Promotion Lessons Learned

CBS Sports Bets Big on Pilson

CHANNELS

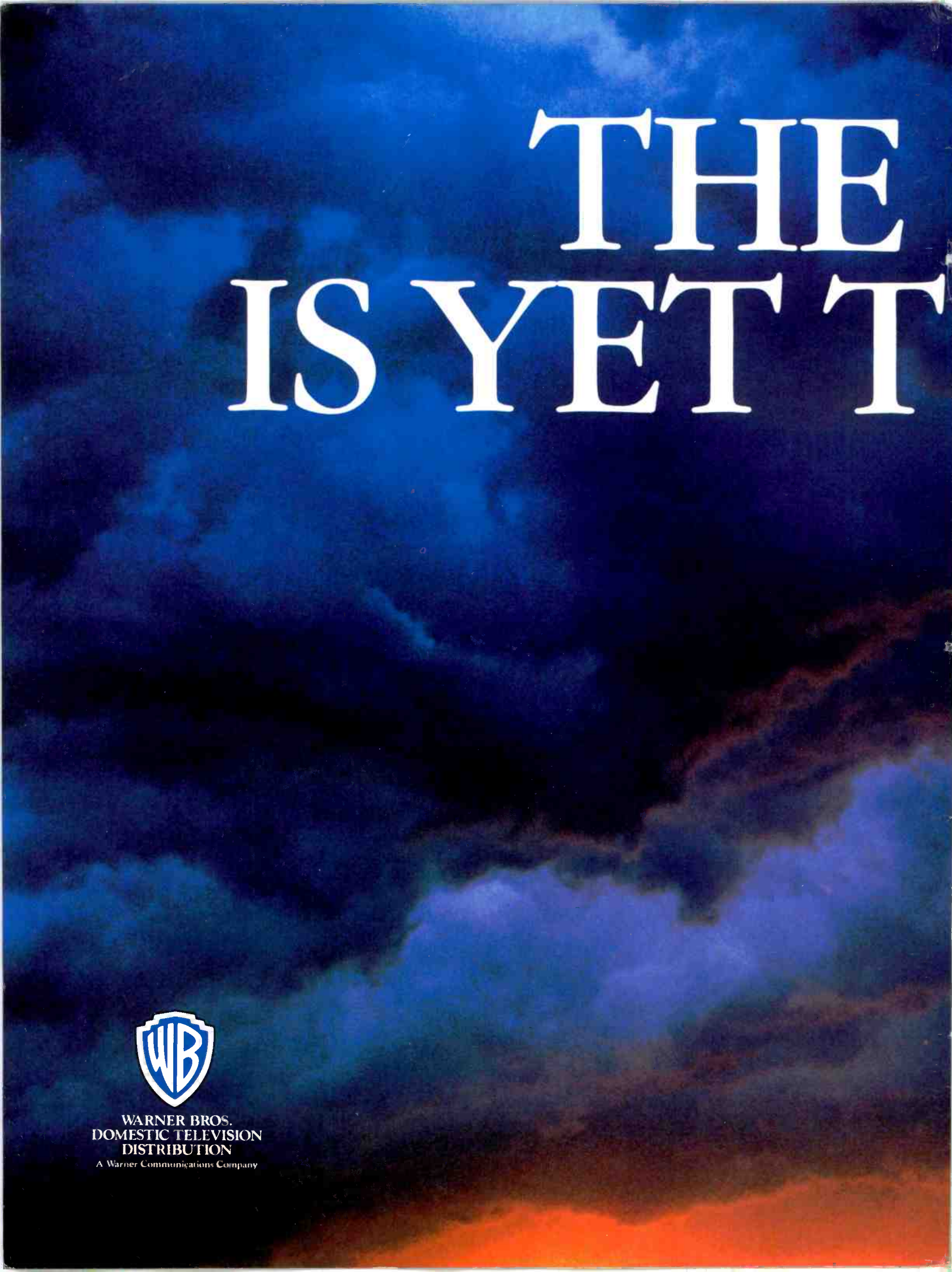
JULY/AUGUST THE BUSINESS OF COMMUNICATIONS 1989

ACHIEVERS

THE TOP 100 COMPANIES

Inside Achievers:

- How They Do It
- Profit Leaders
- 1990 Forecasts
- Hot Money Managers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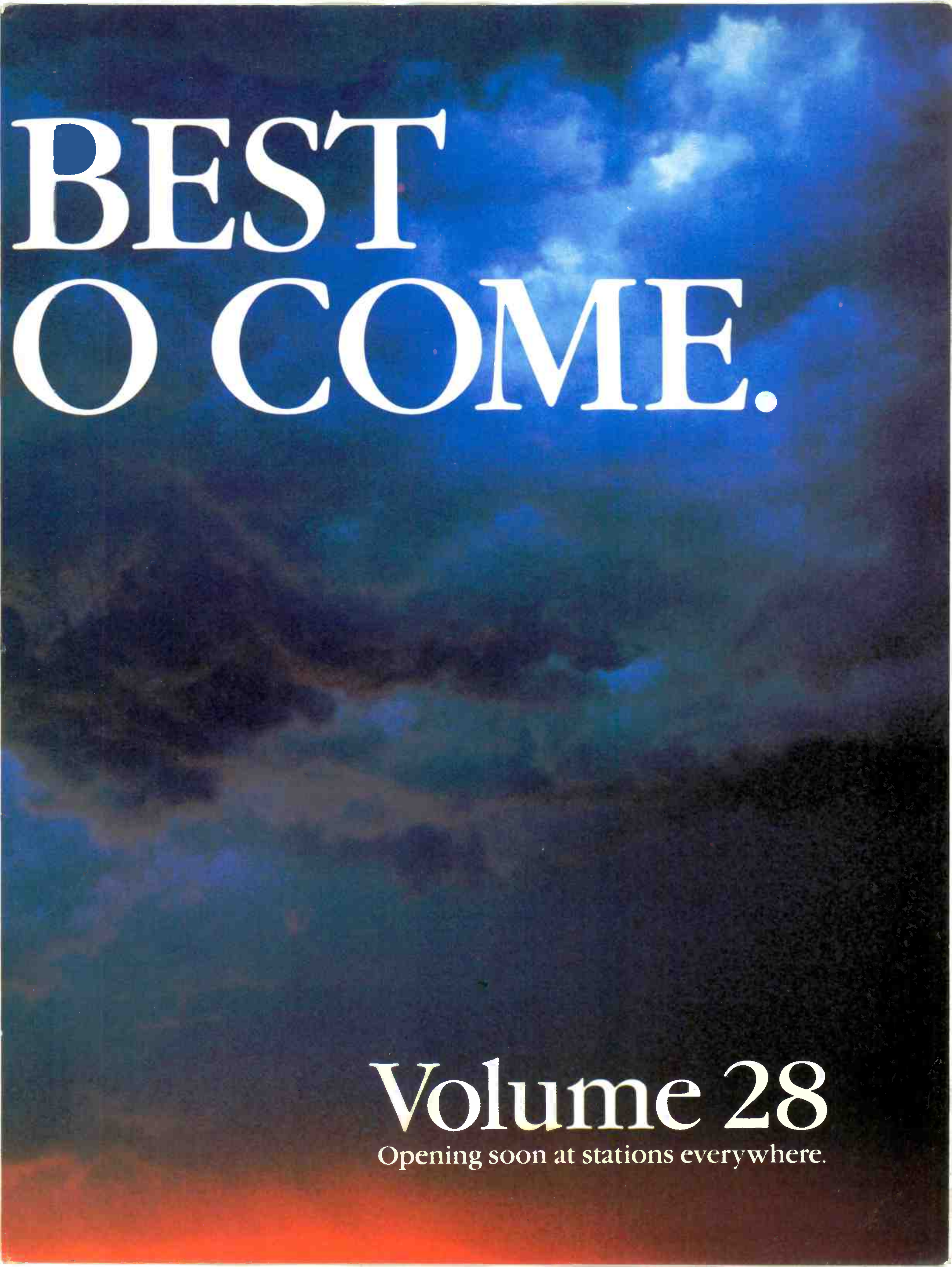
DISTRIBUTION
A Warner Communications Company



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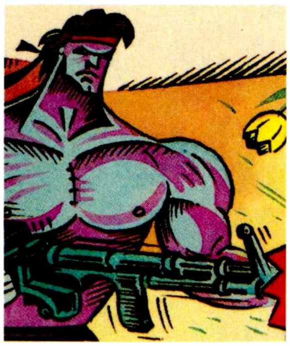
O COME.
Volume 28
Opening soon at stations everywhere.

CHANNELS
THE BUSINESS OF COMMUNICATIONS



A tough year for Achievers **24**

Cover illustration: Tim Lewis

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THE BUSINESS OF COMMUNICATIONS

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LETTERS

Heated Up

Your article "When is a Hot Net Not so Hot?," [March, *Reports*] is without a doubt a biased piece of reporting. Duane Loftus and his "revolutionary" way of buying and selling TV/radio time can only hurt broadcasters in the long run. Furthermore, while agencies currently perceive this as an easy, cheap way to buy broadcast time, how will they feel when Mr. Loftus or some similar "genius" sells this system directly to advertisers? They shouldn't kid themselves; it is inevitable.

Computerized time buying is not a "natural evolution" for the business as stated by the Interep representative. It is nothing more than another attempt to devalue TV/radio stations by making everyone equal on a cost-per-point basis, allowing the marketplace to be dictated by the lowest common denominator. Of course, stations with no ratings strength will support this idea as they have nothing to lose.

Lastly, is the writer of this article, Jack Loftus, in any way related to Duane Loftus? This might explain the favorable stand taken by the magazine on this "revolutionary" idea.

Kathryn L. White
Assoc. Research Director, Katz Radio
New York, N.Y.

Jack Loftus and Duane Loftus are not related in any way.—Ed.

Telcos, Anyone?

The Latest Telco Debate," [March, *Business Side*] focused on the essential issues of television policy. Fundamental structural and technical changes in television require that policy issues be addressed. As noted in a report we published, TV's evolution has been more rapid and far reaching than generally perceived.

Broadcast television in some semblance of its current form is no more than 30-40 years old. Contemporary cable, independent television and syndication are probably no more than ten years old. From our standpoint, the emergence of cable as the dominant form of television distribution in the U.S. has been the critical, but still underrated, change. It will be interesting to see if the policy debate does in fact focus on access to and from the television wire in the home.

Peter A. Falco
V.P., Merrill Lynch Capital Markets
New York, N.Y.

Head Count

I am writing about your March "In Focus" section ["Cable's Smarter Sell"]. Well done, as usual.

I want to point out for future reference that Cablevision Industries has now broken into the top-20 MSO group. In December, we completed the acquisition of some 310,000 cable subscribers from Wometco Cable TV Inc. At present, we are close to one million subscribers.

David L. Testa,
V.P., Cablevision Industries
Liberty, N.Y.

Your column, "The Latest Telco Debate," was a winner. I hope you were thinking of Opt In America as you wrote it. If not, I hope you will think of us in the future because we hope to put the debate "over wire to the home" in the "larger public arena."

John M. Eger
National Chair, Opt In America
Washington, D.C.

Up and Running

Your April article, "Cable Turns On to Tune-In Promotion," while mentioning several "high-tech" planned but as yet unlaunched promotion services, failed to note the "high-tech" cable promotion service that is operational today: NuStar.

Since mid-January, NuStar has been delivering and inserting system-specific tune-in spots to cable systems across the country. The NuStar Satellite Promotion Service automatically delivers and inserts daily time-specific network promos into basic cable networks' local ad avails. Systems receive the service through the NuStar switcher that tags each spot with the individual cable system's name, logo and corresponding channel number for the network program being promoted.

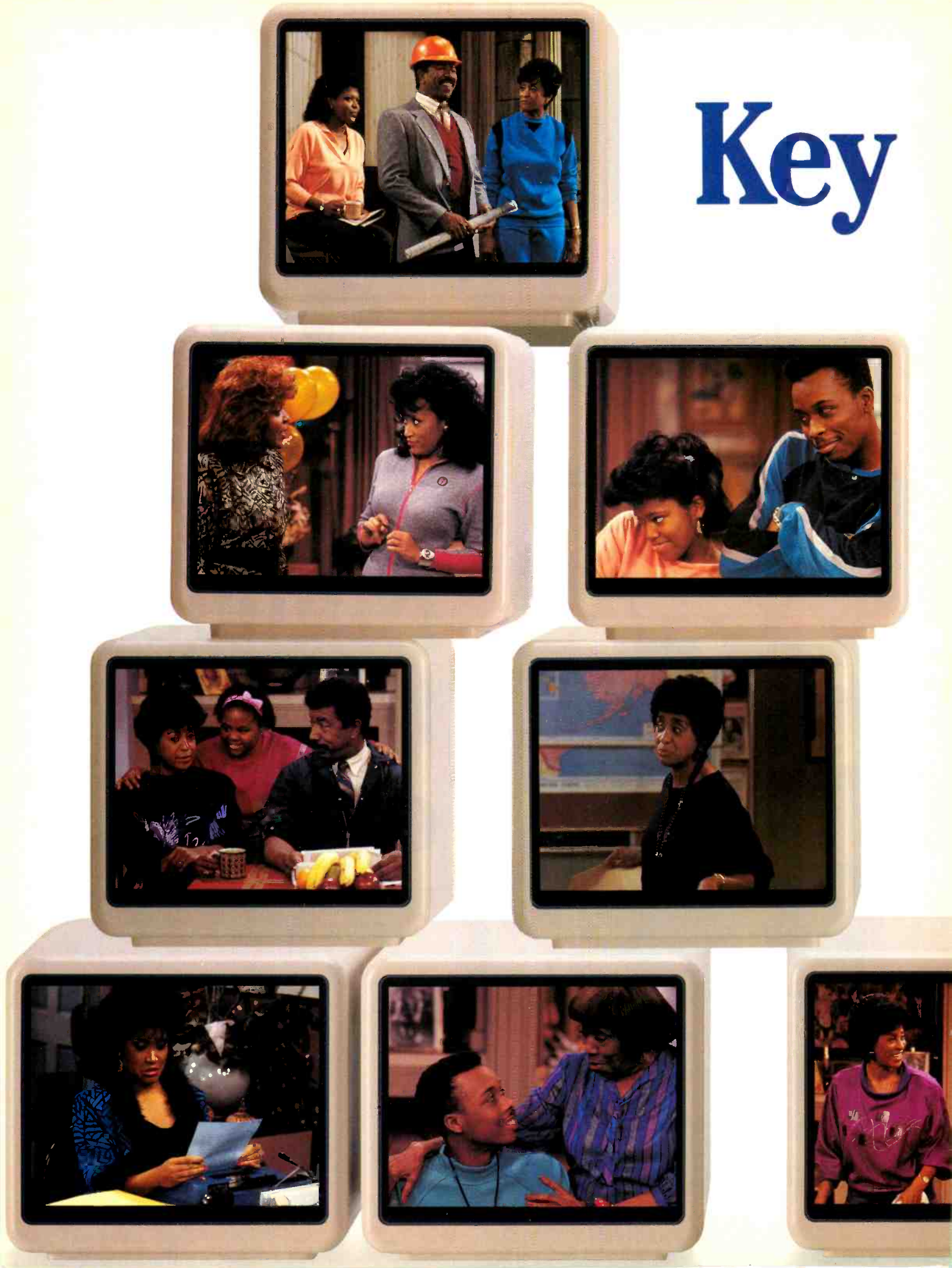
NuStar is providing effective and cost-efficient tune-in promotion so systems are able to easily take "the next logical step in cable's evolution" today.

Wayne J. Bullock
President, NuStar
West Chester, Pa.

227

Numbers that deliver...

Key



Demographics.

Outperformed THE JEFFERSONS and M*A*S*H in the same Saturday 8:30PM Network time period.

227...a winner for advertisers.

Residuals Woes Plague ESPN, CNN

They've gone international, but who pays Mr. Goodwrench?

ESPN beams basketball to Latin America but doesn't cut the ads. Now AFTRA and SAG are crying foul.

Less than a year after Cable News Network and cable's sports channel ESPN began beaming into Latin America, it seems their haste to become global broadcasters has produced an embarrassing side effect by exposing them to residual payments owed members of SAG and AFTRA. Both cable services claim the rights to distribute programs south of the border, but they are not clipping commercials from the feed, which is the same one distributed to cable systems throughout the U.S.

"If they place those commercials on the satellite, then we are definitely entitled to payment," says John T. McGuire, associate national director of SAG. McGuire says he will look into the matter "immediately." A spokesman for AFTRA said that union will follow SAG's lead, because most commercials shot in the U.S. are done on film.

Tracking and collecting foreign residuals in this instance is complicated, says McGuire, and involves producers, directors, advertisers, agencies and distributors. McGuire says an audit is required to determine the amount of money owed. Another issue is from whom and how to collect the money? Normally, the money flows down the line from advertiser to agency to producer to director to actor. However, if there's no more money in the pipeline, there are major questions about where it will come from.

"I'm not sure the ad agencies or the advertisers have any control or say about the distribution of these signals," McGuire continues, "but we are going to have some discussions about it .... By placing them on a satellite we are entitled to a foreign use."

Both ESPN and CNN are distributed unscrambled via Panamsat to cable systems, hotels and broadcasters throughout South and Central America. The U.S. cable networks pay Panamsat while the Latin subscribers pay CNN and ESPN a license fee. Some Latin systems blip out the U.S. commercials and substitute their own, but most don't have that expensive equipment, according to Panamsat, so the feed flows right through.

Panamsat aggressively markets ESPN and CNN as part of its service throughout Latin America, and hopes to soon add both to its European feed.

Panamsat was launched June 15, 1988 and became operational the following September. CNN went on the bird in January 1989 and ESPN followed in March with 15 hours a day.

"The problem is, we just haven't figured out how to get rid of 'em," says ESPN's senior vice president Andrew Brilliant about yanking commercials from the sports network's feed. "It's incredibly cumbersome ... We ask our foreign distributors to cover [the commercials], but whether they do or not I don't know." Another ESPN official lamented the issue coming to light: "You're just going to mess up a good thing."

"We do see it as a problem," says Sid Pike, president of special projects for CNN International. He called CNN's use of the Panamsat feed "a test," adding, "if we continue with the domestic signal, we'll have to make some arrangements about the commercials." Another CNN official says the network's commercials are sold "on the basis of a domestic audience only ... These other users do not have the rights to air these commercials." There may or may not be a benefit to the U.S. advertiser depending on the product's availability in any given Latin region.

Unlike the Panamsat feed, CNN deletes the U.S. commercials from its satellite services to the Pacific Basin countries and Europe.

Both CNN and ESPN hope to be scrambling their signals on Panamsat within the next few months, they say, but that only protects against unauthorized use and signal spillover. The Latin subscriber, equipped with a decoder from Panamsat, would be in the same position of either buying more equipment to blip out the U.S. commercial and inserting his own, or just letting the signal flow.

"We're not getting paid extra for these commercials," says Brilliant, "so there's no benefit to the distributor."

But SAG doesn't see it that way. To them a use is a use, especially since CNN and ESPN are charging customers for the feed. "This is not just spillover from a domestic feed," says McGuire. Whether or not the signal is scrambled, or done with the advertiser's permission, "we are still entitled to payment."

JACK LOFTUS


FRIGHTENING, ISN'T IT?
MONSTERS HAS JUMPED
50% IN HH SHARE
JUST SINCE NOVEMBER!
And with demos
that *really* drive home their point,
compared to the same time periods
a year ago.* If *your* weekend audience
isn't exactly jumpin', maybe it's time
to unleash MONSTERS!
+14%
W18-34
+17%
W18-49
+21%
V12-17
+20%
M18-34
+11%
M18-49
+50%
K2-11
MONSTERS
TIME HAS COME
TRIBUNE ENTERTAINMENT Company
Contact Rob Corona (212) 750-9190
LAUREL
Entertainment, Inc.
© 1989 Laurel EFX
*Source: NSI Feb. '89 vs Feb. '88

What's On

J•U•L•Y / A•U•G•U•S•T

Moonwalking

by Richard Katz

JULY 20: Ninety-four percent of all homes reached by TV tuned into the **Apollo 11** moon landing 20 years ago today. Even considering that the monumental event was broadcast by all three networks, could this happen again in today's fragmented TV landscape? "It's something we may never see again," says **Jo LaVerde**, spokesperson for **Nielsen Media Research.** "If it does happen again it would have to be something as astronomical as the moon walk—maybe the first trip to **Mars**."

. . . .

AUGUST 15-17: Twenty years ago, a half-million faithful put up with little food, scarce plumbing and a sea of mud for three days of continuous rock 'n' roll on a farm in upstate New York. Who at the time envisioned that on its 20th birthday, **Woodstock** would serve as a marketing and programming inspiration for **Viacom**'s **VH-1** and **MTV** networks? All summer long, MTV and VH-1 are airing a series of 50 Woodstock vignettes, each two minutes in length, comprised of never-before-seen footage from the **Warner Bros.** film and current interviews with band and audience members who were at the festival. ***Woodstock*** the film will be shown in its entirety several times on both networks, and also split into three one-hour segments, one of which will air on each of the three actual anniversary days of the 1969 concert. Also of note, Viacom's pay-per-view arm, **Showtime Event Television**, will air a kind of modern-day Woodstock on August 13 with **The Moscow Peace Summit**, a live concert from Lenin stadium featuring **Bon Jovi**, **Motley Crew**, **Scorpions** and **Gorky Park**. A portion of the proceeds will go to the Make a Difference Foundation for the prevention of alcohol and drug abuse.

. . . .

AUGUST 20-23: The Cable Television Administration and Marketing Society annual conference takes place in Chicago. **John Reardon,** president of **MTV Networks** and the conference's chairman, says one of this year's major themes will be how to increase cable penetration. "We have to segment our audiences, show them what's on and the price/value relationship," he says.

. . . .

AUGUST 27-29: The 31-year-old **Southern Cable Television Association** presents its annual **Eastern Cable TV & Trade Show**, "the cable industry's largest gathering east of the Mississippi," in Atlanta. According to SCTA spokesman **Ed Dunbar**, about 3,700 people attended last year's show, and more are expected this year. The show includes provocative management sessions, such as "Handling Rate Increases Without Getting Burned," "Who Needs Cable? How to Get Those Cable-Resistant Customers and How to Keep Them" and "Keeping Cool on the Hot Seat—Handling an Adversarial Interview." For cost-conscious cable executives, the Eastern Show offers a unique "menu-pricing" registration system. Registrants can choose from "super-premium," "premium" or "basic" plans, or choose individual sessions for a "pay-per-view" price of $30 for SCTA members and $50 for non-members. "This is the most flexible registration plan of any show in the industry," says Dunbar.

. . . .

AUGUST 29-30: The **Cabletelevision Advertising Bureau** presents its **Sales Orientation Seminar for New Ad Sales People**. "It can best be described as a brain-cell immersion in the cable industry," says **Lloyd Trufelman**, manager of media relations for the CAB. "The cable industry is growing and there are a lot of new sales people coming in—some from print, some from radio and some from broadcast. We were hearing from MSOs and networks that there's a lot of generic information they want their people to have before they get into the specifics of selling any particular network or system." The two-day seminar costs $250.

Channels *welcomes contributions to "What's On." Material must be received at least 60 days in advance of the event in order to meet deadlines; send to the attention of Richard Katz.*

CALENDAR

July 14-18: Television Programming Conference '89. Toledo Marriott Portside hotel, Toledo, Ohio. Contact: Diane Appleyard, (904) 432-8396.

July 17-21: Video Expo Chicago, sponsored by Knowledge Industry Publications. Expocenter, Chicago. Contact: Debbie Rotolo, (914) 328-9157 or (800) 248-KIPI.

July 18-20: Florida Cable Television Association annual convention. Naples Registry, Naples, Florida. Contact: Robert Brillante, (904) 681-1990.

July 24: Presentation of first "Viddy Award," sponsored by National Academy of Television Journalists. Omni CNN Center, Atlanta. Contact: Dave Walker, (404) 262-9155.

July 30: Announcement of nominations for the 39th Prime Time Emmy Awards, sponsored by NATAS. Pasadena Civic Auditorium, Pasadena, Calif. Contact: Murray Weissman, (818) 763-2975.

August 5-7: Georgia Association of Broadcasters summer convention. Callaway Gardens, Pine Mountain, Ga. Contact: William Sanders, (404) 993-2200.

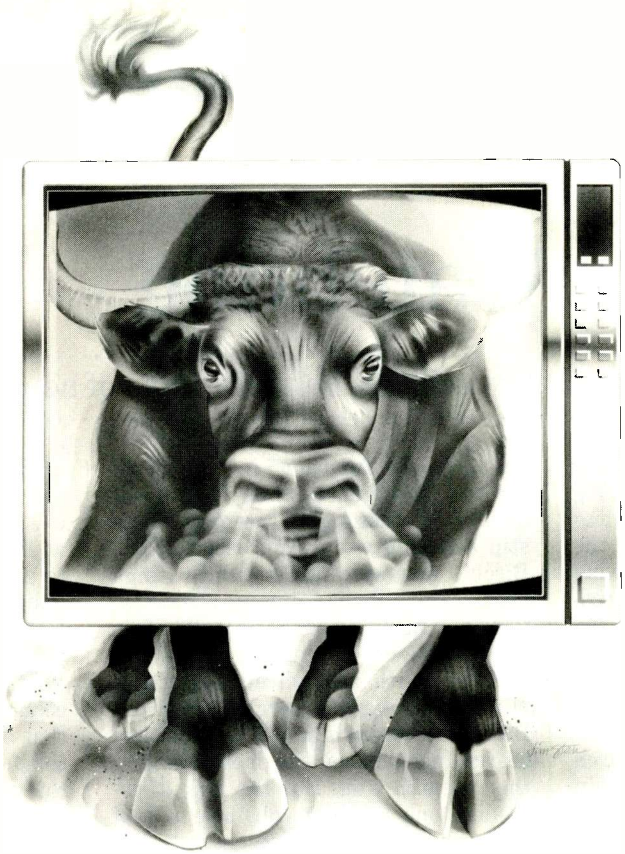
August 17-19: West Virginia Broadcast Association 43rd annual meeting. The Greenbrier, White Sulphur Springs. Contact: Marilyn Fletcher, (304) 344-3798.

August 19-20: Utah Broadcasters Association annual convention. Resort Center, Park City. Contact: Kirk Bowden, (801) 359-9521.

August 20-23: Cable Television Administration and Marketing Society conference. Marriott, Chicago. Contact: Christina Nelson, (703) 549-4200.

August 27-29: Eastern Cable Show, sponsored by the Southern Cable Television Association. Merchandise Mart, Atlanta. Contact: Ed Dunbar, (404) 252-2454.

September 13-16: Radio-Television News Directors Association annual convention. Kansas City Convention Center, Kansas City, Mo. Contact: Pat Seaman, (202) 659-6510.



Finally, a ratings service to

Beef up TV's bottom line

Traditional definitions of the television audience just aren't paying off like they used to. ScanAmerica℠ gives you a new definition. One that proves the power of television advertising. We call it BuyerGraphics℠ — viewers profiled by the products they buy and the services they use.

BuyerGraphics gives advertisers a convincing measure of television's value: a direct measure of how television increases their sales.

And when ScanAmerica proves how television works, you'll add to your bottom line and to your advertisers'.

ScanAmerica℠

A SERVICE OF

ARBITRON

An Aging Watchdog

by Michael Couzens

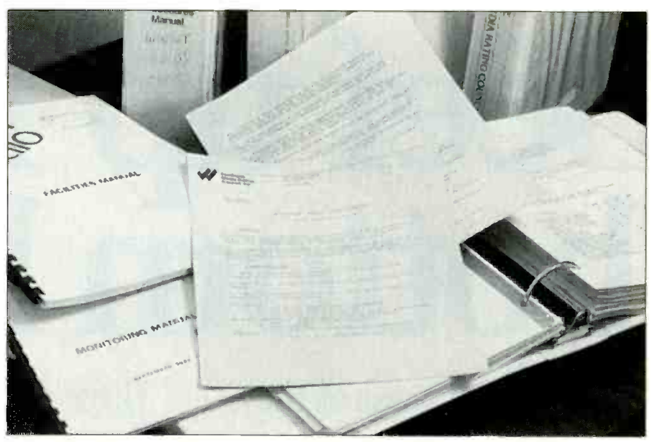
The Electronic Media Rating Council falls behind a wave of new research services.

