style shows continued to get lots of attention. I said I was glad that television had, to a certain extent, become democratized because the new 50-channel world permitted more diversity. Like the newsstand, I said, there was likely to be room for every point of view, service need and ethnic background. Downey said that *Channels* thought enough of him to put him on the cover. I said that wasn't quite true, but that we had, on inside pages, run a prominent picture of him. The audience snickered—I'm not sure why—when I mentioned that groups like Koreans had their own shows in places. I said that I thought that the public's needs for information and excitement wouldn't fade and that Downey's genre would survive. Downey was generous with me, and though I felt the pressure of the scene, he never gave me a particularly hard time.

When I saw the show on tape several weeks later, the cruder parts had been cut, leaving the program somewhat disjointed. I got a bit of feedback on the appearance from people who admitted catching the program while grazing through the dial.

Certainly, the appearance was an experience. Downey's charisma is unmistakable. His public adores him and delights in his ridicule of conventional thinking, liberalism, power and what Downey thinks is the gutlessness of most of those who run this country.

After more thought, I still come out the same way. Who am I to suggest that supermarket tabloids or their television counterparts are a threat to the free press? Is there that much difference between some of *60 Minutes* and *A Current Affair*? Downey is Downey, and hopefully news will remain news. I'll still take the position that a TV dial with room for the antics of Downey and the others is far better than the old TV dial with only three or four options—choices picked out by a sometimes myopic elite on Sixth Avenue. ●


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# The Gutting and Rewiring of Television Sales

The explosion of unwired networks is forcing stations to decide where their loyalties lie in the business of selling time to national advertisers.

by Chuck Reece

"There's going to be a lawsuit!" The television rep popped into a bar in his firm's midtown Manhattan building to deliver this news, and it was as if Festus had arrived at Miss Kitty's Saloon to announce a hanging. Wild West drama like this is rare in the TV-sales business, particularly on a cold winter night, and it made one wish the bar had swinging doors for the rep to burst through.

"Yeah?" asked the rep's colleagues. "Group W," answered Festus. He put the cards on the table: He had heard that the Station Representative Association (SRA), the trade body for the national sales representatives of U.S. TV stations, was planning to file a class action against Group W Television Sales over its Premiere Announcement Network.

Premiere was the latest in a host of unwired networks. The rep firms had been grousing for years about unwireds, which package and sell television time that otherwise could—at least in theory—be sold by a rep. But Group W's Premiere Announcement Network was a plan to package spots from the evening newscasts of network-affiliate stations in the top 50 markets—the most valuable inventory stations and their reps have to sell. Group W had "stepped over the reps' line," in the words of one business watcher, and now it was time to retaliate and litigate.

Or was it? In the clear light of the next day, restraint was evidently the rule. There was no legal action planned, at least none to be filed by the SRA, said Steve Herson, the organization's president.

But would Herson, in his capacity as vice president and director of operations for rep firm TeleRep, take action if any of his client stations signed on with Group W? "On behalf of TeleRep, if something's done that we feel is in violation of our agreement [with a station], I guess we'd have to consider our legal options at that point," he said. "I don't think anybody wants to go to war, but on the other hand . . . " He let his sentence trail off. At the other rep firms, reactions were the same: Lawyers were working on papers that would be filed if a rep's client stations signed with Group W's unwired. And in March, Petry lodged a suit against Group W and its partner, NBC. The reps were pissed.

They have reason. Rep firms sell spot time on local stations, which national advertisers purchase only after they have negotiated each year's biggest buys in the so-called upfront market. But unwired networks give any large amalgam of TV stations the ability to fight for ad dollars in the upfront, which was once reserved for the three networks, then for barter syndicators and more recently for cable networks. In short, with so much new inventory in the upfront marketplace, there will in theory be less money left over for the spot market.

The proof is in six years of declining growth in national spot television revenue. That slowdown arrived with the presence of network cable and barter syndication in the upfront marketplace. Advertisers that once would have spent money for spot television are now shopping for ad time on syndicated and cable programs in the upfront market, media mavens at ad agencies agree. There is so much money spent in the upfront market now—more than $5 billion by some estimates—that national spot television, as it exists today, could become obsolete.

The unwired network is really the television-sales business' acknowledgment of these new marketplace conditions. It exists to gather stations into groups that are large enough to attract dollars in the upfront market, where today's media action is, and to leave those stations less dependent on national spot dollars.

Unwired networks have knocked down many of the television sales business' oldest structures, and confirmed fundamental, irreversible change in the marketplace. The TV spot that in 1980 had only one path to a national advertiser—namely, the rep firm—could now reach the same advertiser via any of ten or more sales thoroughfares.

Some folks will, in the end, hang for all of this. It could be a few of the rep firms, whose bedrock functions are threatened by the change in the marketplace. It could be certain unwired networks; there are about ten in the market now, undercutting each other's prices, and stations may start to deny some networks inventory in order to protect the overall worth of their time.

The jury is still out on precisely who will dangle. And the jury consists of TV stations' owners and managers. Neither advertisers nor their agencies have a vote. In the hands of station owners is the power of life and death over rep firms and unwired networks—and the future of television stations' revenue streams.

An unwired network is what its name says it is—a commercial network of stations that does not show the same programming on all its outlets. The stations are not *wired* together by common programs, in other words, as are the ABC, CBS, NBC and Fox network affiliates. In theory, an unwired is simple to put together: Buy commercial inventory in specific dayparts from a big list of television stations, figure out how much of the U.S. the stations cover, put a daypart ratings estimate on the total list and sell the time to a national advertiser. After Mike Kammerer, a former ad-agency media maven, brought this old radio-business idea into TV with his Independent Television Network in 1983, unwired networks of various shapes, sizes and purposes sprang up and became significant sources of revenue to many TV stations.

Rep firms grumbled but played along. In a national spot marketplace already squeezed by barter syndication and cable, reps tolerated unwireds—even packaged a few themselves—because it was hard to begrudge client stations another source of revenue. Group W's unwired went too far because it proposed to deal in top-of-the-line inventory. Most of that inventory would sell in the spot market even if it wasn't repackaged in an unwired network, so why repackage it? To move the sale of that time into the upfront market. When barter syndication came on the scene, it competed for ad dollars in the upfront market against the Big Three networks. When cable networks grew large enough to draw national advertisers, they began competing in the upfront. Now stations want to play in the upfront, too, and unwired networks are the mechanism.

But are stations robbing Peter to pay Paul? Will money gained in the upfront come without a cost in the spot market? Or will competition among too many unwired networks send prices spiraling so low that advertisers will use unwireds merely as cheap alternatives to buying spot time?

Unwired networks in and of themselves never threatened the traditional spot marketplace that has fed stations since TV's beginning. To many stations, particularly independents, unwireds deliver ad revenue that is crucial to survival. But the recent, rampant proliferation of unwired packagers—who often must undercut each other's prices to compete—can reasonably be seen as ominous for station owners.

PHOTOGRAPHS BY RUEDI HOFMANN

Makers of unwired networks uniformly claim their goal is to take ad revenue from the Big Three networks and barter syndicators. Talk to the buyers of unwireds at ad agencies, however, and you'll find it isn't simple to pinpoint the source of the money that pays for unwired networks. Inside the large ad agencies, there is no guarantee that an unwired network buy won't be paid for out of spot-TV budgets. "There's no two ways about it: An unwired network is spot," says a media executive at one of the global agencies headquartered in New York. "It's packaged in a way to make it acceptable as a national buy. But a national spot buy is exactly the same thing."

An unwired networker with an intimate knowledge of the advertisers he pitches truly can avoid picking up spot money instead of network budgets. Such is the case with Kammerer, who pioneered the unwired TV network in its current form with ITN. Kammerer doggedly avoids taking national spot dollars for ITN's unwired packages, and there is more than one story in the Naked City about his turning down million-dollar deals after discovering spot money would pay for them. He says it's very easy to distinguish an advertiser that pays for an unwired with spot money instead of network dollars. "You know what their traditional spending patterns have been," he says, and so diversions of money that traditionally goes to spot are apparent to him.

But Kammerer spent 20 years working in major ad agencies for clients like Procter & Gamble to gain that knowledge, and his problem today is that the unwired networkers that have risen in the last year to compete with him do not in every case have so deep an understanding of the advertisers. A lack of such knowledge plays into the hands of agency buyers who might see an unwired network as a way to fill a client's spot-TV objectives at a nice discount. As one media executive put it, "My right hand's not going to buy something that my left hand can get cheaper."

"Unwired networks right now, the only way they're making business is to keep undercutting each other," says Bruce Lumpkin, general manager of Baltimore Fox affiliate WBFF—which has sold time to ITN and others—and a vice president of the station's parent, Sinclair Broadcasting. "As they undercut one another, the stations pay the price, because they wind up having to sell that 30-second spot for less than what they did to the last guy who bought it for an unwired network," he says.

Ron Inman, vice president for marketing of the Association of Independent Television Stations (INTV), suggests that the rise of unwired networks and the rush to do business in the upfront market are simply manifestations of deeper change in the marketplace.

"Are we so wedded to the spot product, to the way we do business today, that we can't see the forest for the trees? That maybe the product is obsolete?" he asks. "Name me one product that has not gone through some sort of evolution, that has not changed its valuation somehow over the past ten years. But yet our spot television product is basically the same as it was ten years ago. Does it have to go through an evolution? Are we going through that evolution right now?"

The only reasonable answer is yes. What precisely will evolve is harder to call. Ultimate control of a station's inventory rests with the station's managers, and how they decide to allocate their ad time will determine the form of spot television in the future. Station managers have the power to decide—this year, as the new unwired networks fight for inventory and clients-literally who will put food on their tables, and how much. Kammerer suggests station owners read Charles Dickens' *David Copperfield*. The first line of that classic novel is a prescription of sorts for television stations: "Whether I shall turn out to be the hero of my own life, or whether that station will be held by anybody else, these pages must show."

"Any new business goes through four stages—rejection, resistance, acquiescence and imitation," says Kammerer, looking back at the history of his Independent Television Network. "Now we're in our imitation phase," he says, and this stage has turned out to be a mighty, throbbing headache for him.

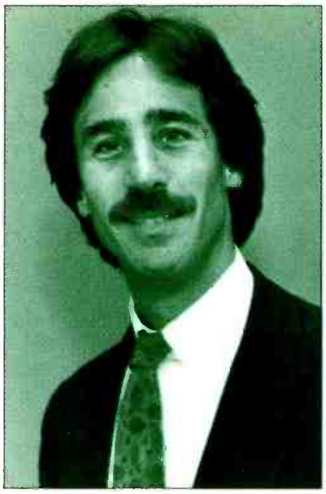
It's not that he thought he'd never have competition. But no one expected the rush to the unwired business that took place in 1988 and early '89. Since ITN's late 1983 beginning, two companies—ALIN (for America's Leading Independent Network) and TVRC (for Television, Radio and Cable)—have started packaging deals similar to those ITN puts together. But it was really in late 1987, when certain rep firms and a new entity called Tribune Plus began packaging unwired networks, that the rush began. In October, The Procter & Gamble Co. shied away from network price increases and cut two unwired deals. Tribune Broadcasting Co. linked its six independent stations with another superstation, Turner Broadcasting System's SuperStation TBS, to form Tribune Plus, which sold a package of ad time to P&G for a reported $10 million. The same month, Katz Television cut a deal—also worth a reported $10 million—with P&G. And Blair Television fixed an unwired deal with Bristol-Myers that was worth from $2 million to $5 million, according to industry reports.

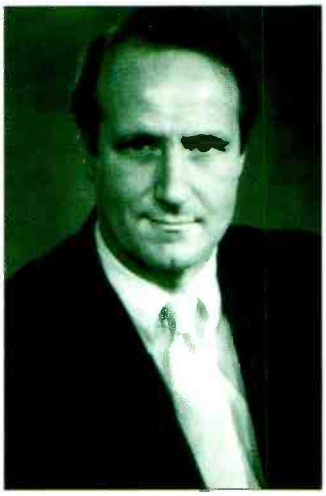
Like honey draws flies, that money drew new unwired players from every segment of the TV sales business. And each player had its own purpose. For the rep firms that started cutting unwired deals, the purpose was merely to keep up with the game. "It's a dogfight out there," says one rep-firm executive. "If I'm going to play by the old gentlemen's rules, I'm going to get carved up."

Camelot Entertainment Sales, King World's barter-advertising sales firm, formed the C&C Unwired Network out of necessity, according to Camelot president Steven Hirsch. Camelot's problem, odd though it seems, was that it was selling the barter advertising inventory in the three highest-rated shows in syndication—*Wheel of Fortune*, *Jeopardy* and *The Oprah Winfrey Show*.

"One of the problems that agencies and clients had was that we'd ask for sizable money for this product, also sizable CPMs," says Hirsch. "And they said to us, 'All your CPMs are higher than I pay in syndication. You've got to put some other product in here to lower your overall CPMs.' And we'd say we didn't have it." Packaging independent stations' inventory with Camelot's barter time brought the CPMs down to a level that would attract more advertisers.

USA Network's need to cover more of the television universe than a cable network can reach by itself was the motive to build the company's National Independent Network. By coupling USA's cable inventory with spots from independent television stations, the network pairs two audiences that a network television buy does not reach. Advertisers that might otherwise have bypassed USA Network—automobile manufacturers and makers of packaged goods and food products—have found the National Independent Network package enticing enough to ante


STEVE HIRSCH OF CAMELOT.

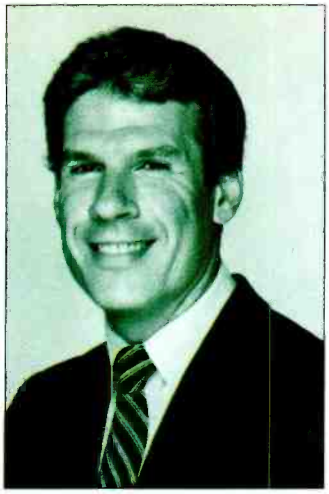

JOHN SILVESTRI OF USA.

up. John Silvestri, USA's senior vice president for advertising sales, reports that the National Independent Network has pulled in more than $8 million in advertising revenue in its first year of operation.

Unwired networks like Camelot's and USA's sent a new kind of scare through the national rep firms. Barter syndication and cable, which the reps had declared culprits in the slowdown of

## The Major Unwired Networkers

| NETWORK | METHOD |
|---|---|
| Independent Television Network | Buys time from independent television stations, packages it for resale to national advertisers. |
| Group W Premiere Announcement Network | Intends to contract with network-affiliate stations in the top 50 markets for time in their evening newscasts. If time goes unsold in the upfront marketplace, it will be turned back to the stations, which would sell it in the spot marketplace, nationally or locally. |
| TVRC Corp. | Buys time from independent television stations, packages it for resale to national advertisers. |
| ALIN TV | Buys time from independent television stations, packages it for resale to national advertisers. |
| C&C Unwired Network | A venture of Camelot Entertainment Sales and Corinthian Communications, a media buying service. Inventory from independent stations is bought through Corinthian and packaged for sale with inventory from Camelot's barter syndication shows. |
| USA National Independent Network | A venture of USA Network, the cable net, and Corinthian. Inventory from independent stations is bought through Corinthian and packaged for sale with inventory from USA Network programming. |
| Tribune Broadcasting Plus | Packages inventory from Turner Broadcasting System's SuperStation TBS and Tribune's own independent stations. |
| The rep firms | Using their lists of represented stations, some rep firms have sold one-invoice, unwired-network packages to advertisers. Katz Television and Blair Television have done the biggest unwired deals of all the rep firms. |


ED GOLDMAN OF GROUP W.

The success of unwired networks has drawn players from every segment of the television business that courts advertisers: barter syndication, cable networks and even station groups.

national spot growth, were in effect teaming up with the stations whose coffers they were allegedly draining. "We've met the enemy and they are us," says Blair Television vice president and director of marketing Don Williams, paraphrasing Pogo.

The makers of barter's and cable's unwireds see things differently. "Theoretically, the rep firm has sold as much [of a station's inventory] as it can at the right kind of price. It's still open inventory," says Camelot's Hirsch. "That's the reason to do business with us. You're the station guy, you want somebody to buy it. It'd be great if your national rep sold it, but on the other hand, if they don't, because the money just isn't coming into the marketplace or they haven't been able to get enough interest in it, [stations] have somebody else over here who's interested in buying it. We're another alternative."

Group W offered another unwired alternative because it saw opportunity in the upfront for the five stations it owns. "We are concerned with the total sales efforts of our stations, both nationally and locally," says Group W Television Sales president Ed Goldman. "We looked at the total television pie—that is, the aggregate of monies that are spent in television annually. And we saw that the aggregate was growing at a fairly impressive rate and continues to grow, but the components are changing. The local and national spot, what our company looks at as O&O sales, that's kind of flat industrywide. But the components of barter syndication and ad-supported cable networks are getting 25- to 30-percent increases." Barter and cable, Goldman says, are growing "at the expense of other alternatives in the television mix, including spot television. And we've identified this as something which has hurt our growth potential for our business. So we targeted, as our goal, participation in something that would be truly incremental for us, and that's the upfront market, the network market."

His motivation to attack the upfront with an unwired network came from the realization that the upfront season was no longer simply the network market.

"It's all-encompassing," Goldman says. "It's not the three broadcast networks exclusively. It's also the cable nets. It's also the syndicators, who are running around between March and the middle of June, locking up advertising support which will then go on the air from October of 1989 through September of 1990. That is the upfront broadcast season, as I understand it. We know from the advertisers and the agencies that we deal with that plans are written and that monies are put aside for print and network and local and national spot, and it's all kind of predetermined as to what the budgets will be for the upcoming year or so. That pie gets divvied up in the network season. Well, local broadcasters aren't able to participate in that. So that became the goal for our project."

Getting threatened with lawsuits by rep firms was not the goal, but Goldman steadfastly maintains that the threats do not matter to Group W. "We are creating an opportunity for television stations, local broadcasters like ourselves, to participate in," he says. "I am hoping that anyone who wishes to participate can see his way clear through his obligations to any other parties. And if they can see their way clear to fulfill their obligations to any other party, we would be happy to do business with them."

The sales pitches and counterpitches, the charges and countercharges after a while simply become bewildering. The rep firms claim barter syndication, cable and unwired networks are killing the spot market. Cable companies, barter syndicators and the unwired brokers argue that their products are merely filling the needs of advertisers that are trying new methods to reach consumers in a new kind of media market. If network and local television are no longer an advertiser's only alternatives, the argument goes, the industry should not cling to structures that were built to house the simpler marketplace.

The lone constant is station inventory control. None of the unwired dealers would survive until tomorrow if stations chose not to sell them time. So the challenge station owners face is how best to exercise that control, how to maximize their revenue over the long term. The primary concern about unwired networks, which have fed stations much-needed short-term revenue, is that rampant competition among them will turn the inventory of stations into a mere commodity over the long term. No selling points other than price would matter.

"Look at what happened to the airline industry after deregulation," suggests INTV's Inman. "It had no idea how to use price as a tactic. All of a sudden, they leaped on price and that's all they did. Now look at them. They almost put themselves out of business. Television also could get into a commodity situation. There's very little long-term brand valuation in that kind of strategy, I think."

INTV's failed plan to set up its member stations in a cooperative unwired network was the organization's attempt to stake out for all independents a strong brand image.

"We were developing the tactics necessary to be able to compete on a non-price basis," Inman says. "Any of the [Big Three] networks and their affiliates—they've got a brand identity. Being independents, 242-odd general-service television stations, we have 242 different images. We don't convey the same kind of brand identity. The co-op idea was to be able to convey that brand identity and also to give the advertisers a mechanism to execute [their media plans]."

Fox Broadcasting (because of its programming network sales) and Tribune Broadcasting (because of its Tribune Plus unwired) opted to keep their stations out of the INTV co-op, thus denying INTV market coverage in Chicago and New York and killing the co-op idea. But many independent station owners liked INTV's plan.

"I was for it. It would have been the strongest unwired network I could belong to," says Alan Frank, sales manager at WTOG-TV, a St. Petersburg, Fla., independent. "It would have covered 99 percent of the country and possibly could have demanded higher rates because of that."

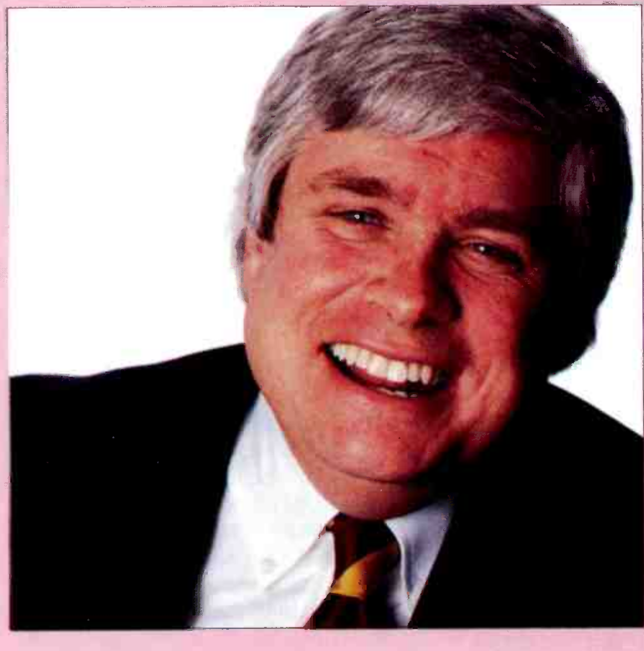
There will be no INTV cooperative, at least not in 1989, but Preston Padden, INTV's president, is still on the stump, telling advertisers to buy the combined audiences of independent television stations. "Vehicles aggregating independent audiences should now be considered candidates for 'network' dollars," Padden told INTV member stations in a letter announcing the fall of the co-op idea. And at a February meeting of the Association of National Advertisers in New York, he recommended Tribune Plus, ITN and the Fox network (a wired network) as the best ways to reach the audiences of independent TV stations.

# Mike Kammerer's Unwired World

When people talk about Michael Kammerer, president and founder of Independent Television Network Inc.—TV's first unwired network—they generally talk about his ideas, not how much money he's made from them. That's remarkable, considering the ton of loot he's made, but it is also to be expected after meeting Kammerer himself. He talks notions and hunches—television marketing ideas—and he talks about money only to complain about it. "T-bills, real estate, it's all a pain in the ass," Kammerer says. "What turns me on is solving marketing problems."

ITN was born in 1983 when Kammerer, having spent 20 years in ad agencies, hired himself out as a marketing consultant to solve a problem for Hanes Hosiery. That company's hurdle was the price of network advertising: Hanes couldn't pay it. So he bought time on independent stations in programming geared to working women, Hanes' target, thereby creating TV's first unwired. Selling the idea to other advertisers wasn't easy in the two following years, but in early 1986 Kammerer's star began to rise. It wasn't long until imitators were springing up to give Kammerer a whole new set of worries.

He should not, evidently, worry about losing affiliates. Station people who deal with Kammerer uniformly report fair treatment. Connie Martin, general sales manager of KPTV-TV, a Portland, Ore., VHF independent, says her station has a "major relationship" with ITN and approaches other unwireds warily. "I wouldn't be willing to make a long-term commitment to anyone else," she says. How can a middleman inspire such fidelity? Kevin Murphy, ITN's director of marketing and sales and a former salesman for Turner Broadcasting, says the excitement generated by the unwired idea itself has much to do with it. "The idea is just so good," he says, that the feeling at ITN is "a lot like the early days of working for Turner." And after all is said and done, it might well become clear that Mike Kammerer's ideas shook up television sales as much as Ted Turner's shook up programming. —C.R.



Regardless of whether stations choose to deal with ITN, other unwired networks or both, choosing allegiances wisely is the key to winning the inventory-allocation game that stations are being forced by unwireds to play. In today's market, many stations will still need the revenue that only unwireds can bring them. But if more than one or two unwireds are delivering that money, the station can count on the fact that the price was cut somewhere along the line—which means that next time around, the station will not get as much money for the same inventory. Even ITN, the pioneer unwired networker, argues that spreading inventory across too many unwireds is dangerous for stations.