The Electronic Media Rating Council, after 25 years of policing the ratings industry, is finding itself poorly equipped to pick out the bad apples from among an ever-growing crop of research products. As an accrediting agency, the council sifts so finely—and slowly—that some of the more established, reputable firms forego accreditation of their products. Because EMRC membership is voluntary, the organization's power to suspend research services applies only to its blue-chip members, which are least in need of rebuke. And as a bully pulpit for railing against research distortion, its voice (executive director Melvin A. Goldberg, who toils alone with his secretary) is heard faintly above the marketplace chatter.

"I figure it cost Birch Radio $1 million to secure accreditation," says William P. Livek, Birch/Scarborough Research Corp. president and chief operating officer. Having run this gauntlet, Birch Radio is permitted to adorn its ratings reports with the "double check" logo of the Rating Council. Livek's cost estimate was for the completion of the first audit, "with the EMRC fees being perhaps 10 or 20 percent, the rest in expenses and staff manpower." The review process spanned more than two years, from application in September 1986 until the service got the nod after the first of this year.

While EMRC puts its stamp of approval on the same half dozen national services it accredited for years, research today is bought and sold by hundreds of firms—excellent companies and charlatans alike. The explosion of research products has left the EMRC irrelevant to all but the top researchers. AGB Television Research, when it began providing high-quality national people meter data two years ago, did not even apply for EMRC accreditation. "They asked for an application and saw that it went into every aspect of their operation," says Goldberg—and that was the last he heard from AGB. Arbitron Ratings Co.'s Major Market ScanAmerica, planned for launch early next year, could function in the field for two full years, then find itself defunct—or thoroughly accepted—while still awaiting word from the EMRC. Birch's now-accredited radio ratings became established among radio stations and many ad agencies well before the "double check" came through.

Firms with accredited services—Nielsen Media Research, Arbitron, Birch/Scarborough and Statistical Research Inc.—are not the ones poisoning the research well. But the lack of accreditation presents no obstacle to local research hucksters. "Increasingly the local stations are contracting for their own research," says Goldberg. "In a sweep period, and especially a May sweep where the data will stand for five months, we find distortion. How do you tell it's distortion? I ask the station, 'If your competitor did it, what would you call it?' " Meanwhile, advertisers haven't developed techniques to weed out bad local numbers.



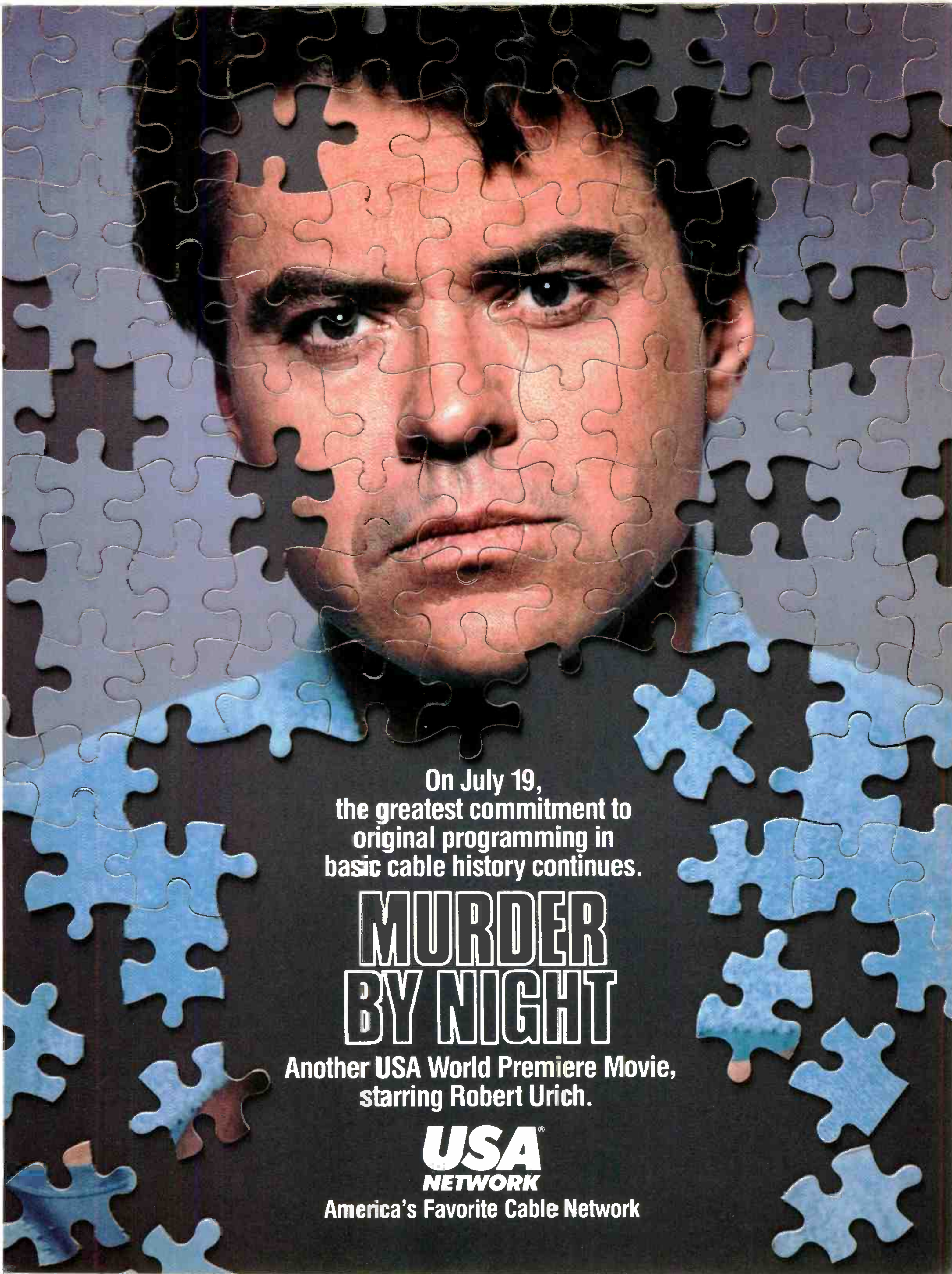
This voluminous application is required for EMRC accreditation.

The Rating Council did counter-attack local surveys that were mailed *en masse* during sweeps, by having the accredited survey companies ask households whether they were solicited by other researchers. But the misuse of survey methods is a broader, intractable problem that is steadily eroding cooperation with survey-takers. Goldberg objects to broadcasters conducting unscientific "polls" with 900 numbers, where the respondent pays 50 cents for the call. Other local surveys are conducted at shopping centers and make no effort to establish a sample in which there is equal probability of being surveyed. EMRC chairman John Sawhill, vice president and general manager of WJAR-TV, Providence, R.I., says the council is "a paper tiger" to those firms that do not seek accreditation. "Only a competitor is effective in bringing an incident [of distortion] to the attention of the advertiser," he says.

Bill Livek is blunt: "There are a lot of companies now; and a lot of them produce garbage. We are deluged with complaints of hyping and distortion. It's beginning to cause problems with advertisers. But how do we come up with a 'Good Housekeeping Seal' that's affordable?" He says an expanded accrediting agency "had better be shielded," because policing would yield lawsuits as research firms are challenged.

The quiz-show scandals of 1961, and the attention focused on television ratings thereafter by Congress, led to the Broadcast Rating Council—now the EMRC—being formed in 1964. The industry again may be skirting the possibility of a bad incident, as research staffs are laid off by new station-group owners and by leveraged and leaner advertisers. Station owners and advertisers "can get rid of their research people with the least impact on the bottom line in the short run," Livek speculates, "and perhaps the most impact in the long run." ●

Michael Couzens is a San Francisco writer and communications attorney.


On July 19,
the greatest commitment to
original programming in
basic cable history continues.
MURDER
BY NIGHT
Another USA World Premiere Movie,
starring Robert Urich.
USA
NETWORK
America's Favorite Cable Network

Psycho-Selling

by Chuck Reece

Stations begin marketing with VALS 2, a new typology of American consumers.

Stations that have bravely entered the world of psychographic sales tools, either through Marshall Marketing & Communications of Pittsburgh or Leigh Stowell & Co. of Seattle, today must marshal even more courage—SRI International, the Menlo Park, Calif., company that is a nerve center of psychographic research, has paved a brand new pathway into the consumer's mind. Marshall, through its joint venture with SRI, is now working to teach its client stations the intricacies of VALS 2. This, SRI's second typology of American consumers, may prove to be the most valuable inside-the-mind sales tool stations have yet had access to. Not only does VALS 2 stereotype consumers by their value systems and lifestyles, as did the original VALS, it also factors in the means consumers have to maintain those lifestyles. In short, VALS 2 recognizes that aspirations and financial resources do not necessarily rise to the same level. VALS 2 breaks consumers into eight groups:

Actualizers: "successful, sophisticated, active, 'take-charge' people" with "a cultivated taste for the finer things in life."

Fullfilleds: "mature, satisfied, comfortable, reflective people who value order, knowledge and responsibility" and "look for functionality, value and durability in products."

Believers: "conservative, conventional people with concrete beliefs based on traditional, established codes." These people have "modest but sufficient" education and income.

Achievers: "successful career and work-oriented people" who value "structure over risk, intimacy and self-discovery."

Strivers: "Low on economic, social and psychological resources," Strivers are people who "seek motivation, self-definition and approval from the world around them."

Experiencers: "young, vital, enthusiastic, impulsive and rebellious." They are "avid consumers and spend much of their income on clothing, fast food, music, movies and video."

Makers: "practical people who have constructive skills and value self-sufficiency" and who "are unimpressed by material possessions other than those with a practical purpose."

Strugglers: "chronically poor, ill-educated, low-skilled, without strong social bonds, they are often despairing and passive."

If you found yourself fitting acquaintances into the various types, you understand the appeal of the research to local marketers. Despite the complex methodology that produces the data, the research falls into structures that have human faces. VALS research "becomes a real thing" to its users, says Patty M. Comini, director of marketing services at Marshall, which is the exclusive vendor of VALS data to broadcasters. Marshall's customized survey of a client's market results in two research pieces: Marshall's annual basic marketing study, called Target Dollars, shows who buys what, from whom, in the market's hottest product categories; the VALS 2 study tells local advertisers how they should approach their target audiences.

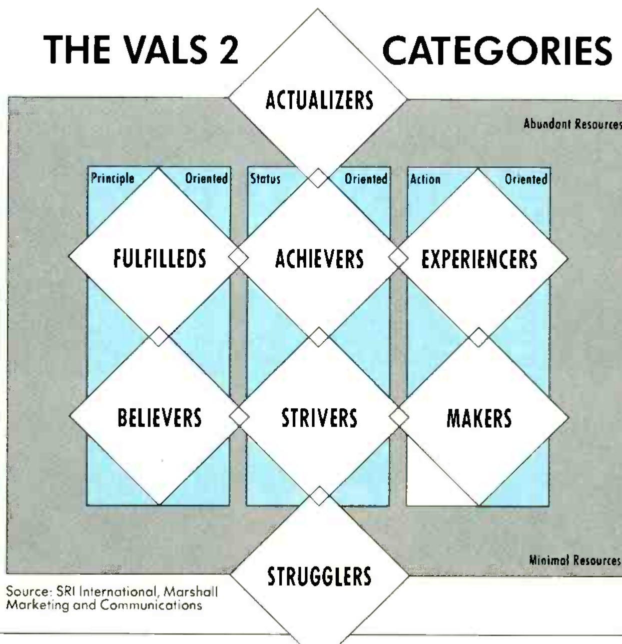
"The more actionable part is the VALS," says Bruce Baker, general sales manager at WSB-TV, Cox Enterprises' ABC affiliate in Atlanta and a Marshall client. "The VALS research gives you a real good sense of who the advertiser's customer is, how they think, what motivates them. It gives you a sense of how to carry off a commercial message to his current or desired customer."

Stations have even gone as far as to redo programming to reach certain VALS types. WYFF-TV, Pulitzer Broadcasting Co.'s Greenville, S.C., NBC affiliate, had a solid audience of conservative Believers for its news shows. But the station found it was missing a new audience, Achievers, that was forming as groups of younger people moved into the market. A VALS study found this gap, and soon the tone and look of WYFF's news got a little snappier.

Finding segments of the audience that fit certain advertisers will grow in importance as TV stations' revenues get squeezed. Newspapers have offered this sort of help—telling advertisers where local consumers spend their money and how to reach them—for years, which might explain why print gets more than 50 percent of every local ad dollar. Television has given newspapers precious little local competition.

"When I was back at the station level, I was trying to beat the other stations' heads in, of course," says Craig Marshall, Marshall Marketing's president. "But it's frightening when the stations are trying to clobber the other stations and print and direct mail are attacking television. Everybody's attacking television, and television is attacking itself. Isn't that kind of crazy?" ●

THE VALS 2 CATEGORIES



Source: SRI International, Marshall Marketing and Communications

STE PIERRE SMIRNOFF
ROCK CZAR.
SMIRNOFF
FOR OVER A CENTURY
THE REIGNING VODKA.
SMIRNOFF® VODKA 40 & 50% Alc. by Vol., distilled from premium grain. © 1989 Ste. Pierre Smirnoff FLS (Division of Heublein, Inc.) Hartford, CT—Made in U.S.A.

INSIDE EDITI

UP IN CLEVELAND
WKYC 5:00PM
8.1 RTG/18 SHR

- Achieved the highest sweeps t.p. share since May '86.
- Continued growth since Feb. '89– Up 20% in share.
- Builds on People's Court lead-in.

Source: Arbitron

UP IN DALLAS
KXAS 6:30PM
9.2 RTG/17 SHR

- Delivered the highest t.p. share in 2 years.
- Up 42% in share over Feb. '89.
- Beats USA Today by 70% in share.

Source: Nielsen

UP IN CHICAGO
WMAQ 6:00PM
6.5 RTG/13 SHR

- Delivered WMAQ's highest sweeps t.p. share since Nov. '86.
- Up 18% in share from Feb. '89
- Added 10% to lead-in rating.

Source: Nielsen

UP IN MINNEAPOLIS
WCCO 4:30PM
8.2 RTG/22 SHR

- Up 29% in share over May '88 t.p.
- Built 38% in share from Feb. '89
- Builds on lead-in rating.

Source: Nielsen

UP IN PHOENIX
KTVK 6:30PM
9.0 RTG/15 SHR

- Delivered KTVK's highest t.p. share in 7 years.
- Up 25% in share since Feb. '89.
- Builds on news lead-in audience.

Source: Nielsen

UP IN DETROIT
WDIV 4:30PM
9.1 RTG/21 SHR

- Up 31% over May '88 t.p. share.
- Builds on Cosby lead-in rating.

Source: Arbitron

UP IN ATLANTA
WAGA 4:00PM
8.2 RTG/21 SHR

- Up 50% in share over May '88 t.p. performance.
- Built 11% in share in t.p. since Feb. '89.
- Adds 19% to Guiding Light lead-in rating.

Source: Arbitron

ION IS A HIT!

UP IN SACRAMENTO
KXTV 7:30PM
12.1 RTG/21 SHR

- #1 in the t.p., beating E.T.
- Continued growth since Feb. '89

Source: Nielsen

UP IN HARTFORD
WFSB 7:00PM
9.9 RTG/19 SHR

- 36% higher share than E.T. a year ago.
- Delivers nearly 3 times the Current Affair number in direct competition.

Source: Nielsen

UP IN MILWAUKEE
WITI 6:30PM
10.3 RTG/19 SHR

- Delivered the highest time period share in 5 years.
- A 46% improvement over E.T.'s May '88 share.
- Continued growth since Feb. '89.
- Builds 27% share from news lead-in.

Source: Nielsen

UP IN PHILADELPHIA
WCAU 7:30PM
6.8 RTG/12 SHR

- Delivered WCAU's highest sweeps t.p. share since May '85.
- Up 20% Over E.T.'s May '88 share.
- Up in share from Feb. '89
- Beats Current Affair by 71% in share in head to head competition.

Source: Arbitron

UP IN ST. LOUIS
KSDK 4:00PM
8.2 RTG/22 SHR

- Tied for #1 in the time period.
- Beats Current Affair in household rating.
- Built 16% in share since Feb. '89.

Source: Nielsen

INSIDE EDITION™

KINGWORLD®

INSIDE EDITION RENEWED THROUGH 1989-90.

MARKET	STATION	OWNER
Philadelphia	WCAU	CBS
San Francisco	KRON	Chronicle Broadcasting
Boston	WNEV	New England TV Corp.
Detroit	WDIV	Post-Newsweek
Dallas	KXAS	Lin Broadcasting
Cleveland	WKYC	NBC
Houston	KHOU	Belo Corporation
Atlanta	WAGA	Gillett Group
Tampa	WTVT	WTVT Holdings, Inc.
Minneapolis	WCCO	Midwest Communications
Seattle	KIRO	Bonneville International
Miami	WCIX	CBS
Pittsburgh	KDKA	Westinghouse Broadcasting
St. Louis	KSDK	Multimedia Broadcasting
Phoenix	KTSP	Great American Broadcasting
Sacramento	KXTV	Belo Corporation
Hartford	WFSB	Post-Newsweek
San Diego	KNSD	Gillett Group
Portland, OR	KATU	Fisher Broadcasting
Cincinnati	WLWT	Multimedia Broadcasting
Milwaukee	WITI	Gillett Group
Buffalo	WIVB	Buffalo Broadcasters
Memphis	WMC	Scripps Howard Broadcasting
Norfolk	WVEC	Belo Corporation
Louisville	WLKY	Pulitzer Broadcasting
West Palm Beach	WPEC	Photo Electronics Corporation
Jacksonville	WJXT	Post-Newsweek
Little Rock	KATV	Allbritton Communications
Richmond	WWBT	Jefferson Pilot Communications
Albuquerque	KOAT	Pulitzer Broadcasting
Omaha	WOWT	Chronicle Broadcasting
Honolulu	KHON	Burnham Broadcasting Co.
Cedar Rapids	KCRG	Cedar Rapids Gazette
South Bend	WSBT	Schurz Communications
El Paso	KVIA	Marsh Media
Colorado Springs	KKTV	Ackerley Communications
Ft. Myers	WINK	Ft. Myers Broadcasting
Charleston, SC	WCIV	Allbritton Communications
Salinas/Monterey	KNTV	Landmark Communications
Yakima	KAPP	Apple Valley Broadcasting
Lubbock	KCBD	Holsum Inc.
Abilene	KRBC	Abilene Radio & Television
San Angelo	KACB	Abilene Radio & Television

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A Real Bad Trip

by J. Max Robins

What happens when newspeople make headlines because of substance abuse.

When the rich and famous have substance-abuse problems it's prime fodder for broadcast news. If a randy politician is picked up DWI or a starlet checks into a chic drug-rehabilitation center, you can be sure there will be plenty of pictures at 11.

But what happens if the one who falls is one of broadcast news' own? In this gossip-mad age, it's almost a career move when a celebrity checks into the Betty Ford Clinic. The public accepts that it's all part of the wild and sordid world of entertainment, and nobody gets hurt at the box office or in the ratings. But for news talent it's a different story.

CNN's Fred Hickman: a bout with cocaine addiction almost ended his career.

"The public holds TV newspeople to a higher standard than your classic celebrity," says Steve Cagle, v.p. and senior consultant at Frank Magid Associates, a consulting firm that has helped more than one news department with damage control when one of their stars made the wrong kind of headlines. "If a news director hasn't run through what he'd do if one of his high-profile on-air talent got arrested for one thing or another or developed a substance-abuse problem, they had better think it through now," he cautions.

Paul Sagan, the news director at WCBS-TV in New York, knows only too well what it's like to be faced with that problem. His veteran anchor, Jim Jensen, has been hospitalized twice in the last two years for depression and substance abuse and is still on medical leave. "Your primary concern is for the person involved. The best, compassionate approach is not to set any deadlines for them about when they will be back on the air. You want to give them adequate time to get better," says Sagan. "And when it's a front-line guy, it's clearly a PR problem. The public focuses on your guy's problems, not that you have three investigative units and your competition doesn't have any."

When a news anchor makes headlines for a substance-abuse problem, it usually comes as no surprise to his coworkers. The business is rife with tales of drug- and alcohol-addled news talent who may wreak havoc in the newsroom but are nevertheless tolerated. Too often, news management looks the other way when a news star has a drug or alcohol problem—if the person is delivering the ratings. "When I found out our anchorman had a drug problem, I said we should get him off the air and into treatment. But I was overruled," says an ex-general manager of a major-market station. "I knew after that my days at that station were numbered."

This is not to say that those involved in the equation are heartless mercenaries. Indeed, a lot of news departments have stood by their people when problems arise. Fred Hickman, now a sportscaster with CNN, praises his old Post-Newsweek bosses at Detroit's WDIV. They stuck by him through his bout with cocaine addiction, and gave him his old job back after he completed a drug rehabilitation program.

Management at WRC, the NBC O&O in Washington, remained supportive of anchorman Jim Vance through not one but two stints of rehabilitation for cocaine addiction (although the second time around WRC did some extensive polling to make sure Washington viewers would give Vance another chance). "If Vance had been a marginal reporter, on the second go around he would have been gone," admits Jim Van Messel, now senior producer of *Entertainment Tonight*, who was the news director at WRC when Vance was having his troubles.

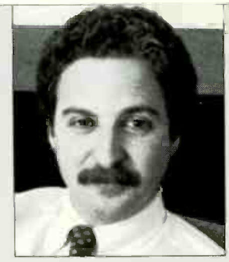
In the cases of Vance and Hickman, they approached management with the problem and sought treatment. The fact that they came forward, rather than being exposed by the authorities, made their woes more palatable to viewers when they returned to the air. Management now deals with the situation by turning drug-related stories—even internal ones—over to another reporter.

But sometimes the problem is too serious, and *mea culpa* is not enough. Neil Pugh, the general manager of CBS's Dayton affiliate, WHIO, recently let go popular weathercaster Bruce Asbury after Asbury was arrested and convicted on drug charges.

"[Asbury] was great at his job. He was a tremendous celebrity in this town," says Pugh, in a voice first tinged with remorse then laced with a sense of betrayal as he mentions a tell-all interview Asbury gave to the local newspaper. "He opened up to me," says Pugh. "But he opened up to the press with a lot more about prostitutes and all kinds of other stuff. He was dreadfully sorry, but we had to ask ourselves, was he really going to stay clean?"

Anyone who finds himself in Pugh's situation has some hard decisions to make. "They are always tough calls," says Magid's Cagle. "But they are becoming increasingly common ones." ●

The Business Side



by Merrill Brown

Is Local TV News At Risk?

As every operating premise about the television industry has come into question in recent years, don't be surprised to see more and more debate about the long-term positioning, viability and role of local television news operations.

Consider the economic and competitive dynamics currently at work. Stations, often strapped for money with advertising-revenue growth flat and increased competition from other media forms intensifying, have huge capital and ongoing investments in news operations. In many cases, these local-station news departments can often be hugely profitable and can fundamentally create the key sense of identity for a station in a market.

But it is appropriate to also note that as station budgets come under pressure, news departments—particularly those that are not market leaders—are as strapped for resources as any other part of a station's operations. If a major-market affiliate isn't getting anywhere with its news, there really aren't any strategic incentives—since the Federal Communications Commission has no club over license renewals—for stations to program news if there are syndicated entertainment alternatives that could draw strong audiences. Independent stations, of course, regularly counterprogram during early evening news time slots.

> Changing demographics and economics are prompting a vital rethinking of the massive investment in local television news operations.

Secondly, it is also important to note that it seems clear that the make-up and demographics of local television news audiences will shrink and change for the worse before improving. As a nation, we're getting up earlier and earlier and therefore going to bed earlier than ever. Certainly, that phenomenon can't bode well for the East and West Coast 11 P.M. newscast. Many major markets are already reporting significant declines in late news viewing. Meanwhile, commuters are spending increasing amounts of time getting to and from the office, making it tougher than ever to grow audiences for early evening local newscasts. And, it is also fair to assume that the number of two-income households will continue to increase as more and more women work and more and more families feel economic pressures. Those forces are causing a steady increase in very early morning local news and information programming to complement the early A.M. news coming from the networks.

Finally, consider the evolution of metropolitan newspapering. As the number of newspapers plummetted in big cities, suburban-based dailies and weeklies emerged to fill news and advertising holes in the marketplace. Large dailies, in most cases, do not serve their suburban audiences or advertisers particularly well, and that's why Bergen County, New Jersey, Orange County, California and Long Island, New York, to pick just a few examples, support thriving newspapers.

That same model could well evolve in local television. To be sure, television stations can rarely staff and cover routine suburban news. Just as the News 12 example demonstrates in Long Island, the solution to the problem is local cable news operations. Cablevision, in conjunction with its partner NBC, the nework's O&Os and potentially its affiliates, is moving to build a network of local cable news channels, and TCI is beginning a similar effort, potentially at first with Washington ABC affiliate WJLA. This slow but inevitable development of the local cable news marketplace suggests a potentially significant erosion of major-market affiliate news, and the current steady emergence of local cable advertising sales will speed the process.

It may not necessarily mean the closing down of big station, large-scale news operations, but it may well mean a shrinking of those operations. According to research compiled by the Radio-Television News Directors Association, TV-station newsrooms are already shrinking, and salaries for the rank and file in TV news haven't risen in several years.

So, as station profit margins continue to erode, as time slots and national demographics continue to change and as local cable programming continues its certain development, station managements are going to be forced to reassess their massive commitments to local news. An abandonment of local television isn't in the cards anytime soon. Smart managers won't junk their local identies overnight and risk the one thing that truly can distinguish them in their markets. But, on the other hand, a station running a weak number three in news is going to be hard pressed to continue huge investments in a local news-gathering infrastructure.

To be sure, cutting back a vital community resource like local television news can't be good for the public's information needs. A restructuring of local TV's historically vital news to fit in with changing needs and lifestyles is inevitable, and has to be handled with care. ●

THE CHANNELS ACHIEVERS

The fourth annual Channels Achievers guide to the top 100 media companies is an undertaking, like other lists, that is designed to create order from potential chaos. In a broadcasting and cable business environment that's never been more tumultuous or challenging, this compilation can help explain the underpinnings of the U.S. media industry, now recognized as an important global resource.

What's clear from the extensive forecasts and analysis included in Achievers is also what the turbulent '80s have demonstrated—that the TV and radio businesses are fraught with opportunity and peril. It shows a media world in transition—a station business redefining itself for the '90s; a cable industry maturing into a pervasive distribution outlet and a vital programming medium; a radio field spinning into new configurations; and a production world searching for ways to minimize risk while capitalizing on new marketplaces for programming.

THE CHANNELS ACHIEVERS GUIDE

This year's *Channels* Achievers Top 100 has been expanded and revised from the three annual Achievers reviews that preceded it. The Channels Achievers special section is designed to sum up, in the simplest form possible, the financial state of the media industry's top companies. This year, we've changed the basic measurement of the Top 100 and expanded our analysis to meet the changing needs of *Channels*' readers. The Top 100 companies are listed this year by a new *Channels* Achievers Index Rank, which is a measure combining the companies' 1987-1988 revenue growth and net income growth ranking. A more detailed explanation of the ranking can be found in a box included in the story about the top Achievers companies, which immediately follows the Top 100 listing.

But the *Channels* Achievers package is more than just a compilation of the Top 100 companies. Included in the package, following our story about the Achievers leaders, is the unique "How They Do It" survey, which explains in detail how the Top 20 revenue leaders are growing or shrinking. This chart also measures five year financial progress.

In a *Channels* Achievers section introduced in this issue, three top media leaders share their definition of media industry achievement. Then, we highlight the financial results of companies within five industry segments—television broadcasting, radio, cable, diversified media interests and production—in return-on-equity listings, ranked within industry segment.

Also in Achievers, *Channels* editors offer forecasts of what to expect from the economy and each media segment in the coming year. The final piece of the Achievers package profiles the industry's top money managers, rarely discussed but fascinating investors who bring hundreds of millions of dollars to media companies—individuals who are capable of making or breaking individual media stocks. The last page of this issue of *Channels* offers a 12 month guide to media industry stock prices.

Special thanks must be given to *Channels* assistant editor Michael Burgi, who assembled the data for the Achievers review. This year's Channels Achievers special section was produced by staff members Peter Ainslie, Kirsten Beck, Rachel Cohen, John Flinn, Richard Katz, Neal Koch, Jack Loftus, Sue Ng, Chuck Reece, J. Max Robins and researcher Hall Morrison.

MERRILL BROWN

GLOSSARY

Definitions of key terms in this section:

Compound Annual Growth Rate (CAGR) — Average annual growth.

Debt/Equity Ratio (D/E) — Long-term debt divided by total share holders equity.

Net Income — Profits after expenses, interest and taxes.

Operating Income — Profits before income and taxes.

Revenues — Total sales.

Return on Equity (ROE) — Net income divided by total shareholders equity.

ARRIVALS & DEPARTURES

While the pace of consolidation in the broadcasting, cable and production business has surely slowed over the past several years, new ventures and new amalgamations of companies inevitably force changes each year in the *Channels* Achievers listing. In the 1989 Achievers review, nine companies were dropped from the survey and nine added to the list, keeping our total of 100. A combination of factors—companies being bought out, merging, going private or leaving the media industry—resulted in the deletions. Meanwhile, spinoffs, successful new ventures and the implementation of significant corporate growth strategies made it relatively easy to add additional companies to this year's Achievers.

Some of the changes: American Cablesystems was bought by Continental Cablevision, the privately held cable giant, and removed from our list, while cable companies Essex Communications and Tempo Enterprises were dropped after being bought by larger concerns. Hal Roach and Robert Halmi were bought by new Achiever Qintex, the growing Hollywood concern from Down Under that recently announced plans to acquire United Artists.

Meanwhile, emerging syndicators All American TV and Western World-Samuel were added. Dallas-based Heritage Media was spun off from its Des Moines former parent and joined the listing, while Nelson Holdings expanded in the video market. Three cable services—Nostalgia Network, Video Jukebox Network and shopping channel QVC—were added, a reflection of the continuing emergence of new network offerings. Radio broadcaster Southern Starr was also added to the 1989 Achievers.

Off the List:

American Cablesystems
Emmis Broadcasting
Essex Comm.
Gencorp
Hal Roach
Infinity Broadcasting
Robert Halmi
Selkirk Comm.
Tempo Enterprises

New Achievers:

CABLE
Nostalgia Network
QVC Network
Video Jukebox Network

DIVERSIFIED
Heritage Media

PRODUCTION
All American TV
Nelson Holdings
Qintex Entertainment
WesternWorld-Samuel Comm.

RADIO
Southern Starr Broadcasting

THE CHANNELS ACHIEVERS

THE TOP 100

ACHIEVERS INDEX RANK	COMPANY	'87-88 REVENUE GROWTH	GROWTH RANK	1988 REVENUE	RANK	1988 NET INCOME	RANK	HEADQUARTERS
1	CAROLCO	58.7%	13	164.6	(53)	35.5	(29)	LOS ANGELES, CA
2	CVN COMPANIES[1]	85.0%	8	587.7	(33)	11.4	(42)	PLYMOUTH, MN
3	JONES INTERCABLE	42.1%	20	47.9	(76)	29.3	(30)	ENGLEWOOD, CO
4	TELE-COMMUNICATIONS INC.	33.5%	23	2282.0	(15)	56.0	(26)	ENGLEWOOD, CO
5	REEVES COMM.	49.4%	16	105.5	(65)	8.3	(48)	NEW YORK, NY
6	NEW LINE CINEMA	44.7%	19	61.8	(73)	4.7	(52)	NEW YORK, NY
7	ORION PICTURES	30.3%	26	426.9	(37)	12.2	(41)	NEW YORK, NY
8	WARNER COMM.	23.6%	37	4206.1	(7)	423.2	(5)	NEW YORK, NY
9	REPUBLIC PICTURES	85.1%	7	52.0	(74)	0.3	(62)	LOS ANGELES, CA
10	KING WORLD PRODS.	16.0%	51	279.8	(45)	60.7	(25)	NEW YORK, NY
11	TCA CABLE	14.1%	54	68.9	(72)	9.6	(45)	TYLER, TX
12	DURHAM CORP.	31.0%	24	392.6	(39)	14.2	(40)	RALEIGH, NC
13	AMERICAN FAMILY	23.9%	34	2324.6	(14)	108.9	(19)	COLUMBUS, GA
14	ACTON CORP.	367.4%	2	142.1	(58)	−0.7	(67)	WOBURN, MA
15	WALT DISNEY	19.5%	43	3438.2	(8)	522.0	(4)	BURBANK, CA
16	STAUFFER COMM.	9.1%	60	136.2	(59)	5.2	(51)	TOPEKA, KS
17	AMERICAN TELEVISION & COMM.	13.6%	56	811.9	(26)	70.4	(24)	STAMFORD, CT
18	ALL-AMERICAN TV	115.4%	5	8.4	(92)	0.2	(63)	NEW YORK, NY
19	MCA	16.8%	48	3023.6	(11)	164.9	(16)	UNIVERSAL CITY, CA
20	QVC NET.	72.0%	10	193.2	(52)	9.0	(46)	WEST CHESTER, PA
21	MEREDITH	12.8%	58	678.5	(30)	47.4	(27)	DES MOINES, IA
22	TRIBUNE	8.6%	63	2334.8	(13)	210.4	(13)	CHICAGO, IL
23	MULTIMEDIA	7.0%	70	439.6	(36)	26.9	(31)	GREENVILLE, SC
24	GREAT AMERICAN COMM.	218.8%	3	381.9	(42)	−72.4	(93)	CINCINNATI, OH
25	UNITED ARTISTS COMM.[2]	28.9%	28	842.1	(25)	2.3	(57)	ENGLEWOOD, CO
26	VESTRON	54.0%	15	334.9	(44)	20.6	(34)	STAMFORD, CT
27	HOME SHOPPING NET.	25.4%	31	730.1	(29)	18.0	(38)	ST. PETERSBURG, FL
28	NEWS CORP.[3]	24.3%	33	4354.5	(6)	341.3	(9)	SYDNEY, AUS.
29	ROGERS COMM.[4]	31.0%	25	358.4	(43)	84.8	(22)	TORONTO, ONT.
30	NOSTALGIA NET.	100.0%	6	2.8	(98)	−2.8	(74)	NEW YORK, NY
31	CAPITAL CITIES/ABC	7.5%	68	4773.5	(4)	387.1	(6)	NEW YORK, NY
32	WESTWOOD ONE	26.1%	30	110.0	(64)	1.6	(58)	CULVER CITY, CA
33	CHRIS-CRAFT	3.9%	82	250.8	(50)	21.4	(33)	NEW YORK, NY
34	FINANCIAL NEWS NET.[5]	14.1%	53	42.0	(81)	4.7	(53)	LOS ANGELES, CA
35	SATELLITE MUSIC NET.	28.9%	29	19.2	(87)	1.5	(59)	DALLAS, TX
36	HERITAGE ENT.	37.8%	22	6.2	(94)	−0.1	(65)	LOS ANGELES, CA
37	MGM/UA COMM.	57.8%	14	674.9	(32)	−48.7	(92)	BEVERLY HILLS, CA
38	CBS	0.6%	87	2777.7	(12)	1149.9	(2)	NEW YORK, NY
39	PULITZER PUBLISHING	6.5%	71	391.0	(40)	19.6	(35)	ST. LOUIS, MO
40	SCRIPPS HOWARD BROADCASTING	17.3%	46	274.7	(47)	16.5	(39)	CINCINNATI, OH
41	WASHINGTON POST	4.0%	81	1367.6	(20)	269.1	(12)	WASHINGTON, DC
42	VIDEO JUKEBOX NET.	1000.0%	1	1.1	(100)	−1.0	(68)	MIAMI, FL
43	TIMES MIRROR	6.1%	74	3332.6	(9)	331.9	(10)	LOS ANGELES, CA
44	GULF + WESTERN	8.7%	62	5107.8	(3)	384.7	(7)	NEW YORK, NY
45	GANNETT	7.6%	67	3314.1	(10)	364.5	(8)	ARLINGTON, VA
46	TIME	7.5%	69	4507.0	(5)	289.0	(11)	NEW YORK, NY

ACHIEVERS INDEX RANK	COMPANY	'87-88 REVENUE GROWTH	GROWTH RANK	1988 REVENUE	RANK	1988 NET INCOME	RANK	HEADQUARTERS
47	PARK COMM.	7.8%	66	149.6	(57)	19.1	(37)	ITHACA, NY
48	CLEAR CHANNEL COMM.	8.0%	65	35.1	(82)	2.4	(56)	SAN ANTONIO, TX
49	OLYMPIA BROADCASTING	23.6%	35	13.6	(89)	10.3	(43)	SEATTLE, WA
50	MACLEAN HUNTER[4]	15.7%	52	1302.1	(21)	97.3	(21)	TORONTO, ONT.
51	OSBORN COMM.	23.0%	39	21.9	(84)	7.0	(50)	NEW YORK, NY
52	WESTINGHOUSE	10.3%	59	12499.5	(2)	822.8	(3)	PITTSBURGH, PA
53	COLUMBIA PICTURES ENT.[6]	30.1%	27	1387.2	(19)	−84.7	(96)	NEW YORK, NY
54	HERITAGE MEDIA[7]	167.4%	4	46.0	(77)	−8.1	(82)	DALLAS, TX
55	UNITED TELEVISION	4.9%	77	101.2	(68)	7.9	(49)	BEVERLY HILLS, CA
56	LIN BROADCASTING	8.0%	64	225.5	(51)	82.1	(23)	NEW YORK, NY
57	JACOR COMM.	58.9%	12	69.9	(71)	−6.2	(81)	CINCINNATI, OH
58	CABLEVISION SYSTEMS	64.8%	11	493.5	(34)	−159.4	(100)	WOODBURY, NY
59	ADELPHIA COMM.	80.2%	9	131.4	(61)	−76.8	(94)	COUDERSPORT, PA
60	GRAY COMM.	−0.2%	88	43.9	(79)	2.7	(54)	ALBANY, GA
61	GENERAL ELECTRIC	4.0%	80	50089.0	(1)	3386.0	(1)	FAIRFIELD, CT
62	FRIES ENT.	19.3%	44	44.5	(78)	0.1	(64)	LOS ANGELES, CA
63	BURNHAM BROADCASTING	41.6%	21	48.3	(75)	−15.4	(88)	CHICAGO, IL
64	LEE ENTERPRISES	6.3%	72	252.5	(49)	40.9	(28)	DAVENPORT, IA
65	KNIGHT-RIDDER	5.8%	75	2083.3	(16)	156.4	(17)	MIAMI, FL
66	FALCON CABLE SYSTEMS	20.7%	42	24.5	(83)	−1.2	(69)	LOS ANGELES, CA
67	McGRAW-HILL	3.8%	83	1818.0	(17)	185.5	(14)	NEW YORK, NY
68	VIACOM	24.5%	32	1258.5	(22)	−123.1	(99)	DEDHAM, MA
69	TURNER BROADCASTING SYSTEM	23.6%	36	806.6	(27)	−94.5	(98)	ATLANTA, GA
70	CENTURY COMM.	48.6%	17	163.3	(54)	−4.5	(76)	NEW CANAAN, CT
71	LIBERTY CORP.	6.1%	73	401.0	(38)	24.5	(32)	GREENVILLE, SC
72	COMCAST	45.5%	18	449.9	(35)	−47.6	(91)	BALA CYNWYD, PA
73	NEW YORK TIMES	3.5%	84	1700.0	(18)	167.7	(15)	NEW YORK, NY
74	TELEMUNDO GROUP	21.4%	40	102.1	(67)	−34.2	(90)	NEW YORK, NY
75	WESTMARC	16.4%	49	118.4	(63)	−11.9	(85)	DENVER, CO
76	SUN GROUP	20.8%	41	9.3	(91)	−2.5	(73)	NASHVILLE, TN
77	OUTLET COMM.	23.1%	38	104.3	(66)	−21.8	(89)	PROVIDENCE, RI
78	JEFFERSON-PILOT	4.3%	79	1223.5	(23)	101.2	(20)	GREENSBORO, NC
79	CENTEL CORP.	2.4%	85	1094.9	(24)	135.1	(18)	CHICAGO, IL
80	MEDIA GENERAL	5.6%	76	755.7	(28)	8.8	(47)	RICHMOND, VA
81	WESTERNWORLD-SAMUEL COMM.	16.0%	50	12.3	(90)	−4.6	(77)	N. HOLLYWOOD, CA
82	LORIMAR TELEPICTURES	18.3%	45	677.7	(31)	−86.8	(97)	CULVER CITY, CA
83	AARON SPELLING PRODS.	−20.1%	96	119.5	(62)	19.3	(36)	LOS ANGELES, CA
84	A.H. BELO	0.9%	86	385.4	(41)	10.1	(44)	DALLAS, TX
85	PLAYBOY	−1.2%	89	159.8	(55)	2.6	(55)	CHICAGO, IL
86	MALRITE COMM.	14.0%	55	133.3	(60)	−9.0	(83)	CLEVELAND, OH
87	UNITED CABLE	17.2%	47	260.9	(48)	−15.3	(87)	DENVER, CO
88	TVX BROADCASTING	13.0%	57	150.8	(56)	−82.0	(95)	VIRGINIA BEACH, VA
89	QINTEX ENT.	8.8%	61	14.9	(88)	−4.3	(75)	BEVERLY HILLS, CA
90	PRISM ENT.	−10.9%	93	19.7	(86)	0.5	(61)	LOS ANGELES, CA
91	BARRIS	−32.8%	100	42.6	(80)	1.0	(60)	LOS ANGELES, CA
92	NELSON HOLDINGS	−3.0%	90	100.6	(69)	−9.4	(84)	VANCOUVER, B.C.
93	LAUREL ENT.	−28.6%	99	5.5	(95)	−0.2	(66)	NEW YORK, NY
94	DICK CLARK PRODS.	−26.6%	98	21.2	(85)	−2.4	(72)	BURBANK, CA
95	NEW WORLD ENT.	−12.9%	94	279.4	(46)	−4.7	(78)	LOS ANGELES, CA
96	PRICE COMM.	−4.5%	91	91.3	(70)	−12.5	(86)	NEW YORK, NY
97	AMERICAN COMM. AND TV	−7.7%	92	2.4	(99)	−2.2	(71)	SARASOTA, FL
98	SOUTHERN STARR BROADCASTING	4.5%	78	7.0	(93)	−1.8	(70)	ORLANDO, FL
99	FAIRCOM	−14.8%	95	4.6	(97)	−5.0	(80)	OLD BROOKVILLE, NY
100	PEREGRINE ENT.[8]	−23.2%	97	5.3	(96)	−4.7	(79)	LOS ANGELES, CA

[1] CVN Co.'s 1987 revenues were restated pro-forma by the company to reflect 12 months operation, but 1987 net income is a *Channels* estimate to correspond.
[2] United Artists changed fiscal years in 1987. Figures reflect year ended August 31. Figures for 1988 reflect 12 months ended December 31.
[3] News Corp. figures are converted from Australian to U.S. dollars using the following exchange rates: 1988, .7235; 1987, .6588 ($Aus. per $U.S. 1.00).
[4] Figures are in Canadian dollars.
[5] FNN's 1988 figures reflect 10 months ended June 30.
[6] Columbia's 1988 figures reflect the fiscal period from December 18, 1987 to November 30, 1988.
[7] Heritage Media's 1987 figures reflect 10 months from the company's inception on March 27 through December 31.
[8] Peregrine figures reflect nine months to Sept. 30 for both years. Peregrine filed for Chapter 11 in January 1989, and did not issue full-year statements.

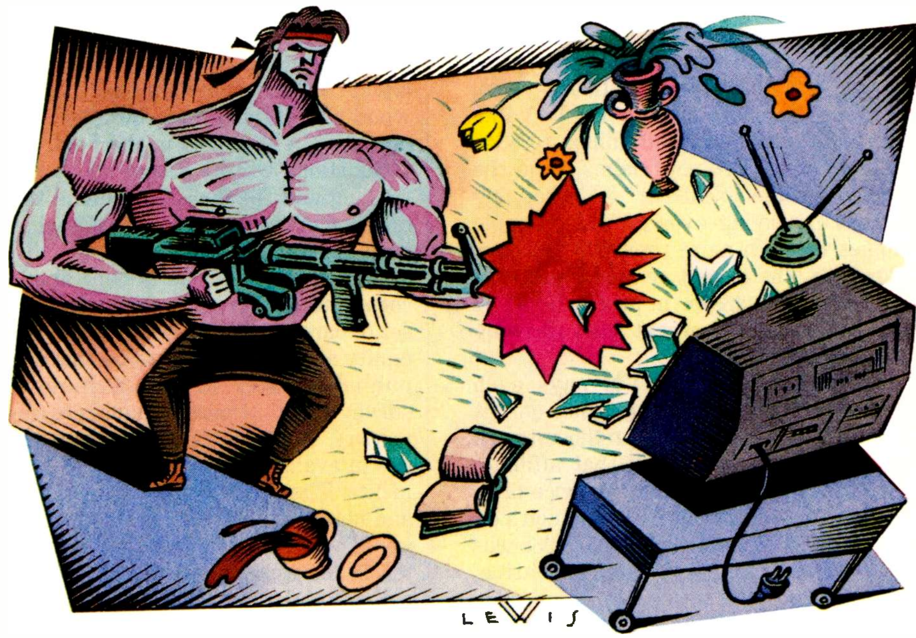
THE CHANNELS ACHIEVERS

LEADERS

BLASTING TO THE TOP: THE LEADING 100 COMPANIES

Carolco's smokin' with shoot 'em ups; Leaders load up for '89.

The movers and shakers among the 1989 *Channels* Achievers Top 100 companies are spreading their wings, hoping that the growth and synergy from building related businesses will lead to increased profitability. Most of the time, these new synergies have come about through acquisitions. The top two Achievers—Carolco Pictures and CVN Companies—started out small, kept it simple and suddenly found themselves behaving like heavy hitters.



The top 10 achievers have average revenue growth of almost 47 percent, with Republic Pictures leading the way with an 85 percent upswing (though its net income declined 70 percent). TCI recorded a whopping 900 percent increase in net income, and Jones Intercable posted a 397 percent net increase, figures which demonstrate cable's continuing growth potential.

Our number one ranked achiever—Carolco—had the best combination of revenue growth (up 58.7 percent over 1987, to $164.6 million) and net income (up 148.3 percent, to $35.5 million). The Hollywood independent, which began operations in 1986 as a film financier, has since diversified into film and television production/distribution, home video, music and character licensing. Carolco took two theatrical films to the bank last year—*Rambo III* starring Sylvester Stallone and *Red Heat* with Arnold Schwarzenegger—which together have grossed approximately $230 million in worldwide box office receipts. Video rentals also boosted revenues.

Founded by Mario F. Kassar and Andrew G. Vajna, Carolco has stuck to its goal of producing or financing three to five exploitable films a year, each budgeted in the neighborhood of $20 million. Within a year of formation, however, Carolco began to diversify, first with the acquisition of Orbis Communications in 1987. Orbis, a production, distribution and barter sales company, posted nearly $43 million in revenues in '87, but that figure plummeted to just under $20 million last year. Meanwhile, Carolco's feature film revenues soared from $54.5 million in '87 to almost $140 million last year. Also, more than half of the company's revenues came from foreign sales (mostly film licensing from theatrical and video), totaling nearly $93 million, proving there's a global audience for exploitable, action films.

Carolco's Orbis unit had a problem getting out of the starting gate last year when the introduction of its Carolco 1 film package was delayed due to protracted negotiations to acquire domestic syndication rights to 40 feature films controlled by Hemdale Communications (*The Last Emperor*, *Platoon*, *Terminator* and *Hoosiers*). The delay, plus a soft barter syndication market, led to a TV revenue decline. But the film package is doing well in 1989.

Actually, Carolco is just warming up to television. Following the Orbis deal, the company last year cranked up a made-for-TV production unit called CarolcoGimbel, headed by director Roger Gimbel (*The Biography of Miss Jane Pittman*, *A War of Children* and *A Brand New Life*). Then Carolco brought in Bruce J. Sallan to head the newly formed IndieProd Television unit in partnership with Walt Disney Television. The IndieProd venture covers all series developed for network and cable. Disney provides overhead, exclusive distribution and deficit financing. The first production out of IndieProd was a two-hour movie special for ABC-TV, *Get Smart*, reuniting Don Adams and Barbara Feldon.

Not included in Carolco's year-end revenues is money from its new home video subsidiary, LIVE Entertainment, which reported sales of $352.1 million and profits of $17.5 million. Carolco, which owns 56 percent of LIVE's equity and 49.9 percent of its voting stock, did recognize $11.1 million in revenues from the unit. LIVE was created in 1988 by joining Lieberman Enterprises (a rackjobber) and Video Entertainment (video rentals).

Looking over this year's Top 10, it's easy to see that the giants of cable television, while continuing to face political difficulties at both the local and federal levels, remain strong business leaders. Jones Intercable, TCI and Warner Communications (the latter highly diversified) would be expected among the Top 10 companies. But CVN Companies' position as the number two Achiever may seem a bit out of the ordinary. Yet it shows there's plenty of room for innovators in a mature business. After Home Shopping Network launched the business, CVN demonstrated the breadth of opportunity and the fact that there's room for multiple players. A few years ago, some dismissed the home shopping concept as a passing fancy. Today it is a booming business.

CVN started out in 1974 as a distressed-merchandising hustler, buying print space to hype liquidation sales. It went retail in 1978 by opening a store in Minneapolis and began mailing bulletins with merchandise offerings to its customer list. But it was cable TV that introduced CVN to the big time. In two years, revenues from its 24-hour Cable Value Network went from $30 million to $345 million, and CVN now claims to be the largest "cable exclusive" TV shopping network, serving over 20 million cable homes through more than 500 systems. For 1988, the parent company posted a 46.2 percent increase in profits (to $11.4 million) on an 85 percent sales upswing ($587.7 million).

To lure affiliates, CVN pays each system a 5 percent commission on net sales of merchandise sold on the network to subscribers served by that affiliate. Ted Deikel, one-time executive vice president of American Can Co., has been a director of CVN since 1983 and in 1985 was elected chairman and chief executive. Deikel took CVN into cable.

In August '88, CVN went on the acquisition trail by taking over The Fashion Channel Network, then in Chapter 11 bankruptcy proceedings. A few months later, CVN was approached by TCI, seeking to purchase the company outright through an investor group of approximately 19 of the cable operators that comprise the bulk of CVN's cable affiliates.

Meanwhile, two of cable's most established operators—Jones Intercable and TCI—kept on buying and selling systems in 1988. While TCI has begun to broaden its base into other areas, Jones is principally sticking to cable system ownership and management. Jones' $47.9 million in 1988 revenues was 42 percent better than the previous year, while its $29.3 million net income represented a boost of almost 397 percent. In addition to buying, selling and running its own systems, Jones provides management services for systems, usually charging five percent of gross revenues, good for just over $11 million in revenues for 1988 (up 36 percent). Subscriber revenues were off 10 percent to almost $21 million, though that figure could turn around this year because of the company's acquisition of systems serving almost 97,000 households.

TCI is the largest MSO, finishing 1988 with 6.2 million basic subs and 4.6 million pay-cable subs. (Add another 3 million basic and 2.7 million pay-cable subs through subsidiary systems.) TCI posted a 33.5 percent gain in revenues to nearly $2.3 billion in '88, while net income surged a whopping 900 percent, to $56 million. Sales and acquisitions accounted for the dramatic swing. In addition to putting up $772.1 million as part of the group buyout of Storer Cable, TCI expanded into the movie theater business with the acquisition of UA Communications Inc. TCI also is involved in numerous cable programming ventures.

Rounding out the top 10 achievers are Reeves, New Line Cinema, Orion Pictures, Warners, Republic Pictures and King World—all primarily production and distribution companies. Reeves, which just began to syndicate the CBS series *Kate and Allie*, got clipped in the fourth quarter of its fiscal year by the Writers Guild strike.

New Line Cinema has been living off the theatrical sequels to *Nightmare on Elm Street* for years. It moved into the first-run syndication business via an alliance with Lorimar (now Warner) for *A Nightmare on Elm Street: Freddy's Nightmares*. Orion released 12 films in 1988 (including *Bull Durham*, *Colors* and *Married to the Mob*), then hit the home video business big with the introduction of *RoboCop* and *Malone*. In pay cable, Orion posted revenues in excess of $12.8 million from the release of *Back to School*. In first-run syndication, the company reported what it called "dramatic" sales increases from *The New Hollywood Squares* and the release of the first 103 episodes of *Cagney & Lacey* to the Lifetime cable network.

Warner Communications, with $4.2 billion in revenues (up 23.6 percent) and $423.2 million in net income (up 29 percent), accounts for the most cash tonnage among the Top 10. It will of course grow further after its proposed merger with Time Inc. The bulk of Warner revenues flow from film, record and home video businesses. But television (broadcast and cable) is an important component of WCI as well. Warner Bros. Television Distribution posted $294 million in revenues last year, up 38 percent.

Republic Pictures, ranked number nine, has made a strategic decision to get back into the production business. That decision led to four made-for-TV movies in '88 to go with *Beauty and the Beast* (now canceled) on CBS. But first-run syndication is another matter. Here, Republic lost $2.2 million on *On Trial*, the main reason why the company's net income was off 70 percent for the year. As 1989 began, Republic entered into a new venture with United Artists Communications to develop and produce TV programming. The companies are putting up $60 million to get the venture rolling.

Rounding out the Top 10 is King World, for years a two-show company: *Jeopardy* and *Wheel of Fortune*. King World has long since added *The Oprah Winfrey Show* to its distribution lineup, and last season brought *Inside Edition* into the first-run mix. Further bolstering its production base, King World and six TV station groups created the Research & Development Network to test first-run programs. Also last year, King World formed a joint venture with MCA to develop programs for network, syndication and cable. Most recently, the company became a broadcaster, putting up $100 million for a CBS affiliate of its very own—WIVB-TV in Buffalo, N.Y.

JACK LOFTUS

About the Top 100

In previous years, annual revenue growth and annual cash flow growth have been used to compile the *Channels* Achievers Top 100. In an effort to build an even more useful listing, 1989's Top 100 was compiled using a unique ranking, labeled here as the Achievers Index Rank. This system uses the comparative ranking of the top 100 companies by two measures: annual growth in revenue and net income. The Top 100 were ranked by 1987-88 revenue and net income growth. Those two rankings—based on a list from 1 to 100—were added together, and the company with the lowest number, in this case Hollywood's Carolco, was labeled the number one company in the field.

Questions will be raised about the ranking and the decisions behind the creation of the index. But that's what such rankings are all about. They're designed to stimulate debate about corporate performance and provide a set of barometers—like the return-on-equity and debt/equity ratios that are published later in this Achievers survey—that corporate managers, investors, employees and observers can use in evaluating companies and segments. The combined use of revenue and net income growth is designed to avoid some pratfalls of other methodologies, an effort to avoid penalizing larger companies that grow slowly. The presence of both large and small companies near the top of the list is evidence that the creation of this index could make it a particularly useful measuring device, albeit just one of a set of indicators that measure media industry performance.

MERRILL BROWN

THE CHANNELS ACHIEVERS
HOW THEY DO IT

20 REVENUE LEADERS

Even with the TV industry in a state of tumult, over half the leaders still show profit growth.