"Guys, you're really doing yourself a disservice here, signing on with everybody," says Kevin Murphy, ITN's director of marketing and sales. INTV's Inman agrees. "I think that it's in the best interest of individual stations to give your best deal to one operator, whether it's ITN or C&C, whoever you perceive to be the best operators," Inman says. "Every single time you give someone else a rate, you're undercutting your original deal."

Certain station sales managers, at least in the top 50 markets, apparently are deciding to limit carefully the inventory sold to unwireds. At Portland, Ore., independent KPTV, general sales manager Connie Martin says her station has been working almost exclusively with ITN for about four years. Sticking primarily with one unwired has "worked very well," Martin says. "We really are in control of how much of our inventory we give up, and at what rate. There's a limit to how much of your inventory you want to give over to a slightly discounted rate. Obviously, we are working with a limited commodity here."

Don O'Connor, president of KTMA Acquisition Corp., which owns Minneapolis' KTMA and other indies, agrees. "If you start wholesaling it out to every Joe Blow and your normal advertisers get wind of the fact that you're brokering it out at 25 cents on the buck to what he's paying, you won't have a long-term relationship with that customer," he cautions. "I cannot, being a two-year-old station, tell the guy I deal with at ITN that ITN can go scratch at this point. As far as dealing with the many more guys coming in, to try and deal with their problems at our expense, I don't have a lot of sympathy for that cause."

That sort of talk suggests stations owners are discovering a prescription for survival in the new marketplace: Hold fast to inventory until it draws the best price—and sell more time locally to tighten inventory and drive up rates. It's already working for WBFF's Bruce Lumpkin: "We hired extra sales people," he recalls. "We trained them, put them out on the street, and local sales started to happen. It tightened our inventory up. Then I turned to the unwired networks and said, 'Hey, I can't take that deal anymore. I'm losing money. This is what I need.' Some people said, 'I'm sorry. I guess we'll catch you on the next buy.' Other people said, 'Oh. Okay. What *will* it take to clear?' And they bought it."

At a higher price. ●

# RAISE THE HALO HIGH

*Public service TV has plenty of clout. But too often important social issues are glossed over.*

*by David Bollier*

Sitting on a creaky chair in front of a bare wall, a handsome, barefoot young man looks straight at the camera. "If I told you I could save my life just by putting on my socks, you wouldn't take me seriously. Because life is never that simple. But watch . . . ."

The Adonis slowly slides a white sock onto his erect foot.

"Okay. You're right. That wouldn't really save my life. But there's something just as simple that could."

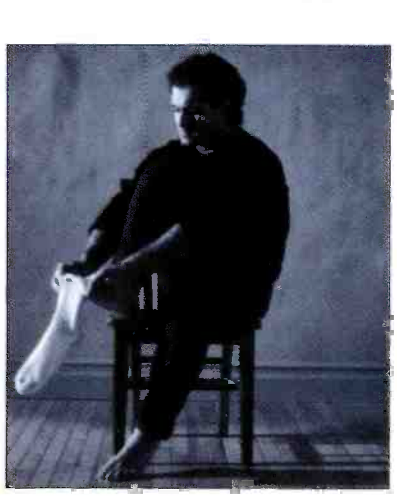
And what's *that*? Could it possibly begin with the letter "C"? The public-service announcement closes with silence and the on-screen words, "America Responds to AIDS."

Now do you get it?

When the AIDS crisis collided with network television, it revealed some of the complex moral calculations that lie behind public-service TV. A frank AIDS-education campaign could trigger a lot of PR problems. On the other hand, bland AIDS warnings could draw the ire of public health authorities. Yet actually mentioning condoms could open the door to paid condom ads, which the networks fear would alienate many viewers and trigger denunciations from the Catholic church, even though some local stations air such spots.

Top government officials also may have been playing a more than passing role in the networks' reluctance to let the word condom hit the airwaves. "The Surgeon General's AIDS report in the fall of 1986 loosened up the networks and gave them some mandate to become more explicit," says James Kinsella, author of a forthcoming book on media coverage of AIDS. But according to Kinsella, the networks were whipsawed on AIDS by officials in the Reagan White House, who adamantly opposed mentioning condoms on TV, arguing it might encorage promiscuity.

The coy "socks" ad, one of a series of AIDS public-service announcements produced by Ogilvy & Mather Advertising for the Center for Disease Control, ingeniously finessed the likely complaints. "Network executives are busy people," explains a network researcher familiar with the debate. "The last thing they want is to argue about condoms."



Welcome to the genteel activism of public-service TV, one of the medium's most influential, irregular and unexplored realms of programming. It is a hybrid genre that lives in the shadows of TV's main events, programming and paid advertising. But like most anything that comes over the tube, it has a tremendous power to inform, sensitize and mobilize the American public, whether through PSAs or full-length programming. The day after NBC aired *The Burning Bed*, for instance, a movie about a battered wife who kills her husband, social-service agencies were deluged with calls for help. When The Fonz of *Happy Days* decided to get a library card, Americans flocked to their local libraries to get cards of their own.

A more recent development is the blockbuster public-service campaign, such as First Lady Barbara Bush's pet cause, Project Literacy U.S. (Plus), jointly sponsored by Capital Cities/ABC and PBS. During the last three years, through a steady barrage of PSAs, special programs and a vast network of 366 community task forces, PLUS has shown how TV can use its agenda-setting powers to provoke public interest in an often neglected social problem. Since the campaign hit the airwaves, the Department of Education re-

**AIDS PSAs: promote safe sex and play it safe.**

ILLUSTRATION BY BECKY HEAVNER

ports that 40 percent more tutors and 14 percent more adult learners have come forward.

To read that kind of data, one might think that TV's most aggressive profit maximizers had become dewy-eyed social reformers. Indeed, GTG Entertainment president Grant Tinker has become a formidable activist seeking to change TV portrayals of drunk driving. And numerous stars from Ken Kercheval ("Cliff" on *Dallas*) to the late Yul Brenner have come forward to bear witness on TV to their alcoholism, smoking addiction and other wayward ways.

However sincere its backers, public service TV is also a hustle. Where else in the TV business can pragmatic calculation be passed off as saintly altruism? Want a softer, gentler station identity? A more credible, socially responsible image for your product? A more efficient alternative to conventional advertising? Or perhaps you want to ingratiate your business with government officials or frame public debate on a given issue?

TV's do-gooders squirm at such frank talk. It tends to tarnish their halos. Still, even their critics concede, better some low-wattage halos than no halos at all.

Thirty years ago, Edward R. Murrow once chided his colleagues for not using the enormous power of TV to better serve society. "This instrument can teach. It can illuminate; yes, and it can even inspire," he said. "But it can do so only to the extent that humans are determined to use it to those ends. Otherwise it is merely wire and lights in a box."

In today's burgeoning video marketplace, Murrow's plea has seemingly been answered. Public-service TV is a flourishing field that consumes billions of dollars of airtime in the form of PSAs, community campaigns, disease-of- the-week movies and social moralizing on news programs and prime time shows. It employs a small army of social scientists, community-affairs directors, *pro bono* ad agency talent and public-service organizations such as the Advertising Council and the National Broadcast Association for Community Affairs.

What distinguishes public-service TV from most other segments of television programming is its unabashed ambition to preach—or, in the words of the Ad Council, to serve as "Town Crier for a Nation."

Murrow would be proud. Or would he? Chances are he would blush at the gushy thank-you luncheons and countless grip-and-grin photos of TV's great humanitarians holding trophies. He would wince at the moral profiteering and milquetoast advocacy that presumes to be courageous. The man who took on Joe McCarthy

# *Anti-drug PSAs: A way for TV and advertising to clean up image problems.*

This is drugs.

This is your brain on drugs.

Any questions?

would surely grimace at Saatchi & Saatchi DFS chairman Stuart B. Upson's prediction that the crime dog McGruff ("Take a bite outta crime!") will become "a truly important historical character."

Behind all the back-patting and ulterior motives, however, Murrow would also find some dedicated individuals struggling with a riddle that continues to perplex: How to encourage a highly commercial entertainment medium to minister to serious, sometimes controversial social problems?

Once upon a time, the FCC's Fairness Doctrine and license-renewal requirements ensured modest if perfunctory levels of public-service TV. But the Fairness Doctrine is currently off the books, and the great wave of FCC deregulation in 1984 swept aside numerous rules. No longer do stations have to ascertain community needs in a prescribed manner, keep detailed programming logs, air fixed percentages of non-entertainment and public-affairs programming or limit the number of commercial minutes per hour. "In a competitive market, there didn't seem to be a need for the FCC to tell a broadcaster how to ascertain community needs," says special assistant to the FCC's general counsel Richard Bozzelli, summing up the pervasive laissez faire attitude that has pervaded the agency since the beginning of the Reagan era.

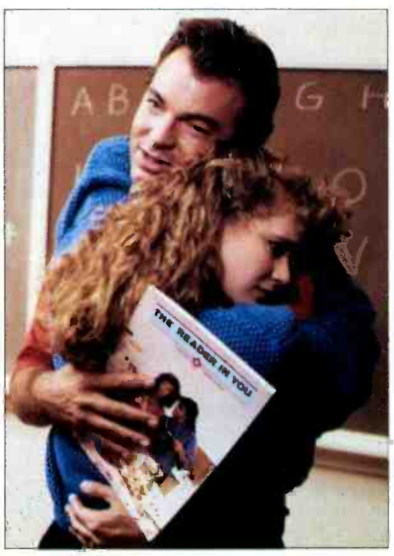
A few stations and consultants, however, saw a rare opportunity to transform an earnest, sometimes stodgy genre into a slick marketing tool. Why not remake public-service TV into a new vehicle for flashy corporate do-gooding? For old-school purists the idea of mixing public service with making money is sacrilege. But for the New Turks, weaned on deregulation in the age of opportunism, it is an enlightened way to sharpen a station's identity and cultivate new advertising, all in the name of good works.

One prime example is the upbeat "Positively Oregon" campaign of PSAs, news segments and publicity events, first launched in 1986 by the Portland CBS affiliate, KOIN-TV, to put a better face on the region's economic woes. The boosterism shored up community morale, generated several hundred thousand dollars in new advertising and burnished the station's image, according to Karen Lee Rice, KOIN programming and creative services director and the new president of the National Broadcast Association for Community Affairs.

"Public affairs is a friend-making function of broadcasting," says consultant Jerry Wishnow, hailed by many stations as a guru of the field. If properly done, Wishnow asserts, public-service TV "gives stations something important to advertise, provides them with local and national publicity and awards, and positions themselves as friends of the public."

"Making friends" usually means high-

*ABC and PBS's literacy campaign is a favorite of First Lady Barbara Bush.*



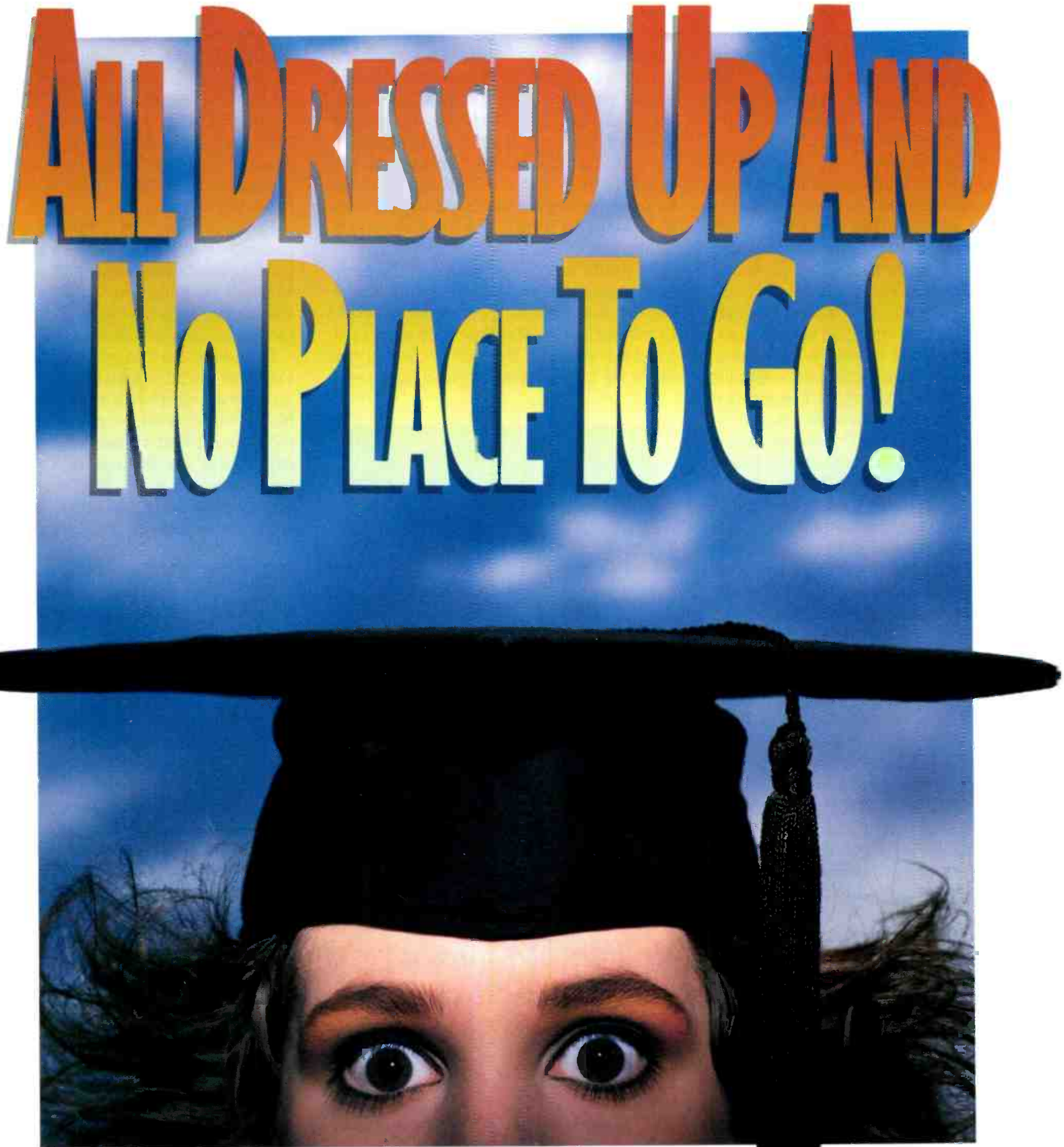

visibility campaigns for tame worthy causes: blood drives, food drives, collecting coats for the homeless and recruiting Big Brothers and Big Sisters. Community campaigns are so pervasive these days, says Rice, because "these are not community-service dollars. They are marketing dollars." The trend is confirmed by a National Association of Broadcasters survey last year showing that more than 75 percent of TV stations involve local businesses in their public-service campaigns. The infusion of commercial dollars has transformed what was once a stepchild into a favorite son. "No department at a station is an island any more," Rice explains. "Public affairs, sales and news are all involved together."

The synergies can be impressive. When Montgomery Ward several years ago sponsored a campaign to deter car thefts, its $1 million investment generated airtime (in the form of PSAs) worth approximately 20 times the cost in conventional advertising, and an "awareness" level of nearly 75 percent in the 51 markets in which it was ultimately seen. In Boston, the campaign earned governmental plaudits for Montgomery Ward and WNAC-TV for reducing the city's auto theft rate by 26 percent.

Not every community-affairs director celebrates the new linkages with advertisers. "You're only as good as the sales department lets you be," complains one public-affairs director who feels constant pressure to initiate only projects that enhance station image.

Another public-service traditionalist, Jeanne Bohn of WSOC-TV in Charlotte, N.C., grimaces when acknowledging that the new style public-service TV has one recurrent theme. "It's the Warm Fuzzy," she sighs. "You can't go wrong with kids or puppies." Bohn wistfully recalls the time when public-service TV "was for the benefit of the community first and secondarily rebounded to the glory of stations."

The new public-service TV sometimes has a downright insidious bent. Advertisers can be downright shameless. It too often means an avalanche of pseudo-PSAs


ALL DRESSED UP AND
NO PLACE TO GO!

from companies trying to cop some free airtime. "I must receive 200 unsolicited PSAs a month," says an exasperated Carole Bitts, community services director at WGAL-TV in Lancaster, Penn. "We get spots from Louis Rich [a turkey processor] at Thanksgiving saying that turkeys are such good nutrition."

The pseudo-PSA onslaught is not confined to the holiday season. Magaret Garcia, public-service director at Houston's KRIV-TV, groans, "We get PSAs with Teddy Ruxpin talking about 'sharing and caring' and the Care Bears talking about giving. I refuse to run them."

Not all attempts to fuse commercialism with public service result in cloying pap, however. Consultant Wishnow has assembled numerous campaigns that actually have an enduring impact on community problems. His most extensive campaign, "A World of Difference," hatched in collaboration with the Anti-Defamation League and WCVB-TV of Boston, helps communities confront racial and religious prejudice. With additional help from the Greater Boston Civil Rights Coalition and Shawmut Banks, the campaign has won high praise from civic leaders and prompted 19 stations nationwide to replicate it in their own cities. TV gives the project visibility; the real change, the theory goes, then take place in schools, conferences and through other community activities.

Another Wishnow campaign, "Beautiful Babies . . . Right from the Start," had a significant impact on Washington, D.C.'s appallingly high infant-mortality rate. WRC-TV, the NBC O&O that first hosted the $3 million campaign, gave away more than 60,000 booklets of discount coupons for baby merchandise. Expectant mothers could redeem the coupons at local businesses after getting them validated, one at a time, at city-approved clinics.

WRC gave the campaign a phenomenal 350 gross rating points a week—three or four times more exposure than heavy hitters like Coca-Cola might buy. After 18 months, prenatal visits to public health clinics had increased 22 percent and infant deaths had declined 6 percent. The two chief sponsors, March of Dimes and Blue Cross/Blue Shield, both reaped far more publicity and goodwill than they could have bought through conventional advertising; an outlay of nearly $300,000 reaped $2 million in guaranteed PSA airtime. And Blue Cross saved $1.5 million in health-care costs for low-birth-weight newborns.

Wishnow now postulates an axiom: "Ten thousand GRPs will produce 70 percent audience awareness of the name of a project within one year." But the real impact, he hastens to add, comes from the follow-through by community groups.

Insiders call it the "win-win" approach to public-service TV. Sounds good. But for all the good some of these campaigns generate, "win-win" scenarios sometimes mask modest goals or suppress dissenting voices, complain some community leaders. One such skeptic is Doris Aiken, founder and president of Remove Intoxicated Drivers (RID), a citizens' group with 136 chapters in 35 states. Aiken charges that broadcasters have used the mantle of public service to derail the alcohol-reform movement.

As public sentiment rallied in the early 1980s against alcohol abuse, many broadcasters worried that the movement would threaten their $900 million gold mine in alcohol advertising. By 1984, in fact, a coalition of 24 national organizations—including RID, the PTA and church groups—had formed to do just that. Under the banner of Project SMART (Stop Marketing Alcohol on Radio and TV), the group called for either a legislative ban on alcohol ads or equal time for counter-advertising.

*With a TV movie, Mothers Against Drunk Driving leaped into the limelight.*

In response to SMART, broadcasters and the alcohol industry began a flurry of PSAs against drunk driving. They also rallied around a then-small citizens' group, Mothers Against Drunk Drivers (MADD), founded a few years earlier by Candy Lightner, whose daughter had been killed by a drunk driver. In 1983, NBC produced the docudrama, *MADD: Mothers Against Drunk Driving*, chronicling Lightner's story and catapulting the organization into the national limelight. With a $180,000 donation from Anheuser-Busch and active support from the NAB, MADD, which once struggled to pay its bills, went big-time.

"MADD became the most visible anti-drunk driving group around," says Aiken. "When people wanted to form a local group, they joined MADD because it had the name recognition. MADD was able to raise lots of money."

From the start, MADD's activism has focused on drunk driving; it does not agitate against overconsumption of alcohol. While it no longer accepts funding from the alcohol industry, it still voices no objection to alcohol advertising on TV.

Broadcasters understandably like this brand of social activism, and have been duly rewarded with representation on MADD's board and various committees. "We do a lot of things with the NAB," says Vicki Smith, assistant director of communications for MADD. "We need the cooperation of the broadcast industry to get our message out."

While public-health experts say they welcome any attention for a problem as deadly as drunk driving, they also complain that the "responsible drinking" message pushed by the broadcasters, the alcohol industry and MADD fails to address the core problem, alcoholism, and the role of TV advertising in promoting it. "Ten percent of the drinking-age population consumes over 60 percent of all alcohol," says Jean Kilbourne, a visiting scholar at Wellesley and member of the board of directors of the National Council of Alcoholism, who has studied alcohol advertising for the past ten years. "This figure corresponds very closely to the percentage of alcoholics in the society. If alcoholics were to recover, i.e., stop drinking, the alcohol industry's gross revenues would be cut in half. Could [the alcohol industry] want this?"

To this day RID complains that broadcasters have boycotted its PSAs and failed to deal with alcohol-consumption issues, a charge most broadcasters not surprisingly deny. "RID has been saying that for years," scoffs Rory Benson, NAB senior v.p., national campaign coordinator, who counters that the NAB distributes alcohol-abuse PSAs aimed at workers, women and expectant mothers.

On the other hand, Les Arries, president of Buffalo, N.Y.'s WIVB-TV and a former NAB board member, admits that broadcasters became hostile to RID, and friendly toward MADD, when RID joined the crusade against alcohol advertising. "We got involved with MADD because it recognized the value of our airtime. MADD saw no need to take perfectly legal products off TV," Arries says. "We

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Our clients have certainly appreciated the cost savings, and everyone has enjoyed the extra time satellite has provided us. Cycle-Sat has proven that satellite is a very viable method to distribute commercials.

*—Dana Geiken, DMB & B*

Our association with Cycle-Sat has been an exciting time for us. Cycle-Sat has made it easier for us to execute spot T.V. buys in multiple markets.

*—Merle Welch, Foote, Cone and Belding*

We have become accustomed to the ease and reliability of receiving commercial spots via satellite. We are also impressed with the flexibility of the system in regard to getting refeeds and special feeds. We look forward to a long working relationship.

*—Karl Hagnauer, KPLR*

Our experience at WGN-TV with Cycle-Sat has been quite positive. The system has been very reliable and the convenience of receiving the commercials in non-primetime has been helpful in scheduling our tape machines. Our equipment has been freed for production use during the prime hours.

*—Robert Strutzel, WGN-TV*

The quality and reliability of the hardware and software is outstanding. It's error free in its operation, and the speed with which we receive commercial feeds saves us make-goods and lost time.

*—Jim Martin, WOAY-TV*

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*A Communications Network.*

work with friends, not enemies."

Amidst the clamor for an alcohol ad ban, the Wine and Spirits Wholesalers of America also found a strategic use for PSAs. The association convinced 107 members of Congress to tape anti-drunk driving PSAs aimed at young people. Local broadcasters then aired the spots, giving legislators valuable free exposure at home. "It was as close to buying votes as you can get," recalls one SMART activist. A spokesperson for the Wine and Spirits Wholesalers Association claims any relationship between the PSAs and the proposed ad ban was "coincidental."

The alcohol reform movement, like prime time programming, rides the ebb and flow of the national mood. By the mid-1980s, another cultural tsunami had arrived: Just say no! Spurred on by the overheated rhetoric of then First Lady Nancy Reagan, the American Association of Advertising Agencies (4A's) formed the Media-Advertising Partnership for a Drug-Free America (MAP), which solicited 35 ad agencies to create some 180 anti-drug PSAs for TV, radio and print media. The goal, as one top MAP official put it, was "an incessant bombardment from every direction against every stratum of society, every month, every week, every day."

Donated TV air time and production costs have exceeded $100 million to date, making it the biggest public-information campaign in history, according to MAP—surpassing even the World War II recruitment and bond drives. Soon, the Ad Council geared up its own anti-cocaine campaign; CBS began its "Stop the Madness" campaign; prime time TV programs were laced with anti-drug messages; MTV rolled out "Rock Against Drugs"; and even Saturday Night Live's Mr. Bill was enlisted to "Just say no!"