COMPANY / DIVISION	1987-88 GROWTH (%) PROFIT*	1987-88 GROWTH (%) REV.	1988 ($ MIL) PROFIT*	1988 ($ MIL) REV.	5-YEAR CAGR (%) PROFIT*	5-YEAR CAGR (%) REV.	COMMENTS
CBS INC.	154.1%	0.6%	$1,149.9	$ 2,777.7	43.8%	3.0%	The $2 billion sale of CBS Records to Sony in January provided dramatic boost to net income. Broadcast Group, however, experienced slight downturn due to steep decline in network profits. Both TV stations and radio divisions increased profits.
BROADCAST GROUP	−0.2	0.5	232.4	2,776.8	−4.4	3.1	
CABLEVISION SYSTEMS CORP.	Loss	64.8	−159.4	493.5	Loss	37.1	Cablevision leads the industry in cash flow and revenue per subscriber. The dramatic revenue growth is attributable to speedy acquisition of systems large and small, and to increased programming revenues as the company's regional sports networks expanded.
CABLE TELEVISION	−13.7	50.8	23.3	390.5	9.2	30.9	
PROGRAMMING	Loss	160.6	−34.9	123.8	NA	NA	
CAPITAL CITIES/ABC INC.	38.7	7.5	387.1	4,773.5	27.5	44.3	Cap Cities/ABC's dip in network profits was offset by O&O and ESPN revenue increases. Publishing, except for newspapers, is still a drag. The big profit gain of 39 percent in 1988 came from a reduced federal tax rate and lower net financing expense.
BROADCASTING	14.1	9.2	722.2	3,749.6	42.1	65.4	
PUBLISHING	−11.6	1.7	129.7	1,023.9	4.5	17.4	
COLUMBIA PICTURES ENTERTAINMENT INC.[1]	Loss	30.1	−84.7	1,387.2	NA	11.9	Performance has been hurt by weak motion-picture results and conservative amortization of film inventories, which puts pressure on reported earnings. The lack of large, new TV syndication offering also hurt, as did high overhead costs in theatrical distribution.
THEATRICAL	−55.3	51.7	12.3	652.3	NA	NA	
TELEVISION	−34.7	−10.3	100.7	532.7	NA	NA	
EXHIBITION	NA	NA	25.9	194.6	NA	NA	
COMCAST CORP.	Loss	45.5	−47.6	449.9	Loss	39.8	Comcast again set revenue record thanks to results from recently acquired cable systems, as sub total rose by 69 percent. The $47.6 million net loss was due largely to acquisition debt. Substantial revenue gains and net losses are expected for forseeable future.
CABLE	36.8	40.9	74.0	404.1	31.0	42.8	
CORPORATE, CELLULAR & OTHER	Loss	104.5	−8.6	45.8	Loss	22.8	
GANNETT CO. INC.	14.1	7.6	364.5	3,314.5	13.7	14.2	Gannett posted record revenues and dividends and, for 21st consecutive year, earnings increases. *USA Today* ad gains pushed newspaper revenues up 7 percent. Although radio showed dramatic improvement, TV-station revenues rose only 1 percent, and firm's 40 percent investment in GTG posted a loss.
NEWSPAPER PUBLISHING	4.0	7.0	608.1	2,697.9	15.4	15.2	
BROADCASTING	7.4	9.4	117.9	390.5	14.1	15.1	
OUTDOOR ADVERTISING	4.9	12.2	38.9	226.5	−5.0	4.1	
GENERAL ELECTRIC CO.[2]	16.2	4.0	3,386.0	50,089.0	11.1	12.6	Prime time leader NBC benefited from Olympics, World Series and Super Bowl in one season, yet network profits dropped in '88 because of political conventions (cost of coverage and lost ad revenues). O&O performance improved enough to give NBC an 8 percent overall increase in operating profits.
BROADCASTING	8.0	11.6	540.0	3,638.0	28.2	11.7	
GREAT AMERICAN COMMUNICATIONS CO.[3]	Loss	218.8	−72.4	381.9	NA	0	Great American's growth is misleading—the company's Taft Broadcasting figures were included only for fourth-quarter '87 and then full-year '88. In fact, revenues were flat when compared pro-forma with Taft in '87. The company suffered heavy net losses because of debt interest and charges on amortization, which it expects to incur for next few years.
BROADCAST GROUP	262.1	287.6	82.2	200.4	10.4	7.3	
ENTERTAINMENT GROUP	366.2	175.3	34.5	118.4	9.4	2.5	
— Film Distribution	233.8	276.6	24.7	40.3	NA	NA	
— Film Production & Other	980.0	141.8	9.8	78.1	NA	NA	

*Company-wide total is Net Income. Division totals are Operating Profit. CAGR = Compound Annual Growth Rate. All figures reflect fiscal years. NA = Not Applicable or Not Available. [1]Revenues and profit reflect the period from December 18, 1987 to November 30, 1988. Revenue for 1983 is from the Coca-Cola Co.'s entertainment division. [2]Broadcasting segment figures for 1983 are RCA's. [3]All figures for 1983 are from Taft Broadcasting Co. [4]Music Entertainment revenues include fees for domestic distribution of home video, which are not included in Home Video & Pay TV division. Broadcasting & Cable division includes WWOR and USA Network in 1988. [5]Division figures converted from Australian to U.S. Dollars using the following exchange rates: 1988, .7235; 1987, .6588; 1983, .9387 ($U.S. per $Aus. 1.00).

COMPANY / DIVISION	1987-88 GROWTH (%) PROFIT*	1987-88 GROWTH (%) REV.	1988 ($ MIL) PROFIT*	1988 ($ MIL) REV.	5-YEAR CAGR (%) PROFIT*	5-YEAR CAGR (%) REV.	COMMENTS
GULF + WESTERN INC.	8.0	8.7	384.7	5,107.8	NA	32.0	Entertainment growth was held back by Paramount's fall to second place in motion-picture market share. TV and home-video revenues were relatively flat with syndication alone accounting for about half of all studio operating income. Financial-services earnings growth decreased due to lower interest margins.
ENTERTAINMENT	−15.3	0.7	251.8	1,862.2	31.8	11.8	
– Motion Pictures	NA	−11.8	NA	489.0	NA	NA	
– TV & Home Video	NA	4.3	NA	1,069.7	NA	NA	
– Theaters, Sports Etc.	NA	16.0	NA	291.0	NA	5.7	
PUBLISHING / INFORMATION	11.5	11.1	180.0	1,193.7	60.9	41.3	
CONSUMER / COMMERCIAL FINANCE	14.9	15.4	372.4	2,051.9	21.4	13.9	
HOME SHOPPING NETWORK INC.	−39.0	25.4	18.0	730.1	126.8	189.3	HSN chairman / CEO Roy Speer attributes the company's decline in net earnings to heavy investments in plant (including a new $95 million telecommunications center) and acquisition of TV stations. Operating expenses rose 43 percent, pegged primarily to increases in marketing costs and in sales commissions paid to cable operators.
MCA INC.[4]	20.1	16.8	164.9	3,023.7	2.3	13.8	Filmed entertainment reported record results due primarily to last-minute videocassette release of *ET* in fourth quarter. Broadcasting and cable operating income grew 251 percent due to both reclassification of USA Network earnings and improved programming on WWOR-TV.
FILMED ENTERTAINMENT	44.9	12.5	236.0	1,497.0	7.7	10.5	
– Theatrical	NA	27.6	NA	248.6	NA	−6.5	
– Television	NA	−16.9	NA	591.8	NA	13.0	
– Home Video & Pay TV	NA	74.8	NA	530.6	NA	34.9	
BROADCASTING & CABLE	251.4	48.9	13.0	131.5	NA	NA	
MUSIC ENTERTAINMENT	47.9	38.4	60.5	661.0	NA	26.3	
NEWS CORP. LTD.[5]	−37.3	24.3	341.3	4,354.5	52.4	25.3	Fox Network's continuing losses in the millions had a negative impact on profit growth in TV division. Filmed Entertainment profits continue strong but dropped from '87's record. The real impact on bottom line came from newspapers, which provided lion's share of the company's profits.
NEWSPAPERS	46.0	39.7	346.7	1,858.5	36.7	14.1	
MAGAZINES	13.9	17.3	77.0	441.1	22.2	19.4	
TELEVISION	−21.0	−9.9	60.1	407.8	57.5	40.9	
FILMED ENTERTAINMENT	−22.3	−6.3	87.8	857.0	NA	NA	
TELE-COMMUNICATIONS INC.	900.0	33.5	56.0	2,282.0	22.3	45.7	TCI's 33 percent revenue jump over '87 was result of subscriber growth and strong box office in the firm's theater division. In addition, '88 included first full 12 months of Heritage results and 7 months of recently acquired WestMarc. Dramatic profit increase came primarily from sale of Memphis cable system.
CABLE	41.6	39.2	439.1	1,705.1	39.0	37.5	
THEATERS	7.3	19.1	51.4	576.9	NA	NA	
TIME INC.	15.6	7.5	289.0	4,507.0	11.3	10.7	Time Inc.'s second consecutive record performance was aided by record revenues and earnings at ATC, thanks to rate and subscriber increases. Ad-volume and subscriber jumps pushed magazine revenues up 8 percent while books profits topped $100 million. Despite growth, HBO profits slid as Time reduced carrying value of its Ku satellite investment.
MAGAZINES	1.4	8.1	287.0	1,752.0	22.0	9.1	
BOOKS	18.2	−6.6	104.0	891.0	37.7	12.0	
PROGRAMMING	−7.2	15.6	116.0	1,122.0	−3.1	9.6	
CABLE TV	17.3	13.7	176.0	812.0	20.6	13.4	
TIMES MIRROR CO.	24.5	6.1	331.9	3,332.6	10.7	6.0	A soft advertising market is reflected in the drop in revenues for broadcast-TV and newspaper-publishing divisions. Less dependent on advertising, cable-TV-division profits jumped 51.4 percent, now matching broadcast TV as profit center for company.
NEWSPAPER PUBLISHING	−17.3	0.1	312.4	1,997.7	7.0	9.3	
BOOK, MAGAZINE & OTHER PUBLISHING	11.6	32.3	133.4	857.9	9.8	12.0	
BROADCAST TELEVISION	−27.7	−10.1	42.2	99.0	−7.3	−3.1	
CABLE TELEVISION	51.4	17.8	43.5	282.7	23.3	12.9	
TRIBUNE CO.	48.7	8.6	210.4	2,334.8	24.9	8.1	Excluding the 1987 *New York Daily News* labor-settlement costs ($40.1 million), Tribune's 1987-88 net income increased not 48.7 percent but 29 percent. Higher revenues and lower non-programming costs raised broadcasting and entertainment operating profits, while classified-ad growth hiked newspaper profits.
NEWSPAPER PUBLISHING	37.3	6.6	263.7	1,561.7	13.5	6.5	
BROADCASTING & ENTERTAINMENT	23.7	4.2	77.8	505.7	11.4	17.2	
NEWSPRINT OPERATIONS	35.9	20.2	99.2	462.6	NA	6.2	
TURNER BROADCASTING SYSTEM INC.	Loss	23.6	−94.5	806.6	NA	29.1	TBS finished the year with a net loss despite a 23.6 percent increase in revenue. News and the syndication and licensing division net incomes showed healthy growth. Entertainment dropped due to a 45 percent increase in costs, the largest being $10.7 million in start-up expenditures for TNT.
ENTERTAINMENT	−13.6	19.7	53.4	266.1	4.3	14.3	
NEWS	54.6	28.0	85.5	267.1	NA	32.6	
SYNDICATION & LICENSING	NA	28.5	1.6	204.3	NA	NA	
SPORTS	Loss	3.5	−9.2	23.6	NA	2.0	
REAL ESTATE	37.5	13.9	2.2	43.3	NA	NA	
VIACOM INC.	Loss	24.5	−123.1	1,258.5	NA	31.9	Company attributes net loss to $275 million in interest expenses and payment of preferred stock dividends. Network-segment profits grew via increases in ad sales and license fees, while entertainment segment's whopping 226 percent increase came thanks to Cosby syndication and sale of retained Cosby ad time.
CABLE TELEVISION	81.6	16.7	58.1	330.0	21.2	16.8	
BROADCASTING	4.4	6.9	35.5	141.2	14.0	3.3	
NETWORKS	27.7	22.7	50.3	642.6	NA	NA	
ENTERTAINMENT	226.1	97.4	61.3	161.1	28.6	27.6	
WALT DISNEY CO.	17.4	19.5	522.0	3,438.2	41.1	21.3	The studio topped box-office rankings for first time ever in '88, spurred by *Three Men and a Baby* ($167 million domestic gross) and *Who Framed Roger Rabbit* ($150 million). Disney's *Empty Nest* did well on NBC and *DuckTales* is syndicated hit. Consumer Products opened ten new Disney stores and had best year ever.
THEME PARKS & RESORTS	2.9	11.3	564.8	2,042.0	23.5	14.6	
FILMED ENTERTAINMENT	42.6	31.2	186.3	1,149.2	NA	47.3	
CONSUMER PRODUCTS	37.4	47.9	133.7	247.0	18.6	17.4	
WARNER COMMUNICATIONS INC.	29.0	23.6	423.2	4,206.1	NA	19.5	The fourth consecutive record year for WCI's three primary divisions—records, movies and cable and broadcast TV—brought record corporate profits as well as a 36 percent boost to operating income. Cable and broadcasting profits jumped from 1987's $46 million to $75 million. And then along came Time.
FILMED ENTERTAINMENT	15.1	15.9	203.0	1,571.0	13.2	13.1	
RECORDED MUSIC & MUSIC PUBLISHING	49.1	33.3	319.0	2,040.0	39.4	21.6	
CABLE & BROADCASTING	62.7	17.9	75.0	456.4	NA	NA	
PUBLISHING & RELATED DISTRIBUTION	−9.5	6.4	10.5	138.7	−6.0	5.0	

The Power Of Ideas In Media.

The most valuable resource First Boston can bring to our clients is an idea. Innovative ideas developed and executed by a dedicated team of media specialists with industry knowledge and expertise in all facets of mergers, acquisitions, and corporate finance.

Last year, First Boston handled approximately $4 billion in public and private market financings for its media industry clients, and advised them on merger and acquisitions valued at over $10 billion. So we know firsthand which ideas will work.

Another important First Boston resource is capital – and the willingness to commit it for our clients.

Whether you're a privately owned company operating in a single industry, or a publicly owned corporation operating globally, we offer the same benefit: innovative ideas that can be turned into successful results.

1989 Year-to-date

Affiliated Publications, Inc.
has restructured its 58,522,638 shares of Class A Common Stock ownership interest in
McCaw Cellular Communications, Inc.
(Pending)
The undersigned acted as financial advisor to Affiliated Publications, Inc.
The First Boston Corporation

BMA Corporation
has sold
Centennial Broadcasting Corporation
KDVR-TV
(Denver, Colorado)
to
Chase Communications Inc.
(Pending)
The undersigned acted as financial advisor to BMA Corporation and its affiliates.
The First Boston Corporation

$150,000,000
Cablevision Industries, Inc.
a wholly owned subsidiary of
Cablevision Industries Corporation
Senior Notes Due 1999
(Pending)
Direct placement of the above Notes was arranged by the undersigned.
The First Boston Corporation

Camellia City Telecasters, Inc.
a wholly owned subsidiary of
BMA Corporation
has sold the assets of
KTXL-TV
(Sacramento-Stockton, California)
to
Renaissance Communications Corp.
The undersigned acted as financial advisor to BMA Corporation and its affiliates.
The First Boston Corporation

GP Group Acquisition Corporation
a venture between
Macfadden Holdings, Inc.
and
Boston Ventures Management, Inc.
has merged with
GP Group, Inc.
(Owner of the National Enquirer)
(Pending)
The undersigned acted as financial advisor to GP Group Acquisition Corporation.
The First Boston Corporation

$130,000,000
GP Group Acquisition Corporation
Bridge Facility
The undersigned committed to purchase funding notes under the above facility.
The First Boston Corporation

THE MEANING OF ACHIEVEMENT

It's not always found in the bottom line.
Or is it? Three industry experts offer their opinions.

JOSEPH J. COLLINS

Chairman and CEO, American Television & Communications Corp.

Cable television has always been an extremely complex business. That has never been more true than at the end of the 1980s. It follows, then, that measuring achievement in our industry requires a variety of yardsticks.

This is not to say that such traditional benchmarks as cash flow and cash-flow margin have lost their relevance. In a business where the need for capital will remain significant for the foreseeable future, we must continue to meet the expectations both of our shareholders and the financial community in general. For without adequate financial resources, we will be unable to meet successfully the many challenges we face.

But the quality of the service we provide, and our freedom to manage our business appropriately, requires a new awareness. It demands sensitivity to issues that, while not directly related to the bottom line in the short run, will ultimately affect it if we are not attentive.

Competition from emerging technologies, for example, requires investment to ensure our cable systems remain the best available provider of information and entertainment. In this case, "best" means both technologically and from the standpoint of price and value.

There is no question that from these perspectives, cable television today occupies the premier position. To retain it requires investing in upgrades—including fiber optics—to provide more and better services, greater reliability and better picture quality.

Continually improving the service we provide has never been more important. And "service" should be defined in the broadest possible sense: not simply the technical aspects but the many ways we deal with our customers.

We must never forget that they are one of our most important potential bulwarks. If they are dissatisfied with the quality of our service or feel it is abusively priced, we risk losing them; losing them not only as paying customers but as supporters when we face potential adverse regulatory activity at the local, state and national levels.

Today there seems to be a regular drumbeat for more regulation at all levels. Cable-bashing is apparently this year's subject for legislators seeking an issue to ride into the public's consciousness. In most cases, the rumblings are based on a severe misunderstanding—sometimes almost willful—of the history of pricing before and since the Cable Act of 1984.

Nevertheless, these misperceptions must be vigorously addressed. Beyond directly refuting them at every opportunity, perhaps the best way to defeat the exponents of re-regulation is to make sure our customers receive the service they expect. If we do that, the cable-bashers will quickly find they are lecturing in an empty hall and will turn to another issue.

So improved customer service, in all its aspects, should be considered another gut issue as cable television enters the 1990s. Investing in everything from better phone systems and traps to better training for our people should be just as important as sinking more into fiber optics.

It may never be possible to quantify our achievements in improving customer service and making a commitment to the best technology. But there should be no doubt that for the cable industry they are, quite literally, bottom-line issues.

FRANK J. BIONDI JR.

President and CEO, Viacom International Inc.

The business community uses techniques to quantify performance that are so precise and exhaustive that identifying achievement has become too easy. We can measure ourselves, for example, by cash flow, by P/E ratios or by public or private valuations. There is even the present value of future cash flow discounted to the present at the weighted cost of capital. In the entertainment business, we also use non-financial barometers such as ratings, reviews and customer surveys. Our performance "scoreboard" is packed with statistical and qualitative measurements, and it exposes the winners and losers as clearly as the scoreboard on the field.

These measurements of performance —the "snap-shot" approach—may be an inadequate gauge of long-term excellence. Achievement is fleeting, and by the time it's measured, we are on to a new venture, a new idea. Evaluating these ongoing efforts is a far tougher assignment. Knowing which projects have the potential to succeed—and how to nurture them—is still a subjective and difficult task for evaluators and management, particularly when the short-term impact of these nascent efforts may "penalize" statistical performance. To achieve success consistently, an entertainment enterprise must use its people, their skill and creativity. It must take sound risks, make good deals and know its customers. The key to sustained excellence is improving performance in each area daily, with excellence itself being a goal.

I'll illustrate this process in action, with examples of Viacom programs not yet measurable by statistics.

Skill: The most fundamental component of achievement is skill. In business, the word conveys intellectual dexterity and experience. In a diversified entertainment firm like Viacom, the array of skills embodied by its employees is vast, ranging from program execution and marketing to finance and accounting. While the overall success of any organization relies largely on its accumulated body of skill, it is often the skills of a few individuals that make or break a given effort.

At Viacom Enterprises, the skill of the sales force stands out. The team is probably best known for its record-breaking distribution of *The Cosby Show*, but the real proof of its skill has been producing consistently outstanding results with a diversity of off-network programming. Recently, the group made a major play into the first-run market. By applying its expertise to such programs as *Superboy*, *Remote Control*, *Trial by Jury* and *The Super Mario Brothers Super Show*, the team is making Viacom a force in first run as well.

Creativity: Perhaps more than any other industry, entertainment is a business of ideas. Our products *are* ideas, given form by writers, directors, composers and actors. Their success also relies on the fertile minds of those who market, distribute and finance them. MTV Networks is known for its production ingenuity, but its creativity abounds in other areas as well. A new promotional effort, *MTV-To-Go*, is a monthly publication that offers readers record and video discounts along with stories about the music industry. By re-creating the attitude of the network, *MTV-To-Go* will capture its target audience.

Risk-taking: Achievement in entertainment requires the willingness to back up your projects with your capital and your name. At Viacom, we attempt to create the climate in which employees are encouraged to take intelligent risks. Effective risk management demands a full understanding of your business as well as an adventurous spirit. You must know what's *at* risk before you can make intelligent judgments. After scrutinizing pay-per-view opportunities, Showtime Networks Inc. concluded that the greatest potential in this flourishing business is supplying special-event programming, and backed up its conclusions by forming Showtime Event Television and by feeding it with substantial programming dollars and promotional support.

Making the deal: Every program, every movie, every song is a new product, which makes entertainment a world of deals. A smart deal takes more than negotiating skill; it requires structuring an arrangement that works for all involved. To provide locally oriented programming to its subscribers, Viacom Cable has joined with TCI to produce, acquire, market and distribute sports events on newly created networks in the San Francisco Bay area and the Pacific Northwest. The deal works for TCI, Viacom, the teams and subscribers.

Knowing your customers: Insight into your customer is an essential component of achievement. The most successful entertainment companies view the customer as a pervasive influence and relentlessly research his desires, attitudes and way of life. Viacom Radio, for example, uses perceptual studies, focus groups and music-testing to develop a personality, or "stationality," for each of its properties. At KBSG in Seattle, we launched an "oldies" format that has catapulted the station in one year from 22nd to third in the 19-to-45-year age group. This local orientation approach is also in place at WLTI in Detroit. Viacom replaced WLTI's soft-rock format with a "lite"

format—'50s to '80s music—that we think will attract new listeners and advertisers.

Achievement in the entertainment business is attained by those companies whose people are talented, creative, adventurous and smart—about their company, their partners and their public. A successful company must provide a fertile climate that cultivates these qualities and recognizes that ultimately achievement is attained by individuals.

RICHARD J. MACDONALD

Asking a stock analyst what defines achievement is a lot like asking an incorrigible gambler which jockey made the best ride. You're simply not talking to an objective observer. His answer depends on what the stock has done, whether it has risen or fallen and perhaps even more importantly on whether he had his customers invested to the proper degree. In short, success for the analyst or investor is the success of the investment advice—or the payoff.

Presumably the share price of publicly

Director—Equity Research, First Boston Corp.

traded media companies is created by the dynamic interaction of many investors. Yet Wall Street investors are a greedy, fearful lot. They are quick to gather around and cheer on those managements whose stock prices are rising at a rapid clip and equally quick to shun harshly and then abandon managements whose share prices fall.

In the era of the LBOs and recapitalizations, managements can easily maneuver stock prices higher with financial manipulation. Traders and arbitrageurs cheer and the business press writes of managements, vision, entrepreneurship and animal spirits. Generally, the "entrepreneur" in question is also a major contributor to numerous charities—thus adding luster as well as lucre to his name.

But stock price does not of itself adequately measure the achievement of an enterprise. Let's go back to basics. Businesses sell products and services to customers who pay for them because they need them. Employees of the enterprise provide the services and produce the goods to the best of their abilities. Owners benefit from organizing and operating the enterprise.

Enterprises that can carry out this mission consistently to a widening group of customers have achieved success. This definition of achievement may seem overly simplistic. But in an uncertain world, where change is powerful and continuous, the provision of consistently useful services and products while creating a profit for owners without resorting to unethical practices is a large challenge.

In the media industry, owners, shareholders and managements start with many advantages. Government regulation often protects enterprises from stormy competitive weather. Making money in such an environment is easier than making money in many other industries.

Easier than most, yes, but excellence among one's peers is won with great effort. Often, financial achievement over the long term is matched by achievement in other dimensions, such as quality programming and strong community relationships. Equally often, the illusion of financial success while seeming cynically to exploit the community or to diminish the quality of the product fades with quick inspection. Is a 50 percent margin an achievement? You bet—but without a Pulitzer Prize, perhaps a hollow and, maybe, short-lived one. ●

THE CHANNELS ACHIEVERS

PERFORMANCE

BROADCAST

Solid growth is scarce in broadcast TV.

Companies with broadcast TV at their core were hard-pressed to find solid growth in 1988. A. H. Belo, in its annual report, cites the standard litany of problems: a soft regional economy, the delay of fall's new network programming (due to the writers' strike), increased syndicated-programming costs and weakened national-advertising demand. It also pegged the summer Olympics, which ran on competing stations in Belo's five markets and lured away viewers.

Even our leaders in return on equity had little success in broadcast TV. Top-ranked CBS increased network sales only 1 percent in '88, yet income from continuing operations exceeded 1987 by 108 percent, due largely to interest income from the sale of non-broadcasting assets such as the CBS/Records Group. Number two Lee Enterprises logged an 8 percent increase in TV revenues over '87, but that was due entirely to the acquisition of a commercial production company and stations in Omaha and Tucson. Third-ranked Chris-Craft heralds 1988's "outstanding operating results" in its annual report but adds that the results are "in large part" due to the company's substantial investment in Warner Communications Inc. and that company's thriving studio and cable-TV operations. Chris-Craft's TV division saw operating revenues rise 6 percent in '88 but operating income decline 10 percent.

Broadcast averages for ROE and debt-to-equity, however, look better in '88 than they did in '87, which may indicate that broadcasters have begun scaling back costs and expenditures to reflect the new realities of their business.

RANK	COMPANY	1988 RETURN ON EQUITY	1987 RETURN ON EQUITY	1988 DEBT/EQUITY	1988 DEBT/EQUITY RANK	1987 DEBT/EQUITY
	AVERAGE	0.11[1]	0.08[2]	0.17[3]		1.02[4]
1	CBS	0.52	0.38	0.39	5	0.80
2	LEE ENTERPRISES	0.24	0.29	0.44	6	0.50
3	CHRIS-CRAFT	0.20	0.13	1.99	10	2.83
4	McGRAW-HILL	0.20	0.20	0.00	1	0.00
5	LIN BROADCASTING	0.19	0.23	0.01	3	0.07
6	AMERICAN FAMILY	0.17	0.19	0.27	4	0.15
7	UNITED TELEVISION	0.13	0.12	0.84	8	0.94
8	GRAY COMM.	0.10	0.08	0.00	2	0.00
9	LIBERTY CORP.	0.09	0.11	0.80	7	0.86
10	A.H. BELO	0.04	0.09	1.39	9	1.45
11	BURNHAM BROADCASTING	−0.72	−2.39	−5.66	14	−25.76
12	TVX BROADCASTING	−0.73	−1.04	−0.85	12	−0.19
13	TELEMUNDO GROUP	−0.83	−0.92	6.50	11	4.79
14	AMERICAN COMM. AND TV	−1.57	−3.33	−2.07	13	−5.83

[1] Excludes TVX, Telemundo and American Comm. & TV. [2] Excludes Burnham, TVX and American Comm. & TV. [3] Excludes Burnham, A.H. Belo, and Telemundo. [4] Excludes American Comm. & TV and Burnham.

THE CHANNELS ACHIEVERS

PERFORMANCE

CABLE

Operators' good fortunes and high profits endure.

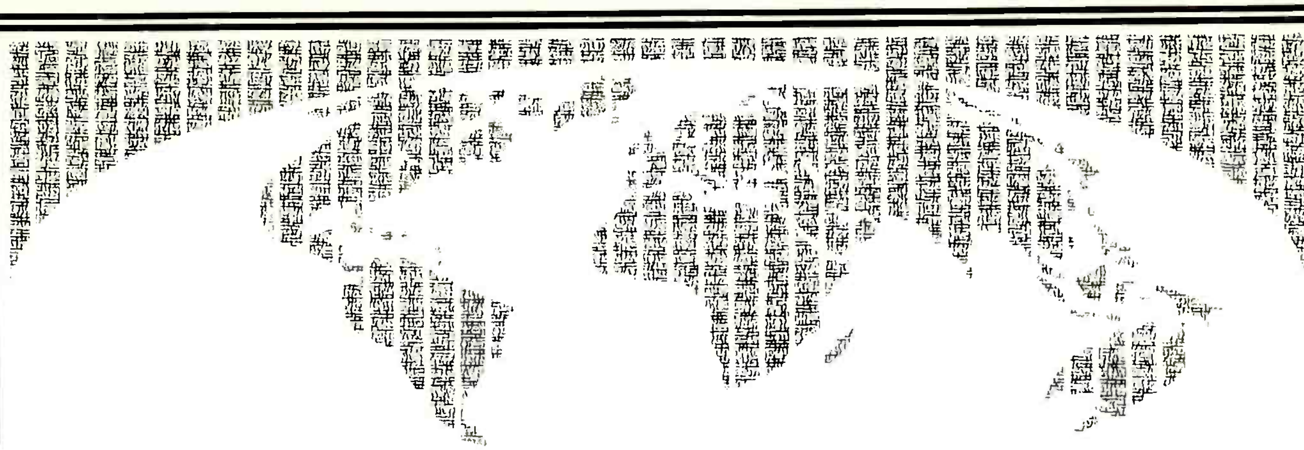
The profits of cable operators continued to rise in 1988, as return-on-equity measures reflected the enduring good fortune of large MSOs. Although the average ROE for the 25-company group fell from 1987 to 1988, that fact reflects increased investment by operators and programmers in both systems and software. Moreover, ROE is a secondary measure of success in cable, a field more concerned with revenue and cash flow than with net income.