While the blitz was clearly inspired by the magnitude of the problem, it also happened to serve some acute needs within the TV and advertising industries. In a 1986 farewell speech to his industry peers, then chairman of the 4A's, Louis Hagopian, lamented that advertising "does not receive the great esteem it deserves these days." An anti-drug crusade, Hagopian suggested, might be just the thing to rehabilitate the advertising industry's sagging image.

Given the political climate, the networks were only too eager to join the anti-drug bandwagon. Top network executives had been summoned before a Senate subcommittee in 1985 to explain how their programs were—or weren't—portraying drug and alcohol use. Networks and studios were soon donating celebrities and plotlines to the cause. Nobody's sincerity is in doubt, of course. Besides, explains Jerry Goldberg, a v.p. of creative services for CBS, "It's important for our stars and programs to be exposed in as much favorable light as possible."

Public-service TV has come a long way from its Sunday morning rap sessions with community leaders seated in front of potted palms. "Win-win" programs, such as Cap Cities/ABC and PBS's literacy project and the Wishnow designed "Beautiful Babies" campaigns, do seem to have had an impressive impact on pressing social problems.

But the medium continues to be dominated by smarmy messages of sharing and caring. Public-service TV is still determined to make nice with advertisers and government officials. From AIDS to alcoholism, the arms race to environmental issues, too much of public-service TV shrinks from most of the urgent issues of our time. Indeed, the evidence shows that the emancipation of public service TV is still a ways off. "When war comes," Edward R. Murrow once said, quoting Stonewall Jackson, "you must draw the sword and throw away the scabbard. The trouble with TV is it is rusting in the scabbard during a battle for survival."●

*Contributing editor David Bollier last wrote about Spanish-language TV.*

# Making TV Good For You

Lights! Camera! Propaganda! It is no longer enough for prime time TV to entertain. For several months now, the networks and major studios have been involved in a campaign to reform Americans' attitudes toward drunk driving.

From *Wiseguy* to *Golden Girls*, characters will make a point to stop a tipsy friend from getting behind the wheel. The producers of *Who's the Boss?* even agreed to kill off one of the show's characters to make a statement about drunk driving's dangers.

The idea behind the ongoing project, explains the campaign's architect, Dr. Jay Winsten, director of the Center for Health Communication at the Harvard School of Public Health, "is to add momentum to changes that are already beginning to occur, and to thereby catalyze a fundamental shift in social norms."


**Harvard gets TV to deliver a sobering message.**

What distinguishes the Harvard Alcohol Project is its unparalleled success at winning over TV's top decision-makers. Besides getting the Big Three to run "designated driver" PSAs, Winsten got 13 studios responsible for 70 percent of prime time network programming to participate in the project.

Sometimes the best way to get a message across is to pretend that there *is* no message. "When Don Johnson stopped smoking cigarettes on *Miami Vice*, that did more to prevent teenagers from starting smoking than a hundred PSAs," says Alan Wurtzel, ABC's senior v.p. for marketing and research services.

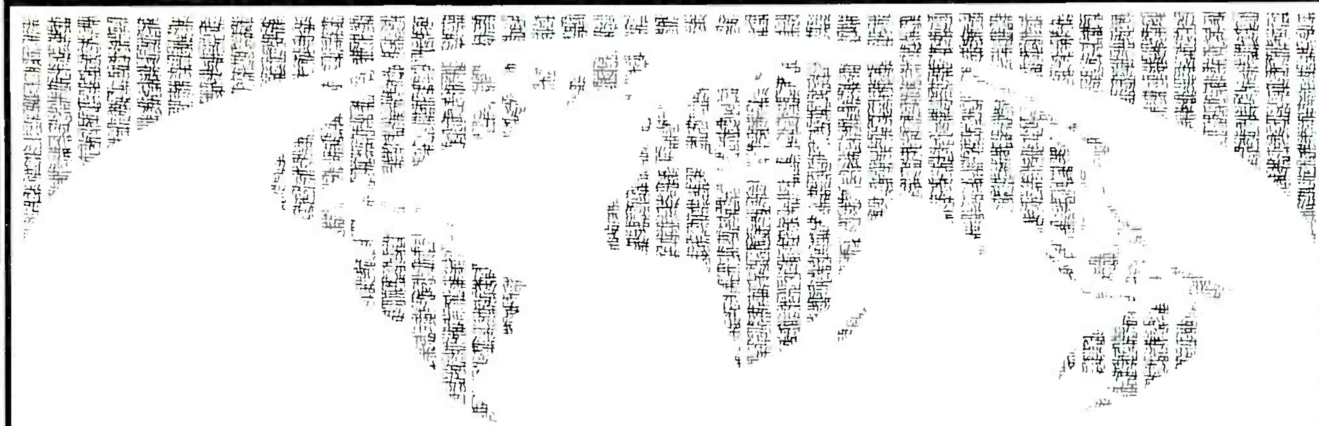
UCLA film and TV professor Kathryn Montgomery, in her recent book *Target: Prime Time*, comes to a similar conclusion: "TV's greatest power is in its role as the central storyteller for the culture. It is the fiction programming, even more than news and public affairs, that most effectively embodies and reinforces the dominant values in American society."

Hollywood's most active in-house crusader against drugs, alcohol and unbuckled seat belts is the Entertainment Industries Council, formed in 1983. Its general approach, says Larry Stewart, head of the EIC's issues and policy committee, is to informally ask producers, "Have you got anyplace where you might be able to [include a social message]?"

While no enforcement actions are taken against producers who ignore the EIC's requests, peer pressure in the tightly knit creative community is a strong force. In an early episodes of *Taxi*, Glenn and Les Charles introduced a drug-addled character, Jim Ignatowski, who became a regular on the program. "We couldn't do Jim today," Glenn Charles says.

A handful of producers who share the EIC's disdain for drug and alcohol abuse are still wary of being propagandists. "I'm leery of bandwagons because they can lead to loyalty oaths and pledges of alliance," says Barney Rosenszweig, producer of *Cagney & Lacey*. "People are too easily led. My mission [as a producer] is to remind them of that."

Much of the entertainment industry, however, flaunts its good deeds. As Stewart puts it, "We want the public to know that we're not a bunch of Tinseltown yo-yos." —D.B.



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***Incorporated***

*January 10, 1989*

# Banking On Television

This year's "Who Owns Broadcasting?" special report focuses on TV station groups. Our lead story examines the world of the bankers who finance TV-station deals. Then we look in depth at the Cap Cities/ABC station group, perhaps the most successful in the land. We also speculate about the future of group ownership and examine the logjam in the station-trading market. Provocative reading for provocative times in the station business.

*The* real *owners of TV are the banks that finance all the station and cable wheeling and dealing.*

*by Harvey D. Shapiro*

If you invite Judith Foley Arnstein for dinner, be prepared for questions. Arnstein admits, "I go into people's houses and say, 'Do you have cable? Who's your cable operator? What do you think about the service? What pay channels do you get? Have you watched Fox? What do you think of it?' "

Arnstein is not a yenta; it's just that as a vice president in Chemical Bank's Broadcast and Cable Industries Group, she's one of a small group of bankers who specialize in financing the television industry, and she's always interested in informal research.

Almost every time somebody builds, buys or expands a TV station or cable system, or produces programming, they do so with credit. Much of that credit, accompanied by advice, comes from a small group of commercial banks that specializes in television. For a number of years, these financiers formed a tight little club. But as the market for buying stations and cable systems heated up early in the 1980s, says Victor Huebner, v.p. and head of the special-industries group at Toronto-Dominion Bank, a host of new banks "jumped into the market," and the junk-bond market presented an attractive alternative for raising money.

But as Alexander Mason, managing director of Bankers Trust Co., warns, "A business that has had ever-increasing values has become a business of diminishing values, at least in broadcasting. Lending is a lot trickier than it was." While the prices and pace of deals remain high in cable, the collapse of the TV-station market has scared off banks and junk-bond investors. So once again, much of the expertise and leadership in financing the television industry is in the hands of less than 20 banks with specialists. They fall into three categories:

- The "money-center" banks: Members of this group of the nation's largest banks include the six biggest in New York, plus First Chicago and Bank of America. They're so big, they're involved in financing every industry, but they have specialized TV units.
- The Canadian banks: There are only a half-dozen banks in all of Canada, so they are huge, and they have a long cable-finance history. Canada was wired earlier and more extensively than the U.S., and that experience has been leveraged into a big U.S. business.
- The "super-regionals": Bank of New York and Bank of Boston have disproportionately large television portfolios reflecting decisions made years ago to concentrate on TV.

Each of these banks has lent nine- or ten-figure sums to television, according to Paul Kagan Associates (see box). Bankers say it's not clear exactly what Kagan is counting, and his snapshots can be misleading because they don't measure the key role banks play in syndicating loans—organizing them and getting other banks to put up most of the cash. Still, over time, the same names appear atop these tables. And just below them, a few other regionals—such as Wells Fargo, Philadelphia's Provident Bank, First Republic of Texas and First Banks in Minneapolis—are perennial contenders. Hundreds of other banks also lend to TV, although they get involved largely by agreeing to fund syndicated loans put together by the giants, or because they're in the hometown of a broadcast or cable company and join all of its deals. (Two of the biggest U.S. banks are relatively underrepresented in TV. Morgan Guaranty focuses mainly on big, blue-chip clients, and its TV portfolio is smaller than that of other money-center banks. Citibank has also devoted fewer resources to television.)

And while mega-deals have gone to the giants, the regional banks have tended to focus on smaller borrowers and independent stations. At First Banks in Minneapolis, for example, Terry Adams says, "We look at indies on a more level footing than a lot of other bankers do." Adams, who heads communications and information industries there, says that this reflects the bank's belief that networks and affiliates will continue to decline. It's also a result of First Bank's having entered communications "after some of the big money-center banks. They have historical relationships."

It's not just money that identifies the TV banks: The big players have specialized teams. Bank of Montreal, for example, has a 12-member Communications Media Group, one of only three specialized groups at the bank (the others focus on real estate and oil.) Other corporate borrowers are handled in a general corporate-loan department.

But TV is different. The banks created teams for that industry because of its unique nature, says Bankers Trust's Mason, noting that the field "has its own vocabulary, accounting and characteristics." As a result, these experts have become critical, not only by providing funds but also by offering advice to firms that are too small to have in-house financial experts.

For the TV banks, meanwhile, television is not only a sizable business, it's also an attractive arena in which they can play out their ambitions to surmount the Glass-Steagall Act. The 60-year-old law separates commercial and investment banking, permitting banks to make loans but not underwrite and sell securities. Competition among institutions has sharply diminished the profitability of making loans, however, and as a result, Henry Morneault, a v.p. at Chemical Bank and head of its Broadcast and Cable Group, says, "We have the capacity and, certainly, the relentless desire to expand beyond lending into activities that would fall into the category of investment banking." TV deals are a chance to perform quasi-investment banking services that generate big fees without risking bank funds.

The way these TV specialists are organized varies. At Chase Manhattan, for example, managing director Steve Vacaro says the 45-member Media and Communications group "covers a very broad range of businesses that include cable and broadcasting, and also radio, publishing, outdoor advertising, cellular phones and telephone companies." Similarly, Gerald L. Hassell, The Bank of New York senior v.p., heads the bank's largest lending group, the Communications, Entertainment and Publishing Division, and he says it does "anything to do with media." By contrast, Chemical's Morneault says of his seven-member group, "Our corpus is radio and television broadcasting and cable." Chemical has an "entertainment group" that finances studios.

Groups differ geographically, as well. Bankers Trust and Security Pacific divide their groups between New York and Los Angeles, while Chemical, Manufacturers Hanover Trust Co. and Bank of New York limit their groups to New York. Bank of Boston and First Chicago do media lending from headquarters, but the Canadian banks have their U.S. media specialists in New York. Although Bank of America is based in San Francisco, its media group is in L.A.

Wherever they are, these specialists focus largely on acquisitions—providing the funds for the purchase of additional stations or cable systems. That's because once a station or cable system is built, it throws off steady streams of cash and shouldn't need day-to-day banking service; local banks can handle payroll or finance expansion. "They don't have a lot of needs other than acquisition financing," says Ian M. Clark, managing director in communications corporate finance at Morgan Guaranty.

Acquisitions, of course, have been the order of the day for much of TV's recent history. The FCC's changing of the rule of sevens to the rule of 12s set off a wave of deals, and the astronomical prices paid in some deals fueled still other deals and buyouts. And although the prices and the pace of broadcast acquisitions have dropped sharply, cable deals continue to flow. Says Benjamin Thompson of Chemical Bank: "We focus on enough areas of media so that if broadcast cools, cable or radio may be active. We can just shift focus to areas that are hot."

While investment bankers often initiate deals, commercial bankers serve more as the gatekeepers to the market—deals must pass muster with them before going anywhere. That process differs from other corporate lending because "the balance sheet is relatively less important," says Kurt C. Jomo, a v.p. and group executive at Manufacturers Hanover. "The important thing is cash flow." What that means, says Mason of Bankers Trust, is that, "We look at the market that the station serves, what the growth prospects for that market are, how the station has done in terms of ratings. And we look at the expense side—how many people are there, what are the programming costs. We get down to a bottom line, which is basically cash flow, and from that a financial structure emanates that makes sense for a given transaction."

Once bankers have an estimate of cash flow, they come up with a multiple of it at which they're comfortable lending.

**Judith Arnstein and Henry Morneault of Chemical's Broadcast and Cable Group.**

PHOTOGRAPHS BY BOB WAGNER

Alexander Mason, managing director of Bankers Trust Company in New York City.

Everyone insists that multiples aren't hard and fast, but at Manufacturers Hanover, for example, Jomo says the guideline is basically six times cash flow. He adds, "The multiple at which a bank lends is related to the multiple that a station trades. A year ago, purchase multiples peaked and there has been a decline. Banks have pulled back a bit."

While bankers look to a property's cash flow as their primary source of repayment, Mason of Bankers Trust adds that his bank takes "great comfort in having a second way out—the asset value inherent in these companies. That value is not derived from bricks and mortar, but from the franchise the cable operator holds or the broadcaster's license." Banks can't hold these as collateral, but they can take stock in the company as security, so in the event of default, they could end up owning the property. ("We've never had that privilege," Mason says dryly.)

Bankers not only scrutinize, they also specify. Loan agreements typically require that certain financial ratios be maintained, and sometimes they offer incentives. Last year, for example, Outlet Broadcasting signed a nine-year, $155 million revolving-credit pact with Bankers Trust and its hometown Fleet National Bank. Besides paying interest, plus a commitment fee of half a percent of the funds borrowed, Outlet agreed to pay $1 million if it didn't sell two indie stations by June 30—$2 million if they weren't sold by year end.

Maybe it's because the credit analyses are all done by recently minted MBAs, but one banker says, "If you're talking about the major banks with media groups, we're fairly similar in what we consider doable and not doable." Stations are often purchased on a "stand-alone" basis in which the lender looks to the station for repayment and has no recourse with the buyer. Consequently, bankers like financing group deals, because the risks are diversified over several markets. Manufacturers Hanover will occasionally finance a "single-station deal" if it involves an affiliate. But it won't do a single-station deal involving an indie. "To do that," says one banker, "you'd have to go below the top 20 banks" and find a hungry regional or foreign banker.

When bankers think the numbers add up right, on smaller deals they can write a check. But Yvonne Bos, who just left the Bank of Montreal's Media Group to join Citibank's, says, "the magnitude of the transaction" may require layers of debt and many financial institutions. For example, Bank of America's Entertainment/Media Group anted up the entire $110 million in a revolving-credit deal enabling ML Media Partners LP to buy Storer Cable. But a $1 billion credit raised by Cablevision Systems Corporation in mid-1988 was managed by Citibank and Toronto-Dominion, which provided the funds along with ten other major banks. It's not just prudence that limits the size of a bank's role in any one deal: U.S. banks can't lend more than 10 percent of their capital to a single borrower.

The key to making the biggest deals happen is to find ways to tap a variety of financing sources and spread the risk. That often requires both lending and issuing securities. And because of Glass-Steagall, this mix requires both investment bankers and commercial bankers. In most complex financings, explains Zelbie Trogden, managing director of Security Pacific Merchant Bank, "The commercial banks primarily do the senior lending," meaning they are the most secured creditors and get paid off first in the event of a bankruptcy. Often, he adds, the investment bankers handle mezzanine strips. The mezzanine, or middle layers of financing might include junk-bond debt, or equity-related securities such as preferred stock or convertible bonds. "Some banks will do the mezzanine strips also," Trogden says, by providing loans that are "subordinated" to other loans and therefore have less of a claim in case of difficulties.

It's not unusual for bank lenders to meet other parts of their own institutions in a deal. BancBoston Ventures and First Chicago Venture Capital, for example, are the venture-capital subsidiaries of the owners of Bank of Boston and First Chicago, respectively, and they can invest equity in deals while their banking cousins put up senior debt. But commercial banks have grown increasingly uneasy simply lending money, because fierce competition has compressed banking spreads—the margin between a bank's cost of funds and the interest it can obtain on a loan. So they're looking for a bigger role—finding acquisitions, structuring a financing package, anything beyond just lending.

As commercial banks try to break into investment banking, TV companies seem to be a good place to start. They aren't like giant blue-chip industrial com-

## TV's Top Banks

| RANK | LENDER | LOANS OUT 6/88 (mil.) | UNFUNDED COMMITS. 6/88 (mil.) |
|---|---|---|---|
| 1 | Chase Manhattan Bank | $550.00 | N/A |
| 2 | Security Pacific Bank | 520.00 | $ 0.00 |
| 3 | Citibank, N.A. | 486.62 | 103.63 |
| 4 | Chemical Bank | 430.00 | 440.00 |
| 5 | Toronto-Dominion | 400.00* | N/A |
| 6 | Bank of New England | 382.65 | 51.57 |
| 7 | Bank of New York | 380.00 | 250.00 |
| 8 | Bank of Boston | 365.00 | 80.00 |
| 9 | First National Bank of Chicago | 358.10 | 195.10 |
| 10 | Manufacturers Hanover | 305.95 | 134.39 |

All Amounts expressed in U.S. dollars to U.S. operators. *PKA estimate.
Source: Paul Kagan Associates' *Broadcast Banker / Broker Newsletter*.

panies, which have long-term relations with Wall Street houses. Yet the television industry's need for financial services is broadening rapidly. Mason of Bankers Trust says, "As these clients become larger and look more like Fortune 500 or Fortune 1,000 companies than they do like middle-market, entrepreneurial ones, we try to give them access to a broader array of capital markets. We can become their commercial-paper dealer, we can take them to the Euromarkets, we can do private placements and M&A for them."

Because of the interplay of several sources of money in these transactions, there is a complex web of relationships among the players. Investment bankers and commercial bankers compete fiercely for advisory roles, yet they're also partners in most sizable deals, since one can't issue securities and the other usually doesn't make loans. A $125 million Eurodollar loan for TCI, for example, was funded by eight foreign banks, but investment banker PaineWebber arranged the deal.

Meanwhile, the commercial banks are also competing with one another to get fees for arranging deals. Once they have the mandate to raise funds, they often ask competitors to become part of the lending syndicates. And everybody is both competing with, and seeking participations from, General Electric Capital Corp. and insurance companies such as Prudential and Metropolitan Life, as well as TIAA, a pension fund, because they have put large portions of vast portfolios into TV deals.

"We all know each other," says Barbara Mastro of Bank of Boston. "We're all prospecting the same companies and attending the same industry events." In addition to glad-handing at conventions, Citibank's Bos says, she regularly travels, often doing "cold calling. Many of us are on the road two weeks a month." When Bos calls on executives, she tells them, "We have large amounts available and we have experience—we know the industry and we know our business." She adds, "We don't look at deals as one-shot transactions. We're relationship-oriented. A good number of our customers have been with us for years." Those relationships were tested by the arrival of new players eager to lend to TV when the markets heated up in the mid-'80s. "The flood of banks into the business has not been particularly good for the large money-center banks that had led the industry," Mason admits. "With so much capital chasing business, it has invited ever-higher multiples, ever-looser structures in the deals that have been done, and it has had a tendency to push the market farther out on the risk curve than we may think appropriate. In this kind of environment, it's almost impossible to do deals on your terms."

During the interval when the cash-flow multiples that buyers were willing to pay for a TV station or a cable system were "skyrocketing," one banker says, the multiples at which banks would lend was "creeping up slightly." While loosening financial strictures a bit, the big banks insist they stayed away from "anything wild and crazy," as Chemical Bank's Benjamin Thompson says. "We saw a lot of deals come through that we turned down that got done somewhere else." Somewhere else might have been a foreign bank—particularly Japanese banks, which have wanted into the field—a regional or an insurance company, or, above all, in the junk-bond market. "The bank piece of a transaction, on a multiple basis, stayed fairly constant," says Mason, "but large amounts of subordinated debt were made available through junk bonds. Now subordinated debt providers are much more cautious because they perceive values to be in decline."

While they once might have feared losing their hold on the market, the more conservative lenders expect to have the last laugh, what with the stall in the station-trading market. Bank of Boston's Mastro adds, "A lot of people were bailed out of financing by ever-escalating media prices." But those days are over, and as Chemical's Thompson says, "There are no time bombs in *our* portfolio."

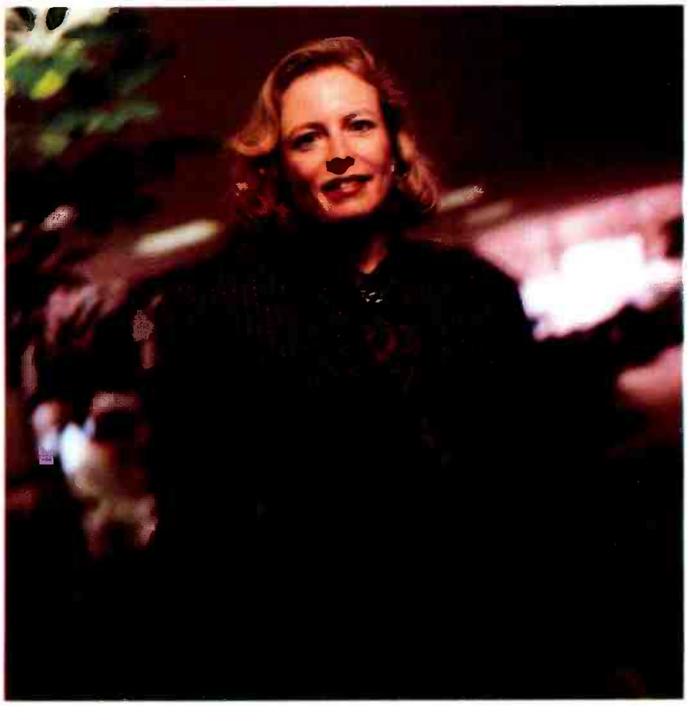
Indeed, the veterans of television banking are now taking a perverse pride in the deals they didn't do. Bank of New York's Gerald Hassell notes, "We didn't do Infinity; we didn't do Emmis; we didn't do Metropolitan; we didn't do Gillett." And he adds, "Since we have a longer-standing position in the business, we get to pick and choose more than those trying to build business."

The luxury of picking deals and helping to shape them is a major part of the lure for TV bankers. They insist they're not hoping to hob-nob with stars, nor do they have any proposals for TV series in their desk drawers. They don't read scripts or second-guess station managers. What they like, says Chemical's Arnstein, is that television "can be a very risky kind of lending, and it requires very strong credit skills. Many people move into this area because they want to improve credit skills."

Besides the intricacy of media deals, she notes, they're also heady because bankers "find that the people they deal with in this industry tend to be the chairman, the treasurer, the CFO. There aren't layers of people. You deal with the people who make daily decisions and that's very appealing. As a result, few people leave media units."