The ROE chart is led by Denver's Jones Intercable, the complex, diverse company built on a variety of partnerships and holdings. In 1988, Jones' revenues grew 42 percent to nearly $48 million, while profits grew almost 400 percent to $29.3 million. Other operators also performed well in the ROE calculations. TCA Cable and industry leader Tele-Communications Inc. showed sharp gains in ROE. Several cable networks, increasingly healthy as basic-cable advertising revenues soar, also performed well. QVC Networks showed a strong 0.27 return as the West Chester, Pa., company reported revenues up 70 percent to $193 million, while profits jumped to $9 million. The company had a 1987 loss of $6.2 million. QVC competitors Home Shopping Network and CVN also reported strong profits, although HSN's ROE fell while CVN's doubled.

Reflecting cable's prosperity, the industry's average debt-to-equity ratio fell sharply in 1988, from 1.59 to 1.35. Jones and TCI both saw their debt-to-equity measures drop. But only the equally acquisition-minded radio business reported a higher average debt-equity ratio than the cable field.

RANK	COMPANY	1988 RETURN ON EQUITY	1987 RETURN ON EQUITY	1988 DEBT/EQUITY	1988 DEBT/EQUITY RANK	1987 DEBT/EQUITY
	AVERAGE	0.07[1]	0.08[2]	1.35[3]		1.59[4]
1	JONES INTERCABLE	0.34	0.09	2.03	12	2.53
2	QVC NET.	0.27	−0.27	0.38	6	0.28
3	AMERICAN TELEVISION & COMM.	0.27	0.26	2.79	14	2.66
4	TIME	0.21	0.20	1.09	9	0.90
5	MACLEAN HUNTER	0.17	0.28	1.36	10	0.19
6	TCA CABLE	0.16	0.09	0.81	8	1.08
7	FINANCIAL NEWS NET.	0.16	0.41	0.00	1	0.00
8	CENTEL CORP.	0.15	0.15	1.74	11	0.83
9	HOME SHOPPING NET.	0.13	0.25	2.32	13	2.84
10	PLAYBOY	0.08	0.35	0.09	4	0.04
11	CVN COMPANIES	0.08	0.04	0.19	5	0.08
12	TELE-COMMUNICATIONS INC.	0.05	0.01	4.51	18	6.24
13	UNITED ARTISTS COMM.	0.02	0.04	9.71	20	8.24
14	ACTON CORP.	−0.01	4.58	0.53	7	0.00
15	FALCON CABLE SYSTEMS	−0.09	0.03	3.81	15	1.20
16	WESTMARC	−0.10	0.36	3.90	16	9.33
17	UNITED CABLE	−0.13	−0.06	4.30	17	7.98
18	COMCAST	−0.23	−0.04	6.49	19	2.38
19	TURNER BROADCASTING SYSTEM	−0.25	−0.49	−3.36	22	−5.25
20	CABLEVISION SYSTEMS	−0.58	−0.65	−4.65	23	−6.22
21	ADELPHIA COMM.	−0.64	−0.73	−6.87	24	−11.68
22	CENTURY COMM.	−0.70	−0.09	70.64	21	41.11
23	VIDEO JUKEBOX NET.	−0.77	−0.33	0.00	2	0.00
24	NOSTALGIA NET.	−1.27	−0.78	0.00	3	0.00
25	ROGERS COMM.	NM	−0.10	−70.41	25	1.32

[1] Excludes Cablevision, Adelphia, Century, Video Jukebox, Nostalgia and Rogers. [2] Excludes Acton, Turner, Cablevision, Adelphia and Nostalgia. [3] Excludes Century and Rogers. [4] Excludes Adelphia and Century.
NM = Not Meaningful



THE CHANNELS ACHIEVERS

PERFORMANCE

DIVERSIFIED

The prudent path to travel in troubled times.

Media companies traditionally have hedged their bets through diversification. In this era of shrinking margins and brutal competition for advertising dollars, owning a mix of businesses appears to be a strategy for stability.

By and large, represented below are media behemoths which lumber reliably on year to year. A perusal of this list is striking for how little change there has been in most of the companies' return-on-equity figures. Indeed, the companies holding down the top ten spots show little or no movement in that area.

This might suggest the diversification path is providing little opportunity for rapid expansion. Expectations tend to run high for the most visible players, such as Walt Disney and Gannett. But that is too facile an analysis. In these tumultuous times, it is no mean feat just to hold the course.

Conventional wisdom was that last year's Olympics and Presidential election would produce an advertising bonanza on all media fronts, but it never materialized. Few of the companies on the list below with major television-station and newspaper holdings got the boosts they expected. Fortunately for several of them, their diversification strategies included cable-television investments. Times Mirror and the Washington Post Co., among others, got relief from that segment, which in many cases picked up the slack from businesses that did not meet expectations.

Does that mean cable is the way to go? Not necessarily. Diversified companies still lead all media-industry segments for return on equity.

RANK	COMPANY	1988 RETURN ON EQUITY	1987 RETURN ON EQUITY	1988 DEBT/EQUITY	1988 DEBT/EQUITY RANK	1987 DEBT/EQUITY
	AVERAGE	0.12[1]	0.14[2]	1.14		1.13
1	PULITZER PUBLISHING	0.58	0.81	3.64	22	7.75
2	WARNER COMM.	0.24	0.22	0.40	9	0.29
3	WALT DISNEY	0.22	0.24	0.18	4	0.32
4	WESTINGHOUSE	0.22	0.28	0.69	15	0.78
5	GANNETT	0.20	0.20	0.64	14	0.68
6	TIMES MIRROR	0.20	0.18	0.52	10	0.60
7	NEW YORK TIMES	0.19	0.19	0.37	8	0.41
8	WASHINGTON POST	0.19	0.30	0.18	5	0.25
9	KNIGHT-RIDDER	0.19	0.17	0.88	17	0.56
10	GENERAL ELECTRIC	0.18	0.18	0.82	16	0.76
11	NEWS CORP.	0.18	0.30	2.10	19	1.45
12	TRIBUNE	0.18	0.13	0.55	11	0.50
13	GULF + WESTERN	0.17	0.17	0.61	13	0.63
14	MEREDITH	0.13	0.10	0.05	3	0.14
15	CAPITAL CITIES/ABC	0.13	0.13	0.56	12	0.76
16	PARK COMM.	0.11	0.11	0.36	7	0.42
17	SCRIPPS HOWARD BROADCASTING	0.11	0.16	0.01	2	1.67
18	STAUFFER COMM.	0.08	0.05	0.25	6	0.23
19	JEFFERSON-PILOT	0.08	0.12	0.00	1	0.00
20	MEDIA GENERAL	0.03	0.12	1.10	18	0.68
21	MULTIMEDIA	NM	NM	-1.48	26	-1.48
22	PRICE COMM.	-0.10	-0.12	3.00	20	-3.76
23	HERITAGE MEDIA	-0.18	-0.06	3.45	21	2.84
24	MALRITE COMM.	-0.30	-0.17	4.19	23	3.50
25	GREAT AMERICAN COMM.	-0.34	0.02	6.26	24	5.39
26	VIACOM	-0.36	-0.23	6.39	25	4.10
27	OUTLET COMM.[3]	-1.82	-1.69	-19.74	27	21.92

[1] Excludes Multimedia, Great American, Viacom and Outlet. [2] Excludes Multimedia and Outlet. [3] Outlet is excluded from all averages. NM = Not Meaningful.

THE CHANNELS ACHIEVERS

PERFORMANCE

PRODUCTION

Restructuring debt in the new TV era.

King World's precipitous drop to last place in 1988 from first the year before shouldn't be misconstrued. The powerhouse syndicator of *Wheel of Fortune*, *Jeopardy* and *The Oprah Winfrey Show* actually netted $61 million. But it borrowed about $90 million to repurchase approximately 20 percent of its stock, producing a negative net worth on the books. So instead, Carolco, owner of TV syndicator Orbis Communications, tops 1988's list with a return on equity of 30 percent, up 67 percent over 1987. Sharply higher motion-picture earnings offset a drop in TV syndication profits.

Overall, slightly more than half the companies in this segment improved their performances in 1988, for an adjusted industry average ROE of 6 percent, little changed from 1987's 7 percent.

Regarding leverage, New World boasted the biggest improvement. It restructured debt, largely through a $110 million lifeline late in 1988 from GE Capital, which took a 15 percent equity interest in the producer/distributor. The highest debt-to-equity ratios were posted by Qintex, MGM/UA Communications and Aaron Spelling Productions, following restructurings, mergers and acquisitions. Spelling dealt with the real world—after the end of a long-term exclusive agreement with ABC that protected him against expenses and production deficits—by merging with distributor Worldvision Enterprises in a deal that gave half ownership to Carl Lindner's Great American Communications.

Overall, though, leverage changed little, with the industry's average debt-to-equity ratio falling 7 percent.

RANK	COMPANY	1988 RETURN ON EQUITY	1987 RETURN ON EQUITY	1988 DEBT/EQUITY	1988 DEBT/EQUITY RANK	1987 DEBT/EQUITY
	AVERAGE	0.06[1]	0.07[2]	0.79		0.85
1	CAROLCO	0.30	0.18	0.70	11	0.89
2	VESTRON	0.28	−0.63	2.16	21	2.26
3	AARON SPELLING PRODS.	0.28	0.41	0.28	7	0.44
4	NEW LINE CINEMA	0.21	0.23	0.44	9	0.70
5	REEVES COMM.	0.13	0.12	0.51	10	0.65
6	MCA	0.10	0.09	0.73	12	0.65
7	ORION PICTURES	0.08	0.07	2.07	20	1.56
8	PRISM ENT.	0.06	−0.02	0.00	1	0.07
9	ALL-AMERICAN TV	0.04	−0.19	0.00	2	0.00
10	REPUBLIC PICTURES	0.02	0.06	0.36	8	0.12
11	BARRIS	0.02	0.34	1.04	13	1.31
12	FRIES ENT.	0.00	−0.01	1.32	16	1.28
13	HERITAGE ENT.	0.00	0.01	0.12	5	0.00
14	LAUREL ENT.	−0.04	0.27	0.25	6	0.00
15	NEW WORLD ENT.	−0.06	−0.41	1.79	17	6.59
16	COLUMBIA PICTURES ENT.	−0.08	0.05	1.09	15	0.35
17	DICK CLARK PRODS.	−0.16	0.15	0.00	3	0.00
18	NELSON HOLDINGS	−0.17	−0.70	1.04	14	1.89
19	QINTEX ENT.	−0.19	−0.17	2.67	23	0.69
20	MGM/UA COMM.	−0.22	−0.33	2.49	22	1.72
21	LORIMAR TELEPICTURES	−0.29	−0.15	1.92	18	1.01
22	WESTERNWORLD-SAMUEL COMM.	−1.39	−1.67	0.09	4	−3.04
23	PEREGRINE ENT.	−1.96	−0.15	2.04	19	0.88
24	KING WORLD PRODS.	NM	0.87	−4.17	24	0.51

[1] Excludes Qintex, MGM/UA, Lorimar, WesternWorld, Peregrine and King World. [2] Excludes Vestron, Nelson and WesternWorld. NM = Not Meaningful.

Our Commitment To The Communications Industry.

At Drexel Burnham, we understand the communications industry, what drives it, and what it takes to develop creative financial strategies. That may be why more communications companies talk to Drexel Burnham than any other firm on Wall Street. Since 1985, we've raised over $10 billion in public and private financings, more than five times the amount as the next firm on the street.

If you think this commitment can benefit your company, call Jack Langer, Managing Director, Arthur Phillips, Managing Director, or Stephen Winningham, Managing Director, at (212) 232-5000.

Financings

$150,125,000
Adelphia Communications Corporation
16.50% 10-year Senior Discount Notes
December 19, 1988

$153,955,910
Cable News Network, Inc.
2,150,000 Shares Cumulative Exchangeable Preferred Stock
July 1988

$200,000,000
Cablevision Systems Corporation
Senior Subordinated Reset Debentures
November 1988

$200,000,000
Century Communications Corp.
12.75% 12-year Senior Subordinated Reset Debentures
November 11, 1988

$85,000,000
Contel Cellular Inc.
5,000,000 Shares Class A Common Stock
April 21, 1988

$200,000,000
Harte-Hanks Communications, Inc.
11.875% 12-year Subordinated Debentures
July 28, 1988

US Dollar Equivalent of A$450,000,000
John Fairfax Group (U.S.A.), Inc.
A$300,000,000 Senior Subordinated Debentures with Foreign Exchange Appreciation Rights
A$150,000,000 Subordinated Debentures with Foreign Exchange Appreciation Rights
February 1989

$800,765,000
McCaw Cellular Communications, Inc.
$400,000,000 14.00% 10-year Senior Subordinated Debentures
$285,765,000 20-year Convertible Senior Subordinated Discount Debentures
$115,000,000 8.00% 20-year Convertible Senior Subordinated Debentures
June 10, 1988

$200,000,000
Orion Pictures Corporation
12.50% 10-year Senior Subordinated Reset Notes
August 18, 1988

$270,000,000
Univision Holdings, Inc.
$165,000,000 10-year Senior Subordinated Discount Notes
$105,000,000 13.375% 11-year Subordinated Debentures
July 28, 1988

$64,923,873
Vanguard Cellular Systems, Inc.
3,606,822 Shares Common Stock
March 3, 1988

$500,000,000
Viacom International, Inc.
$300,000,000 11.80% 10-year Senior Subordinated Notes
$200,000,000 11.50% 10-year Senior Subordinated Extendible Reset Notes
July 22, 1988

Drexel Burnham
Financing America's Future.

THE CHANNELS ACHIEVERS

PERFORMANCE

RADIO

Wall Street likes the cash flow.

Radio continues to appeal to Wall Street, though the frantic pace of station acquisitions can make for an unimpressive financial report card, at least in the net-profit and return-on-equity categories. Yet most of these young, highly leveraged companies are generating positive cash flows, a trend that should eventually pay profits. As these companies grow, so increases their flexibility in the financial markets, though they also become more vulnerable to overall industry trends.

Westwood One, for example, became the second largest radio network in the U.S. with the acquisitions of Mutual and NBC. As a small player, its growth rate from 1983 to '87 was 75 percent. Then along came 1988 and a sharp downturn in the network economy. After three years of double-digit advertising growth, network radio stalled at 3 percent in '88. The shortfall in Olympic and political spending, which hurt television, smacked radio, too. Instead of ducking, Westwood One bought two radio outlets in New York and one in Los Angeles. The year-end result was an 82 percent decline in net income but a good reputation on Wall Street.

Faircom, a station operator, lost $4.9 million in '88 and $3.8 million in '87 due to station acquisitions. But it had a positive cash flow. Jacor, in a similar position, posted a 47 percent increase in cash flow to $17.8 million.

Osborn Communications recorded a $3.4 million net loss in '87, but ended '88 with a net profit of $7 million, having retired $16 million in debt. So Osborn's negative 52 percent ROE in '87 became a positive 52 percent in 1988.

RANK	COMPANY	1988 RETURN ON EQUITY	1987 RETURN ON EQUITY	1988 DEBT/EQUITY	1988 DEBT/EQUITY RANK	1987 DEBT/EQUITY
	AVERAGE	0.07[1]	−0.02[2]	2.04[3]		1.83[3]
1	OSBORN COMM.	0.52	−0.52	3.07	5	7.80
2	CLEAR CHANNEL COMM.	0.16	0.17	2.94	4	2.90
3	SATELLITE MUSIC NET.	0.12	−0.15	0.00	1	0.13
4	DURHAM CORP.	0.06	0.08	0.18	2	0.02
5	WESTWOOD ONE	0.01	0.11	6.00	7	1.19
6	JACOR COMM.	−0.48	−0.25	1.09	3	0.54
7	FAIRCOM	−0.60	−1.12	−1.29	9	−2.03
8	SOUTHERN STARR BROADCASTING	−0.90	−0.09	4.35	6	4.09
9	OLYMPIA BROADCASTING	NM	−0.71	−7.02	10	−2.54
10	SUN GROUP	−3.57	−1.88	27.43	8	−10.81

[1] Excludes Faircom, Southern Starr, Olympia and Sun Group. [2] Excludes Osborn, Faircom, Olympia and Sun Group. [3] Excludes Olympia and Sun Group. NM = Not Meaningful.

THE CHANNELS ACHIEVERS

FORECASTS

THE TELEVISION OUTLOOK

Uncertainty will dog all but the hardiest businesses.

ECONOMY

Back to the Drawing Board

The recession of 1988, heralded by economists in wake of the October 1987 stock market crash, failed to live up to its billing. Instead, the GNP turned in a remarkably strong performance by growing (adjusting for inflation) 3.9 percent in 1988; the stock market finished on an uptick; unemployment was down to 5.5 percent; consumer spending rose; and inflation ran at a modest 4.1 percent.

Economic forecasters needed a new theory for 1989. Well, if too-cold didn't wash, what about too hot? Presto: Inflation, expected to grow to 5 percent this year, became the buzzword. The combination of too much consumer spending and too big a federal deficit led economists to fear the economy would overheat, and as 1989 began, the Federal Reserve stepped in and up went interest rates. With the Fed leaning against the wind, the economy could come full circle: if the brakes stay on too long, consumer spending may plunge and the Grand Recession could finally make its debut in 1990. But will it? Who knows?

Forecasting the television economy is no less exact, as those who predicted robust increases for broadcast sales discovered in 1988. Olympic and political advertising failed to rev up the broadcast economy, and 1988 ended, as it began, on a sour note.

While cable continues to chip away at broadcasting, the $1.5 billion advertisers spent on cable in 1988 is a small percentage of the total pie. Broadcast TV took in just under $25 billion in ad revenues last year—$7.3 billion in local, $7.1 billion in spot, $9.6 billion in network and $900 million in barter syndication.

While the rate of growth for network, spot and local advertising has slowed, second-quarter indicators show an uptick, so 1989 may see healthier single-digit revenue increases than forecast.

As an ad medium, TV has run against the prevailing economic currents about as often as it has drifted along with them. Viewed in its totality, including cable, television generated $26.5 billion in ad revenues in '88, and should do $1 billion better in '89. Whatever the forecast, those are impressive numbers.

JACK LOFTUS

NETWORKS

Beyond the Core

Second verse, same as the first. The financial community today sees a snapshot of the networks' future that looks precisely like last year's picture. For the short term, NBC will still rule the airwaves, owing to its unprecedented continuing lead in the ratings race. And for the long term, the future is in cable ventures, technology and international investment. Last year, Capital Cities/ABC and General Electric's NBC were busily establishing themselves in new video businesses. Today, NBC has its CNBC cable channel up and running, and the Cap Cities/ABC Video Enterprises division is expanding its interests domestically and overseas. So why is CBS, after months of watching its competitors chart the network TV future, maintaining its broadcast-only strategy?

Wall Street is baffled. "CBS under Larry Tisch has been badly run," says one analyst. "In fact, what he's done since he's bought the company is strip it, with very little tangible proof of reinvestment anywhere. What I think it's amounting to is the undoing of CBS."

Kinder observers cite CBS's "belief that the broadcast business is inherently the strongest [in the media]," as Mabon Nugent analyst Raymond Katz puts it. Indeed, although one cable net, ESPN, now makes more profit than ABC or CBS, cabled viewers still spend most of their time watching Big Three programming. "But you don't have to be swallowed by a shark to be eaten alive," Katz says. "You can be nibbled to death by piranhas. That's what CBS may be overlooking." While the piranhas munch, the short-term outlook for the nets is still determined by their relative positions in the ratings race. That will profit the Fox network, which last season posted its first network-size hit in *Married ... With Children*, and may also play to ABC's advantage next season, says Wertheim Schroeder's Francine Blum. "ABC and CBS have for the last couple of years hovered around break-even," she says. "That could change if ABC really solidifies its lead over CBS. If ABC moves up one ratings point, it could have a significant impact on earnings." CHUCK REECE

STATIONS

The Local Focus

While Congress, the FCC and broadcasters head for a showdown over redefining the television station's role as a public trustee, economics may one day do what Washington can't. Shifting trends in audience, advertising and programming are forcing stations to re-embrace localism in order to survive.

Reality hit home in 1988. Audiences and advertisers have been shopping around for years, but when the "quadrennial windfall" expected from Olympic and political dollars turned into a shortfall, a distinct chill was felt. Things turned even colder when the networks took down the "free ride" sign by threatening cuts in compensation.

The days of double-digit revenue growth are mostly over, profit margins can be low single digits, national spot dollars are heading south and "media mix" is stretching ad dollars. A shopping list of network, local and spot now includes cable, barter syndication, unwired networks and a new network—Fox. Radio and print mixtures also are part of the buy—yellow pages, direct marketing, newspaper classifieds and inserts.

The Television Bureau of Advertising calls 1988 "a disappointment," understandable since it predicted spot would grow 10-12 percent, local 12-14 percent and network 10-12 percent. Yet spot rose only 4.4 percent, local did a little better at 6.4 percent and network rose 8.7 percent. TvB went back to the drawing board for "a more realistic view" of '89, and came up with 3-5 percent growth for spot, 5-7 percent for local and a flat 1-3 percent for network.

The reality and the revise have led to a reassessment of the future of local broadcast TV. Affiliates no longer can count on the network for money or audience, so they have to behave more like independents, scratching and clawing for every dollar. In 1988, for the first time ever, local ($7.3 billion) exceeded national spot ($7.1 billion) as the largest category of revenue for TV stations. And with spot expected to continue to experience what TvB calls "serious stress" well into the '90s, stations are being forced to think local, sell local and program local in order to survive. JACK LOFTUS

PRODUCTION
Consolidation's Aftershocks

Perhaps more than any other segment of the industry, Hollywood will struggle with its footing in the months ahead, as the tremors of television's restructuring continue to shake the production community. The mood of uncertainty permeating the town will likely grow as the industry's rush to consolidate—with big companies swallowing smaller ones, and foreign owners snapping up Hollywood assets—continues to fuel fears of job losses and to perplex creative executives who must make shows to appeal to both domestic and foreign audiences.

Topic A, though, will continue to be the networks' push to abolish or reach a compromise on governmental restrictions on the networks' ability to own and syndicate the shows they air. Despite some lingering denials, the Big Three clearly are all prepping to push further into in-house production should the studios lose their battle to maintain the restrictions, which begin lapsing in 1990. Any significant compromise could, in turn, breed further consolidation, with some observers forecasting a resulting realignment of the Big Three with studios—CBS a likely seller, ABC and NBC likely buyers.

In the meantime, the studios will continue to acclimate themselves to a world view that stretches far beyond American shores, for reasons other than the home countries of some of their new owners—the cost squeeze. For instance, costs of pilots for this coming fall rose about 10 percent, while network license fees grew less than 5 percent. So the search for coproduction partners will likely continue, as will the efforts to exploit increasing foreign demand for purely American shows, with Security Pacific Merchant Bank predicting 77 percent growth in foreign program sales next year, to $2.3 billion. Some studios are even treating Europe as a primary market. Disney already produces three shows a week for France's TF1 channel, with another program planned for the UK's ITV this fall.

At home, cable's profile will continue to grow, especially among independent producers, as increasing subscriber counts result in more production dollars becoming available to cable. NEAL KOCH

CABLE OPERATORS
Partly Clouded Optimism

Even as regulatory clouds gather on the horizon, cable operators continue to bask in a basically sunny environment. How long it will last, however, is open to question, as Congress—now hearing howls of constituent complaints over basic price hikes and loss of sports programming to pay cable—examines the possibility of some kind of cable reregulation. "The industry is now at a point, particularly with regard to sports programs, where its alienation of the customer has attracted a lot of attention in Congress," warns Merrill Lynch analyst Edward Hatch. Broadcasters' plans for a "Save Free TV" campaign, too, are hardly helping to cool the heat.

Industry consolidation continues, with system prices inching up near the $3,000 per sub mark for particularly desirable properties. Stock values, hit hard last year as nervous buyers read of the telco and fiber threats to cable's well-being, have recovered nicely, many experiencing double digit growth in the first quarter of 1989, according to Merrill Lynch's Hatch. "Cable is obviously maturing, and its growth is not as exciting as it used to be," says John Tinker, Morgan Stanley analyst, "but that doesn't mean there isn't an upside."

Furthermore, the decision of California-based regional Bell operating company PacTel to enter U.S. cable via purchase of part of Group W's Chicago system (assuming necessary approvals are granted) will tend to push system values even higher, Tinker says. "This marks the emergence of a new buyer who's made the buy-versus-overbuild calculation and concluded that buying yields a better return, further cementing cable franchise value," he says. Many analysts agree that cable's only serious non-regulatory threat today is possible skyrocketing interest rates.

As many cable operators hedge against reregulation by curbing the urge to raise per-sub rates, they are investing more in development of local advertising revenues, their second revenue stream. The Cabletelevision Advertising Bureau predicts 1989 local and spot revenues will approach the $500 million mark, a $100 million rise over 1988's level.

KIRSTEN BECK

CABLE PROGRAMMING
Showing Original Promise

Cable—often castigated in the past as a haven for off-network reruns and relentless repeat cycles—continues its march toward programming respectability. After much talk, basic cable has begun to deliver on its promise of original programming. In April, when TNT's premiere showing of its made-for-cable movie *Margaret Bourke-White* scored a 5.1 rating and USA's *The Forgotten* capped a 3.8, basic cable's first wave of original movies arrived with a bang. Furthermore, increased original program spending, along with continuing foreign coproduction and acquisition, is helping create distinctive basic cable network profiles, considered by many analysts a necessity for upping penetration levels.

Paul Kagan Associates predicts basic cable subscribers will increase from 1989's 46 million to 48.2 million in 1990, with pay units growing from 37.4 to 39.4 million. Basic cable is developing programs in the midst of prosperity, says Kagan analyst Larry Gerbrandt, who estimates the private market value of the basic networks at close to $7 billion and predicts their cash-flow margins may exceed 30 percent in 1989. Kagan expects advertising's $1.2 billion contribution to cable nets will rise to $1.4 billion in 1990. Drexel Burnham Lambert v.p. Andrew Wallach says cable will be the fastest growing segment in TV advertising over the coming year.

On the other hand, tight channel capacity and increased MSO ownership of program services have increased the power of major MSOs over programmers. New services will need some degree of MSO ownership for successful launches. CNBC's struggle to win clearances will be a cautionary example for those considering an early '90s launch.

"Unbundling" may be the new buzzword for basic networks, spurred by this year's Cablevision Systems-MSG Network donnybrook in New York, which has become symbolic of operator concern that competitive bidding for attractive programming may drive up basic network fees. MSG insists on its basic status in spite of a high per-sub price (caused in part by a bidding war with Cablevision for Yankee baseball games). Unbundling will allow operators to sell individually certain services popular with only a small percentage of subscribers. Merrill Lynch analyst Edward Hatch predicts that operators will begin experimenting with unbundling within the year.

Another trial balloon expected in the coming year is original regional programming, partly in preparation for the implementation of the syndicated exclusivity rules and partly an opportunity to create new alliances. KIRSTEN BECK

THE CHANNELS ACHIEVERS

TOP MONEY MANAGERS

MAKING MILLIONS ON MEDIA

These top money managers, former analysts all, have used their research acumen to mine a mother lode in media stocks.

MARIO GABELLI

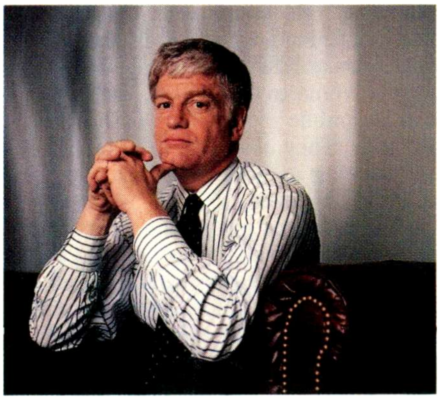
The Gabelli Group Inc.

Mario Gabelli likens money management to a game of baseball in which the ultimate outcome hangs in the balance of every pitch. "It's the competition of conceptualizing an idea, executing it by buying the shares, and counting the score in an open-ended game," he says. "But it's not a game. It's an awesome responsibility. I manage money for 850 clients ranging from the University of Texas to the Sisters of St. Joseph. It keeps you going, because you're like a doctor in that if you make the wrong incision, you can hurt someone. Not physically, but financially."

Gabelli's investors don't seem to be feeling any pain. Gamco Investors, Gabelli's money-management affiliate, has offered investors a 28 percent compound rate of return on their investment since its inception in 1977. Gabelli's intensity, dedication and smarts have resulted in a five-year record (through year-end 1988) that makes him number one among equity advisers tracked by CDA Investment Technologies.

Gabelli credits his stock-picking savvy in no small part to his ten years as a media analyst. "When you have a hands-on understanding of the fundamentals of an industry, you can anticipate certain trends that others who are coming in fresh just don't see."

Likewise, media stocks have been key to Gabelli's phenomenal success. Via the various investment vehicles that he manages, Gabelli is currently among the largest shareholders in United Cable Television, United Artists Communications, Chris-Craft, United Television, Warner Communications, MCA, Gulf + Western and Viacom. These companies simply fit Gabelli's clear-cut investment requirements: They are domestic companies that are throwing off a lot of cash and are selling at what he sees to be a discount to their fair market price.



Gabelli sees media stocks as key to his success.

Looking toward the future, Gabelli says he likes the growth potential of companies involved in programming software distribution, independent TV and plain old telephone service. Gabelli also says cable has been a "terrific" business and will remain so regardless of the outcome of the telco issue.

As for himself and his company, the 47-year-old says he would be happy with simply more of the same. "What else am I good at? I can't play golf—22 handicap. I can't jog—I have a bad knee. Fishing is okay for a day. I've got nothing else. I basically enjoy reading annual reports, visiting companies and watching guys like Sumner Redstone make tons of money. I'm going to do this for another 40 years."

PAUL NOGLOWS

GORDON CRAWFORD

Capital Group Inc.

In the midst of the financial world's herd mentality, predilection for quick profits and rampantly competing loyalties, Gordon Crawford has built a reputation for independence and integrity. He has also been a key player in the development of Los Angeles-based Capital Group Inc. into one of the country's most important media investors.

Under the influence of Crawford—a media analyst, senior vice president and director of the low-profile, employee-owned money management concern—Capital Group, with more than $35 billion under management, has become a major player in media. Crawford says it owns between 8 and 10 percent of every publicly traded cable company, and has become the largest institutional owner of just about every major Hollywood studio outside of Disney.

Crawford is not afraid to buy, knowing he may have to hold for the long term. Take the investments he has overseen into cable. He says he is prepared to stay with them for years, if necessary, until the stocks reflect what he thinks are the companies' true underlying values.

Crawford claims to be undaunted by potential telephone company competition because he expects no major regulatory changes for at least two years. And even if a recession hits—which he gives an even chance of happening before the year is out—he expects cable to do well. More than 95 percent of cable's revenues still come from subscriber fees, Crawford argues, and people tend to watch more

Crawford believes in cable for the long term.

PHOTOGRAPH (TOP) BY SHONNA VALESKA

TV during recessions, not less.

Given his bullish take on cable, it's not surprising that Crawford is bearish on broadcasters. It is one group, he posits, that never before had to face a recession (which can drastically hurt ad revenues) and, moreover, cope with an era of considerable audience fragmentation.

One of the reasons Crawford is so well-liked may be that, despite the size of Capital's holding, he never demands corporate directorships. He says it's to avoid divided loyalties. Nevertheless, cautions Roy Furman, president of investment banker Furman, Selz, "Woe to somebody [Crawford] finds is not being above board with him," even if the company's stock is doing well.

Case in point: Earlier this year, Crawford had few qualms about dumping his 10 percent position in one high-profile company after its management took a major step contrary to plans they had previously presented to him.

"As soon as I questioned the veracity of management," Crawford says matter-of-factly, "I didn't want to own it anymore. Period. If I don't have faith in the people who run a company, it's hard to trust the numbers they give out." NEAL KOCH

HARVEY SANDLER
Sandler Capital Management

Harvey Sandler isn't afraid to put all of his eggs in one or two carefully chosen baskets. "I am not a believer in diversification," says the self-assured, 47-year-old Sandler. "Nobody amasses wealth by diversifying."

That strategy, considered risky by some, has paid off handsomely for Sandler and his investors. His main investment partnership, Sandler Associates, has in the nine years since its inception grown in value 2,524 percent, from $4 million to $290 million, while providing investors with a compounded rate of return of 34 percent. More than 90 percent of the fund is invested in cable TV and cellular communications issues. Thirty-nine percent of all Sandler's funds are spread across three companies: Multimedia, TCI and LIN Broadcasting. "We don't mind focusing in on specific parts of the media business that are attractive over the intermediate term," Sandler says. "We don't have to be in TV, radio and magazines. We simply view cable and cellular as businesses that we want to be in."

Sandler's other investment vehicles—Sandler Capital Management, which represents $225 million spread over 40-odd accounts, and SCM Limited Partners, a new, $28 million fund invested in just three unnamed stocks that Sandler believes are ripe for restructuring, leveraged buyout or sale—are likewise media-based.

Sandler remains bullish on cable and cellular

Sandler, personable and well-liked on Wall St., shrinks from the label of money manager. "I don't view myself as being in the stock market, or being a money manager," he says. "I'm in the media business." He elaborates: "We're not doing anything a whole lot different than what Bass or KKR were doing when they bought Wometco and Storer. We're doing it in the public arena whereas they did it privately. They used a lot of leverage and we're using a little bit of margin, but really it's the same thing."

In addition to his public investment partnerships, Sandler has been involved in a number of private deals. In 1985, he backed C4 Media and helped grow the company from 8,000 cable subscribers to 74,000 before selling out to M.L. Media Partners in the fall of 1987. He says venture funding and private investment are areas in which he would like to see his company play a more active role in the future.

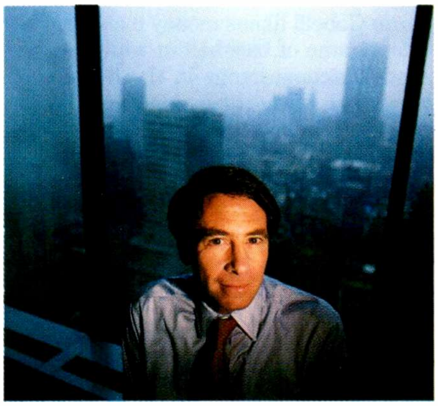
Sandler attributes his success to the strength of media stocks and to the 13 years he spent as a Wall Street media analyst. "It's hard to be wrong in media over the long run," he says. "Analysts know how to listen to what companies are telling them," he says. "If you listen hard enough, it's not difficult to make wise investment decisions." —P.N.

RICHARD REISS
Cumberland Associates

When picking a media stock, Richard Reiss, managing partner of Cumberland Associates, asks himself two basic questions: "Would you in fact pay the prevailing stock-market price to own the entire company? And if you did and you financed it prudently, would you earn the kind of returns that would justify your owning that business at that price, or would you be better off putting your money elsewhere?" If the answer to those questions is yes, there's a good chance the stock will make it into Cumberland's investment portfolio.

Reiss is, among other things, responsible for his firm's high profile in media stocks. Of Cumberland's $600 million of assets under management, $120 million to $150 million is currently invested in media. And half of that is in cable. But while the former media analyst's bailiwick has remained media since joining Cumberland in 1977, he shares investment responsibilities with five other partners who manage investments in a multitude of other industries.

Diversification is the cornerstone of Cumberland's strategy. "We're not big leverage players here," Reiss says. "We aren't looking for the maximum result from every investment. We like diversifying within a group—owning ten or 11 cable companies as opposed to just two or three. We like owning not only cable, cellular and newspaper but also some airlines and some banks. We're not smart enough to know when the music is going to stop in terms of any one business. We're trying to maximize results while reducing risks."



Reiss likes his media portfolio diversified.

Even so, media remains integral to Cumberland's success. Its $80 million Long View Partners is the most heavily media-based of its investments, with about 45 percent of its assets in media-related business. Since inception, the partnership has earned investors cumulative appreciation of 19.8 percent.

Reiss's current favorite stock is ATC, Time Inc.'s 82 percent-owned cable subsidiary. "I'm buying ATC at what may represent a little bit of a premium to the other cable companies," admits Reiss. "But the Time-Warner merger is the catalyst that is going to ultimately cause the reacquisition of the minority interest at a fair market price."

As for the future, Reiss' contrarian streak shines through: "It's difficult to say where we'll be six months to a year from now. If the market takes cable companies and gets very excited about them and values them at 90 percent of their private-market value, we'll probably own a lot less. If the market gets very disappointed about phone companies or reregulation on the part of Congress, we'll probably own more." —P.N.

PHOTOGRAPHS BY SHONNA VALESKA

United Artists Communications, Inc.

has merged with

United Cable Television Corporation

to form

United Artists Entertainment Company

We acted as financial advisors to
United Artists Communications, Inc. in this transaction.

Bear, Stearns & Co. Inc. **Daniels & Associates**

June 1989

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Pilson's Progress

The CBS Sports boss has been waiting years to test a "Big Events" strategy. Now Larry Tisch is counting on it.

The CBS Series: Boffo or Bust?

by Adam Snyder

For the past seven years, every time producer Bob Dekas ran into CBS Sports president Neal Pilson—in the halls, at the water fountain, in the men's room—he'd badger his boss about baseball. "Can't we get something," he'd plead, "the Hall of Fame Game, the College World Series, anything?"

To Dekas, who played for the Mets' Class A farm team and has produced baseball for both ABC and ESPN, it seemed a cruel twist of fate that he now worked for the one major television network shut out of America's favorite pastime. "Baseball is in my soul," he lamented, "and CBS didn't have it."

For a long while it didn't seem likely that it ever would. After all, NBC had been televising baseball for more than 40 years, and for the previous 14 had been sharing post-season games with ABC. It would take a mammoth effort, to say nothing of a huge chunk of cash, to wrest away even part of the action, and CBS's recent history offered little ground for optimism. Since taking over CBS, Laurence Tisch had, at times, appeared more interested in building the CBS bank account through asset sales than in buying expensive programming. Last year, CBS's pre-tax investment income ($185 million) was almost as much as its operating profit ($232 million).

But a fan's hope defies logic. "Whenever I'd bother Neal about baseball he'd always give me a smile or a wink, which in my mind meant to hang in there, that one of these days it was going to happen," says Dekas.

Last December 14 it did happen, and in a big way. In a move that shocked the TV industry but brought smiles to the owners of sports teams everywhere, CBS agreed to pay $1.06 billion for a four-year package beginning in 1990 that includes the All Star Game, twelve regular season games a year, the two League Championship Series (LCS) and the World Series.

In fact, there was nothing sudden about CBS's coup. Since taking charge of CBS Sports eight years ago, Neal Pilson has been laying the groundwork for what he calls a "Major Events Strategy," an effort to acquire rights for championships in every major sport. "We wanted to take the glut of events during the regular season and use it to our advantage," says Pilson. "Ratings per game in various sports may have declined, but totals have risen because more people are watching more sports on more channels. When you get to the post-season in each of these sports, if you're the only carrier, you get everyone."

For the 49-year-old Pilson, today the dean of Big Three network sports chiefs, baseball has been the centerpiece of the long-range strategy. "Right away Neal defined baseball as an important property," remembers Jim Rosenfield, chairman and CEO of John Blair Communications Inc., who has known Pilson for more than 25 years and who as a CBS senior v.p. in the early '80s was Pilson's boss. "Even if he didn't get the contract at the time, he began building relationships with Major League Baseball by participating in negotiations. He established that he was a man of his word who recognized baseball's value and would always be a player when it came time to renew the contract."

Pilson's tenacity finally paid off. Unlike in 1980 and 1984, when CBS was a prime time ratings leader, this time when the baseball contract came up for renewal, Pilson had the advantage of working for a network that was trailing leader NBC in ratings and profits by a wide margin. A blockbuster like baseball would have added value to CBS. The LCS, for example, can be counted on for an average prime time rating of about 17. To a first place network, which can easily capture that kind of rating with its regular programming, it's much more difficult to justify the huge

PHOTOGRAPH BY FOCUS ON SPORTS

Pilson in Yankee Stadium: Will his strategy bring CBS back to life or cost it $75 million?

expense. But CBS, with an average prime time rating of less than 13, has more to gain.

Pilson says that in addition to the potential turnaround in CBS's position, equally important was the fact that baseball changed the nature of the proposed deal. "In 1984 we didn't have the opportunity to bid on the entire package," he says. "This time there was a clear opportunity to become the only baseball network. All of us recognized early on the kind of number it would take and felt it was worth it."

Whether it was worth it remains to be seen. The consensus is that CBS could lose as much as $75 million a year on the deal—a huge sum, equal to almost a third of CBS's 1988 profits. CBS denies that its losses could be that high, and Pilson succeeded in convincing the man at the top, Laurence Tisch, that the pact would be a pivotal step in a CBS turnaround. "There was a time when we weren't even in the running," recalls Rosenfield of the pre-Tisch era, "when it was obvious we didn't have the commitment to really get in there and fight for events. Now Neal has the commitment, and he certainly has the desire."

The day before the winning bid was announced, each of the three networks were given a document on which to write down any or all of four different bids: for the entire package; for a package that would, like the current pact, alternate between two networks; for the entire package minus the LCS, which would then be sold to cable; and an a la carte option in which bidders could pick and choose any individual season or postseason component. Pilson eagerly wrote "$1.06 billion" on the first option, and the entire package was his.

By all accounts, Pilson worked tirelessly to synthesize the miles of research and number crunching that led to the baseball deal and to present it to Tisch and CBS Broadcast Group president Howard Stringer persuasively. It is thus likely that, ultimately, Pilson's reputation will be judged on its success or failure. What is not in doubt, however, is that with this contract, Pilson has succeeded in implementing his strategy. In 1990, CBS will televise both baseball League Championship Series, the World Series, the Super Bowl and the NBA and NCAA basketball championships, along with college and pro football and events including U.S. Open Tennis, the Masters and the Daytona 500. NBC and ABC are left with what remains—ABC with Monday Night Football and other events such as golf tournaments, and NBC with its package of American Conference NFL games, Wimbledon, boxing, the *SportsWorld* anthology and specials such as the Tour de Trump bicycle race.

With all its programming, CBS Sports will soon have to open its purse wider and hire additional big-name sportscasters. For baseball, CBS's Brent Musburger is going to be paired with ABC's Tim McCarver, but two additional teams of announcers, for a backup game and the pregame show, must be assembled. Without a baseball analyst, Pilson acknowledges, "we'll have to

PHOTOGRAPH BY JAMES McGOON

go outside for some talent." But personnel is actually the least of Pilson's concerns. New contract talks begin this fall for the NCAA, the NBA and the NFL, all of which expire in 1990. Will NBC and ABC really allow CBS to monopolize network sports programming into the '90s? Few think so. "Now the shoe is on the other foot," says Peter Lund, president of Multimedia Entertainment, who was president of CBS Sports in 1985 and 1986 under Pilson when Pilson was Broadcast Group executive v.p. "The other two networks very much need sports programming. I'd almost guarantee you that when the smoke clears either ABC or NBC will own the NBA."

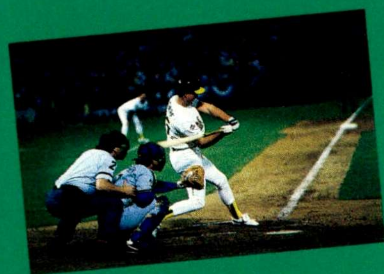
Seth Abraham, HBO's senior v.p./programming, operations and sports, agrees. "I'd say NBC and CBS will be in a real dogfight for either the NBA or the NCAA or both," he says. "Neal really knocked the wind out of NBC. Still smarting, they need programming."

"It will be interesting," says Arthur Watson, who has stepped down as president of NBC Sports to spend a final year before retirement in charge of upcoming bidding for college and pro football and basketball and the 1994 Winter Olympics. "We've never bid on the NBA or college football because of scheduling conflicts [with baseball]. We'll now look at these properties very differently." But don't ignore Pilson either. Although he is almost always described as a gentleman and a man of integrity, he is also intensely competitive. "A very competitive person like Neal never enjoyed seeing ABC trumpet themselves as the sports leader worldwide," says Stringer, Pilson's boss. "Neal has made it so we can do a little boasting of our own. He won't like it if we backtrack."

Stringer also describes Pilson as a "Rock of Gibraltar in a sea of troubles," referring to recent CBS turmoil. Pilson is one of only a few holdovers from the pre-Tisch era to have earned the ear of the chairman, and Pilson clearly took advantage of that access in pursuing his sports strategy. "Neal has just the right personality and temperament to survive and prosper at CBS," notes HBO's Abraham. "Someone like Roone Arledge, with more flare and showmanship, might not have done as well. With his French shirts and cuff links, which seem to be *de rigueur* with the Tisch crowd, Neal fits right in."

"Neal has earned respect at CBS," says Barry Frank, another former CBS Sports chief, now senior corporate v.p. of International Management Group, the largest sports marketing company in the world. "He anticipates questions. He's not a hip-shooter." And, earlier this year, when the presidency of the CBS Broadcast Group was up for grabs, Pilson was considered a top contender, although the decision to use sports as a means to move CBS up from the ratings basement may have hurt his chances. "If you're going to rebuild a network through sports," notes Abraham, "the last thing you want to do is change your sports division head in the middle of that strategy." But that doesn't mean Pilson has reached the apex of his career. "He's a cool, analytical manager," says Roger Werner, president of ESPN, which spent $400 million for its own annual package of 175 baseball games. "He's an executive first and a sports person second."

In 1990-91, for the first time, one network—CBS—will air The World Series, Super Bowl and NBA Finals, pro sports blockbuster events. Like ABC in the '70s, CBS is betting that it can leverage strong sports franchises into a prime time ratings recovery.



PHOTOGRAPHS (LEFT AND CENTER) BY FOCUS ON SPORTS

Pilson is a no-nonsense businessman/lawyer who eschews hobnobbing with the on-air stars of CBS Sports in favor of getting the job done. "There may not be a lot of laughs with Neal," says former CBS president Bob Wussler, now Turner Broadcasting executive v.p., "but he knows how the company works and he's been very successful in turning CBS Sports around." The six-foot, 190 pound Pilson may be all business, but he's also a fan. When asked about his college days as a basketball player, he breaks into a rare grin, takes off his glasses as if to prove there is an athlete behind his sartorial exterior, and says simply, "I love sports."

When Pilson joined CBS Sports 13 years ago the division was floundering. It was just coming off a scandal in its supposed "Winner Take All" tennis tournament and was an acknowledged sports midget. Enter Pilson, with extensive negotiating experience. After receiving a law degree from Yale in 1963, Pilson worked in private practice until 1968, when he began a six-year stint at Metromedia negotiating contracts. He then headed the William Morris Agency's New York law department for 18 months before joining CBS Sports as director of business affairs. "I've always been a sports fan," Pilson says, "and when the opportunity came to combine sports with the law, I took it." Even then he had an idea of where he wanted to take the sports division if given the chance.

But of late, Pilson has had to defend his prodigality against critics alarmed that he is responsible for a new round of escalation in the fees for sports' TV rights. Pilson has been atop CBS Sports since 1981, the year CBS pilfered the NCAA Basketball Tournament away from NBC for $48 million over three years, a 78 percent increase. In 1986, CBS retained the NBA contract by doubling its payment under a new four-year contract, and last year Pilson agreed to pay $243 million for the right to air the 1992 Winter Olympics in France, a bid $68 million more than NBC offered and $43 million more than what the International Olympic Committee later said it would have accepted.

Although NBC Sports' Arthur Watson has now called a halt to his sniping, he has been Pilson's biggest critic. At the time of CBS's Olympic bid he was quoted as saying, "They gotta be out of their minds," and now he simply calls the baseball bid "unbelievable." To Watson and others, Pilson's recent actions seem not only irresponsible but even a trifle duplicitous, given that it was just five years ago that Pilson, in a major speech, warned that sports rights-fee escalation was suicidal for the networks. "Clearly, we are back in a time of escalating fees, and Neal has to take some responsibility for that," says Multimedia's Lund. Meanwhile, those on the other side of the table can barely restrain their glee. "Sure, baseball will help escalate fees overall," says Dick Schultz, NCAA executive director, whose contract with CBS runs out next year. "We're expecting a substantial increase."

Pilson denies that costs are escalating like they were in the late

Sports Bill of Rights

EVENTS	NETWORK	DESCRIPTION	CONTRACT EXPIRATION
Olympics	CBS	1992 Winter Olympics	
	NBC	1992 Summer Olympics	
	SportsChannel	1992 Summer Olympics	
NFL Football	ABC	16 Monday night games and 1990 Super Bowl	All contracts expire after 1989 season.
	CBS	16 Sunday afternoons and NFC playoffs	
	NBC	16 Sunday afternoons and AFC playoffs	
	ESPN	8 Sunday nights and Pro Bowl	
Major League Baseball	NBC	26 regular season games, 1989 All-Star Game and both League Championship Series	1989
	ABC	8 regular season games and 1989 World Series	1989
	CBS	12 regular season games, All-Star Game, both League Championship Series and World Series	1990–1993
Major League Baseball	ESPN	6 games per week on Sunday, Tuesday, Wednesday and Friday nights	1990–1993
NBA	CBS	16 regular season games, at least 20 playoff games and championship series	1990
	TBS	50 regular season games and at least 26 playoff games	1990
NHL	SportsChannel	Over 200 national and regional telecasts and Stanley Cup playoffs	1992
NCAA Basketball Tournament	CBS	At least 20 playoff games	1990
	ESPN	20 first-round games	1990
Horse Racing	ABC	Triple Crown	1992
	NBC	Breeders' Cup	1994
Auto Racing	ABC	Indianapolis 500	NA
	CBS	Daytona 500	1993

Note: Rights for regular season college football and basketball are split between many networks, syndicators and cable systems. This is a sampling of rights holdings of major events.

1970s, pointing out that Olympics contracts have leveled off and that the CBS contract with the NFL renewed two years ago actually represented a decrease. Even more disturbing to many in the industry, however, are the huge deficits competitors say CBS is willing to ring up. Both NBC and ABC admit that even with significantly lower per-game costs, they'll lose money on baseball this year. And should the unthinkable occur and the LCS and World Series be four-game sweeps, CBS's losses could hit nine figures. "My one concern for the rest of this year is that the World Series will go only four games," says Dennis Swanson, president of ABC Sports, which will air the 1989 World Series.

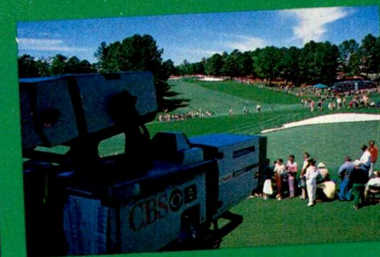
Yet despite the initial shock at such an imposing deficit, the consensus now seems to be that CBS did what it had to do. "They'll lose money," says Paul Bortz, a Denver-based consultant whose clients include the NBA, Major League Baseball and Capital Cities/ABC. "But what is the value of having a huge audience every fall to promote the new season? That's something no one has put a dollar figure on."

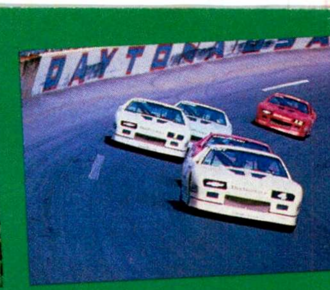
"It's an expensive gamble, no question about it," says John Tinker, Morgan Stanley media analyst. "It's not the same as signing a star like Dolly Parton, where you can pull out and take your losses after a year if it doesn't work. But CBS has to gamble. All they are is a network, and if they're not willing to gamble on programming they may as well give up."

Even Pilson is unable to say with a straight face that baseball will actually be profitable for CBS, and Stringer admits that the best they could do when they ran the numbers was break even. The CBS brass likes to talk about what Stringer calls "the invisible elements of promotion and prestige." Undoubtedly, CBS will benefit from having access to between 40 and 50 percent of the TV audience—the masses that watch the World Series and will watch the accompanying promotional spots for the fall season. "For 40 years CBS has had to start the season against the World Series," says Pilson. "Now let the others chase us for awhile."

"You don't have to be a Phi Beta Kappa

Rights fees are also rising for a host of important events, like the Masters, U.S. Open Tennis and major auto races. With these attractions as well as its top tier of major professional events, CBS could soon market itself as America's Sports Network.





to understand that baseball will be valuable to CBS," notes Chuck Howard, who used to be ABC's top sports producer and is now executive producer for sports programmer Trans World International. "The consensus is that there's no way the baseball deal will be profitable. But what's the rub-off value for their prime time lineup? Only time will tell." Moreover, Pilson argues that the value of post-season baseball in its entirety is greater than its individual parts. Since the LCS and World Series have aired on different networks, this will be the first time that the World Series will be promoted during the LCS, something CBS hopes will boost ratings. Pilson also thinks that ad revenue will be enhanced by CBS having the only game in town when it comes to October baseball. "The exclusivity that we acquired more than covers the increases we're paying," he says.

That remains to be seen. Steve Grubbs, senior v.p. for national broadcast buys at BBDO, doesn't anticipate that his clients, including sporting-event perennials Gillette and Chrysler, will necessarily pay more just because both events are on CBS. "On the surface, it doesn't seem to me that there is a big advantage to our clients to have one network televise the entire post season," he says. But others believe CBS is trying to emulate the ABC of the '70s, when it used a virtual Olympics monopoly and *Monday Night Football* to vault from the network basement. CBS brass scoff at this comparison, insisting that their sports strategy is only one component of a broader plan to regain the ratings lead. "We believe sports will be important, but we're placing equal emphasis on news and entertainment," says Laurence Tisch.

This lends further credence to the theory that CBS cannot make money on some of its blockbuster sports acquisitions, particularly baseball, and that their ultimate value will depend on the quality of the entertainment programming CBS is able to promote during these popular events. "Neal has more than successfully run his leg of the relay race," says HBO's Abraham. "Now, as he passes the baton on to [CBS programming head Kim] LeMasters, it is up to LeMasters to win the race."

There's a body of opinion, however, that believes CBS has overestimated baseball's promotional value. "The World Series may get a 40 percent share," says ABC's Swanson, "but that means 60 percent are watching the rollout of someone else's fall lineup. Who makes or break prime time anyway? Women, the very opposite of baseball's audience. Promotional value can be an excuse for pissing away a lot of money."

Swanson has acted on those convictions, eschewing money-losing big events like baseball in favor of less spectacular but more profitable programming like the Indianapolis 500, the Tour de France and bowling, plus the long-running *Wide World of Sports* and *The American Sportsman.* Swanson has already bowed out of the bidding for the 1994 Winter Games. "We're not the government," he says, referring to deficit spending. "CBS has its own strategy, and for them baseball and the Olympics made sense. But we have our own shareholders to answer to and we can't justify losing money week after week on anything."

As for NBC, although it is true that a major sporting event is less valuable to a network leader, it is not about to allow CBS to dominate network sports into the 1990s. "It's no secret we need programming," admits Watson, who few think intends to retire without eliminating the rancid taste left in his mouth by baseball's loss. Only by making off with one of CBS's important sports properties would he accomplish that.