Finally, Arnstein says, TV banking "is interesting because the industry is always changing." And whatever the direction of those changes, they're likely to cost money. So ultimately, those pursuing any kind of changes in the television industry will end up at the banks for the same reason that Willie the Actor Sutton used to rob them—because that's where the money is. ●

*Contributing editor Harvey Shapiro last wrote about professional wrestling.*



**Yvonne Bos, who just left Bank of Montreal to join Citibank's Media Group.**

# How They Do It

*Before Cap Cities, ABC's O&Os were the most profitable in the biz. Now, they're doing even better.*

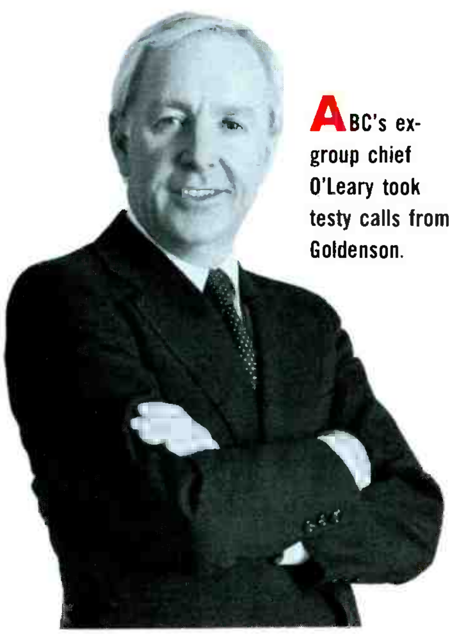
*by Jack Loftus*

Gently, Dick O'Leary set the phone back in its cradle. It had been Leonard Goldenson again—and the chairman of ABC Inc. was more testy than usual after talking with his old friend at Cap Cities, Tom Murphy, who was boasting that his stations were making 50 cents on every dollar they took in. And now Goldenson wanted to know what ABC's television O&O chief O'Leary had to say for himself. "Goldenson used to throw it at O'Leary all the time after getting needled by Murphy," recalls one former ABC station executive who worked with O'Leary. " 'Why aren't we doing that?' he would say."

Back then—in the early 1980s—such calls from Goldenson came frequently, staffers recollect. But it was not as though O'Leary was turning out chopped liver. The station business was still a license to print money then, and by the time O'Leary's 12-year reign as president of the O&O stations came to an end in 1982, the $200 million or so in pre-tax profits the stations were pumping out annually in New York, Los Angeles, Chicago, San Francisco and Detroit made them the most profitable group in the country—much better than Cap Cities. But "margin" was the new buzzword on Wall Street, and Cap Cities, known as a lean and mean machine, was the master of the margin.

No sooner had ABC begun to ponder the question than Cap Cities walked in with $3.37 billion and made ABC its very own. Goldenson packed his golf clubs and headed for Florida, and O'Leary eventually retired to Connecticut.

Today, the Cap Cities/ABC collection of eight television stations remains the most prolific money machine in the business—in terms of profits, revenues and margins, say Wall Street sources, despite some ratings setbacks in the February sweeps. And, more important for Murphy & Co., the group generates enough cash to keep the company afloat while the ABC Television Network struggles just to break even. One Wall Street analyst, looking over the station group's extraordinary profit performance over the years, called them "an embarrassment of cash riches."



ABC's ex-group chief O'Leary took testy calls from Goldenson.

But when the Cap Cities crowd first walked into ABC headquarters at Hard Rock three years ago, they found a station group bloated with staff and centrally managed from New York that was chewing up general managers and spitting them out with nary a second thought. The ABC stations were the antithesis of everything Cap Cities stood for: decentralization, efficiency, longevity and autonomy of local management, and very hands-on with the community. By the end of '86, Cap Cities' first full year of operations there, ABC station-group revenues rose $100 million, and profits were up by at least $60 million.

"It was lucky they were running a lean, mean machine when the revenue growth just stopped," says J. Kendrick Noble of PaineWebber. "All three network-owned stations in the big media cities never thought about maximizing profits until they saw the business go away. Can you imagine what would have happened if Cap Cities had just not bothered, and then the network crashed?"

Faced with audience and advertiser defections to cable, pay TV, home video and independent stations, the network fortunes have begun to disintegrate, and the station business is under the gun, with somewhat downbeat predictions for national and local spot sales in 1989.

Nevertheless, to say the Cap Cities/ABC group of eight stations is "coping" with adversity is a tad understated. According to several Wall Street sources, the group earned about $715 million in net revenues in 1987—a non Olympic year. This take produced almost $390 million in cash flow. By contrast, the nearest competitor, NBC's group of six stations (now seven), posted a net revenue of $529 million in '87, for a cash flow of $213 million. And CBS was performing dismally, with $382 million in net revenues for its four stations (now five), resulting in a cash flow of $160 million that year.

The 1988 cash flow at the Cap Cities/ ABC-owned stations was approximately $425 million on net revenues of $750 million, and projections for '89 run only in the 3 to 4 percent growth range, reflecting the overall softness in the marketplace and higher syndicated programming costs for shows such as *The Oprah Winfrey Show*, which runs on all the Cap Cities/ABC stations. In contrast, ABC-TV netted about $50 million in 1987 and ran red ink in '88. ABC-TV should be somewhat profitable in '89. But CC/ABC has a quiet little moneymaker in ESPN, where its share of the cable network's 1988 earnings was about $90 million.

Most Wall Street analysts see the CBS station group hurt most by the economic downturn, running pretty much on fumes in both 1988 and '89 at about $155 million to $160 million in net profits. Meanwhile, the network posted $55 million profits in '87 and $50 million in '88. With station profits decidedly soft, rumors of personnel shifts at Black Rock are swirling.

While Cap Cities focused immediate attention on improving the ABC station group after the takeover, Larry Tisch's first priority at CBS was to get the network breathing. Over at NBC, things are faring much better. NBC's O&Os netted some $213 million in 1988, about 10 percent better than in '87, while '89 profits are expected to be up 7 percent. Single-digit growth appears to be the new reality in the station business, probably low single digits for the business as a whole. But unlike ABC and CBS, NBC-TV, the prime time leader, took between $200 million and $300 million to the bank last year, easing dependency on its station group. Granted, that with the station economy hurting, the Cap Cities/ABC stations are unlikely to see enormous percentage increases for some time, but the cash cow still delivers.

How does Cap Cities do it? How did it take what was already the most profitable station group in the country and, in just two years, improve the profits of the four former ABC stations—WABC in New York, KABC in Los Angeles, WLS in Chicago and KGO in San Francisco (WXYZ in Detroit was sold after the merger)—by a whopping 70 percent? Is it all in the margins? Just how lean and mean is this machine anyway?

The way Daniel B. Burke, Cap Cities/ ABC president and chief operating officer, tells it, the answer is pretty simple: "The outstanding public-service stations are almost always number one in their markets." He dropped that little pearl at a meeting of top Cap Cities/ABC brass in Phoenix in February. (Burke flew into Phoenix fresh from a weekend stay at the White House.)

Surprisingly, the answer may really be that simple. It's no secret, for example, that Cap Cities/ABC management has poured big dollars into local newscasts, believing that's where profits and viewers are won or lost. That, plus aggressive community-service campaigns in most markets, is probably the main reason why every ABC-owned station either leads its market or ties for first. WLS, for example, has roared past CBS's WBBM-TV largely on the strength of local news and news events (such as the Democratic Town Hall Meeting last year with all the Democratic candidates for President).

Meanwhile at KABC, its response to pressure from KNBC has been to use a page from the Cap Cities playbook by adding another half hour of local news in the early evening.

WPVI, the Philadelphia powerhouse, has 14 regularly scheduled public-affairs programs a week. "Syndicators are after these time slots all the time," says president and g.m. Richard Spinner, "but they're not for sale." Why fill these slots with expensive syndicated shows when local productions fetch top ratings and top dollar? There's also an extra bonus for WPVI, which despite making more money than any other station in town, offers fewer commercial avails.

"We're lean but not mean," insists one senior ABC executive, speaking not for attribution. "We know the competition is just as smart, but if you look inside the Cap Cities organization, you find that we treat our station employees very generously, with money, stock and all the rest. . . . We have the highest-paid general managers and sales managers in the business. There's a definite feeling here that if you work hard and make the team, there's more in it for you . . . . And I know we pour more time and money into strictly local community-service programming and campaigns than any other station group. We don't worry about the big dollars, but we don't waste a nickel."

Gung ho and local they may be, but smart, too. At the end of 1986 Cap Cities was the first to squeeze more money out of prime time access, pushing *ABC World News Tonight* back a half hour in New York, Philadelphia and Raleigh and running double access from 7 to 8 P.M. In New York the impact was enormous, as ratings for both the access shows and *World News Tonight* shot up. *World News* ratings jumped 30 percent when comparing the November '86 sweeps with the '87 results. As for *Jeopardy* at 7 P.M., it drew an audience 102 percent larger than *World News*. Based on those numbers, WABC was able to raise local ad rates from $1,500 a spot to $3,500—good for an extra $7 million that year.

The real job of ensuring that the Cap Cities/ABC station machine keeps on chugging lies with the people running the stations. Most of the old-time ABC station chiefs have been moved out, replaced by veteran Cap Cities station executives. The last of the ABC Old Guard, John C. Severino, left KABC last September, replaced by Terry Crofoot, the longtime news director there. In Chicago, Joseph J. Ahern, a veteran ABC sales executive, has stayed on as head of WLS-TV. Every other station chief belongs to Cap Cities, heart and soul.

More to the point, the two executives responsible for the station group—Larry

O&O Profit Book—1987

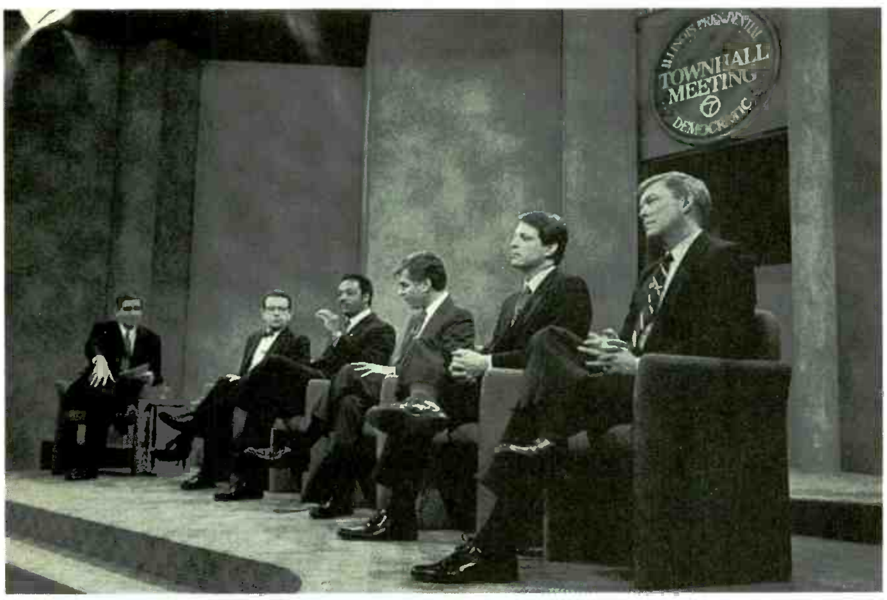
| Market | Station | Net Revenues | Net Profit |
|---|---|---|---|
| New York | WABC-TV | $170 million | $92 million |
| | WCBS-TV | 142 million | 73 million |
| | WNBC-TV | 162 million | 70 million |
| Los Angeles | KABC-TV | 160 million | 82 million |
| | KNBC-TV | 146 million | 60 million |
| | KCBS-TV | 95 million | 37 million |
| Chicago | WLS-TV | 111 million | 65 million |
| | WMAQ-TV | 88 million | 35 million |
| | WBBM-TV | 80 million | 26 million |

Source: Wall Street analysts

Pollock in the East and Ken Johnson in the West—are dyed-in-the-wool Cap Cities men. Pollock, who moved up as president of the eastern group from his position as president and g.m. of WPVI, has been with the Cap Cities organization for 25 years. Johnson, president of the western group, was the former head of KTRK, the dominant station in Houston, and has been with the Cap Cities team for 27 years.

On a market-by-market basis, the old ABC core stations—New York, L.A. and Chicago—turn over the most dollars to

**Johnson (far left) and Pollock now run Cap Cities/ABC stations. Below, the Democratic candidates for President go before WLS cameras.**




the corporation. According to 1987 figures, WABC was the most profitable station in the group—and most likely the country—posting pretax profits of $92 million on $170 million in revenues; KABC was second, with $82 million in net profits on $160 million in revenues, and Chicago netted $65 million on $111 million in revenues. Philadelphia's WPVI and Houston's KTRK seem to have more ongoing public-affairs programming and community-service campaigns than any other stations in the group, though KGO is giving them a run for the money in San Francisco.

"The business ethic in this organization is to do well with what you have," says WPVI's Spinner. "The question of 'How do we do it?' often comes up, and, no, I don't think it's amorphous; certainly we have had good fortune, but it's a combination of autonomy in local operations—so you are not always looking over your shoulder—and good people who tend not to run a short-term business, because the problem you create today will be with you tomorrow." In addition, Spinner says, there is "a genuine interest in the community at the stations."

More than one station executive spoke of the "moral tone" set by Cap Cities. "They expect us to do well," says one g.m., "but they want us to do it on an honest playing field."

ABC's playing field was crowded, and the first thing Pollock and Johnson encountered was the sheer bulk of the organization. ABC seemed to have been operating on the tonnage theory—a ton of staff and a ton of profits. ABC O&O president Richard O'Leary had set up a chain of command in which the general managers of stations reported to him. Also, the local heads of sales, programming, news and promotion all had dotted-line reporting functions to an overseer at the group staff level in New York.

"My idea was to bring in the best and the brightest in each of the key disciplines," recalls O'Leary. "I managed down both sides, through the staff and through the stations, and that enabled me to be twice as sharp .... Where the Cap Cities system [of autonomy] gets in trouble is when the general managers get cocky and say, 'Hey, I know my market'; then they think they know more than you do. I was the man in charge and the buck stops here. At Cap Cities, they have a head of a division whose job is to collate the results, staple them and give them to the corporation, instead of driving the general managers, leading them .... I set the policy and decided where we were going and how to get there."

The problem with that, according to John Severino, was that it created an unwieldy staff structure at both the station and corporate levels. "It got to the point where it slowed everything down," says Severino. "We needed to hire more people at the station level to respond to the demands from New York."

Cutbacks soon became the order of the day. At the group level, the staff plunged from approximately 100 to just three, according to ABC sources. Average employment per station went from 400 to 300, and margins improved from an average 30 percent at the ABC stations to 50 percent or better.

While the Cap Cities approach differed radically, it's tough to dispute O'Leary's success: He walked out with the stations on top in key dayparts, leading in young demographics and making a ton of money.

He also walked away with more than just a little irritation for Murphy's dig about margins. "Cap Cities always prided itself on the conversion ratio, the percentage of sales turned into pre-tax profit," says O'Leary. "And they managed this way. I managed by the sheer size of the bottom line, and if that meant spending money, we spent it."

It's difficult, however, to get anyone at Cap Cities/ABC to admit managing by margins, Murphy's boasting notwithstanding. "We don't talk about how to get bigger profit margins," insists Johnson. "We talk about really getting involved in the community and how to do the best job in serving the community. And if we do that, we'll be number one and the margins will take care of themselves."

But Wall Street types love to talk margins and ever bigger numbers, and Cap Cities, with margins up to 50 percent and better at all stations, is their darling. O'Leary still feels the sting. "Just because the bottom line has gone up since I left does not mean that we didn't do it right when I was there," he says. "There's always the second husband coming along saying, 'Mine is bigger.' " ●

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# Group Therapy

*What do the 1990s hold for group owners? Who will be dominant, and what are their survival strategies?*

by Lou Prato

The bloom may be off the broadcasting rose as far as Wall Street is concerned, and the business of television-group ownership may not be as lucrative as it once was, but for those in it for the long haul, the station group business continues to be a profitable investment.

The secret? Remaining flexible, able to adjust to the constantly changing, multifarious communications environment. The consequences of not doing so? Sharply reduced profits, even bankruptcy.

The automatic double-digit revenue increases of the last two decades may be history, but television stations will undoubtedly continue to generate cash. Just ask the experts.

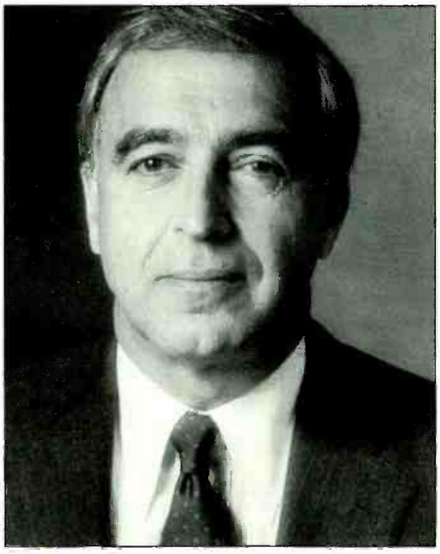
"This is a helluva good business," says Post-Newsweek station-group chairman Joel Chaseman. "It has a high margin and high visibility in a good advertising business with a good product. The question is, what are people willing to pay for it?"

"It's a good business to be in, but not necessarily [when you buy in] at 15 times cash flow," says Washington, D.C.-based media broker Jim Blackburn, chairman of Blackburn and Company. "And you must be willing to make a long-term commitment."

"I'm bullish on station groups," says Dennis McAlpine, vice president and media analyst for Oppenheimer & Co. "But it will have to be the ones that are better run than many now are."

Fast-change artists need not apply. "I can't understand anyone getting into the business for a quick turnaround," says Tom Buono, founder and president of Broadcast Investment Analysts, a broadcast consulting firm. "Frankly, getting an 8 percent return looks good now."

Who the preeminent groups will be in the next decade is, of course, a matter of conjecture, but the betting is that many of the same ones that are prominent today—Westinghouse, Tribune, Gannett, Cox, Fox, Hearst, etc.—will still be around. Along with them are the newcomers from the ranks of medium-market independents, among them Norman Lear's ACT III Broadcasting. (Lear is also the owner of *Channels*.) Then there are the Hollywood studios, including Paramount, MCA and Disney, who lately have been bitten by the station bug. Finally, there are the groups organized by minority interests.



**Hearst v.p. Conomikes: developing programming for syndication and an expanding station group.**

The strategies for achieving success in the '90s are as varied as the backgrounds of the players, with myriad options available for group synergy, ranging from concentration on network-affiliated VHFs or independent UHFs to owning television stations financed by newspaper and cable enterprises or unrelated manufacturing industries.

"There's a lot of jockeying going on as people are trying to diversify and integrate horizontally rather than vertically," says Blackburn.

"The big losers," ventures Bruce Bishop Sheen of Paul Kagan & Associates, "will be those who are forced to leave the table, those with an unusually heavy debt burden or who are overleveraged. Because no matter what some people may think, the value of TV properties will keep going up, year in and year out."

That a crisis exists in the station-group business because of current market conditions is a matter of interpretation. Many stations are heavily in debt, because of either ownership changes or the high cost of (unusable) program inventory. Spot sales are flat, and the network compensation issue is unresolved.

"I'm not optimistic about spot TV until probably 1992," says Bob Coen, senior v.p. of media forecasting for McCann-Erickson ad agency. "Until then, stations are going to have to beat the bushes harder and watch expenses."

Further complicating the picture is the networks' apparent determination to reduce compensation to their affiliates. Although all three networks have backed away publically from across-the-board cuts, they could reduce individual stations' take, or eliminate it entirely for a station, as ABC did with its Lexington, Ky., affiliate earlier this year. "[The groups] have to stand up to the networks on the compensation issue," says ex-Viacom chairman Ralph Baruch, who is now president of his own New York-based consulting firm, Ralph Baruch Inc. "The networks are going to squeeze their affiliates because they claim poverty, which no one believes."

Much of the anxiety is caused by the abundance of TV stations that were for sale as the year began—as many as 60 or so, with maybe another 40 expected on the market by the third quarter of 1989.

But not everyone is anxious. "The big groups, like Scripps-Howard, Gannett, Westinghouse and Multimedia, are strong and not running scared," says New York-based Howard E. Stark, a premier broker of TV stations. "Knight-Ridder simply decided to get out of the broadcasting business," says Stark, "because of strategic decisions to go in a different direction. Broadcasting was only 5 percent of its business."

The same thing seems to be happening at the Lin Broadcasting group, which, because of its corporate involvement in the cellular industry—a hot Wall Street commodity these days—is apparently losing interest in broadcasting. "There's a lot of speculation about Lin," says broker Ron Ninowski, "but I approached them last year with an offer to buy their radio and television division and was turned down. But in the future, I think you might see them sell off some of their assets."

That is not the case with group owner George Gillett. Although his debt is forcing him to sell some stations, his broadcast earnings, he says, are "up significantly," and, calling broadcasting a business "with an excellent future," he says he expects to buy more stations. Meanwhile, Gillett is applying some innovative thinking to his stations, taking advantage of unsold commercial time to promote his other businesses, including his Vail ski resorts and meat-packing plants.

"We take 5 to 10 percent of our unsold time and create value out of it for our consumer-product companies," Gillett says. "In two months, we had 50,000 telephone calls about Vail. We'll do the same with our meat-processing division. We will use the unsold time to promote health, low cholesterol and so forth. The results one can have benefit the entire company."

More and more group owners are taking a page from the Westinghouse and Multimedia books and are developing their own production interests. Having watched the Fox and Tribune stations prosper by programming their own company-produced shows, companies such as Gannett, Hearst and Scripps-Howard are taking advantage of the built-in coverage they can provide their own shows.

"Our group can progress and grow because of the available [corporate] resources for our stations," says Peter Kohler, Gannett Broadcasting v.p.

Scripps-Howard formed a subsidiary earlier this year to produce material for its nine stations. "We will focus on syndication, cable and maybe made-for-TV movies," says Alan Perris, president of Scripps-Howard Productions. "We may coproduce with other groups and other syndicators. But everything will help us control our own destiny."

The privately owned Hearst Corp., which already holds part of the Lifetime and A&E cable networks and has a syndication-distribution arm in King Features Entertainment, has put together a company to develop programming for its expanding station group and for syndication. Hearst has contemplated the move for some time but could not do so earlier because of other commitments.


Disney Network Television president Reiss: 'We could make any acquisition that we wanted to.'

"It was just three and a half years ago that we paid $450 million for [Hearst's Boston station], and we are still paying down the debts from our other buys," says John Conomikes, general manager of broadcasting and v.p. of the Hearst Corp. But now Hearst has just purchased The Phoenix Group, a production company on the West Coast, "to help develop our own programming. We also intend to purchase more stations for that programming when the right property comes along in the right market—and for the right price."

Such initiatives are not limited to the large groups. ACT III Communications, which, besides this magazine and others, includes in its holdings movie theaters, a movie-production group and six independent stations in medium-size markets, has formed a joint programming venture with Columbia Pictures Entertainment to produce television shows.

"We would have first shot at buying those programs, either in later syndication or, in some cases, origination," says Bert Ellis, president of ACT III Broadcasting. "It will give us a window to the broadcast world."

Another group-programming strategy appears to be evolving among some traditional Hollywood studios, which are buying TV stations to air their products. Disney's recent purchase of indie KHJ in Los Angeles, MCA's acquisition of WWOR-TV in Newark and Paramount's option agreement with Salomon Brothers for the TVX Broadcasting group of big-city UHFs were all done with this in mind, and there are likely to be more such deals.

"It's like the old movie days," says Oppenheimer's McAlpine, "when the producer and exhibitors went out and bought movie theaters. It upset the balance of a very thin distribution business and changed the movie industry. The same thing is now happening in TV."

"We bought KHJ," explains Randy Reiss, president of Disney Network Television, "partly because it was near our theme parks and studio, where we can do coproduction and copromotion, and because of syndication and other advantages of having an L.A. market. If another station investment as interesting as KHJ came along, we would be interested. Our company has a large amount of cash and debt capacity, and we could make any acquisition that we wanted to."

"TVX-Paramount was a rescue operation," says Sandy Freschi of Frazier, Gross & Kadlec. "Paramount had the product, and what they needed was a distribution channel. They wanted to control the product and the programming, so it was a natural fit." Paramount's plans for TVX are not yet clear, and Paramount TV Group president Mel Harris declines to discuss the matter.

Veteran broker Ron Ninowski, chairman of a new Washington, D.C.-based financial consulting company, Queststar, which plans to establish a debt pool for making television station acquisitions, believes that programming will help indies get stronger and that many network affiliates will want to become more independent.