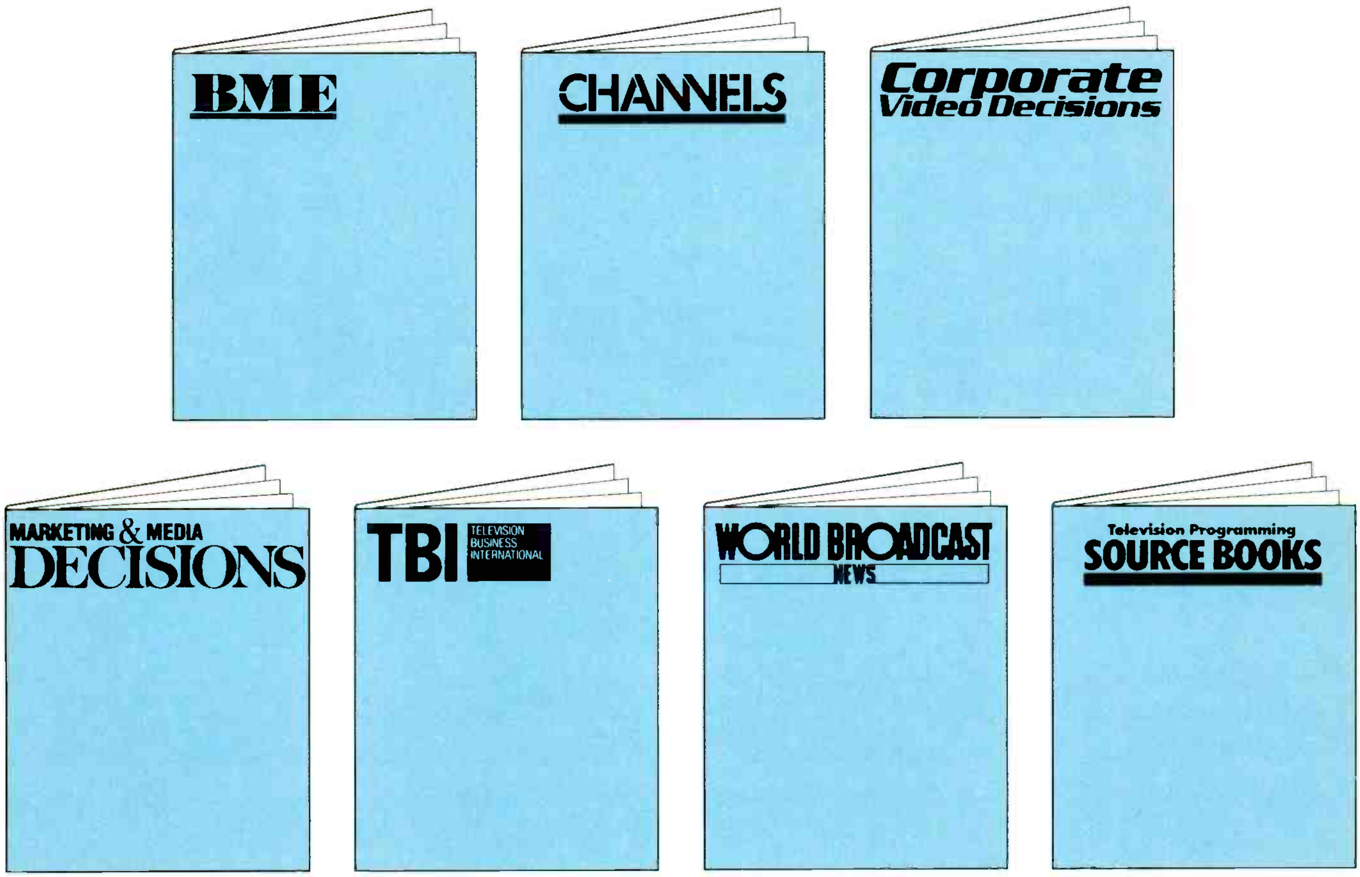
With the success of cable and independent stations at eroding the three networks' share (according to A.C. Nielsen, down from 80 percent in January 1982 to 69 percent in January 1989), a sporting event that can virtually guarantee a 30, 40 or, in the case of the Super Bowl, almost a 70 percent share of the TV-watching public has become increasingly valuable to the Big Three. In recent months NBC took the World Figure Skating Championship away from CBS with a bid of $5.5 million, more than twice what CBS was paying, and ABC agreed to pay $9 million for the 1991 Pan Am Games, up from the approximately $3 million CBS paid for the 1987 Games. And last November NBC outbid CBS for the 1992 Summer Olympics by at least $40 million with a whopping $401 million offer, even though sentiment then gave CBS an advantage since it would already be in Europe for the Winter Games. Some people feel that Watson snookered CBS into a low bid with his public outrage at CBS for its $268 million Winter Games bid. "CBS should have had the Summer Games too," says Blair's Rosenfield. "They didn't think it was going to take that kind of money."

According to Barry Frank, CBS also miscalculated the number of hours NBC would televise in prime time and therefore came up with a lower break-even number. "Just because CBS was figuring three hours per evening, that doesn't mean the others were," he says. Pilson confirms that the difference between three and four prime time hours may have given NBC a bidding advantage, but argues that ratings fall after 11 P.M. and insists that CBS would not want the Summer Games today even if they could be had for what NBC paid for them. Another chink in CBS's armor may be that it is the only one of the three major networks without a cable partner. ABC owns 80 percent of ESPN, and NBC has entered into partnership with Cablevision Systems, owner of SportsChannel America. Pilson claims that this is actually an advantage because, while ABC and NBC must go to their cable outlets when they want to lay off a sports package to cable, CBS, which will surely sell Olympic programming to cable, can sell to the highest bidder. Others disagree. "Where can he go?" asks HBO's Abraham. "Do you think Bob Wright or Tom Murphy would allow SportsChannel or ESPN to provide CBS with a chunk of money? As we enter the '90s, this will become an increasingly important liability to CBS."

But for the moment, the CBS brass seem pleased with the competitive position Neal Pilson has provided with his sports strategy. For a network that late last year experienced the worst ratings period in its history, the baseball and Olympics acquisitions have clearly done wonders for morale. "The only good thing about being in third place is that you can take risks," notes Howard Stringer. Only time will tell whether Neal Pilson's billion dollar risks will pay off for CBS. ●

Contributing editor Adam Snyder last wrote about the syndicated show USA Today *on TV.*

WHAT DO



HAVE IN COMMON?

Shouting Louder

Successful television promotion, whether broadcast or cable, is increasingly a matter of having the flashiest voice. Promotion people have to decide where they must draw the line.

It's no news that the once subdued television environment is today more like a sprawling, boisterous carnival. Where fairgoers once had but three attractions to choose from, now rows and rows of booths beckon to passersby, each trying to outglitz the other with new and exclusive rides and games. In the middle of it all, the carnival barker stands screaming himself hoarse, trying to lure patrons into one booth over another, and probably increasingly feeling like he's simply shouting into a hurricane.

At TV stations, and more and more at local cable systems as well, promotion executives are the ones walking around with sore throats. This month's In Focus section looks at the increasingly tough job of TV promotion, and the tricky questions promotion executives face. In "Turmoil Touting Tabloid TV," Richard Katz walks along the fine line stations find themselves straddling when promoting the current crop of hot, reality-based shows dubbed "tabloid" or "trash" TV. Oftentimes merely mentioning an episode's topic in a promo means the spot must be handled with care, and kept away from slots where children might be exposed. And if the topic is especially controversial, promotions must avoid taking sides or misinforming the viewer. Next, Kathy Haley reveals how local cable operators are rapidly adopting the sophisticated image-oriented marketing campaigns that local stations have been utilizing for years. Just as with the broadcast-news spots that have become promotional cliches, expect to see ads filled with folks from your local cable company—shot in soft-focused splendor—laughing and smiling and just being good neighbors. Finally, Neal Koch looks at the tricks of the trade in promoting off-network sitcoms. In last September's *Cosby* debut, promotion pros faced the task of their careers: getting viewers to a show that could make or break their station's finances. Having survived—or failed—the test, stations are now looking back at what went right and wrong, and using what they learned to prepare for the next crop of sitcoms that will debut in syndication in the next two years. ●

ILLUSTRATION BY BECKY HEAVNER

Turmoil Touting Tabloid TV

When, where and how to run on-air promotions for tabloid shows can be tricky business for station promotion executives.

BY RICHARD KATZ

Before any viewer ever gasped over an episode of *A Current Affair* or sobbed through an hour with *Geraldo*, promotion executives at the stations that run those shows faced the task of luring viewers to the oftentimes sensational programs without offending the rest of the television audience. Program directors can respond to viewers irate over a particularly shocking episode with some variation of the suggestion that they change the channel during that time period. But since sensationalist sound-bite teasers for tabloid shows can appear without warning during almost any program, promotion directors must judge just how racy they can get in promo spots. And given that far more viewers see promotions than see the actual shows, if the promos are exploitative or misleading, is the station doing a disservice to its viewers?

"Sometimes the easy way to get people to watch is to scare them" notes Lance Webster, executive director of the Broadcast Promotion & Marketing Executives association, "and as you get desperate for viewers, you tend to take the easy way out."

Yet the difference between good promotion and bad taste can be hard to distinguish when talking about so-called trash TV shows. "You have to be careful not to be so sensationalistic that you're misrepresenting who you are," warns Brian Blum, creative director, advertising and promotion at WCIX-TV, the new CBS O&O in Miami, which airs *Geraldo*, *This Evening* and *Inside Edition*. "At the same time, there's a fine line between being true to the show and trying to attract viewers, and basing your advertising on what you feel is acceptable."

WCIX, like most stations, prefers to save its promotion resources for promoting local news, so Blum typically runs the promotion spots supplied by syndicators for their shows, with the only discussion being about when and where the spots are aired. "If I am promoting a product that may not appeal to certain segments of the audience, I will try not to promote it in those time periods," says Blum. "I certainly would not schedule a *Geraldo* program about lesbian nuns and run it in my kids block."

Blum's approach is fairly typical. "We take whatever the syndicators send up and we put it on the air," says Gracelyn Brown, marketing/promotion director of WPRI-TV in Providence, R.I., an ABC affiliate that runs *Geraldo* and *Oprah*. Brown says her staff reviews all the spots before airing them to check for anything particularly racy, but she can't recall ever having yanked a spot. "We do try to keep most things like *Geraldo* out of *The Cosby Show*, and we certainly don't consider it appropriate for Saturday morning cartoons." The WPRI promo that offended the most viewers was not for a tabloid show but rather a commercial for the the theatrical movie *Child's Play*. The spot, which aired during *Cosby* and pictured a closeup of a hand gripping a knife, prompted four angry mothers to call the station promising they would never let their kids watch *Cosby* again.

Brown doesn't think that movie promotion is different from tabloid promotion or any other genre for that matter. She argues the purpose of a promo is to tease, to give the viewer only the juiciest bits of the show. "If you're doing your job correctly," she says, "the promos are put together in a way that is just as or more exciting than what people will see on the actual show. Promos have always been slightly more suggestive of the show because that's the way they're made to be. That's the very essence of promotion."

Even if the nature of television promotion has not changed, tabloid promotion throws a monkey wrench into the formula because the show topics, which are plugged in the promos, are often controversial. "The subject matter is a bit more salacious, with topics such as brothers who rape their sisters, and promoters find themselves doing what they've always done," says Brown. "At times we have to ask whether these are in good taste. Sometimes the shows aren't in good taste, so the promos are just representative of the shows."

Arthur Greenwald, creative director of CBS affiliate KDKA in Pittsburgh and executive producer of Group W's *Evening Magazine* (which is part of the cooperative that also produces *PM Magazine* and the more tabloidy *This Evening*), thinks that at times the promos have gotten out of hand. And he

Because of its large youthful audience, *The Cosby Show* is off-limits for tabloid promotions.

Stations had trouble finding the right promos for *This Evening*, hosted by Nancy Glass.

notes that even after the promotion mistakes are corrected, viewers tend to remember only the older spots that were in bad taste. In the process of shifting from promoting the relatively tame *PM Magazine* to the more sensationalist *This Evening*, Greenwald says, some of KDKA's promos veered over the edge: The switch from promoting light stories about waterskiing dogs to sensationalist ones investigating whether Marilyn Monroe was murdered took some getting used to.

"In putting a whole different category of stories on the air, a couple of stories and a couple of promos went too far," says Greenwald, "but we quickly caught ourselves. For some months now, all the Group W shows have struck a very comfortable balance. But the people taking offense today may recall the older promos. They don't think about television the way people who work in television think about it. They don't say, 'Well, that was on today, we'll see what's on tomorrow.' They see one promo and think, 'That's what the show must be like.' "

Louis Rapage, director of programming and promotion at KERO-TV, a CBS affiliate in Bakersfield, Calif., claims that his heavy use of Tribune Entertainment's on-air promotions for *Geraldo* has not only won the timeslot for the station (defeating *Oprah* in the process) but has led to a better relationship with the community. "One of the reasons I promote so heavily," says Rapage, "is that from time to time we get complaints about *Geraldo* being too racy for 4 P.M. By promoting the show in other dayparts, it allows the parent the option of not letting his kid watch that particular topic." Rapage says that the only place he will not run a *Geraldo* promo is during the Saturday morning kids block. "The promos have given me a buffer to respond to viewers," says Rapage, "and honestly, now we get very few complaints."

Another positive result of the questions raised by tabloid TV is that stations are now more careful to differentiate their news promotion from their tabloid promos. WPRI's Gracelyn Brown says her station has found, through focus-group testing and caller complaints, that viewers prefer news promotion when it's more down to earth, and generally the opposite of tabloid-style promotion. Many of WPRI's special news projects have become community-service oriented, including a campaign on cholesterol and a series on why parents should read to their children. "You can't live on a steady diet of devil worshipers and child abusers," says Brown, "and you don't want to hear [about such things] from your trusted friend the news anchor."

WCIX's Blum agrees: "Taste and the creative process [of promos] is very subjective, but I certainly would not promote my news or my news people in a sensationalist way. It would destroy my credibility." But in the area of tabloid promos, Blum says it's a moot point that more viewers will see his work than will actually tune in to the show. "This issue applies to all advertising. All advertising reaches more people and makes an impression on more people than the product does," he says. For example, Blum compares it with what happens when an advertiser tries to reach three million people. "Obviously, three million people are not going to buy the product," he says, "but you're trying to entice those who may not know about your product or [in the station's case] may be interested in a specific topic to try it one or two days."

Says WPRI's Brown, "You put a promo together and place it on a schedule to collect the most impressions you possibly can. Tabloids aren't any different. Yes, people are subjected to tabloid things they wouldn't necessarily have been before," she continues, "but they're also subjected repeatedly to *Friday the 13th Part 8*."

Tabloid-style promotion will be around as long as there is tabloid TV. Promoting the snappiest moments from shows, in hopes of making them appear more shocking or exciting, is nothing new. But perhaps there is a larger issue to consider. "Questions like where to place promos, what's in good taste, are we taking only the best bits—those are timeless questions," says Brown. "But the question beyond that is are people desensitized to this, and is it turning them off to the shows and stations?"

Douglas Friedman, vice president of advertising and promotion for TeleVentures, a company that syndicates *Hunter* and *The A Team*, says, "I wouldn't label the [tabloid] spots unethical, but they do undermine society's morals by sensationalizing non-mainstream behavior and values." On the other hand, Friedman, who will chair a BPME panel titled "Ethics in Advertising and Promotion," has never heard of a promotion director resigning his position over having to run a particularly risqué *Geraldo* promo.

"They're capsulizing what's going to be on the show," says Friedman, "but it's always something like, 'Women who do nude back-flips on the city streets.' This is one of the great issues facing mankind? They are lowest-common-denominator shows and they correspondingly use lowest-common denominator promotions." ●

Righting Cable's Image Wrongs

Local cable is finally delving into the world of systemwide image campaigns and sophisticated cross-channel promotion to lure viewers. BY KATHY HALEY

The newest TV-image campaign in Raleigh/Durham, N.C., opens with touching shots of school children, families and local landmarks and then segues into an array of different programs and services that are offered to viewers. Shot on 35mm film with sharp, contemporary graphics, original music and custom lyrics, the spot reinforces the idea that this source of TV entertainment and news is a vital member of its community. It is a bright, youthful version of scores of sentimental image campaigns that have gone before it in this and other cities.

The difference is that this one is for a local cable system—American Television & Communications' Cablevision of Raleigh/Durham. ATC's new campaign, which is scheduled to run on 80 percent of its systems nationwide by year's end, represents the cutting edge in local cable promotion. More importantly, however, it signals a new attitude among operators toward the importance of using their own "airtime" to promote themselves to viewers.

Signs of the new attitude are popping up all over. Just this past May, the Cabletelevision Advertising Bureau unveiled a new version of its heavily used monthly tune-in kit. Instead of feeding operators spots for scores of different programs, the new kit zeroes in on just ten. It's an effort to better focus cable's on-air arsenal, instead of watering it down with too many messages.

Early this year, Continental Cablevision adopted a similar philosophy in its cross-channel approach to promotion. It now concentrates its firepower on a single network each week and limits its push to a rotating list of 13 networks per year.

ATC spent $1 million developing and producing the basics of its local image campaign, and the MSO is now customizing the ads for each of its systems.

Everywhere, operators are increasing the amount of commercial inventory devoted to self-promotion. At Viacom Cable, the percentage has gone from 7 percent to 15 percent. Continental upped its figure from 12 to 20 percent the first of this year, and ATC now recommends its systems devote an extraordinary 25 percent of local avails to promotion—as much as double what some systems had been using.

Cable gets warm and fuzzy, as in this system ad positioning Cablevision as a caring neighbor.

Why the sudden interest in on-air campaigns? One reason is the bad rap cable operators have gotten from Congress and the public, especially during the past year or so, according to Ed Bennett, former executive vice president for Viacom Cable and now the president of cable network VH-1. "Cable has gotten bad press recently for rate increases, yet viewers don't understand we're improving our service," Bennett says. "We don't want to go through a negative price-value conflict with the public."

Another reason is cable's mushy image in the minds of viewers. "When cable first sold itself, it sold HBO," says broadcast-promotional wizard Bob Klein, whose company Klein & created the ATC campaign. "The public didn't know what cable was, and the worst thing a business can do from a marketing standpoint is let the customer decide what its product is."

ATC researched its image problem, says Tim Evard, ATC's v.p./marketing, and found that 60 percent of consumers couldn't come up with the name of their cable company. In three of its larger markets, ATC asked community leaders how they felt about their cable companies and 70 percent said they didn't have enough information to comment. "We live there, but we don't tell anybody," Evard says. "We want a relationship with our consumers."

ATC's answer is a network-quality image campaign customized for each of its local systems, one that next year can be syndicated to other operators' systems as well. Operators may choose from two themes: "All the Things We Are" and "Coming Through." The campaign includes 15- and 30-second image spots that tout the diversity of cable networks offered by the system and that also reinforce the notion of the system as a good neighbor. The campaign's graphics and music can also be wrapped around tune-in spots and used in IDs.

Although ATC's image campaign probably isn't the first a local cable company has used, it is almost certainly the most extensive and probably the most expensive, Evard says. Lyrics by Bob Klein and music by composers Tom Scott and Rick Krizman, plus original photography, are being customized for each local system. Animation is from California Film, the firm responsible for CBS's prime time graphic look.

"What's exciting is that by the end of this year, most of our systems will have an on-air look indistinguishable from network or the best a local station can do," Evard says. "If we want to beat TV we have to look and act like TV."

Local operators aren't the only ones putting greater effort into their on-air image. The basic cable networks Lifetime and American Movie Classics both unveiled new promotional strategies early this year. Lifetime's is a new image campaign, created by the network and its ad agency, Arnell Bickford Associates, that pushes the idea that women share common experiences and that Lifetime's programming reflects many of them. AMC revamped its schedule to allow five minutes of promotional time between films and is filling that time with coming attractions, a contest promotion and other information about what's on the network.

And cleaning up its on-air look is only the beginning of cable's efforts to beat broadcast TV at its own game. Operators are also working to get a bigger bang for their on-air promotional buck by fine-tuning the way they use tune-in, image and ID announcements.

With hundreds of shows airing on 25 or 30 networks, the operators' biggest problem is deciding what to promote, explains Linda Maslin, director of advertising and promotion for Continental Cablevision. And because cable is a frequency instead of a reach medium, it takes a lot of spots to get a single message across. "We were in danger, if we kept going for quantity, of getting nothing done," Maslin says.

Continental conducted research with Arbitron and found it needs a 35 percent reach and 5 frequency for each of its promos to have an impact. To achieve that, each spot has to air 400 times per week. (By contrast, a TV station can achieve a 35 percent reach with a single announcement.) Continental then developed its "This Week One Network" strategy for cross-channel promotion.

The company urges its systems to pick 10 to 15 networks to promote each year and to concentrate on a different one each week, rotating them in and out on a three- or four-week cycle.

In a similar media-planning approach to on-air promotion, Viacom Cable came up with the best rotation for its tune-in campaigns. "We tell our advertising-sales department to treat the promotional department as if it's their biggest customer," Bennett explains. "We want them to come up with the best schedule, throughout all dayparts, for promoting what we have to promote."

Bennett believes that in two years, local cable operators will have full-time tune-in promotion managers who will take network spots and customize them for their own systems. A few systems that already customize tune-in spots use outside production houses to graft local IDs and jingles onto network spots. Fewer still do the work themselves, using local-access studios for production work. Most operators simply air the spots fed them by the networks each week and CAB each month, but change is on the way.

"Running a cable system during the 1990s will be totally different in terms of how we promote and communicate with our customers," Bennett says. "The whole notion of our being a utility medium will be dead." ●

Kathy Haley is a New York-based freelance writer.

A Cable Clearinghouse

The challenge of unifying the on-air look of a local cable operator is awesome when you consider the need to promote different kinds of programming on as many as 30 networks, as well as to create an on-air image for the cable operator that will leave viewers satisfied with the check they send each month. Most local systems don't have on-air promotion managers, and even forward thinking ones don't foresee adding them to their organizational charts for several years.

In the interim, Time Inc.'s American Television & Communications and promotional-consulting firm Klein & may have hit upon a working solution. A joint venture between the two companies is gearing up to customize spots provided each week by the networks for local systems' use.

Set to be operational next month, the new company will integrate network promotional footage with a local system's own music, graphics and slogans so that every tune-in spot will fit into the operator's overall on-air campaign. It will perform this task for ATC systems this year and open its doors to other companies by 1990.

Aside from saving operators the expense of gearing up to produce such spots in-house, the new company can act as a kind of clearinghouse for cable network promoters, according to Klein & president Bob Klein. "We'll be able to collaborate with the networks about what to heavy up on," Klein says. "Right now, there isn't much incentive for them to respond to a system's requests for special service, but with a whole group of systems asking for something, they'll know their material will be used."

The Klein-ATC venture will begin by providing about 40 spots per month, express-shipping them to operators on videotape. "We'll start out promoting what's on this month, then later move to what's on this week and eventually, what's on today," Klein says. Right now, most systems don't have the personnel and equipment needed to accept daily satellite feeds and then integrate the commercials into their schedules. They need to receive commercials about two weeks in advance of using them. "The next step will be getting the capacity for receiving feeds every day," Klein says, and the more systems get into selling local advertising, the easier that will be.

Klein and others believe cable is turning up the heat on its on-air promotional efforts to prepare for a more competitive future. "Broadcasters learned how to create audience loyalty for a collection of the least objectionable programming," Klein says. "They may say people watch programs, but then why do you have so many CBS and ABC Network affiliates ranking first in their markets while it is NBC that has the number-one prime time lineup?

"People watch channels, and as we head for more and more competition, a cable company will lose out if it doesn't have an identity." —K.H.

Campaigning for Serious Laughs

After spending a bundle for the latest hot-ticket off-network sitcom, station management must rely on promotion to bring in the crowds. **BY NEAL KOCH**

John Heinen's mandate weighed so heavily on him that the only solution, as he saw it, was to change the way people told time. That's because Heinen's television station, Atlanta NBC affiliate WXIA, had, according to one published report, paid about $102,000 an episode for rerun rights to *The Cosby Show*, the most expensive program in syndication history. (Heinen says that price is inaccurate, but declines to correct it.) Whatever the exact price, the job fell to Heinen, WXIA's vice president of marketing and creative services, to boost the station's ratings enough to produce an adequate return on that hefty investment. So he pulled out all the stops. Heinen says he blitzed more than 90 percent of Atlantans with ads on buses, trains, radio, "everything but direct mail," urging people to set their watches by "Cosby Time." That is, he sought to convince people to plan their days and nights around sitting in front of the tube at 5 P.M. weekdays, and, hopefully, remaining afterwards for the station's local newscasts.

Ratings rose more than 70 percent this past February over a year earlier for the *Cosby* time slot, reaching a 12 rating and 24 share, putting the station in second place. The 5:30 news ratings gained 20 percent, to a 12/22. Moreover, the demographic profile of WXIA's audience improved as well, putting the station in first place among women aged 18-54. Still, considering the station's investment in *Cosby* and the expectations built up by the show's syndicator, Viacom, some disappointment lingered at the station. WXIA hadn't taken over first place, and its audience share didn't match what the show had pulled in prime time on NBC. *Cosby* came in second behind market leader WSB's local newscast, which benefited from *The Oprah Winfrey Show* as a lead-in. Worse, only a fraction of the increased audience drawn by *Cosby* stayed with WXIA for its 5:30 news. "We would have liked to see greater household numbers, as well as the [improved] demos," Heinen says. "We didn't get the headlines in the local [newspaper] TV columns," headlines that might have said, "*Cosby* Devastates the Competition."

WXIA's experience highlights a conundrum facing station management these days: What does and doesn't work locally in promoting big ticket, well-known off-network situation comedies? It's a question of pressing importance, given the high prices paid by stations for today's network hits as they become available in syndication.

Syndicators routinely provide stations with packages of materials to use in promoting the shows locally, such as print ads and on-air promos that the individual stations can customize by adding their call letters or a voiceover. And off-net sitcoms are clearly doing well. After all, this year *Cosby*, the biggest ticket of all time, edged past *Oprah* to capture the number three spot in national syndication ratings rankings.

But, as WXIA's experience illustrates, all has not gone perfectly. Even some *Cosby* stations with ratings gains admit to disappointment relative to their investments, with some stations grudgingly conceding that they've learned lessons the hard way from their *Cosby* campaigns.

Heinen has already begun thinking about how to promote *Alf*, which his station has for fall of 1990. He says he will conduct a different kind of campaign for that show, based on lessons learned from his *Cosby* experience. Consider some details of his strategy.

Heinen began by running many of the on-air promos supplied by *Cosby*'s syndicator, Viacom. But he and his staff went beyond that to create their Cosby Time campaign, supplemented by other touches. To position the show as entertainment worth planning a day around, WXIA created and ran comic black-and-white promos in newsreel form showing, for example, housewives rushing through their housework to create the time to watch *Cosby* and kids bargaining with their parents by offering to give up cartoons to watch *Cosby*. In another spot, a "professor" explained the theory of Cosby Time. Accompanying ads ran on radio, trains, buses and billboards, targeted in particular to black audiences. "Our campaign was based on specific appeal to minority households," Heinen says.

Come fall 1990, WXIA will promote *Alf* heavily to men 18-49.

Heinen also targeted children, on the following theory: In a metered market with a high percentage of households with multiple television sets, children can still get to the show even if an adult controls the main viewing set. "Kids become more important beyond the diaries," says Heinen.

The campaign to introduce *Cosby* reruns on WXIA ran four weeks, reaching more than 90 percent of the market, says Heinen. "There was no way anybody didn't know what was there," he says. But, by Heinen's judgment, household ratings improved less than they should have for both the *Cosby* slot and the following newscast. On the other hand, Heinen claims that WXIA's share of black viewers rose by as much as 40 percent. In addition, he says, because viewers aged 50 and over defected to competing stations' newscasts, WXIA's audience grew younger. Nevertheless, Heinen gives the impression he views this as small consolation. Asked earlier this spring to take stock of the *Cosby* campaign and cite what he would do differently on his next sitcom promotional effort, he said, "We used a shotgun approach. In the future, we'll probably use a rifle.

What we will do when we introduce sitcoms in the future is figure out who might watch the thing, figure out who might watch this genre . . . . We will try to target those people who want comedy in the afternoon. You can't always take the network numbers for granted." So with *Alf*, WXIA will target its promos to men aged 18-49, since the show does well with males in its network slot on NBC. Heinen says the station also will market *Alf* as an alternative to talk and tabloid shows.

Philadelphia's CBS owned-and-operated station, WCAU, also thinks it has learned a major lesson from its *Cosby* effort, a lesson that it will apply to promoting other off-net sitcoms. The station already runs *Newhart* and has *Golden Girls* for fall 1990. WCAU scheduled *Cosby* at 5 P.M. to feed into its news, which begins at 5:30.

Despite the name recognition the show already had, says Dave Kenworthy, WCAU's director of creative services, "Our attitude was we had to let everyone know what this show was." The station began by playing on Philadelphia's claim to being Bill Cosby's home town by "renaming" the city

Lessons learned from *Cosby* will help *Head of the Class*.

"Billadelphia" and buying billboards that read, "Welcome to Billadelphia." WCAU also produced on-air promos that made use of the opening dance sequence from *The Cosby Show* and intercut Philadelphia residents, including local personalities such as city councilman Thacher Longstreth and a local d.j. The station also created an MTV-like spot to run locally on MTV and morning children's shows. Ads ran on TV, radio and cable. In all, says Kenworthy, the station spent about $500,000 on promotion. Ratings climbed markedly, but the station still couldn't take first place in the market away from WPVI in the 5 P.M. and 5:30 time slots.

Kenworthy says he took away several valuable promotional points from the experience. First, rather than going after the desired audience and trying to bring them to the time slot, he believes it's more effective to find out which groups of viewers are available at the time the show will run and then create and schedule promos to reach that audience. "In other words," says Kenworthy, "figure out how to work the room." Second, don't assume a show's popularity on the network will automatically translate into local ratings in reruns. "We've learned from this the attitude that we have to go out and sell it again." In addition to all this, Kenworthy says he's decided that the introductory campaign for a sitcom should at least be followed with—and possibly replaced by—a campaign that can only be launched once the show is on the air. Despite WCAU's success with the Billadelphia image campaign, Kenworthy now says he places a higher value on print and radio promotion of individual episodes on or close to their air dates. "I had a question," he recalls. "Which would be stronger—the personality or the episodes? Now I'm a firm believer in the episodes."

Toward that end, stations can make use of some services routinely provided by studios. For instance, says Jim Moloshok, senior vice president for creative services at Warner Bros. Domestic Television Distribution, Warner Bros. generally asks stations that have bought its shows for copies of their episode playback schedules, which it studies to find the specific episodes a large number of stations are scheduled to run during sweeps periods. Warner then constructs on-air promos for the sweeps period using excerpts from those shows. In addition, after all the episodes of a series have aired once in syndicated reruns, says Moloshok, Warner will suggest to its client stations ways of packaging the shows in theme weeks for easy episodic promotion, and provide on-air promos geared to those themes. For example, *Night Court* might be promoted with "It's Bull Week," for a series of episodes featuring the court-bailiff character Bull. The studio's shows currently in or planned for syndication include *Night Court*, *Growing Pains* (fall '89), *Head of the Class* ('90), *Alf* ('90), *The Hogan Family* ('90) and *Perfect Strangers* ('90). Such services may vary from syndicator to syndicator, depending on whether the seller sees enough upside to spend money on shows that they have already sold for cash.

For the most part, though, despite help from the syndicators who supply these shows, station promotion managers' most valuable tool will continue to be the sometimes painful trial-and-error education that comes from taking the initiative. ●

More Sound for Less

by Frazier Moore

Computer-generated music means more options. But does it sound like the real thing?

Thanks to state-of-the-art electronics, producers hungry for fresh music or sound effects for TV productions have an unprecedented amount of options to choose from. A host of new electronic ingredients can provide an earful of inventive sound—usually for a fraction of the cost of using studio musicians.

Take the theme for Fox Television's *The Reporters*. Thanks to an electronic process called sampling, a 1929 Royal typewriter, of all things, "plays" the music. "We took the sounds that the typewriter made—a key striking, the space bar, the bell ringing at the end of the line—and digitally sampled that information," says Edd Kalehoff of Manhattan-based Kalehoff Productions Inc. "We entered it into a device called a sequencer, and with this library of sounds in digital memory, we added melody and harmony and created the music out of it."

Kalehoff's client, Joachim Blunck, producer of *The Reporters*, is a fan of such newfangled gadgetry, which, he points out, can stretch the capabilities of traditional musical instruments, and create a whole new product as a result. "Say you wanted an oboe to play a certain series of notes, or a certain pitch, that's impossible for that instrument," says Blunck. "You could sample the oboe and make the sounds electronically. The computer doesn't *know* the oboe isn't capable of doing what you want, so it does it. You've then captured the essence of the instrument, but applied it in a more ambitious environment."

In other cases, electronics serves in a more literal fashion as it subs for certain instruments, or even a full orchestra. Viewers of this season's short-lived ABC series *Murphy's Law* would have been mistaken if they assumed the background music—say, a sassy saxophone solo cushioned in lush strings—had been played by an ensemble of living, breathing musicians, even though it might have sounded that way.

Instead, *one* lone musician-cum electronics-specialist, Jeanette Acosta, had replicated an entire orchestra in her Los Angeles studio, courtesy of a team of keyboard synthesizers (one for each instrument) programmed by a Macintosh computer. Once she was done composing the music and then programming each instrument, Acosta pushed a button, whereupon the computer triggered the "orchestra." Voila, it played as willingly as would a human ensemble playing full-tilt under a conductor's baton.

Acosta explains that, thanks to Musical Instrument Digital Interfaces, or MIDIs, the one-man-band is no longer a joke. "All the keyboards can be interfaced with one another," she says. "And they play simultaneously, just as if you had a number of players in the room, each at his or her individual instrument."

Computers still can't outperform an expert musician, says computer composer Edd Kalehoff.

As this phantom ensemble—maybe as many as 30 pieces strong—performed, the music went straight to a four-track master tape, which was then turned over to the series' producer for inclusion in the final soundtrack.

The advantage? Speed and flexibility, says Acosta. "Imagine the show's producer says for a certain segment of music, 'That doesn't feel quite right—can we change the flute to a clarinet?' The answer is yes, with just a bit of dial-twiddling. With live musicians, you'd have to bring the orchestra back in and start all over."

But Acosta doesn't regard this high-tech alternative strictly in practical terms. She believes that, aesthetically as well, electronic substitutes are more than equal to their human counterparts.

Perhaps not surprisingly, some of her peers think otherwise.

Despite the virtuoso capabilities of the computer, says Kalehoff, "If a musician spends 30 or 40 years perfecting his ability to play an instrument, I don't think a chip is gonna outperform him. Is the orchestra dead? *I* don't think so."

James McVay, a Los Angeles-based musician who scores for television, echoes, "If you were to put a digital sample of a cello next to a cellist, and listen to them at the same time, there's really no comparison."

Of course, there may be no comparison in cost, either. For instance, if a TV station news director went to McVay to get a theme recorded for *The Six O'clock Report*, the premium for real vs. faux orchestra could be substantial.

"Rates for, say, twenty pieces go anywhere from $2,000 to $6,000 an hour," says McVay, "with a minimum three-hour booking." On the other hand, forgetting overhead and his own time, the strictly electronic route "actually doesn't cost me anything, you know what I mean? If a charity asked me for a piece of music, and I was in to the charity, I could do it for free."

Saving money may be music to the ears of many producers, but how does the new technology sound to the musicians whose lives it continuously changes?

Notes Henry White, a spokesman for the American Federation for Musicians, "Around 1840, there was a great panic when the saxophone came in. It was gonna put the clarinets out of work because it was like a clarinet, only stronger. We adjust. You can't stop progress." ●

Frazier Moore is a New York-based freelance writer.

MEDIA DEALS

The Rattner Years

by Paul Noglows

As its star player moves on to Lazard, Morgan Stanley comes to grips with the loss.

Prominent investment bankers change jobs as frequently as free-agent ball players, but when Steven Rattner left his position as the head of Morgan Stanley & Co.'s media and communications group last April to take a job as general partner of Lazard Frères & Co., it was big news. In Rattner's case the transition was an event simply because of what the former *New York Times* reporter had accomplished during his tenure at Morgan. When he arrived in June 1984, his mandate was to build a finance group to take advantage of opportunities blossoming in media. He did just that, and in a big way.

In less than five years, through aggressive deal-making, he transformed what started out as a one-man show into a 15 person group that was among the most successful on Wall Street, with mergers-and-acquisition business totalling $15 billion and more than $4 billion of equity raised. Morgan became known for its media expertise, and in the process, Rattner established himself as one of the most respected media bankers and deal-makers.

Then, in April, that success story took an unexpected twist when Rattner announced he was leaving Morgan to join Lazard. Clouding his departure was the fact that three other well-known members of the group—Peter Currie, Ronald Beck and Mike Marocco—had also decided to defect within the same month. The members of the group concur that their decisions to leave were individually made and based on opportunities they had been offered: Currie the position of senior v.p. of finance at McCaw Cellular; Beck a principal position with Acadia Partners (a $1.4 billion investment partnership); and Marocco general partner of a newly created venture fund at Sandler Capital Management. But the buzz in financial circles was that there had been a falling out between Rattner and Morgan's management over the types of deals Rattner wanted to do—including more aggressive financings and a more liberal use of high-yield securities or "junk bonds." "We could see that Morgan was not willing to put financing resources as strongly behind the media group as we believed our business merited," says a former group member. "We were literally watching business walk out the door, business we had been offered and had to turn down."

Eric Gleacher, head of Morgan's M&A department and Rattner's former boss, does not deny that disagreements took place: "There were some deals that he [Rattner] wished we had done that the firm simply decided not to do." But he takes exception to the notion that the company was not fully behind the group.

Rattner: wanted a more aggressive home.

"We're 110 percent behind the media group," Gleacher says, "but there still can be differences of opinion over what business you do."

While Morgan's competition welcomes any disruption that may swing the balance of power on Wall Street (sources disagree as to just how much business will follow Rattner to Lazard), the company appears to have accepted the loss and is concentrating its efforts on moving the group forward. "Anytime you have a guy as successful as Rattner leave, it is a loss," says Gleacher. "But we're going to be just fine. We've come up with a very good solution to what was a very serious departure." Part of that solution is Rattner's replacement, Chuck Cory, a 34-year-old M&A specialist who has spent seven years with the firm. Although new to media, Cory is excited about the group and confident about the abilities he brings to it. "In many ways you can argue that the group is even stronger than it used to be," he says. "Now we have not only a bunch of industry experts, we have state-of-the-art financial skills as well. That's not meant to denigrate what we used to have, it's just we have a different mix now and, from a client's perspective, it's a better mix." So far the group appears on a positive course. "It's not as though the firm watched [Rattner] leave and laid down and said, 'You can walk all over me now,' " says a source close to the group. "They are about as active as they have ever been."

As for Rattner, it appears he has found a home where his aggressiveness and deal-making prowess can flow unbridled. If his work load permits, he may even move beyond media. "I think you'll find us very aggressive and very opportunistic in structuring transactions," Rattner says, "particularly those involving raising difficult kinds of capital like high-yield securities." ●

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

Falcon's Eye On Classic Kind Of Service

Falcon CEO Marc Nathanson warns cable against going Hollywood, and reveals the secrets of customer-service success.

The Falcon Holding Group, the nation's 17th largest MSO, with close to 650,000 subscribers, is actually six different partnerships, five of which involve institutional investors. One group is public, because, says Falcon founder, president and CEO Marc Nathanson, "Steve Rattner [former Morgan Stanley managing director] convinced us that was how we should raise money, and we never understood it and still don't, but it works very well." Nathanson is no novice, however: before founding Falcon in 1975 (at the age of 28), he had worked for Group W Cable (Teleprompter) and Warner Cable. Falcon operates "classic" rural systems in 23 states plus an urban system in the Los Angeles area, where it is based. Nathanson recently talked cable with Channels' *editors.*

Expanding in a Classic Fashion

This summer, we are starting a new income fund with Dean Witter to try to raise between $50 and $100 million, because as we see interest rates going up, buying cable systems with all cash might have an appeal. The fund is called Falcon Classic Cable Income Properties—we are moving more and more toward the classic cable business, and out of the urban business. Urban is higher risk, it has high churn and lots of politics and labor questions. Give me the classic system any day.

We love small towns—Middle America. Home towns where everybody came from, or someone came from. Our definition goes from Cedartown, Georgia, to Malibu, California. Those are both small towns under our definition of classic cable, because they need cable for basic television reception. Then we add all the satellite services. We are 86 percent addressable [in the public company], with 36 to 54 channels. We have put a lot of money into technology. And our operating margins, excluding the urban companies, are in the high 50s. In Los Angeles, they're in the low 30s. It's a different business.

Hollywood Finds Cable TV

It used to be, you'd go to a party in L.A., and all the people would be in the entertainment business, and they'd say, "What do you do?" And I'd say, "I'm in the cable TV business." They'd say, "Oh God, let's not talk to him," and move on. Now, that's all they want to do, is talk to cable.

They don't understand what we do, though, first of all: that I am concerned about whether we should buy Toyota or Ford trucks to see if our installers can get better mileage. They want to talk deals. So Spielberg and all the big movie people will call up and want to talk about programming ideas and what they can do. It's a very hot topic on the cocktail circuit.

Driving Programming Dollars

The cable industry will lose a lot of the quality of its programming—and I'm talking quality not from a public-broadcasting sense, but from a viewership satisfaction sense—if we try to make the creative decisions ourselves. But I think producers are going to have to wait until the cable companies stop buying systems, develop their cash flow, and then say, "Well, how can we get a 2 percent lift in subscribers? What programming, what channels, what *concepts* don't we have—for senior citizens, for women, for other groups—that we could get a lift in penetration from?" Then, there will be a lot more money going directly into programming from the cable community.

Small Operators Get Squeezed

There is going to be increased pressure from the programming services toward cable operators, and it's going to be a problem, especially for the medium-sized operator such as Falcon—those with under 1 million subscribers. Now, with the Time-Warner merger—which I think has many benefits for the cable industry—one of the questions is, if you have a new programming service, or you're going to give equity in your great new talk-channel idea, are you going to go to Time-Warner and TCI and then skip over everybody else? Because once those two commit, your channel is there; and you might give it to them for 2 cents [per subscriber]. Then you come down to Nathanson and to [Simmons Communications'] Steve Simmons and to [Cablevision Industries'] Alan Gerry and you say, "We have a rate card, and over 5 million subscribers it's 2 cents, but anything from 100,000 to 5 million, it's 20 cents per customer per month."

That has not happened. In a way, I think John Malone has been very benevolent toward the medium-sized cable operator. But I think a squeeze could occur. We are very conscious of it.

The Trouble with Telcos

I guess I've been in the business too long, because I always thought the telephone company was our enemy—

PHOTOGRAPHS BY AMY ETRA

you get these prejudices. I don't trust the telephone companies. And there's probably a lot of synergism. But I remember the days when we used to operate lease-backs, where the phone company owned the plant and the only way you could get on the poles was to make a deal with them to build it for you and lease it back. And every time we had a service problem, we'd call up the local [telephone] engineering office, because they maintained the plant, and we'd say, "We're out of service. Can you go over there?" And they'd say, "No, no, we have a telephone problem. That's our priority."

Addressable Convenience
We will be addressable wherever possible, and the reason is not pay-per-view—that is a small adjunct revenue source. The prime reason is that it's more efficient to operate. We use AMLs and microwave systems to connect five or six small towns that might have 2,000 subscribers apiece but are 20 miles apart. In the old days, if somebody wanted to change from Showtime to Disney, we'd have to roll out a truck, bring a new converter, give it to them and roll the truck back. Now we can just punch up the converter. We use it for marketing all the time: "You want to see Disney? You're going to see it tonight. Tell us what you think." The technology is very good for that.

Local Ads: The Next Frontier
Since I've been in the cable business, the first great development was satellites. The second was pay TV, because that gave us the second revenue stream. Everything else that happened was fine, but that was dramatic. The third great development is [local] advertising.

I am convinced—I am not a home shopping believer; I am not overly confident in pay-per-view as a major source of revenue—that 30 percent of Falcon's revenues five years from now will come from advertising sales. Even in the small towns. If the local car dealer wants his car to be on an NFL football game, and if his cost per thousand is effective—or maybe he doesn't even care about that, he just wants to be on an NFL game—he's going to be there. It works. We're doing a bang-up job, close to $3 million a year in our urban markets—on one system, albeit a very large system. And we are taking that experience and just now starting it up in our clusters of classic systems.

Those Lazy Agencies
If the media buyers at ad agencies—and my father is an old advertising man—weren't so lazy, and if they understood what was out there with cable and the attractiveness of the cable buy, we would have much more revenue today. It's a better buy, and the good research supports that. What you have, though, is a lazy network of media buyers out there, for whom it's much easier to call up their Petry or whatever rep and say, "We're going to buy the twenty major markets and this and that." Even though, from an advertiser cost-per-thousand, that is not a good move. We've got to break down some of those patterns.

'If the media buyers at ad agencies weren't so lazy, and if they understood what was out there with cable and the attractiveness of it, we'd have much more revenue today.'

Taking Stock in Cable
We have one public company. We came out at $20 a share. We pay a $2.15 tax-deferred yield, which is over 10 percent. Now, where are you going to invest your money and get 10 percent tax-deferred? And we continue to grow and our cash flow increases. What is our stock selling at two years later? The same $20. Something is wrong. What it is, is that we either don't tell the story well or Wall Street doesn't understand it. And maybe I don't care, because in the long run there will be an adjustment, and the private-public values will get closer.

The Customer-Service Bugaboo
We *have* to answer our phones in three rings. The first person they talk to *has* to be able to solve their problem. It cannot be a nightmare. People do not like their cable companies anymore.

In the old days, in the small towns, you'd call up your cable company and you'd talk to Sylvia. Sylvia knew everybody in town. She'd ask if your mother came home from the hospital and was the cable working. If not, she'd send Ray over there to turn it on. I mean, *that* was customer service. Now, we're getting 9,000 phone calls a month, not 90, in Pasadena, and it's more difficult to operate. But the same philosophy has to be there.

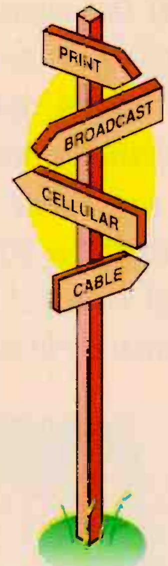
We have hired an outside research firm to survey every market that we have as to customer-service satisfaction, and we give rankings, and at our manager meetings we show every manager who is at the top and who is at the bottom. And they had better get off the bottom, because customer service and satisfaction is what we're all about.

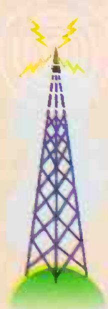
The Cable Promise
People can whine and cry about cable, but cable has really fulfilled the wired-nation promise of an abundance of programming. We can all say we don't like this or don't like that. But at 8 o'clock at night, if you live in Malibu, you have 54 different choices of what you can watch. You still might not find any thing you like, but there's 54 choices. That dream has come true. ●

RUNNING THE NUMBERS

Achieving on the Exchange

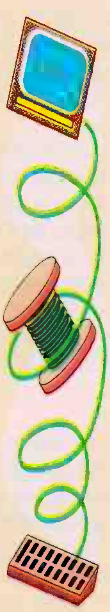
In all segments of the television industry, more companies saw their stock price improve over the past year than saw it decline. Cable programmers and MSOs fared best, especially CVN Companies, with its bullish market performance. In the diversified segment, companies with cable interests generally wound up with stronger stock values, while TV and radio broadcasters lost their footing.





Broadcast Television

	3/31/89	3/31/88	% Change
Chris-Craft	31.63	17.38	82.0
LIN Broadcasting	88.25	52.38	68.5
United Television	33.38	25.50	30.9
McGraw-Hill	67.50	53.88	25.3
CBS	173.50	156.38	10.9
American Family	17.00	16.25	4.6
A.H. Belo	26.00	51.63 A	0.7
TVX Broadcasting	3.25	3.25	0.0
Lee Enterprises	25.13	26.63	-5.6
Telemundo Group	6.00	6.75	-11.1
Liberty Corp.	35.50	45.00	-21.1
American Comm. & TV	.03	.13	-76.9
Average			9.0
S&P 500			10.3

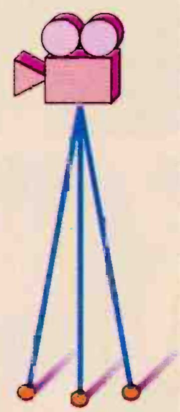


Cable

	3/31/89	3/31/88	% Change
CVN Companies	14.89	5.38	176.8
Rogers Comm.	111.00	42.50	161.2
Turner Broadcasting	26.25	15.25	72.1
ATC	43.25	25.75	68.0
Adelphia Comm.	26.25	16.75	56.7
Financial News Network	8.75	5.75	52.2
Time	115.88	85.25	35.9
Centel Corp.	65.00	48.25	34.7
Video Jukebox Network	2.69	2.00	34.5
Jones Intercable	16.50	12.63	30.6
Acton Corp.	19.88	15.25	30.4
Comcast	21.13	25.00 B	26.7
WestMarc	20.50	16.50	24.2
Cablevision Systems	39.75	34.25	16.1
United Artists Comm.	33.25	29.00	14.7
United Cable	38.00	33.25	14.3
TCI	30.00	26.50	13.2
TCA Cable	32.75	29.50	11.0
Falcon Cable Systems	19.88	18.25	8.9
Century Comm.	18.88	17.75	6.4
QVC Network	9.13	9.00	1.4
Home Shopping Network	5.75	6.13	-6.2
Nostalgia Network	1.13	1.31	-13.7
Playboy	12.88	15.00	-14.1
Maclean Hunter	13.00	23.00	-43.5
Average			32.5
S&P 500			10.3

Diversified

	3/31/89	3/31/88	% Change
Outlet Comm.	29.25	16.25	80.0
Viacom	39.38	22.75	73.1
Warner Comm.	46.88	30.50	53.7
Multimedia	88.75	63.50	39.8
Walt Disney	78.50	59.13	32.8
Gulf + Western	47.75	78.25 A	22.0
Tribune Co.	44.25	37.00	19.6
Meredith	30.50	27.25	11.9
Cap Cities/ABC	379.50	341.50	11.1
Knight-Ridder	44.63	40.25	10.9
General Electric	44.50	40.38	10.2
Gannett	37.75	35.50	6.3
Times Mirror	35.75	34.00	5.1
Jefferson-Pilot Corp.	33.75	32.50	3.8
Westinghouse	54.25	51.75	1.0
Park Comm.	28.00	28.00	0.0
Washington Post	211.25	218.50	-3.3
Stauffer Comm.	135.00	142.00	-4.9
News Corp.	19.50	20.50	-4.9
Price Comm.	7.13	7.88	-9.5
Great American Comm.	10.38	11.50	-9.7
New York Times	26.50	29.63	-10.6
Media General	34.00	41.00	-17.1
Scripps Howard	59.00	76.50	-22.9
Pulitzer Publishing	25.88	34.00	-23.9
Average			11.0
S&P 500			10.3



Production

	3/31/89	3/31/88	% Change
New World Ent.	6.25	2.75	127.3
Columbia Pictures Ent.	17.38	7.75	124.3
MGM/UA Comm.	16.75	9.00	86.1
All-American TV	3.13	1.87	67.4
Republic Pictures	9.50	6.38	48.9
Nelson Holdings	.69	.50	38.0
Aaron Spelling Prods.	7.63	5.75	32.7
King World Prods.	25.00	19.13	30.7
MCA	52.75	43.75	20.6
Prism Ent.	3.25	2.88	12.8
Fries Ent.	2.50	2.38	5.0
Orion Pictures	15.75	15.63	0.8
Vestron	5.88	5.88	0.0
Reeves Comm.	5.50	5.50	0.0
Carolco	9.25	9.75	-5.1
New Line Cinema	6.38	7.25	-12.0
Barris	8.88	10.13	-12.3
Qintex Entertainment	4.25	5.25 C	-19.0
Dick Clark Prods.	4.00	5.25	-23.8
Heritage Ent.	1.88	2.63	-28.5
WesternWorld-Samuel	0.01	0.25 D	-96.0
Average			18.9
S&P 500			10.3

Radio

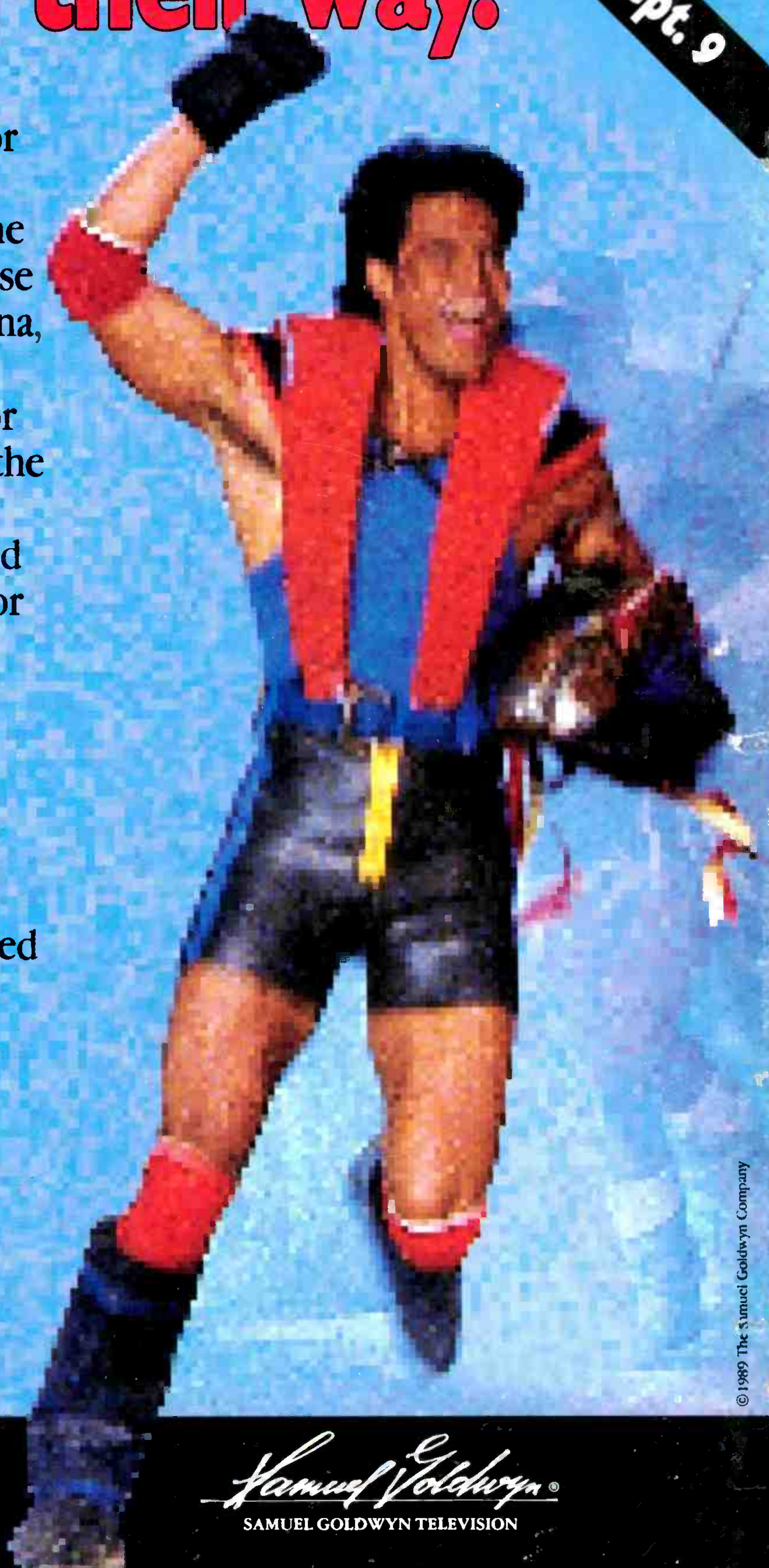
	3/31/89	3/31/88	% Change
Satellite Music Net.	5.31	3.88	36.9
Osborn Comm.	8.00	6.00	33.3
Durham Corp.	32.50	26.75	21.5
Jacor Comm.	6.00	5.75	4.3
Southern Starr	7.00	7.00	0.0
Sun Group	1.63	1.63	0.0
Clear Channel Comm.	13.88	14.13	-1.8
Olympia Broadcasting	2.50	4.50	-44.4
Faircom	0.50	1.13	-55.8
Westwood One	9.00	22.75	-60.4
Average			-6.6
S&P 500			10.3

A Two-for-one stock split, paid 5/88.
B Three-for-two stock split, paid 4/88
C 1988 stock price is Hal Roach Studios
D Average of high and low bid prices for 3/31/88

Source: Media Business News

Get in on the action or get out of their way.

Premieres Sept. 9



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