"Program costs for the indies are coming down," he says, "and those people are making smart decisions financially and on programming. The network affiliates are learning the value of preemption, controlling their own inventory and what it means to their bottom line."

"Many independents who have a liability for excess programs will be in better shape two years from now," says BIA's Tom Buono. "The big [network-affiliated] groups, the long-term players, won't be affected as much as others, but still there is a tendency to say that the future looks brighter for indies than for affiliates in general."

Not everyone agrees. "The conventional wisdom is that there's an advantage to owning a network affiliate," says Morgan Stanley's Steven Rattner. "That's because of the stability of getting a market share and a product from the network. You don't get that as an independent station."

"I have done some consulting for independents," says Martin Pompadur of Television Station Partners, a four-affiliate group, "and that is clearly a different and much harder business. It is much more special and you need knowledgeable people running them."

Ninowski, architect of a transaction in Oklahoma City that consolidated three UHF independents into one, which will be operated by the Pappas Telecasting group, believes more independents will consolidate in the future. ACT III has already applied the concept in Richmond, and, says Ninowski, "it may be the only means of survival when you have three indies struggling in a market."

Marginal UHF indies appear to be the most obvious candidates for extinction, although some believe UHF stations will become more valuable with the evolution of HDTV. Under one HDTV proposal, a second facility would be needed to broadcast the HDTV signal, meaning a strong VHF station could buy a UHF station in the market to produce the HDTV signal.

"I can see the day," says ACT III's Ellis, "where the dominant or only independent station in the market—normally the UHF commercial station with the tallest tower— would hold the card in an HDTV scenario."

It is unlikely, however, that many of the UHF stations now for sale will be able to survive until HDTV is introduced. Some even wonder whether current UHF owners can find any buyers in the next year or two, because so many VHF stations, affiliates and independents, are available.

But whatever the market conditions, the bigger station groups will probably remain on the prowl for more stations.

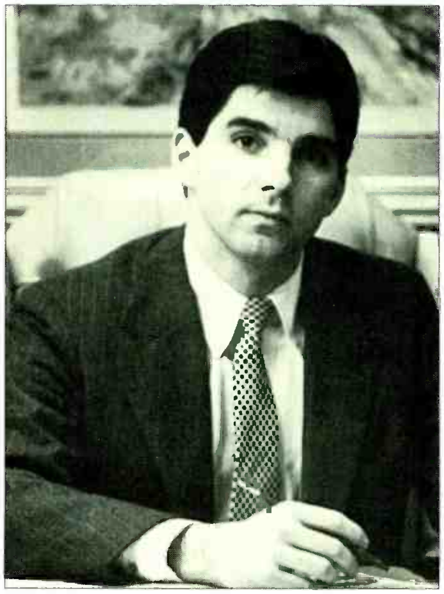
"We're in a perfect position to move ahead when the right property comes around," says Conomikes of Hearst. "Our history is to own network-affiliated stations in the top 50 markets. We want to get a better [geographic] balance for our group, maybe some major market in the Sunbelt, Florida, Texas or California and Arizona. But those stations are limited."

Gannett added two stations last year, in Greensboro and Jacksonville, and is interested in buying or trading for others that would give the company the maximum of 12 that would reach the 25 percent market-saturation limit.

"It depends on what kind of opportunity comes along," says Gannett's Kohler. "We are not looking to buy and sell. We want to establish the station we buy as the leader in the community."

Companies such as Gannett, Hearst and others believe local news and public affairs will be important to station-group growth in the '90s. "The changes in the industry and the increased competition from what has become known as the new technologies will place an even greater emphasis on local news," says Conomikes. "For this reason, our local news," says Conomikes,"will become more sophisticated, with ongoing improvements such as the Conus satellite system and our newly opened Washington bureau. Local news will continue to be one station element that sets us apart from each of our many competitors."

Local news is also a factor in Fox Television's expansion plans. "We are certainly interested in future station acquisitions," acknowledges Bob Kreek, president and chief operating officer of the Fox Television Stations Inc. "We are looking for ones that are strategically and compatibly in line with what we are doing. It has to be a leading indie in the geographical region we want to locate. Naturally, I'd prefer to buy a station that had a great, vibrant news department. And, if not, I'd want a station that was capable of starting a good news department."



**ACT III Broadcasting's Ellis: looking for the dominant independent station in medium markets.**

The smaller, more successful groups are also looking to buy. "ACT III is not going to go into the top ten markets," says Ellis, "and I see nothing compelling about buying a network affiliate. We have a centralized operating strategy with an acquisition focus on the dominant independent television station, preferably the only independent, in a medium market. We also will pursue the strategy of consolidation."

There is also a new category of buyer on the horizon that could become a factor in station-group operations: minorities, or those minority-oriented consortiums that are eligible for tax breaks. Those who sell stations to minorities can apply for a tax certificate from the FCC that entitles them to defer payment on capital gains if the amount is later reinvested in other broadcasting endeavors.

"The minority tax write-off is a real incentive," says Freschi. "I know of one station valued at $90 million but that recently sold for $70 million due to the minority tax incentive."

"Not only does buying and selling to minorities have a tax advantage," notes Ninowski, "but, more importantly, the law for extension of those investments in minority-controlled companies, in making an equity investment, will encourage a lot of investors. They, too, can get a tax benefit for their other business. Not many realize that, but it is going to have an impact on this business."

It is precisely because of the tax inducement that talk-show host Geraldo Rivera, actor Cheech Marin and three other prominent Hispanics have formed Maravilla Communications to buy network affiliates in the major and medium markets.

One new minority-oriented company is KT Communications, whose principals are two Chicagoans with investment-banking experience, Norberto Kogan and David Tolliver. KT Communications entered the group-station scene in the last year by purchasing a station in Dayton, and it plans other buys. But the owners—Kogan is Hispanic and Tolliver is black—are reluctant to talk about the tax incentive for fear that it will be rescinded.

But there have already been abuses, and some—Dennis McAlpine among them—question the tax certificate's future. "I'm not sure it is going to survive," says McAlpine. "It is getting to be almost a game, like in the old cable days when we had your 'rent a civic leader.' Now we have 'rent a minority.' "

There are other regulatory issues—must-carry, the financial-interest/syndication rules, cross-ownership restrictions, telephone-company involvement and so on—that will have an impact on station-group operations, but their resolution is as yet uncertain.

Regardless, says Conomikes, "nothing in the long term is going to destroy free over-the-air broadcasting. This is still going to be a business with a very good profit margin and a good long-range future." Now, if the station-group owners can only convince Wall Street. ●

*Lou Prato runs the Washington-based broadcast-journalism program for Northwestern University.*

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# Is the Station Logjam Breaking?

*If the market for television stations is going to perk up, asking prices will have to come down.*

*by Paul Noglows*

One sure sign that all is not well with the market for buying and selling TV stations these days is the fact that nobody even knows how many are for sale. That there is a logjam of stations for sale no one doubts, but talk to four brokers and four industry analysts and come up with eight different numbers, ranging from as high as 200 to a more realistic 40 or so network affiliates alone.

While they may not agree on the number of stations for sale, TV-station dealers realize that the picture has changed, and not for the better. Station-group owners, brokers and bankers find themselves missing the not-so-long-departed good old days when, in the words of Greenwich, Conn.-based station broker Frank Boyle of Frank Boyle & Co., "if you had a network affiliate for sale in a market that you could find on the map, you could probably sell it between breakfast and lunch with three phone calls. And you probably could price it from a low of 13 times to a high of 16 times future cash flow."

Boyle explains: "Up until March of 1988, it was very much a sellers' market for network affiliates. Then it was as if a black cloud passed over the industry and a voice from on high said, 'All right, my children, the game's going to change.' "

And change it did. The black cloud consisted of myriad unexpected problems for the industry, ranging from rising interest rates and stagnant ratings to a flat quadrennial year. These factors, coupled with questions over the evolving status of network-affiliate relations and cutbacks in network compensation, put fear into the hearts of affiliate station owners.

Suddenly, all the things that had made broadcasting a good business and had always been taken for granted were now in question. "The year 1988 saw the predictability factor of television to a large extent eliminated," says television station investor Robert F.X. Sillerman, CEO of Sillerman-Magee Communications Management Corp.

Industry maxims began to feel a little shaky. "For years," says Boyle, "there was a belief that things were always going to keep getting better. In 1988, that changed into a belief that things had maybe hit the top. All of a sudden a bunch of guys who owned affiliates said, 'We'd better trot these things out before the world passes us by. We may be at the roof right now. We don't want to be one of the guys who don't get peak.' "

"In terms of a group, we were the first ones to put our stations on the market," says Ralph Becker, general partner and chief operating officer of TV Station Partners, which tried for almost a year to sell its four network affiliates before pulling them off the market in January. "Then the bad news started coming out. When the eight Knight-Ridder stations came on the market, that really just put everything to a dead stop."

The backlog of stations on the market began to attract a different kind of buyer, says George Gillett, who, after unsuccessfully shopping stations in Baltimore, Cleveland and Rochester, recently agreed to part with WSMV (the NBC affiliate in Nashville that marked his start in the station business) in order to meet an impending debt-service commitment this year. "You saw all sorts of brilliant financial buyers coming out of the woodwork trying to buy at what was perceived to be dramatically lower prices—bottom fishermen as I call them. But those kinds of deals just aren't going to happen."

Many sellers such as Gillett remain reluctant to lower their asking prices, convinced that the disappointments of the past year have been more an aberration than a preview of things to come. Joel Chaseman, chairman of Post-Newsweek Stations, explains: "The wave of LBOs and mergers in the packaged-goods industry has created a glitch in terms of advertising cash flow. That affects the way stations function and it affects a lot of things in our business, but most of it is pretty temporary." Gillett concurs: "There were a whole variety of things that happened in 1988 that will not happen again, or if they do, they won't happen anywhere near to the extent that they did last year."

Katherine Marien, senior v.p. and manager of the communications group at Bank of New England, sums it up: "Sellers are saying, 'Hey, wait a minute. If this is only a temporary problem and doesn't represent a fundamental change in the business, I don't want to be the first one to sell at less than 13 to 14 times next year's cash flow.' "

Unwilling to sell at prices that they felt undervalued their assets, some station owners like TV Station Partners and Viacom Broadcasting felt it wiser to simply pull their stations off the market. "Offers for the group fell short of expectations," notes Dennis Eckhout, v.p. of Communications Equity Associates.

"That may be the battle cry for 1989."

And what exactly is it going to take to get the deal market flowing again? Station broker Barry Lewis of Sandler Capital Management says, "When everyone starts to realize that you're never going to catch the exact bottom or the exact top, things will get moving again." Adds TV Station Partners' Becker, "Buyers and sellers have to finally reach a leveling point. We're probably not there yet, but we're getting awfully close. The people we talk to tell us that the buyer and seller are getting a lot closer, eyeball to eyeball."

Some believe things are already beginning to move again, as evidenced by the sale of the Knight-Ridder stations. "There was a logjam, but I think the logjam is breaking," says Gillett. "The buyers now recognize that if they're going to buy television stations, they're not going to be able to get them at the huge discounts they thought they might. At best they may be able to buy them at a little less than they previously would have paid."

But lenders to the industry remain cautious, less certain than station owners that the disappointments of 1988 were merely temporary setbacks. "I don't think anyone is ever going to be convinced that ad-growth rates can go back to the double-digit level and stay there," says Bank of New England's Marien. "The reality today is that ad-revenue growth for TV is in the 4-to-7-percent range, not in the 10-to-14-percent range, and those are the kinds of numbers we as lenders are going to be looking at in determining whether a station can support the debt level it's asking for."

Because of this, lenders believe prices will have to fall for stations to really start moving again. "The sellers' asking prices are still much too high," says Anthony Hoffman, managing director of ComCapital Group, an investment-banking firm specializing in broadcasting. "They're still looking for 15 to 16 times cash flow, and that's just not realistic right now." Robert Bachelder, vice president at First National Bank of Boston, adds, "The upside in the business is simply not as clear long-run as it used to be. If there are buyers, there's going to be financing, but on much more conservative parameters, just as the prices paid for stations are going to be more conservative." Marien says, "Both buyers and sellers will have to come to the realization that while stations may continue to grow, they are going to grow at a slower rate from a cash-flow perspective, and therefore the amount of debt they are going to be able to repay in the same time period is less." Because of this, Marien says, future buyers will have to come equipped with management teams who have a proven record of knowing how to control expenses. "To the extent that revenue growth slows down, if a management team doesn't know how to control expenses, margins are going to start to erode and you're just heading for problems down the road." Broker Lewis sounds a similar note: "The new breed that will come into this business will come out of the radio arena. Some cable companies and cellular companies may be coming in as well. Through necessity these operators have had to be marketers, and this is going to be a positive for the TV business."

While new benchmarks will be established as the number of done deals increases over time, industry sources say from now on station transactions will be considered on a much more specific, station-by-station basis. They say the developments of the past year have changed the trading game, most believe permanently. "You're going to see some sizable transactions take place, and the logjam will be broken, but the feeding frenzy and the competition for television stations have been eliminated for the foreseeable future," says Sillerman. "While good television stations will continue to be sold, buyers and lenders are going to be a lot more selective and it's going to take a lot more time to get deals done." ●

*Contributing editor Paul Noglows is the New York reporter for* Media Business News.

# Three Perspectives on The Station Game


GEORGE GILLETT


FRANK BOYLE


KATHERINE MARIEN

*The seller, Gillett: buyers expecting big discounts are unrealistic.*
*The broker, Boyle: some sellers now believe the market has peaked.*
*The banker, Marien: slower growth will mean less debt capacity.*

The following chart takes Total Households in a station's designated market area (DMA), divided by an average Total Daypart Rating to equal Audience Delivered. The Group Rating is the actual percentage of Total Homes represented by the Audience Delivered. For example, Westinghouse Broadcasting, which is rated sixth in terms of Audience Delivered, actually has a better Group Rating than second-place NBC.

# TV STATION GROUPS: WHO'S ON TOP

*Channels Charts the Biggest Audience Getters*

## 1. CAP CITIES / ABC

| STATION / MARKET / RANK | | TV HOMES | RATING (total day) | AUDIENCE DELIVERED |
|---|---|---|---|---|
| WABC | New York (1) | 6,921,240 | 8 | 553,699 |
| KABC | Los Angeles (2) | 4,800,200 | 7 | 336,014 |
| WLS | Chicago (3) | 3,106,690 | 10 | 310,669 |
| WPVI | Philadelphia (4) | 2,610,400 | 10 | 261,040 |
| KGO | San Fran.-Oakland (5) | 2,166,970 | 8 | 173,358 |
| KTRK | Houston (11) | 1,431,830 | 11 | 157,501 |
| WTVD | Raleigh-Durham (36) | 632,860 | 9 | 56,957 |
| KFSN | Fresno-Visalia (60) | 427,820 | 8 | 34,226 |

TOTAL TV HOMES 22,098,010
TOTAL AUDIENCE DELIVERED 1,883,464
GROUP RATING 8.5

## 2. NBC

| STATION / MARKET / RANK | | TV HOMES | RATING (total day) | AUDIENCE DELIVERED |
|---|---|---|---|---|
| WNBC | New York (1) | 6,921,240 | 7 | 484,487 |
| KNBC | Los Angeles (2) | 4,800,200 | 7 | 336,014 |
| WMAQ | Chicago (3) | 3,106,690 | 7 | 217,468 |
| WRC | Washington, D.C. (8) | 1,655,470 | 7 | 116,583 |
| WKYC | Cleveland (10) | 1,438,180 | 8 | 115,054 |
| WTVJ | Miami (16) | 1,249,430 | 6 | 74,966 |
| KCNC | Denver (19) | 1,018,110 | 9 | 91,630 |

TOTAL TV HOMES 20,199,320
TOTAL AUDIENCE DELIVERED 1,436,202
GROUP RATING 7.1

## 3. CBS

| STATION / MARKET / RANK | | TV HOMES | RATING (total day) | AUDIENCE DELIVERED |
|---|---|---|---|---|
| WCBS | New York (1) | 6,921,240 | 6 | 415,274 |
| KCBS | Los Angeles (2) | 4,800,200 | 5 | 240,010 |
| WBBM | Chicago (3) | 3,106,690 | 7 | 217,468 |
| WCAU | Philadelphia (4) | 2,610,400 | 7 | 182,728 |
| WCIX | Miami (16) | 1,249,430 | 2 | 24,989 |

TOTAL TV HOMES 18,687,960
TOTAL AUDIENCE DELIVERED 1,080,469
GROUP RATING 5.8

## 4. FOX TELEVISION

| STATION / MARKET / RANK | | TV HOMES | RATING (total day) | AUDIENCE DELIVERED |
|---|---|---|---|---|
| WNYW | New York (1) | 6,921,240 | 5 | 346,062 |
| KTTV | Los Angeles (2) | 4,800,200 | 4 | 192,008 |
| WFLD | Chicago (3) | 3,106,690 | 4 | 124,268 |
| WFXT | Boston (6) | 2,062,500 | 1 | 20,625 |
| WTTG | Washington D.C. (8) | 1,665,470 | 6 | 99,928 |
| KDAF | Dallas (9) | 1,664,820 | 2 | 33,296 |
| KRIV | Houston (11) | 1,431,830 | 3 | 42,955 |

TOTAL TV HOMES 21,652,750
TOTAL AUDIENCE DELIVERED 859,142
GROUP RATING 4

## 5. GILLETT COMMUNICATIONS CO.

| STATION / MARKET / RANK | | TV HOMES | RATING (total day) | AUDIENCE DELIVERED |
|---|---|---|---|---|
| WSBK | Boston (6) | 2,062,500 | 2 | 41,250 |
| WJBK | Detroit (7) | 1,694,670 | 7 | 118,627 |
| WJW | Cleveland (10) | 1,438,180 | 7 | 100,673 |
| WAGA | Atlanta (12) | 1,325,390 | 8 | 106,031 |
| WTVT | Tampa (13) | 1,275,400 | 8 | 102,032 |
| WMAR | Baltimore (22) | 911,260 | 8 | 72,901 |
| KNSD | San Diego (25) | 838,270 | 5 | 41,914 |
| WITI | Milwaukee (30) | 705,150 | 7 | 49,361 |
| WSMV | Nashville (31) | 693,450 | 10 | 69,345 |
| WOKR | Rochester (68) | 365,770 | 8 | 29,262 |
| KSBW | Salinas (112) | 205,360 | 7 | 14,375 |
| KSBY | San Luis Obispo (113) | 203,120 | 5 | 10,156 |

TOTAL TV HOMES 11,718,520
TOTAL AUDIENCE DELIVERED 755,927
GROUP RATING 6.5

## 6. WESTINGHOUSE BROADCASTING CO.

| STATION / MARKET / RANK | | TV HOMES | RATING (total day) | AUDIENCE DELIVERED |
|---|---|---|---|---|
| KYW | Philadelphia (4) | 2,610,400 | 7 | 182,728 |
| KPIX | San Fran. (5) | 2,166,970 | 6 | 130,018 |
| WBZ | Boston (6) | 2,062,500 | 8 | 165,000 |
| KDKA | Pittsburgh (17) | 1,177,020 | 10 | 117,702 |
| WJZ | Baltimore (22) | 911,260 | 8 | 72,901 |

TOTAL TV HOMES 8,928,150
TOTAL AUDIENCE DELIVERED 668,349
GROUP RATING 7.5

## 7. TRIBUNE BROADCASTING CO.

| STATION / MARKET / RANK | | TV HOMES | RATING (total day) | AUDIENCE DELIVERED |
|---|---|---|---|---|
| WPIX | New York (1) | 6,921,240 | 3 | 207,637 |
| KTLA | Los Angeles (2) | 4,800,200 | 4 | 192,008 |
| WGN | Chicago (3) | 3,106,690 | 5 | 155,335 |
| WGNX | Atlanta (12) | 1,325,390 | 3 | 39,762 |
| KWGN | Denver (19) | 1,018,110 | 4 | 40,724 |
| WGNO | New Orleans (35) | 638,600 | 3 | 19,158 |

TOTAL TV HOMES 17,810,230
TOTAL AUDIENCE DELIVERED 654,624
GROUP RATING 3.7

## 8. GANNETT BROADCASTING

| STATION / MARKET / RANK | | TV HOMES | RATING (total day) | AUDIENCE DELIVERED |
|---|---|---|---|---|
| WLVI | Boston (6) | 2,062,500 | 2 | 41,250 |
| WUSA | Washington D.C. (8) | 1,665,470 | 8 | 133,238 |
| WXIA | Atlanta (12) | 1,325,390 | 8 | 106,031 |
| KARE | Minneapolis (14) | 1,274,820 | 7 | 89,237 |
| KUSA | Denver (19) | 1,018,110 | 9 | 91,630 |
| KPNX | Phoenix (20) | 973,280 | 5 | 48,664 |
| KOCO | Oklahoma City (38) | 597,480 | 6 | 35,849 |
| WFMY | Greensboro (50) | 504,720 | 9 | 45,425 |
| WTLV | Jacksonville (55) | 475,000 | 6 | 27,420 |
| KVUE | Austin (73) | 340,860 | 6 | 20,452 |

TOTAL TV HOMES 10,219,630
TOTAL AUDIENCE DELIVERED 639,196
GROUP RATING 6.3

## 9. SCRIPPS-HOWARD BROADCASTING

| STATION / MARKET / RANK | | TV HOMES | RATING (total day) | AUDIENCE DELIVERED |
|---|---|---|---|---|
| WXYZ | Detroit (7) | 1,694,670 | 11 | 186,414 |
| WEWS | Cleveland (10) | 1,438,180 | 10 | 143,818 |
| WFTS | Tampa (13) | 1,275,400 | 2 | 25,508 |
| KNXV | Phoenix (20) | 973,280 | 2 | 19,466 |
| KSHB | Kansas City (28) | 730,730 | 3 | 21,922 |
| WCPO | Cincinnati (29) | 721,140 | 7 | 50,480 |
| WMC | Memphis (40) | 592,580 | 11 | 65,184 |
| WPTV | W. Palm Beach (52) | 488,650 | 9 | 43,979 |
| KJRH | Tulsa (54) | 459,900 | 7 | 32,193 |

TOTAL TV HOMES 8,374,530
TOTAL AUDIENCE DELIVERED 588,964
GROUP RATING 7.0

## 10. COX ENTERPRISES, INC.

| STATION / MARKET / RANK | | TV HOMES | RATING (total day) | AUDIENCE DELIVERED |
|---|---|---|---|---|
| KTVU | San Fran.-Oakland (5) | 2,166,970 | 4 | 86,679 |
| WKBD | Detroit (7) | 1,694,670 | 5 | 84,734 |
| WSB | Atlanta (12) | 1,325,390 | 10 | 132,539 |
| WPXI | Pittsburgh (17) | 1,177,020 | 8 | 94,162 |
| KDNL | St. Louis (18) | 1,089,920 | 2 | 21,798 |
| WFTV | Orlando (26) | 823,710 | 8 | 65,897 |
| WSOC | Charlotte (32) | 686,030 | 8 | 54,882 |
| WHIO | Dayton (49) | 504,720 | 9 | 45,425 |

TOTAL TV HOMES 9,468,430
TOTAL AUDIENCE DELIVERED 586,116
GROUP RATING 6.2

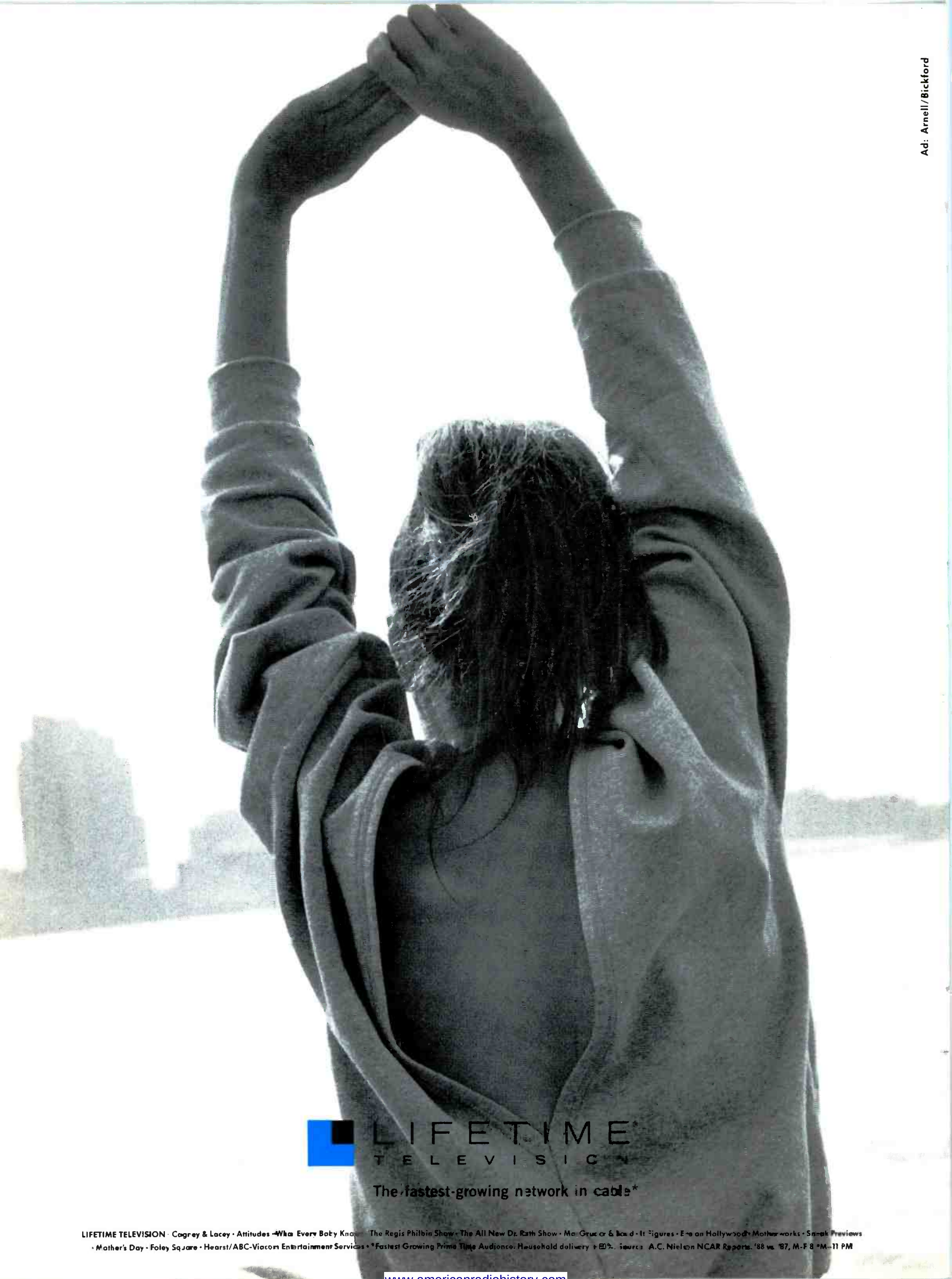
Source: Nielsen Station Index, November Measurement

Research: Agnette Lundvik, Diane Merchan

WHY IS IT *that when people enter into business negotiations they feel they have to act in a certain way? A plaque in my office reads, "neither a scrooge nor a patsy be." This motto has taught me a lot of lessons. You have to be solid and upstanding in your principles and ideals. Strong in the board room.*  *Shrewd in negotiations. But also make it a point to be compassionate and understanding. Listen to what the other person has to say. And, give more than you have to. If you're really going to find success in this world, you eed to remember there's a time to be tough and a time to be tender.*

Bill Daniels

Bill Daniels, 3200 Cherry Creek South Drive, Suite 500, Denver, Colorado 80209



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The fastest-growing network in cable*
LIFETIME TELEVISION · Cagney & Lacey · Attitudes · What Every Baby Knows · The Regis Philbin Show · The All New Dr. Ruth Show · Ma Gruc & Bond · It Figures · Eye on Hollywood · Motherworks · Sneak Previews · Mother's Day · Foley Square · Hearst/ABC-Viacom Entertainment Services · *Fastest Growing Prime Time Audience. Household delivery +80%. Source: A.C. Nielsen NCAR Reports, '88 vs. '87, M-F 8 PM–11 PM

# Growing Pains

They were always too busy with the building blocks to sell ads. But now, cable people are growing into their ad clothes. With subscriber growth slowing, that's tomorrow's money.

Spot advertising on cable television will someday make loads of cash for cable systems. Right now, though, spot cable—through which operators want to cater to the market-by-market needs of national advertisers—suffers from its mandatory growing pains. "People at TV stations are in college now, in terms of the education process. We're still going to grade school," says Penny Taylor, general manager of Northwest Cable Interconnect, which sells advertising for 14 cable systems in the Seattle-Tacoma market. That building block—the interconnect, which sells advertising time for all or part of the cable systems in a given market—was where cable sellers' lessons began. Before individual systems were interconnected for ad sales, cable found itself without a snowball's chance of getting any national spot advertising. National advertisers, cable salespeople learned, were mightily partial to one-stop shopping. The lessons continue. Chuck Reece's story, "Cable Sellers Learn the Buyer's Lingo," looks at spot cable's attempts to get into the "culture" of time buying at national ad agencies. "If we want to tap into the dollars that these people control, we've got to speak their language from A to Z," says Ed Bennett, executive vice president of cable operator Viacom Enterprises. Michael Burgi follows with an examination of how cable systems and interconnects are learning to push their ratings and ad revenues upward by advertising and promoting their own programs. Finally, Joe Mandese looks at how cable networks can capitalize on their cross-media connections to offer advertisers packages that were once unavailable in TV, broadcast or cable.

"Cable today is like broadcasting was back in the late '50s, in its acceptance, or non-acceptance, by advertisers," says Bay Area Interconnect president Jim Osborn. "But the potential is certainly there." He should know. Osborn retired after 32 years in broadcast television, only to start a brand-new career in cable last January.

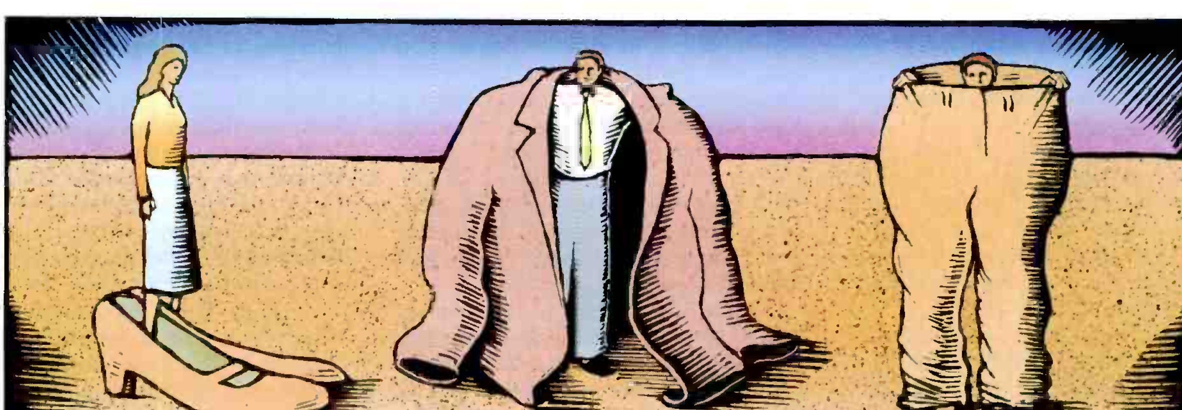


ILLUSTRATION BY RANDY LYHUS

# Cable Sellers Learn The Buyer's Lingo

Cable television, as a spot medium, is an adolescent. But as advertisers hone in on tighter targets, cable is doing some growing up.

**BY CHUCK REECE**

The people who sell spot advertising for the nation's cable television systems can rightfully be annoyed that the story of their business is much like that of a nervous 14-year-old. Adolescence is harsh enough the first time, and to endure it again through one's business cannot be pleasant. The spot-cable enterprise at this stage is indeed pubescent, "a square peg in a round hole," says Robert Williams, president of Boston-based National Cable Advertising, one of the largest cable rep firms in the business.

Spot cable is a misfit because its viewers are not measured as precisely as broadcast viewers; cable's verification systems are unlike those used by ad agencies for spot buys, and the very nature of spot cable's sales pitch demands more work of an agency's buyers than a broadcast buy requires. Further, agencies charge the spot-cable business with a certain lack of sophistication.

"I think that's a fair and balanced and constructive criticism," says Ed Bennett, executive vice president of Viacom Enterprises and the head of a Cabletelevision Advertising Bureau task force on national spot cable. "If we want to tap into the dollars that these people control, we've got to speak their language from A to Z."

All of this explains why, in 1988, spot cable got less than three-tenths of 1 percent of the total $14.57 billion spent on spot-television buys, according to McCann-Erickson. But the pitches of cable sellers—national rep firms and local interconnects, which link cable systems in a market for collective ad sales—are growing smarter every day. Agencies are reacting. DDB Needham is studying "to what extent we would have to modify how we operate to include cable into every single local-market buy that we make," says Bill Heimann, senior vice president and director of media operations. But he says that inconsistency of sales methods makes it "very cumbersome to look at cable options locally, as we do over-the-air." Loretta Volpe, senior vice president and director of media, programming and marketing services at New York's Griffin Bacal, adds that

Viacom's Ed Bennett says spot cable sellers must first learn how ad agencies buy.

buying spot broadcast time is cumbersome enough. "When a buyer is making a market buy, it's not part of the culture yet to buy cable," Volpe says.

Spot cable's most formidable task, then, is to plant itself in the buying cultures of the ad agencies that spend national spot budgets. "We're inventing this medium as we go along," admits Robert H. Alter, president of the Cabletelevision Advertising Bureau. Yet several inventions of the last 12 months bode well for making cable part of the ad-agency buying culture.

Perhaps the greatest of those inventions is the addressable headend. This new technology is "the talk of the hour" in the spot-cable business, says NCA's Williams. For spot cable, the system will work this way, he says: "The agency can send one tape [of a commercial] to a service center. It's uplinked to a satellite and then brought down into just those markets where it's supposed to run. The spot runs, and then a telephone call sends the data back through a phone line to a laser printer that types up an affidavit [to confirm that the spot ran]." Adlink, an interconnect in Los Angeles, put the first addressable headend to work last December.

This technology is important because it is one solution for the most serious complaint agencies have registered against spot cable—that spots bought often do not actually run. Verification has been a major problem, says Bob Fennimore, president and chief operating officer of Cable Networks Inc. [CNI], one of the largest national cable reps and a division of Cablevision Systems. When Cablevision bought CNI from 3M in 1987, Fennimore says, only "about 71 percent of the spots [bought] ran in the New York marketplace. An advertiser would place an order and roughly 70 percent of the spots would run. Why the others didn't run, nobody would know." Upgrading insertion systems became Fennimore's top priority. "Everybody we represent in the New York market is upgrading their insertion equipment, upgrading the people in charge of those departments. It's been a total overhaul." By early 1989, the percentage of spots bought that ran in New York was up to "95 and change," Fennimore says.

Agencies' next biggest concern, after verifying that the spots they buy run, is how widely those spots are seen. "On a national network level, cable ratings are small enough," says Griffin Bacal's Volpe. "When you get into the individual markets, they are nonexistent. That's a bit of a problem."

Penny Taylor, general manager of Seattle's Northwest Cable Advertising, the nation's fifth largest interconnect, says ratings methodology is to blame. "As soon as the passive meters were installed [by Nielsen] in Seattle, in May of 1987, we started showing up in the local ratings," she says. "We were using antiquated methodology. You're going to keep a diary on 34 channels? That's nuts. And most markets are still based on diaries."

There is no remedy for that, save to wait for Nielsen Media Research and

Arbitron Ratings to install meters in more markets. But many interconnects and reps—as well as the measurement services themselves—argue that diary-based ratings information, while not ideal, is sufficient to use as a base for spot-cable buys. "Measurement *is* available," argues NCA's Williams. "You have 17 metered markets where Nielsen provides overnight cable universe reports. You have the Cable Audience Profile from Nielsen, a diary-based, meter-adjusted, fairly accurate set of books for every diary market in the country. You have the Cable-Trak reach and frequency diary-based material from Arbitron." He says it is hard to expect viewers to keep accurate diaries of "60 channels on four sets," but he adds that "the use of measurement to create estimates has always been nothing other than that—estimates. And if somebody is honestly going to look at the spot-cable medium, my position is that the measurement is there."

Cable-Trak offers custom studies of commercial schedules in any cable market, explains Bob Bourquard, a division manager for Arbitron. "With every year, we've had more systems calling us" for Cable-Trak studies, he says. Nielsen's Cable Audience Profile [CAP ]tries to remedy diaries' underestimation of cable viewing by indexing diary-generated data to people-meter data, says Sara Erichson, a Nielsen marketing coordinator who specializes in local cable products. National viewing levels for cable networks are culled from Nielsen's people-meter sample. By comparing those numbers to the diary-based ratings the networks get, Nielsen can derive a multiplier by which to factor up the understated diary numbers. "It takes an extra step to get there," Erichson says, "but the result is that agencies are working with the same numbers they use to evaluate broadcast." Agencies, despite gripes about the accuracy of such calibrations, are making greater use of them. In the past year, she says, the number of agencies using CAP has doubled. Still, however, only five of the big New York agencies buy the entire 212-market CAP service.

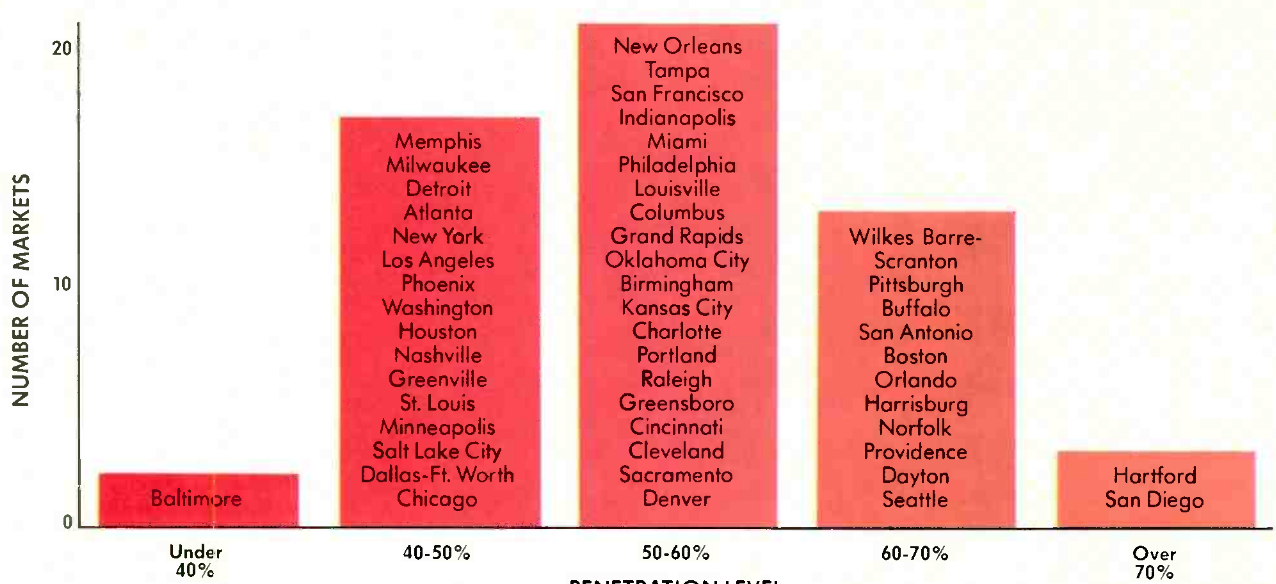
That fact suggests that ad agencies might prefer to sidestep the steep labor and research costs involved in buying spot cable. A common reason given for the scant attention paid spot cable is penetration rates (see chart). The argument goes: In certain markets, like San Diego, Calif., penetration rates are so high that agencies can't overlook cable when making spot buys. But putting an arbitrary line at 70- or 60 percent penetration short-changes an agency's clients, argue cable sellers.

To get past those barriers, sellers are going straight to advertisers. "The people who want to talk about this are the top-echelon policy makers," Williams says. "They take our proposals and write on the cover, 'Dear agency, take a look at this.' All of a sudden, the agency's cost of doing business has just skyrocketed, but they've got no choice. Like any revolution, it does not happen comfortably.

"Underneath that arbitrary line in the sand is the ugly monster of the two-universe television marketplace," Williams continues. "You peel it back, and you see that the questions are: Who is my client? What is their trading area? What are the counties inside the ADI that we need? How deep is the cable on a ZIP code-by-ZIP code level?" In other words, as audiences fragment, there is "an explosion in the options available on a micro basis."

"There's not an agency in the world that can afford to approach spot TV on that micro level as I speak to you," Williams adds. "But in the year 2000, every agency will be functioning on that level." By then, it may be plain that the spot-cable people, like certain adolescent iconoclasts, were ahead of the game after all. ●

CABLE PENETRATION RATES IN THE TOP 50 ADI's




Source: Cabletelevision Advertising Bureau

# Cable Turns On to Tune-In Promotion

They know how to acquire subscribers. Now, cable marketers are learning to acquire the *viewers* that advertisers want to buy.

**BY MICHAEL BURGI**

Now that the cable industry has a solid base, thanks to many years of subscriber acquisition drives, the attention of cable salespeople is turning to audience tune-in promotion—selling the specific charms of cable TV to viewers. Tune-in promos, they say, are the next logical step in cable's evolution as a serious competitor to broadcast television for the advertising dollars of national marketers.

"Cable has come of age and therefore should be promoting itself to a greater degree than it has been," says Joe Ostrow, executive vice president and worldwide media director for Foote, Cone & Belding. "Tune-in promotion, what the [broadcast] networks and local stations use, tends to boost the ratings, and it works."

Ratings propulsion is what the cable industry needs to claim a bigger share of national advertising dollars, which is why the Cabletelevision Advertising Bureau is pushing tune-in promotion so impassionedly. The CAB sends its members a monthly Cable Tune-In Kit, which guides operators through a variety of promotional campaigns, and has issued a white paper on the benefits of promoting specific programs. Tune-in promotion is vital, says CAB president Robert H. Alter, because "there's definitely a relationship between the size of the audience we can deliver and the ad rates we can get. An increase of a few share and ratings points will bring in substantially more advertising dollars."

"It's very simple," concludes Ostrow. "Anyone who is against it should have their head examined. It's an attempt on the part of the medium to garner a greater audience with greater stability. How can you be opposed to that?"

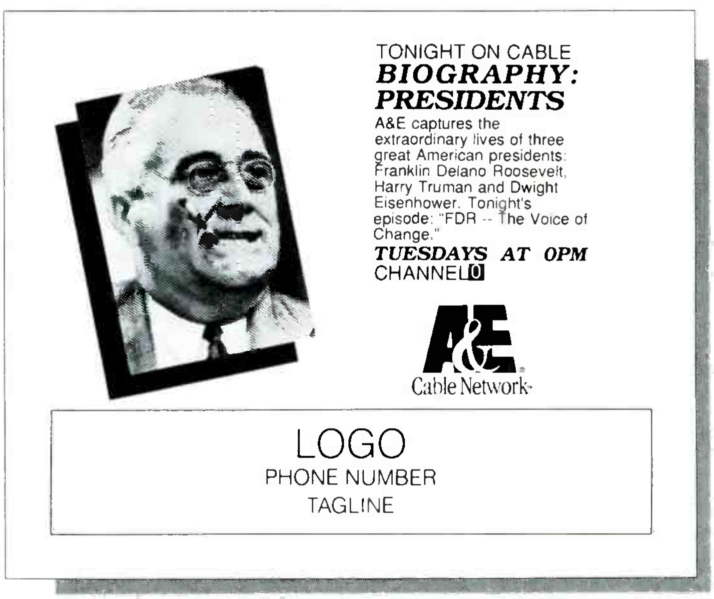
Tune-in promotion takes several forms. Spots promoting a particular show on a basic-cable network could air in local ad avails on individual cable systems. Or print ads could be placed on the TV listings page in newspapers. Buying TV and radio time is also an option. Procuring ads is simple; implementing a comprehensive promotional effort is not as effortless. There are an average 25 cable networks on any given system, all with plenty of promotable shows. To boot, standardization isn't exactly a buzzword in cable—what one system will promote vigorously, another will ignore. And probably the biggest strike against cable systems and multisystem operators is that very few actually have a person, much less an entire department, whose primary job it is to coordinate tune-in promotions.

George Rosehart, the regional marketing manager for TeleCable Corp.'s Midwest systems, looks to broadcasters for proof that promotion works. "Broadcasters have a person whose job and title is promotion," says Rosehart. "In our whole MSO, we haven't had anyone like that."

After cable operators and programmers first realized their product could become something more than just a vehicle for improved television reception, all promotion revolved around adding subscribers. Throughout the '80s, the MSOs rode that wave, profiting along the way. Many systems have more recently hit a north-of-50-percent penetration plateau, and it's no longer as easy to gather the bucks through subscriber-acquisition drives alone. But those drives still matter to system operators and take up a healthy portion of their time and efforts. Insists Toni Rigsby, Cox Cable Communications' director of marketing communications, "It's still too early to de-emphasize acquisition campaigns—they're still vital to our business."

Nevertheless, it is not too early to recognize that the long-term future of cable lies in advertising growth. "Audience and tune-in promotion is not a discipline the industry has practiced over the years," says Alter. "But all the major MSOs have made a commitment to increasing the intensity of promotion. And they're in the process of equipping to do it, by dedicating human resources and money." He notes that a few MSOs now include tune-in promotion as a line item in budgets. "They're now identifying it as a normal part of procedures," he says.

The CAB's white paper spells out promotion's ability to increase ratings




The CAB's monthly Cable Tune-In Kit gives program specific ad copy to cable systems, which customize it.

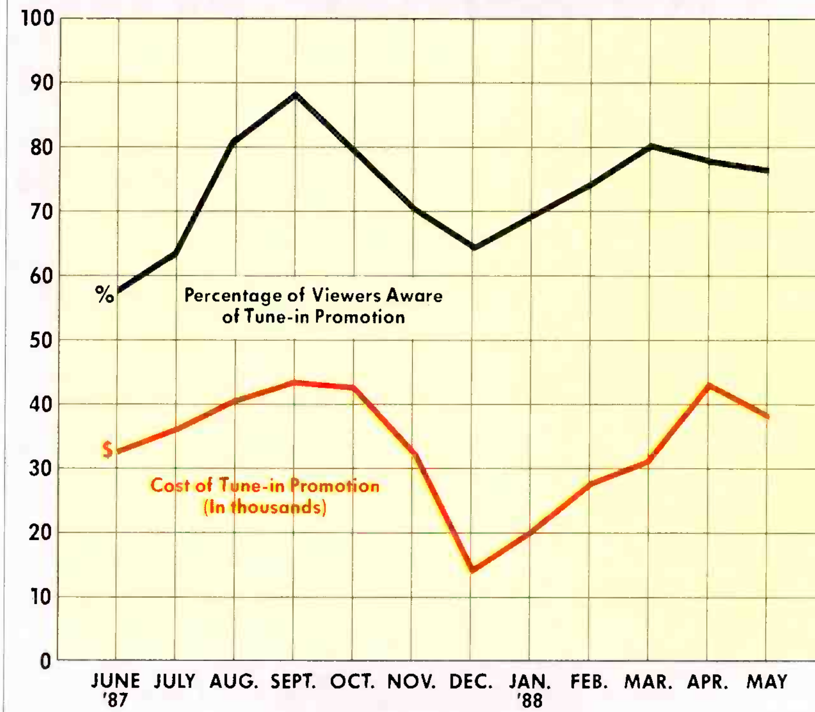
and, in turn, ad dollars. It also lists two other benefits of tune-in promotion. First, the promos make viewers watch more cable programming, and having realized its value, CAB reasons, they will stick with it. Boiled down, this means reduced subscriber churn. Heritage Communications Inc.'s vice president for sales and promotion, Terry Rich, says tune-in promos give viewers "a better feeling about the price-value relationship. That translates to less churn, which has definitely dropped in the last two years. It also justifies our price [increases], which are the bottom line here." Second, non-subscribers will be even more tempted to hook up once they see promos in newspapers or on broadcast TV. In other words, tune-in wields acquisition punch, too. Not many cable marketers concur with this point. Rich, however, believes tune-in promos captured subscribers for Heritage when most of its systems were hyping NFL football on ESPN. Alter admits it's tough to prove that promos cause non-subscribers to surrender to cable, but he maintains it plays a part.

Rich estimates Heritage spends about $1.50 per subscriber per year on marketing and promotion. Other operators agree that is a fairly standard spending level. Operators disagree, however, on whether to hype specific programs in promotion spots or to push networks' identities first. Rich says program-specific promotions have yielded specific results for Heritage. "Our philosophy is to take the broadcaster's lesson: You promote particular programs rather than the network," he says. "We're promoting *Miami Vice* on channel 26 on a given system, rather than 'Great entertainment like *Miami Vice* on USA Network.' We're going time- and date specific, which drives our ad sales."

On the flip side, Cox's Rigsby describes a number of network-oriented promotions that involve subscriber contests and sweepstakes. One viewer this year will be given a $10,000 shopping spree in a promotion tied to the Lifetime network. Last year, Cox mounted another Lifetime promotion, a Mother's Day sweepstakes, in which the winner walked away with a trip to New York City. Rigsby says research showed a double payoff from the promotion: "We saw an increase in awareness among our subs, not only about the channel but also about particular shows on the channel."

## MONEY BUYS AWARENESS

Dimension Cable, a Times Mirror cable system in Phoenix, Arizona, conducted a study over the last two years to chart the effect of tune-in promotion on subscribers. The graph below reflects Dimension's promotion budget and percent of subscribers who were aware of the promotion. As the graph indicates, awareness of the campaign rose with the amount spent on tune-in promotion.




Source: Dimension Cable, Phoenix, Ariz.

Even though it is clear that tune-in promotion can drive advertising revenue for cable systems, relatively few cable marketers actually have a full-time promotion person or department in place at the system or corporate level. Rigsby says steps are now being taken at Cox to eliminate that problem. "We're hiring for a position called 'manager of program promotion,' to be on the corporate level," she explains. For many system managers, she says, "there isn't enough time to do on-air promotion to get all these myriad tune-in spots, to make the decision of which program you want to promote, where to place it and how to run it. That's very time-consuming."

But the idea is gaining steam regardless of obstacles. TeleCable's Rosehart says broadcasters have proven that tune-in promotion drives ratings and ad sales. "They're the experts," he says, "and it's obviously worked for them. We're operating on blind faith that it'll do it for us, too."

An array of high-tech support systems contributes to promoting programs on cable systems across the country. *The Cable Guide*, a magazine that provides localized cable listings for all the systems it serves, plans to launch a six-minute video version of the magazine in about 2 million homes next month. The magazine's publisher, Alan Wragg, hopes that his partner, Nucable Resources Corp., which is selling the guide to systems, will ring up 8 million homes by year's end.

Also in place is The Weather Channel's *Prime Time Tonight*, a system-specific promotional slot airing three minutes before each half hour in prime time. *Prime Time Tonight* features promos for programs showing that night, along with times and channel numbers.

With these video cable guides complementing the promotions under way at systems and MSOs, broadcasters can expect cable to become a tougher competitor for precious advertising dollars. ●

# Cable Advertising Goes Past the Wire

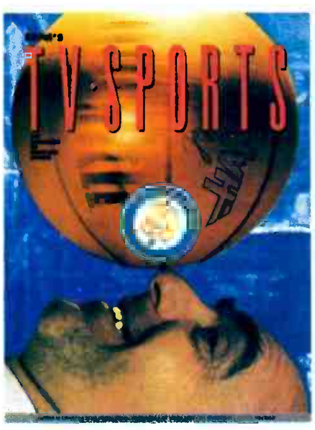
Multimedia punch is selling ads for TNN, MTV and others. Direct mail, print and radio ads are all parts of today's cable deals.

**BY JOE MANDESE**

The next time an advertiser boasts of his latest cable TV deal, ask to see his tear sheets. For that matter, ask if his spots aired on the AM or FM dial, or what the response rate was on his direct-mail run. Indeed, the concept of a "cable buy" is taking on new meaning these days as basic cable networks ally themselves with other media in an effort to extend their reach beyond the geographic and marketing limitations of coaxial wire. In fact, recent cable ad deals have included a wide array of distinctly non-cable media options, including magazines, newspapers, network and spot radio, TV syndication, unwired TV networks, home video and direct mail.

"It's a planners' and buyers' dream," says Margaret Rosser, senior vice president and group media director of Campbell-Mithun-Esty, a New York ad agency that developed such deals with several cable networks for its insurance company client The Travelers. Arts & Entertainment Cable Network, for instance, developed a package for The Travelers that included sponsorship of seven A&E miniseries, extensive on-air promotion and print support in A&E 's monthly guide as well as *TV Guide, Cable Guide, The New York Times, Vanity Fair* and Sunday newspapers.

The Travelers struck similar multimedia deals with The Discovery Channel, CNN and *Nation's Business Today*, the two-hour business-news show that runs live weekday mornings on ESPN. As a result of its experience with The Travelers, the U.S. Chamber of Commerce, which publishes *Nation's Business* magazine and produces *NBT*, as well as a nationally syndicated show called *It's Your Business*, last year expanded its multimedia package. Under the deal, advertisers that agree to commit at least $100,000 to a print schedule in *NB* get the equivalent of 50 percent of that value in TV time. While the program has contributed about a third of the 10 percent 1988 increase (about $1.1 million) in the Chamber's revenues and generated 25 new accounts, group v.p. Carl Grant cautions, "If you sell it wrong, people will think it's a freebie."




**ESPN will market its new *TV Sports* as part of multimedia packages.**

Actually, advertisers refer to such deals as "media extras," says NW Ayer senior media supervisor Gary Morgan. "The competition's out there screaming for their piece of the pie," he explains, "and this is a way to dress up and stand out from the crowd."

How advertisers use the time or space in multimedia deals varies. In packages like *Nation's Business*', advertisers are free to run different messages, but it is assumed that clients will run a uniform campaign. Other deals may require that the non-cable media promote not products but a client's sponsorship of the cable network.

Cable sales executives concede that such deals are designed to get the attention of advertisers; too much "extra," however, can diminish the value of cable's regular inventory. "[Extras] should never be a major part of a cable package," explains A&E vice president of advertising sales Larry Divney. "When [non-cable impressions] cross the line of 10 to 12 percent [of total impressions] of a deal, then you are selling another medium." A&E still plans to expand its multimedia options. Other basic networks plan to follow suit. Lifetime is considering buying magazine space for ad deals, while CNN is exploring ventures with several Time Inc. magazines.

Others, meanwhile, are developing their own print vehicles. ESPN recently launched *TV Sports*, a monthly magazine it is selling independently to advertisers, although the network plans to work it into multimedia ad packages. And The Nashville Network plans to complete a "three-legged" package this fall with the debut of *Country America*, a 400,000 paid-circulation magazine published in a joint venture between TNN marketing partner Group W Satellite Communications and Meredith Corp. *CA* will be combined with TNN's reach into 43 million households and its recently launched TNN Radio network to make an attractive multimedia package for advertisers seeking to reach country-music fans. However, Group W senior v.p. of sales and marketing Lloyd Werner says the package is for only "the top multimedia advertisers."

MTV Networks, meanwhile, has contracted with an undisclosed direct-marketing firm and plans to begin offering clients packages that include direct-mail runs of 2 to 5 million households based on lists developed by MTV, Nickelodeon and VH-1. The company is also launching *MTV to Go*, a monthly magazine. The network, which has also begun handling barter-ad sales for parent Viacom's syndication programs, plans to add both to its mix.

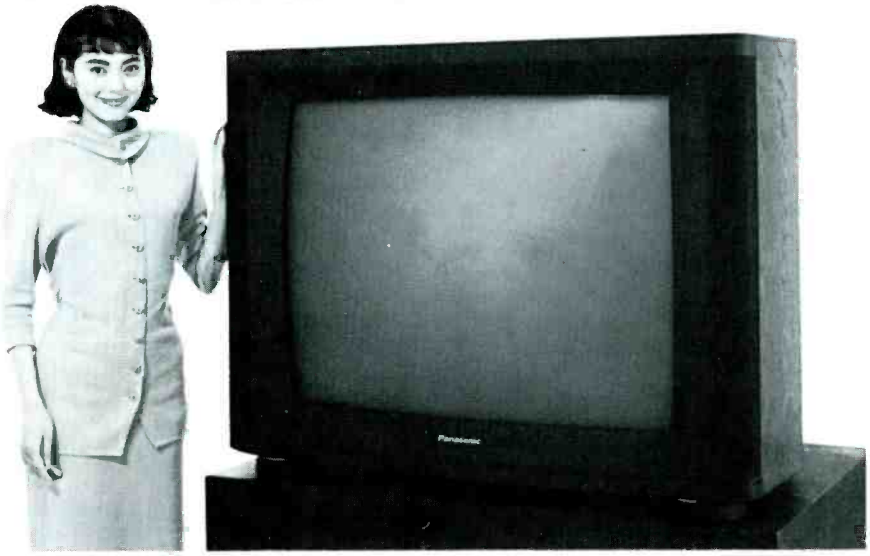
"It's a natural for us," explains Douglas Greenlaw, senior v.p. of ad sales. "We can develop a creative package that includes some MTV and add a little *Superboy* or maybe some Nickelodeon and some *Super Mario Brothers*." He adds that such deals might include direct mail or even event marketing, such as MTV's coverage of spring break. "We're no longer just a cable buy," he says. "We're now a total marketing vehicle." ●

*Joe Mandese is a senior editor of* Marketing & Media Decisions.

# A Poor Man's High-def

by Marjorie Costello

U.S. broadcasters should take note of Japan's coming low-cost alternative to HDTV.



"Hey Yankee broadcaster, are you in for a big surprise when I turn on this new EDTV set."

A low-cost, easy to implement advanced TV system will soon begin service in Japan. Extended-definition television, or EDTV, is Japanese commercial broadcasting's preemptive strike against the country's full-HDTV system being introduced by government TV giant NHK. Through this EDTV strategy, Japan's broadcasters may be providing their American counterparts with a practical way to upgrade NTSC, while preserving the technical and economic basis of conventional broadcasting.

EDTV, also known as Clearvision, is the result of a crash research project started in September 1985 and led by Japan's commercial broadcasters under the auspices of the Broadcasting Technology Association and the Japanese government. In January 1986, wasting no time, the BTA began research on a system that would be compatible with NTSC and improve the picture quality of terrestrial TV. BTA members—such as Japan's leading commercial broadcaster, Nippon Television Network—submitted their systems to the BTA for evaluation. (Ironically, NHK is a member of the BTA, which is also evaluating HDTV and satellite broadcasting.)

Ten of the 25 proposed EDTV systems were selected by the BTA for testing and evaluation by Japan's Ministry of Telecommunications and Posts (PTT). Usually overlooked in the U.S. is the fact that the BTA's EDTV proposal is one of the 18 advanced TV systems now under consideration for testing by the American counterpart of the PTT, the FCC.

The Clearvision system under evaluation calls for upgrades on both the transmission and reception end. Operating within the current 6 megahertz TV channel bandwidth, Clearvision is an NTSC-compatible system: Conventional TV sets will be able to receive EDTV broadcasts over the air or via cable. However, to view the benefits of it, consumers must purchase new EDTV-compatible receivers.

EDTV uses a non-interlaced, progressive scanning system—as opposed to conventional NTSC's interlaced scanning—to create its 525-line picture. While typical NTSC broadcast methods deliver only about 330 lines of horizontal resolution to the home TV, EDTV broadcasts can offer 450 lines, placing the technology on par with the best Super VHS and ED Beta consumer VCRs.

Because of all these enhancements, EDTV will produce a picture with more detail, less flicker and sharper images than conventional NTSC.

One of EDTV's main advantages is its relatively low cost. According to Yoshio Sugimori, director of technical development at Nippon Television Network (NTV) in Tokyo and chairman of the BTA, all a TV station needs to convert to EDTV, "is an encoder and a GCR [ghost cancelling reference] inserter." Current land-based transmitters can be used without any modifications. On the production end, a higher resolution camera and one-inch VTR recording quality is recommended.

Sugimori predicts EDTV service will begin in Japan sometime this summer. His own network will be joined by several other commercial broadcasters as well as NHK.

Although EDTV's first generation features a 4:3 aspect ratio, the BTA is examining the second generation of the system. The BTA's chairman says that EDTV-II will feature "a 16:9 aspect ratio, PCM [digital-quality] sound," accompanied by improvements in picture brightness and color.

Japanese manufacturers are poised to meet the demand for new receivers. At this past fall's Japan Electronics Show, set makers—including BTA members Panasonic, Sony and Mitsubishi—debuted their EDTV-compatible sets. The models introduced have large screens that maximize the impact of EDTV.

Broadcasters in Japan hope that EDTV service will enhance not only the quality of their TV transmissions but also their ability to attract more viewers and advertisers. American broadcasters faced with viewer erosion and heightened competition for ad dollars would be well advised to pay attention to Clearvision—a cost-effective way to upgrade NTSC on this side of the Pacific. ●

*Marjorie Costello, president of Market Tech Associates, writes frequently about video technology.*

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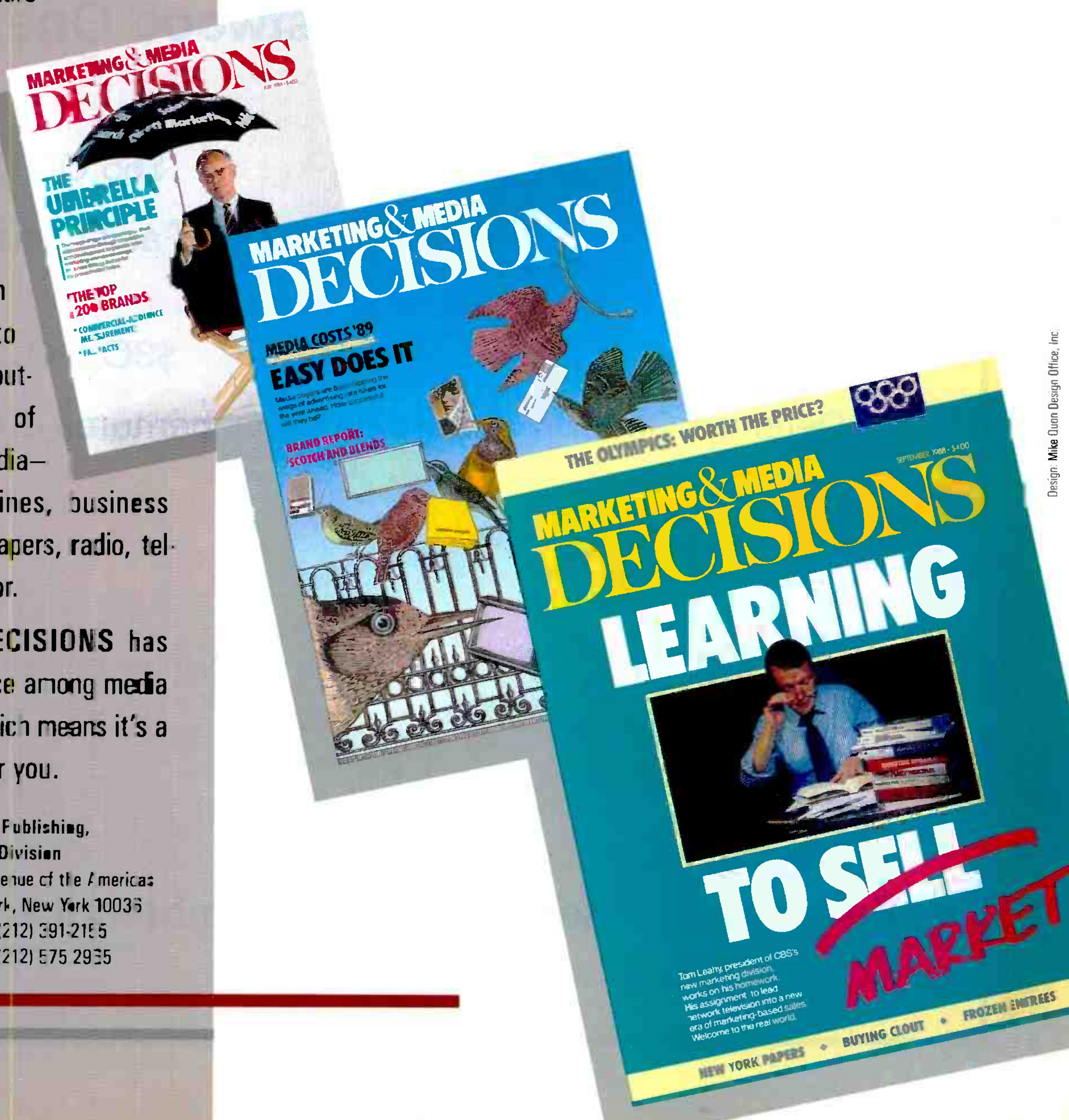


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# Make No Little Plans

*by Paul Noglows*

Careful station acquisitions keep Burnham Broadcasting on a grand growth curve.

At a time when many savvy investors are apprehensive about major forays into the TV station business, five-year-old Burnham Broadcasting Co. is continuing its steady growth curve.

When the company launched, in 1983, managing general partner Peter Desnoes was grappling with a set of difficult decisions. After a successful 16-year career at ABC, the then president and g.m. of WLS-TV in Chicago decided that he wanted more—namely his own broadcasting company. But financial people were skeptical, suggesting the purchase of a small radio station, where he could more easily prove his ability to start a new venture.

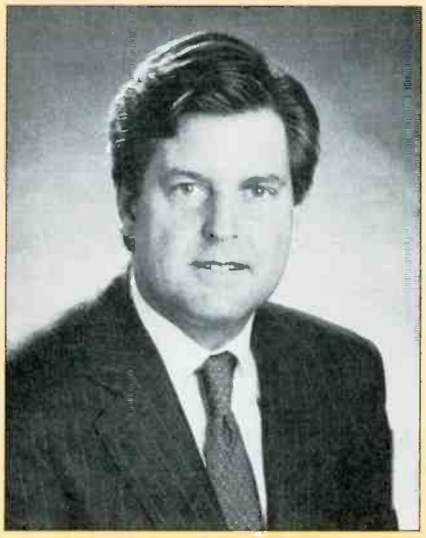
Instead of letting himself be dragged down by that advice, Desnoes put his stock in a maxim of Daniel H. Burnham, a visionary architect and urban planner who laid the foundation for the modern city of Chicago after fire obliterated the city in 1871, which said: "Make no little plans, they have no magic to stir men's blood." Desnoes was moved enough by the quotation to name the new company after Burnham.

Today, the Chicago-based company owns four network affiliates—stations in Bakersfield, Calif., Green Bay, Honolulu and New Orleans—and is in the process of closing on a fifth, WALA-TV, the NBC affiliate serving Mobile, Ala., and Pensacola, Fla. Along the way, Burnham has done more than just amass stations, it has developed an acquisition and operating philosophy that has enabled it not only to survive but to thrive in television's difficult and competitive arena.

"From the moment that Burnham Broadcasting was just an idea rather than a reality, our acquisition objectives have been consistent," says Desnoes, 45. "We are looking for affiliate stations in medium-size markets that are technically and geographically comparable to the competition, with the potential to be the leading station in the market—but which are not—to which we can apply

conscientious management." Burnham's recent purchase of WALA from Knight-Ridder Inc. for about $47 million, or just less than a 12 times cash-flow multiple, fits such a bill. The station has historically run second best in Mobile, the nation's 58th-largest market.

The company's operating strategy, however, is more integral to its success than is its approach to acquisitions. "It is our operating philosophy—to which I am almost obsessively dedicated—that our local managers will be far more than ordinarily experienced," says the operations-oriented Desnoes. "They are a high-powered and high-priced group of individuals who are capable of being au-



Desnoes: 'We're committed to being survivors.'

tonomous. It's my belief that the way to run a group of independent media facilities is to allow the managers to be responsive to the uniqueness of their communities." He adds: "Our goal is to build a long-term franchise in local, community-based programming. That's expensive and it only makes sense for a company that's in it for the long haul. It certainly is not the strategy of financial buyers whose objective it is to rapidly increase cash flow so they can flip it."

The strategy appears to be paying off. Burnham's gross operating revenues skyrocketed from just over $3 million in 1984 to more than $57 million in 1988. Desnoes says that he, along with Burnham's original eight limited partners, have invested well over $30 million of equity into the company and have spent more than $300 million since its inception. "I think that makes us different," he says.

Despite ownership of McHale Videofilm, Hawaii's largest and most successful commercial production and postproduction facility, and The Image Works of Wisconsin, one of that state's leading audiovisual production companies, Desnoes says the company has no desire to venture into other businesses such as cable, radio or cellular. "My philosophy is that you can screw up things you *know* how to do," he says. "You're sure to screw up things you don't know how to do."

He says the company's growth will surely come from broadcasting: "A year from now, I would expect us to be a six-station group. Five years from now, I might expect us to be a 12-station group. Although that is the goal, we are not blindly committed to 12 just for the sake of being 12. We're blindly committed to being survivors and succeedors, and if that means surviving and succeeding as a six-station group, we'll be a six-station group." ●

*Contributing editor Paul Noglows is the New York reporter for* Media Business News.

AUDIENCE

# Mom, Can We Watch...

Nielsen's annual viewing study *Television Audience 1988* reveals, among many other facts, that households with children generally watch more TV than households without children. As would be expected, viewing levels dropped during the July (1988) sweeps, when summer weather kept kids outdoors. The division of children reflects the age of the youngest child in the household.

### Seasonal TV Usage by Age of Youngest Child
(Percentage of Households Using TV, 24-hour average)

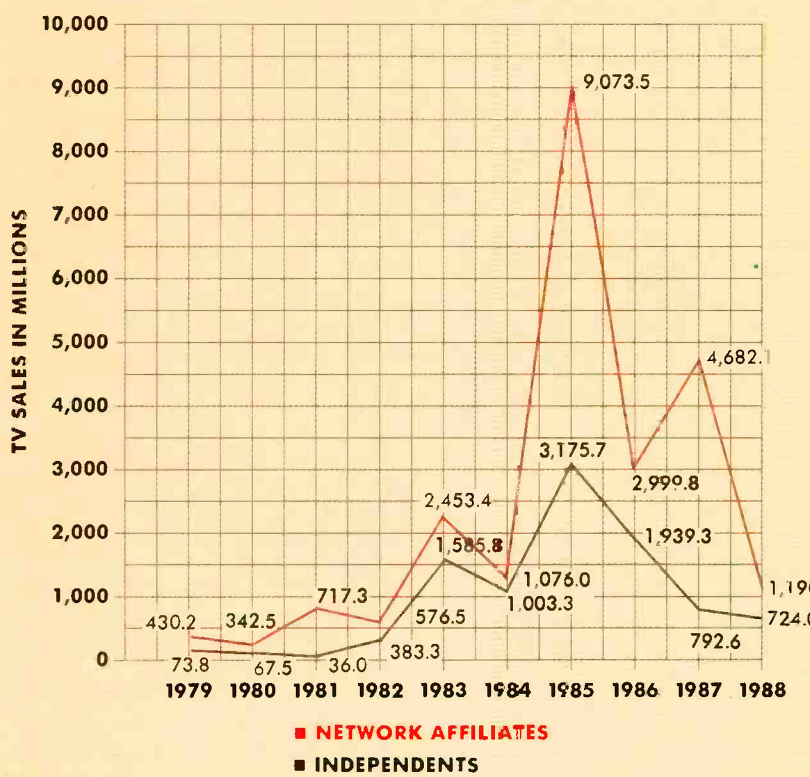
| Age | November | February | May | July |
|---|---|---|---|---|
| Under 3 Infant | 36 | 39 | 33 | 31 |
| 3-5 Pre-school | 32 | 36 | 32 | 25 |
| 6-11 Grade-school | 34 | 38 | 32 | 32 |
| 12-17 Teen | 36 | 37 | 33 | 34 |
| No Children | 27 | 29 | 25 | 24 |

Source: Nielsen Television Index.

DEALS

# History of TV Station Sales

Scanning the last ten years in TV station sales, divided up below between network affiliates and independents, 1985 was a boom year, eclipsing all other years with a grand total of $12.25 billion in sales.




Source: Paul Kagan Associates Inc.

## ★ RATINGS ★

### TOP NETWORK SERIES

First 22 weeks of season, Sept. 18, 1988 through Feb. 12, 1989

| | SERIES / NETWORK | RATING / SHARE |
|---|---|---|
| 1 | The Cosby Show / NBC | 25.8 / 41 |
| 2 | Roseanne / ABC | 22.8 / 34 |
| 3 | A Different World / NBC | 22.7 / 35 |
| 4 | Cheers / NBC | 22.5 / 35 |
| 5 | 60 Minutes / CBS | 21.4 / 35 |
| 6 | Golden Girls / NBC | 21.4 / 37 |
| 7 | Who's the Boss? / ABC | 21.0 / 32 |
| 8 | Murder, She Wrote / CBS | 20.2 / 30 |
| 9 | Empty Nest / NBC | 19.0 / 34 |
| 10 | Growing Pains / ABC | 18.6 / 30 |

### TOP BARTER SERIES

First 21 weeks of season, Sept. 4, 1988 through Feb. 5, 1989

| | SERIES / SYNDICATOR | RATING |
|---|---|---|
| 1 | Wheel of Fortune / King World | 15.7 |
| 2 | Jeopardy! / King World | 13.2 |
| 3 | The Cosby Show / Viacom | 11.8 # |
| 4 | The Oprah Winfrey Show / King World | 10.0 |
| 5 | Universal Pictures Debut Network / MCA TV | 9.9 # |
| 6 | Star Trek: The Next Generation / Paramount | 9.8 # |
| 7 | Wheel of Fortune (weekend) / King World | 9.5 |
| 8 | Tri-Star Showcase / Televentures | 9.3 |
| 9 | Columbia Night at the Movies / Columbia | 9.0 # |
| 10 | TV Net Movie / Teletrib | 8.9 # |

### TOP CABLE NETWORKS

Average ratings / projected households, January 1989

| | NETWORK | 7 A.M. TO 1 A.M. | PRIME TIME |
|---|---|---|---|
| 1 | TBS | 2.1 / 1,014,000 | 2.6 / 1,256,000 |
| 2 | USA | 1.4 / 655,000 | 2.1 / 983,000 |
| 3 | ESPN | 1.1 / 552,000 | 2.3 / 1,153,000 |
| 4 | CNN | 0.9 / 447,000 | 1.2 / 596,000 |
| 5 | CBN | .9 / 397,000 | .9 / 397,000 |
| 6 | MTV | .6 / 314,000 | .8 / 359,000 |
| 7 | Lifetime | .6 / 253,000 | 1.0 / 421,000 |
| 8 | Nashville Network | .5 / 236,000* | 1.0 / 455,000 |
| 9 | Discovery | .5 / 191,000* | .9 / 343,000 |
| 10 | Headline News | .5 / 177,000 | .4 / 141,000 |

\# Includes multiple exposures.
* 9 A.M. to 3 A.M. Note: cable ratings are percentages within the varying populations that can receive each network. Networks are ranked by projected number of households rather than ratings. Source: Nielsen Media Research data.

HOME VIDEO

## Top Videocassettes / Rentals

January 1989

| | TITLE / PUBLISHER | % TOP 50* |
|---|---|---|
| 1 | **Red Heat** / IVE | 7.2 |
| 2 | **Three Men and a Baby** / Touchstone | 5.9 |
| 3 | **Young Guns** / Vestron | 5.2 |
| 4 | **Willow** / RCA / Columbia | 3.6 |
| 5 | **Beetlejuice** / Warner | 3.6 |
| 6 | **Colors** / Orion | 3.2 |
| 7 | **Short Circuit 2** / RCA / Columbia | 3.0 |
| 8 | **Great Outdoors** / MCA | 3.0 |
| 9 | **Nightmare on Elm St. IV** / Media Home Ent. | 2.7 |
| 10 | **Monkey Shines** / Orion | 2.6 |
| 11 | **Funny Farm** / Warner | 2.5 |
| 12 | **Unbearable Lightness of Being** / Orion | 2.5 |
| 13 | **Biloxi Blues** / MCA | 2.4 |
| 14 | **License to Drive** / CBS / Fox | 2.4 |
| 15 | **Shoot to Kill** / Touchstone | 2.3 |
| 16 | **Above the Law** / Warner | 2.2 |
| 17 | **Planes, Trains and Automobiles** / Paramount | 2.0 |
| 18 | **Arthur 2: On the Rocks** / Warner | 2.0 |
| 19 | **Moonstruck** / MGM / UA | 2.0 |
| 20 | **Frantic** / Warner | 1.9 |

## Top Videocassettes / Sales

January 1989

| | TITLE / PUBLISHER | % TOP 50* |
|---|---|---|
| 1 | **Michael Jackson: Moonwalker** / CMV Music Video | 16.3 |
| 2 | **Jane Fonda's Complete Workout** / Lorimar | 9.4 |
| 3 | **E.T.** / MCA | 8.9 |
| 4 | **Dirty Dancing** / Vestron | 4.3 |
| 5 | **Cinderella** / Disney | 4.0 |
| 6 | **Callanetics** / MCA | 2.7 |
| 7 | **Racquel: Lose 10 Lbs. in 3 Weeks** / HBO | 2.7 |
| 8 | **Jane Fonda's Start Up** / Lorimar | 2.4 |
| 9 | **Jane Fonda's Low-Impact Aerobics** / Lorimar | 2.4 |
| 10 | **Top Gun** / Paramount | 2.0 |
| 11 | **Angela Lansbury: Positive Moves** / Wood Knapp | 1.9 |
| 12 | **Callanetics II** / MCA | 1.9 |
| 13 | **Wizard of Oz** / MGM / UA | 1.8 |
| 14 | **Good Morning Vietnam** / Touchstone | 1.6 |
| 15 | **Lady and the Tramp** / Disney | 1.5 |
| 16 | **Untouchables** / Paramount | 1.4 |
| 17 | **Beverly Hills Cop II** / Paramount | 1.4 |
| 18 | **Dumbo** / Disney | 1.4 |
| 19 | **Sound of Music** / CBS / Fox | 1.3 |
| 20 | **Ben Hur** / MGM / UA | 1.3 |

Source: Videodome Enterprises, Dallas. Charts appear weekly in *TWICE* magazine. *Title as percentage of top-50 tapes total volume.

# THE MAGID NUGGET

## The Extent of Grazing

You're watching your favorite show, and it breaks for a commercial. What do you do? Ten years ago, TV critics said viewers went to the kitchen to get a snack, or went to the bathroom. Nowadays, some viewers pick up their remote and check out what's on the other channels, according to results from *Channels'* exclusive survey of Americans' viewing habits. Out of 650 people queried, younger people switched channels more during commercial breaks: 60 percent of the 18-24 year-olds switched at least half the time, whereas only 12 percent of the over-65 group switched that often.

**Change Channels During Commercial Breaks . . .**

| | Almost always | 3/4 of the time | 1/2 of the time | 1/4 of the time | Almost never | Never | DK / NA |
|---|---|---|---|---|---|---|---|
| **Total** | 8.0% | 7.5% | 18.0% | 17.5% | 37.3% | 11.0% | 0.8% |
| **Sex** | | | | | | | |
| Male | 9.6 | 7.6 | 20.2 | 17.7 | 35.9 | 9.1 | 0.0 |
| Female | 6.4 | 7.4 | 15.8 | 17.3 | 38.6 | 12.9 | 1.5 |
| **Age** | | | | | | | |
| 18–24 | 14.5 | 16.1 | 29.0 | 14.5 | 19.4 | 6.5 | 0.0 |
| 25–34 | 5.5 | 8.2 | 23.6 | 24.5 | 31.8 | 5.5 | 0.9 |
| 35–49 | 11.7 | 5.8 | 14.6 | 17.5 | 43.7 | 5.8 | 1.0 |
| 50–64 | 5.3 | 4.0 | 13.3 | 13.3 | 46.7 | 16.0 | 1.3 |
| 65 + | 2.0 | 4.0 | 6.0 | 12.0 | 44.0 | 32.0 | 0.0 |
| **Region** | | | | | | | |
| Northeast | 9.1 | 11.4 | 19.3 | 22.7 | 29.5 | 8.0 | 0.0 |
| North Central | 4.2 | 6.3 | 22.9 | 13.5 | 36.5 | 16.7 | 0.0 |
| South | 8.4 | 7.0 | 16.1 | 16.8 | 37.8 | 11.9 | 2.1 |
| West | 11.0 | 5.5 | 13.7 | 17.8 | 46.6 | 5.5 | 0.0 |

Source: Frank N. Magid Associates inc., for *Channels*.

## Late Fringe: Boom or Bore?

The late fringe time period (11:00 P.M. to sign-off) is receiving more attention from TV critics, thanks to shows like NBC's *Late Night with David Letterman* and the recent wave of talk shows. But are advertisers paying the same attention? Judging from the last five years, it seems not. Television Bureau of Advertising spokesman George Hoover points to the Olympics and the presidential elections as reasons for the larger ad growth in 1984 and 1988.

| YEAR | AMOUNT (MIL) | % CHANGE FROM PREVIOUS YEAR |
|---|---|---|
| 1984 | $429.6 | 15.9% |
| 1985 | 382.1 | –11.0 |
| 1986 | 406.4 | 6.4 |
| 1987 | 432.0 | 6.3 |
| 1988 | 593.6 | 38.6 |

Source: Television Bureau of Advertising.

ADVERTISING


# When Murder & Vice are No Longer Enough

USA's Kay Koplovitz has used off-network hits to lure viewers to the channel. Now, how to keep them?

*USA Network, basic cable's 47 million-subscriber entertainment channel, began life in September 1977 as the MSG Sports Network, a coventure of Madison Square Garden and UA-Columbia Cablevision. In 1980 MSG Sports changed its name to USA, and in 1981, Time Inc., MCA and Paramount each acquired one-third ownership of the net. Time sold its stake in '87, leaving the two Hollywood companies equal partners. Kay Koplovitz has headed USA as president and CEO since 1980, guiding the network as it shed its all-sports hook and moved more heavily into entertainment. She recently talked with* Channels *editors about the state of her network.*

### USA's Programming Strategy

USA is an entertainment network. Our entertainment product is really based on original programming—40 percent of our programming is original to USA. Second, it's based on strong, identifiable off-net series—like *Murder, She Wrote* and *Miami Vice.* And third, on sports and live events. That's the primary thrust, all geared to entertainment. The strategy works. USA has the highest viewership in cable, so clearly the consumer understands what we're doing and appreciates the programming.

### Countering the Country

Our philosophy always was to target different audiences as they were available throughout the day. We continue to do that, quite successfully. We're counterprogrammers. We watch what goes on the three broadcast networks; we also look at the television stations and how they program.

We've always done a lot of original programming—sports, and we did large blocks of original programming during the day. We have shifted a lot more of that into prime time now, because we have a larger audience flow—we are able to promote and support our original productions.

### Building the Cable Window

USA was the first cable network to really break into syndicated product, when we bought *Riptide* and *Airwolf.* That was the first time we really got the attention of the programming community, that, whoa!—Cable is really going to be a marketplace. That was only two and a half years ago, but it seems like a millennium. *Miami Vice* and *Murder, She Wrote* are the new products, and they have improved our performance in those time periods dramatically—*Murder, She Wrote* by 85 percent over the year before. So they really are doing precisely what they should do for us.

USA has the highest-rated programming in that 7 to 9 P.M. time period in cable television. And it is substantially improving our audience flow into prime time, 9 to 11, where we have a lot of our original shows: *Alfred Hitchcock Presents, Ray Bradbury Theater.* Our world-premiere movies will be starting this month.

### How Original is Original?

We do a lot of exclusive programming for USA that has never appeared other places, and we have continued some series. *Alfred Hitchcock* is a prime example of a series that has a high marquee value and a following.

No cable network has the same promotional power that the three broadcast networks have still. We are operating in a 50-channel environment, and to be able to produce new episodes, it's a double-edged sword in some ways. It's great for marketing, but the [audience] expectations are high . . . . I think our episodes hold up to *any* that have ever been produced.

*The Hitchhiker* was the most popular series ever seen on Home Box Office. We bought 39 episodes of the show, and we are producing 26 more. It's a highly acclaimed, award-winning series. That's of great value to us.

### The Cable Ad Oversell

We sold [*Murder, She Wrote* and *Miami Vice*] on a 4 rating to advertisers. We did not want to undersell the programming. You have to understand that the CPMs in cable are about 50 percent of what they are in broadcast television. In order to evaluate those programs appropriately, we had to sell high going in. We would have been thrilled had we achieved close to a 4 rating on those shows. We are very close to a 3 rating and we're absolutely delighted. We expect those ratings will improve as we go along.

I knew I would have to respond to the 4 rating and I've had to do it 400 times. But that was a better prospect than selling those programs short going in.

### USA's $250 Million Movies

We really want to bring new, dramatic long-form to cable television. We want to change people's expectations of what they can see on cable television. One of the ways of doing it is to bring original movies to our audience. While we'll be rolling out initially one a month, we will,

PHOTOGRAPHS BY MARK STERN

before the end of the first year of this, be on a weekly basis with world-premiere movies. That's an expectation we want to create with our audience—that USA is creating movies for them.

### Coproductions: The New TV Norm

I think we have changed the television business forever—and I use "we" as cable television, not simply USA. It's a necessity. It's going to be a necessity for the broadcast networks, not just cable television. A producing entity—a studio or independent—can't any longer produce a show for broadcast television and accept a $300,000 to $400,000 deficit on every episode, and *expect* it to go into syndication to recoup that money, the way it once was. So everybody in the business is looking for ways to produce product that will not leave them with heavy deficits.

We have really had to go the coproduction route to bring the amount of product we have to the screen and give it star value, to have the writers be of the caliber we need . . . It's been enormously positive, from our point of view. Ten years ago, [this level of coproduction] wouldn't have happened. The marketplaces weren't there.

### Getting Bumped by the Jones-es

It's a very dangerous precedent, because USA is extremely popular—and very popular on the Jones systems. So it is discouraging. And it really shows, in many ways, that there is one entry point into the marketplace. There is a cable operator who is going to make the decision of whether the consumer gets to see this product or not. It seems to be of no importance whether the consumer likes the product or not.

But it is our position that we have a valid contract [with Jones] through the end of 1990, and it is a position that the judge has indicated he will uphold.

### Cable's Never Had It So Good

The so-called Hollywood companies [that are USA's parents] are programmers. They are among the best programmers in America. We should be happy in this industry to have companies investing that understand programming, understand the risk, and will *take* the risk. The two companies that own USA have done all of that. And the industry ought to remember that. Our money is in our product. We are not taking it to repay debt—there's no such thing at USA. We really put our money on the screen.

### Living Outside the Cable Club

The cable industry *must* support [cable networks] with strong performance, whether they own them or not. Because

*'We are operating in a 50-channel environment, and to be able to pick up a program with a high profile, such as* Hitchcock*—That's of great value to us.'*

otherwise, there will be re-regulation that perhaps the cable operators aren't going to like. I am not trying to create an adverse position for the cable operators. They are our customers. But it is *imperative* that cable operators support good programming performers, whether they own them or not. Generally, you have to look at our success in distribution and say they have.

### USA's Programming Standards

We were meeting with a group of writers and producers, and they were asking us what our [program] standards are. And we had a lot of jokes about it: "What standards?!" Dave Kenin [USA's programming chief] said, "Kay's mother sets the standards." I have to feel that my mother can watch USA Network. And Dave said, not so kiddingly, "I suspect USA's standards are certainly at least broadcast standards, and probably more stringent than where broadcast standards appear to be going today." And I think that's true. There are things on broadcast TV that you wouldn't necessarily see on USA. When *The Hitchhiker* was originally shot, it was shot in two versions—for broadcast standards and for HBO. We have the versions that were shot and edited for broadcast. There's no nudity in our versions, and neither is there in the ones that we are producing.

### Life with Time Inc.

It was an unhappy partnership—I think everybody knew that. We did the best we could in an environment in which all three owners were supportive of USA, but not necessarily collectively. I don't fault one company or another for it. But it is clearly easier to get decisions made now. The two companies that are left understand the programming risk and will invest in it. It's much smoother now to go forward with plans and get commitments in a timely manner.

### Tapping the Parental Vaults

I make no bones about it. I tried to get [the new] *Star Trek* before [Paramount] produced it. I remember sitting in a meeting and saying, "Let's have a new *Star Trek* series." And of course, with my enthusiasm for producing *Star Trek* with $5,000 a half hour to spend on it . . . it's not terribly surprising it wasn't accepted as a marketplace bid. [Paramount] sold it to television stations. And it's done well. You can't fault that. But it would have been great for USA.

But there will be more great opportunities. You can't fault USA for reaching and trying. I mean, that's what we're here for. And we're reaching all the time. I think the 1990s are really going to be our decade. ●

RUNNING THE NUMBERS

# Executive Pay-Off

Since *Channels*' last look at executive salaries in July/August 1987, salaries have risen considerably across four segments of the television industry. Tribune Broadcasting's James Dowdle, for example, received about 11 percent more last year than in 1987. Both Arthur Krim and Eric Pleskow of Orion earned a 67 percent increase. Walt Disney CEO Michael Eisner (not shown below) earned an astronomical $40.2 million last year, but compensation on that level is more the exception than the rule.

Not all the dollar amounts shown, however, reflect cash renumeration only. In many instances, compensations listed in each company's proxy statement include the dollar value of stock ownership, car allowances and insurance benefits. Not included in the salaries listed are the complicated savings plans and "golden parachutes" often reserved for top executives. The following is a sampling of publicly traded companies in the TV industry.

## DIVERSIFIED

| Name | Title | Salary |
|---|---|---|
| **TRIBUNE** | | |
| Stanton Cook | President, CEO, Publisher, Chicago Tribune | $921,597 |
| James Dowdle | President, CEO, Tribune Broadcasting | 448,304 |
| **CAP CITIES / ABC** | | |
| Thomas Murphy | Chairman of the Board, CEO | 801,258 |
| John Sias | Executive VP, President, ABC Network Group | 711,864 |

## CABLE

| Name | Title | Salary |
|---|---|---|
| **CENTURY COMMUNICATIONS** | | |
| Leonard Tow | Director, President, CEO, CFO,COO | $1,304,500 |
| Robert Morrison | VP, Operations | 226,250 |
| **COMCAST** | | |
| Ralph Roberts | Chairman of the Board, President | 398,111 |
| Julian Brodsky | Vice Chairman, CFO | 262,307 |

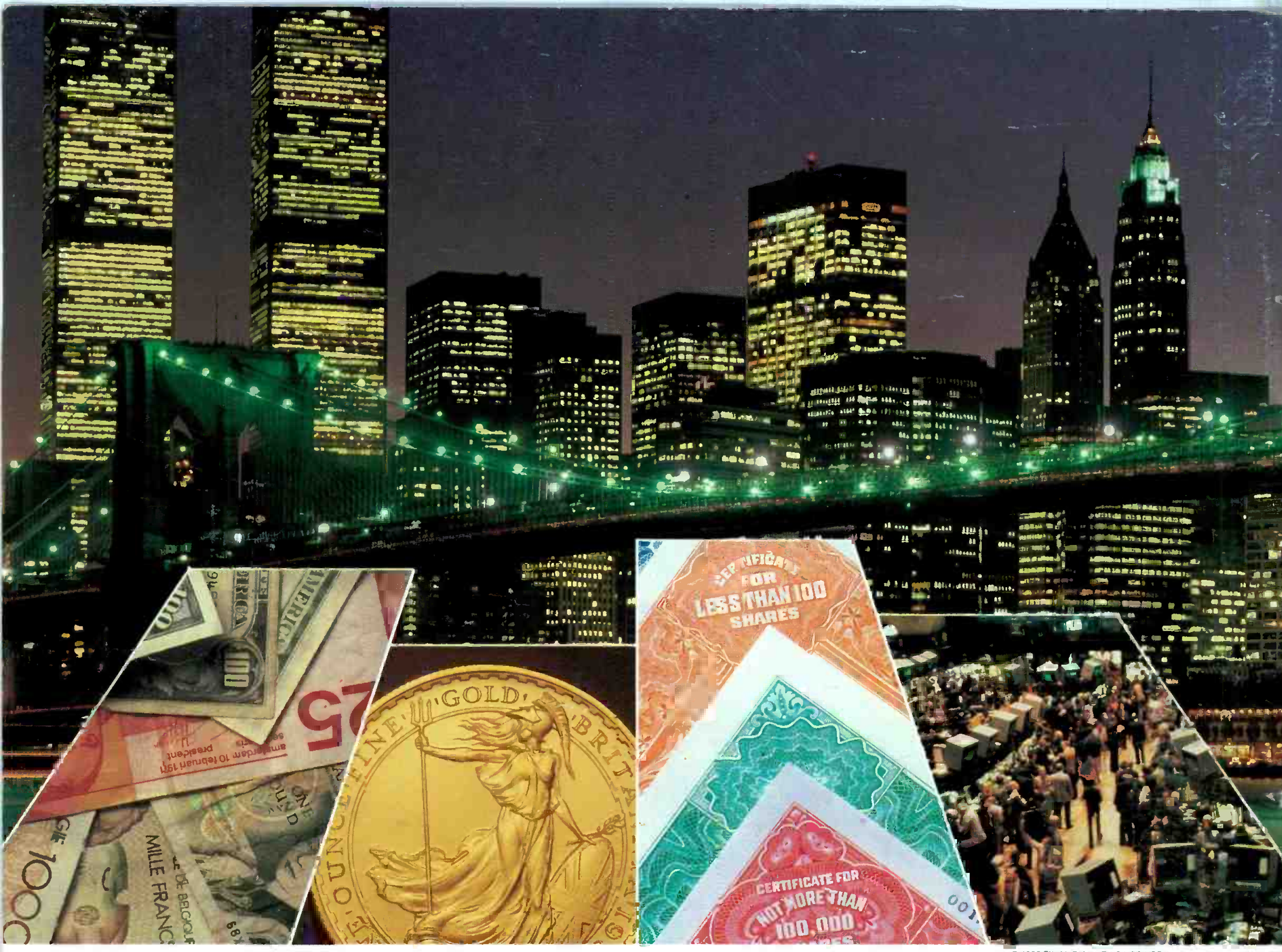
## PRODUCTION

| Name | Title | Salary |
|---|---|---|
| **ORION** | | |
| Arthur Krim | Chairman of the Board | $557,535 |
| Eric Pleskow | President, CEO | 557,535 |
| **LAUREL ENTERTAINMENT** | | |
| Richard Rubenstein | Chairman of the Board, President and Treasurer | 164,413 |
| Virginia McGuire | VP, Finance and Secretary | 79,615 |

## BROADCAST

| Name | Title | Salary |
|---|---|---|
| **SCRIPPS-HOWARD BROADCASTING** | | |
| Donald Perris | President | $325,000 |
| James Smith | VP, Sales | 212,832 |
| **UNITED TELEVISION** | | |
| David Woodcock | VP, General Manager, KTVX | 200,000 |
| Stuart Swartz | VP, General Manager, KMSP | 197,500 |

CHART BY JIM LUDTKE






# PRIME TIME
# PRIME AUDIENCE
# PRIME OPPORTUNITY

Financial News Network, the leader in business news and personal money management advice, has expanded the business day with valuable prime time programming.

Prime time programs like FNN MoneyTalk, FNN Business Tonight, and FNN Focus offer more opportunities for cable to reach the most affluent and best educated audience in television.* And that means increased local advertising revenue for you, and greater value for your subscribers.

Put FNN's prime time programming to work for you. You'll see why a system without FNN is probably past its prime.

*Source: Simmons Market Research, 1988

FNN
FINANCIAL NEWS NETWORK

**Investing in Cable's Future.**